REAUTHORIZATION OF THE INTERMODAL SURFACE TRANSPORTATION EFFICIENCY ACT OF 1991 (ISTEA)

(104-77)

HEARINGS

BEFORE THE

SUBCOMMITTEE ON SURFACE TRANSPORTATION

OF THE

COMMITTEE ON TRANSPORTATION AND INFRASTRUCTURE

HOUSE OF REPRESENTATIVES

ONE HUNDRED FOURTH CONGRESS

SECOND SESSION

June 5, 1996 (Interstate Maintenance, National Highway System, Bridge, and Reimbursement Programs)
June 18, 1996 (Federal Transit Grant Programs)
July 11, 1996 (The Surface Transportation Program)
July 18, 1996 (Innovative Financing)
July 25, 1996 (Federal Funding Distribution Formulas)
July 30, 1996 (Metropolitan and Statewide Planning)

VOLUME II OF III

Printed for the use of the
Committee on Transportation and Infrastructure

U.S. GOVERNMENT PRINTING OFFICE
37-784CC WASHINGTON : 1997

H751-14

For sale by the U.S. Government Printing Office
Superintendent of Documents, Congressional Sales Office, Washington, DC 20402
ISBN 0-16-054182-4

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WEDNESDAY, JUNE 5, 1996

U.S. HOUSE OF REPRESENTATIVES,
SUBCOMMITTEE ON SURFACE TRANSPORTATION,
COMMITTEE ON TRANSPORTATION AND INFRASTRUCTURE,
Washington, DC.

The suhcommittee met, pursuant to recess, at 9:31 a.m. in room 2167, Rayhurn House Office Building, Hon. Thomas E. Petri (chairman of the suhcommittee) presiding.

Mr. PETRI. The suhcommittee will come to order.

This morning we continue our series of hearings on the reauthorization of ISTEA and turn our attention to several of the core programs which make up our Federal Highway Program.

Specifically, we will review the interstate maintenance program, the national highway system program, the hridge program, and the interstate reimbursement program.

We will examine the status and needs of the various systems which these individual programs support, the eligibility, transferahility, and other requirements unique to each program, and how these programs—if continued in the reauthorization hill—can he improved in the future.

Both the interstate maintenance and hridge programs have heen in existence for many years, and were not suhstantially revised in the ISTEA.

We are currently celehrating the 40th anniversary of the Interstate System and the construction of the interstetes is virtually complete. In fact, the interstate construction program funding expired last year. However, it is important to recognize that there are still suhstantial maintenance needs on this premier system of roads.

According to the Department of Transportation, almost 32 percent of the interstate pavsment was in poor or mediocre condition in 1993. ISTEA has provided close to $3 hillion each year for the maintenance and preservation of our previous investment into the interstates.

Today we will examine our continuing needs and whether a separete program should he maintained in the future, or whether, just as the interstate is a subset of the national highway system, this program should be merged with the national highway system program.

The other long-established program we will look at today is the bridge program, which under ISTEA has provided over $2.5 billion annually to replace or rehabilitate bridges located on any public roads.

It is true that many of our Nation's bridges are in poor condition. For example, 24 percent of the bridges on the interstate are deficient, while 28 percent of the "collector" system bridges are deficient.

The good news is that we are making progress, with the percent of deficient bridges decreasing from 28.6 percent in 1990 to 24.2 percent in 1994.

While most are highly supportive of this program, this morning we will also hear testimony regarding improvements that could be made in the effectiveness and focus of this program.

The other two programs we'll review this morning were newly created in ISTEA. I believe we're all familiar with the national highway system program and the basis for designating such a network of roads and establishing a dedicated source of funding for the system.

The reimbursement program, which went into effect only this year, became a part of ISTEA very late in the process back in 1991. The program was developed to provide $2 billion per year to reimburse States for the cost of segments of roads previously built by the States that were incorporated into the Interstate System back in 1956.

I want to note that in later hearings we'll review the two other major highway programs, the surface transportation program and the congestion mitigation and air quality program.

It's no exaggeration to say that we have one of the most distinguished lineups of witnesses that has appeared before this subcommittee.

We first want to welcome Federal Highway Administrator Rodney Slater.

Mr. SLATER. Thank you, Mr. Chairman.

Mr. PETRI. Who, although he accompanied Secretary Peña last month, is making his first official appearance as a witness at these reauthorization hearings.

We're always pleased to see Administrator Slater, and we certainly appreciate the dedication and spirit with which you carry out your duties as the highway administrator.

Next we'll hear from a panel of representatives from various State Departments of Transportation. They are the people who are primarily responsible for carrying out and implementing at the ground level the Federal program that we devise here in Washington. It's always helpful—in fact, it's necessary—to learn the perspective of the States in assessing our programs and where improvements can be made if they are going to be effective.

In a departure from the usual, we'll then hear from a panel of former Federal Highway Administration and State Transportation Department officials. I, for one, believe the experience of these professionals and the lessons they have learned during their tenures in their respective organizations enable them to give a frank and well-rounded assessment of the successes of our program today and where we should be headed in the future.

I know that Mr. Rahall will want to recognize the Appalachian Regional Commission chairman and ths West Virginia Highway commissioner.

Before yielding to him, I want to also welcome our remaining witnesses, including two from the State of Wisconsin, who represent various transportation interests and whose testimony is greatly appreciated hy the subcommittee.

I now yield to the ranking democrat of the subcommittee, Nick Rahall.

Mr. RAHALL. Thank you, Mr. Chairman.

Mr. Chairman, the hsarings we've had thus far on ISTEA reauthorization have been very informative, but today I think we're finally getting into the meat and potato issues of the Federal aid highway program.

The national highway system is the backhone of our Nation's surface transportation system. Of course, the interstates are a very important element in that system. Howsver, in States like my own of West Virginia, of almoet equal importance is the Appaiachian development highway system. With mileage in all of the 13 Appalachian regional States, ahout 72 percent of the designated 3,025-mile system has been completed—completed, I might add, through appropriations from the general fund of the Treasury, not the highway trust fund.

The enactment of the national highway system bill last year represented a fundamental shift in how these Appalachian highways are viewed. All but a very few miles of the Appalachian development highway system were included in the NHS. This is in testimony of their importance not just to a single region of our country, but to Nation, as a whole.

Forging their way through the hills and hollows of Appalachia, these highways are the lifeblood of many regione, making them accessible to the rest of the country. In short, they are the economic salvation of these areas.

However, the system ls not yet complete. While the inclusion of these highways in the NHS is a start, I bslieve that we must fully incorporate the Appalachian development highway syetem into the highway trust fund spending regime.

Toward that end, I look forward to working with the members of thie subcommittee in fashioning appropriate provision during our reauthorization of ISTEA.

I commend the excellent panel that we have—several panels that we have that will be presenting testimony today. I also join in welcoming our highway administrator, Mr. Rodney Slater. He has traveled our Nation's highways and by-ways, including in southern West Vlrginia. He has a true grasp of the highway needs of this county, and I commend the lsadership that he has hrought to the Federal Highway Administration by his hands-on involvement in these many issues.

I know we have many other distinguished panelists today, and I'll he introducing at the appropriate time, our Sscretary of Traneportation from my home State of West Virginia, Mr. Fred VanKirk.

Thank you, Mr. Chairman.

Mr. PETRI. Thank you.

Any other opening statements? Mr. Hutchineon?

Mr. HUTCHINSON. Mr. Chairman, I don't have an opening statemant, but I always like to take the opportunity to walcome my fellow Arkansan, Rodney Slater, our administrator of Federal Highway Administration, te be here and to be with us. I'm looking forward to reading and to hearing his testimony regarding not only the NHS and the bridga program but tha interstate maintenance program.

I know Rodney, fortunately, has driven I-40 from Little Rock to Fort Smith many times and seen all those orange barrels out there, and the importance of this program.

We appreciate the good job you're doing and the good job you're doing representing our State, as well.

Mr. SLATER. Thank you.

Mr. PETRI. Mr. Filner.

Mr. FILNER. Thank you, Mr. Chairman, and thank you for holding these hearings on tha reauthorization of ISTEA.

Mr. Slater, welcome.

Mr. SLATER. Thank you, sir.

Mr. FILNER. And welcome to the others. It's good to have you here.

Your continued presence at these hearings I think damonstrates this Administration's commitment to ensuring America's transportation future.

As we discuss innovative financing for our Nation's infrastructure, I want to just let you know about a bill that Senator Boxer and I are introducing today, which I think has that kind of innovative financing that we're all searching for.

With the passaga of NAFTA, our country is now taking in increased duties, merchandise fees, and revenues from other commerce-related activities. Our proposal that we introduce today would direct those funds collected as a result of our inoreased trade to be reinvested into the very roads, bridges, railways, harbors, and airports that support that trade.

The bill would provide critical Federal funding for border improvements without affecting Federai highway assistance to California and other border States. It will keep our border cities and States from having to absorb the cost of building the roads, bridges, railroads, and highways needed to implement Federal trade policy.

The Federal Government must make infrastructure improvement a priority for cities and States affected by the Nation's new trade policy.

Inherent in the passage of NAFTA, I believe, was a commitment to build, repair, and maintain the physical infrastructure needed to implement the agreement.

We've talked before about State Route 905 in California, what we call the "jobs train," and our bill will make sure that the Federal Government meets this commitment.

I invite the Administration, Mr. Slater, to review this legislation. Wa'va talked about a border infrastructure fund before. There was fear that money for border infrastructure would be taken from other States or other needs. This legislation I think builds on that nexus between the increase in trade and increase in fees that result from that trade with the infrastructure needed to maintain that trade.

I look forward to your testimony and hope that the Administration and others will support this legislation.

Thank you, Mr. Chairman.

Mr. PETRI. Thank you. Are there any other opening statements? [No responss.]

Mr. PETRI. Statements by the chairman of the full committee, Mr. Shuster, and ths ranking member, Mr. Oberstar, will be made a part of this record.

We look forward to your statement, Mr. Slater. Thank you for being here.

TESTIMONY OF RODNEY E. SLATER, ADMINISTRATOR, FEDERAL HIGHWAY ADMINISTRATION, U.S. DEPARTMENT OF TRANSPORTATION

Mr. SLATER. Thank you, Mr. Chairman.

Mr. Chairman, members of the committee and the subcommittes, as well, it is my distinct honor and plsasure to have this opportunity to testify before you today on ths status of several key programs funded under ths Intermodal Surface Transportation Efficiency Act of 1991.

This occasion offsrs me an opportunity to tell you how these programs are working and how they have worked well in many ways, but also to identify areas where ws ehould and where we can do more.

In honoring Prssident Clinton's pledge to rebuild America, we are committed, as a department repressnted by Secretary Peña, to leading our national transportation program into the next century, advancing surface transportation programs that invest in the future, bringing innovation to transportation infrastructure investment, and ths movemsnt forth of projects of vital importance to our economy, and also enhancing our Nation's competitiveness in the global economy.

Before I turn to the spscifics of ISTEA, Mr. Chairman, I'd like to do as you have done already, and that is to note the significance of another important transportation milestone.

This month does mark the 40th anniversary of another landmark transportation measure, the Federal Aid Highway Act of 1956 that created ths highway trust fund and that provided the first significant Federal funding for the construction of ths Interstate System. This legislation was truly a bipartisan effort between a republican Presidsnt, Dwight David Eisenhower, and a democratic-led Congress.

In his memoir, President Eisenhower explained that ths construction of ths Interstate System was one of the most important domestic programs of his preeidency. He stated, "More than any singls action by Government since the snd of the war, this one would change the face of America. Its impact on the American economy, the jobs it would produce in manufacturing and construction, the rural areas it would open up, wae beyond calculation."

Later this month we will, as a Departmsnt, commemorate the monumental contributions of the Interstate System to our Nation and its people with an extensive outreach tour—again hitting ths road to see first-hand the importance of this system to the citizens of our great Nation.

Our journey will start in San Francisco, the final destination of the U.S. Army's 1919 Transcontinental Motor Convoy in whicb a young soldier, Dwight Eisenhower, volunteered to participate to assess the capabilities of U.S. routes to serve military needs.

On ths way east, we will be meeting with citizens and State and local elected officials to listen to and to learn from the people who maintain, who use, who construct, and who take full advantage of our transportation systems.

We will complete the trip here in Washington, D.C., where I, along with other representatives of the Department, will participate in a special Interstats System anniversary celebration on the ellipse, the starting point of the 1919 convoy.

I believe that Members of Congress and members of this committee, in particular, in short order will receive their invitations to attend this most important culminating event, and I look forward to seeing all of you tbere.

Now to turn to the ISTEA programs.

First, the national highway system: since the start of the interstate era, our population has grown and shifted, our economy has changed, and our needs as a Nation have evolved.

To meet these needs and to extend the benefits of the nearly 43,000-mils Interstate System to areas not directly served by it—the Appalachian region and others across the country, Congressman Rahall and other members of the committee—the national highway system was developed.

Just as the Interstate System has united the various parts of our Nation like never before, the national highway system is the cornerstone and will serve as the backbone of our surface transportation system for the next century.

Rather than another construction project, howevsr, the national highway system is a strategic tool for targeting our scarce Federal resources to the Nation's most important routes, including the Interstate System, and thereby improving safety, efficiency, and reliability—all of these as relates to our transportation system.

Nowhere are sconomic benefits from highway investment potsntially highsr than on the NHS. For example, becauss counties containing NHS routes also include 99 percent of all of the jobs in this country, NHS investments provids virtually every Amsrican worker with improvsd access to work and nearly every employer with more-reliable and affordable routes for transporting goods to local, regional, national, and, yes, international markets, as wsll.

Fostering intermodal connectivity is also one of the core functions of the NHS, because only an integrated and intermodal transportation system can support economic growth, increase our competitiveness in a vastly sxpanding international market, and enhance the personal mobility of all American citizens.

Therefore, I am pleased that the Department's recent submission of ths propossd intermodal connectors' route, if approved by Congress, would add over 1,200 more connecting routes to link key highways with major passenger and freight terminals of all transportation modes.

Americans are dependent upon all modes of transportation for psrsonal and business travsl and for the shipmsnt of freight. In identifying connections between highways and other transportation modes, we have taken a very important step in achieving the vision of ISTEA—that the Nation's trensportation system function as a unified and inter-connected system and in a unified and inter-connected manner. We simply cannot settle for anything less.

Moving on to two other very important programs, the STP program and the CMAQ programs, programs that I know you will have individual hearings on later on, but let me just mention a couple of thinga about them.

Along with intermodalism, another fundamental tenet of ISTEA is flexibility. Two ISTEA programs that have been very successful in empowering transportation planners and State and local decision-makers to determine their own transportation needs and to identify the most appropriate solutions are the surface transportation program and the congestion mitigation and air quality improvement program.

These flexible funding programs, together with transit urbanized area formula funds, give local decision-makers enhanced flexibility to pursue important transportation initiatives that best meet locally-determined goals and objectives for mobility, economic opportunity, and environmental quality.

Moving on to the highway bridge program, as has been noted earlier, tbis is another fundamental and essential link in our surface transportation system and a very important program over which the Federal Government has considerable stewardship responsibility, working in partnership with our State and local partners.

To help ensure the integrity of our current highway bridge infrastructure, the Federal Highway Administration established a national bridge inspection standards initiative for the regular and thorough inspection of highway bridges, and I'm pleased to note that because of this program we have had very few incidents where bridges have collapsed without any warning or expectation on our part. As a matter of fact, most of the problema of late have resulted from severe flooding or earthquakes—some kind of natural disaster.

We also provide dedicated Federal funding through the highway bridge replacement and rehabilitation program to replace and rehabilitate deficient highway bridges.

The aim of the bridge inspection standards initiative and program is to locate, evaluate, inventory, and address existing bridge deficiencies. The bridge inventory contains information on over 576,000 of our Nation's highway bridges and is used to identify deficient bridges in each State which are eligible then for bridge funding.

The bridge rehabilitation program is, therefore, a needs-based program, and funds are allocated to States annually based on aquare footage of deficient bridgea in each State in accordance with statutory allocation formula.

The bridge program is an extremely successful one, as I've noted, and over 43,000 deficient highway bridges have been replaced or rehabilitated with these Federal bridge funds.

We are fighting an uphill battle, however, because the overall age of our bridges continues to increase and we have to really work to keep up with the problems that we see as we move forward and as those bridges continue to age.

To help address these needs, FHWA continues to advocate the voluntary use of comprehensive bridge management systems to simplify the process of selecting the most effective methods for addressing ever-increasing bridge needs within existing budgetary constraints.

I'm pleased to note that even though the NHS Act that was passed last year and signed by the President, even though it makes voluntary the bridge management systems program, most States have committed and volunteered to actually move forward with the implementation of those programs.

Interstate maintenance, another issue of importance: recognizing the need to maintain the massive Federal investment in our Interstate System, a system that cost about $130 billion to construct.

Congress first authorized funding for the interstate 3-R program—resurfacing, restoration, and rehabilitation—a predecessor to today's interstate maintenance program, in the Federal Aid Highway Act of 1976. Projects eligible for funding under the current interstate maintenance program include the resurfacing, restoration, and rehabilitation of interstate routes and the construction of high-occupancy vehicle lanes and auxiliary lanes. Additional single-occupancy vehicle lanes and other capacity improvements are not—and I underscore—are not eligible for interstate maintenance funds but can be financed through NHS funds.

Turning now to reauthorization and coming to a close as it relates to my opening remarks, I'd like to note that we are working diligently as we prepare for reauthorization to build on our successes. We look to the next reauthorization period as an opportunity to build on successes. We seek to learn from our experiences and to build on our past successes.

The ISTEA programs I've outlined above have worked well. America is the most mobile society in the world, as you have noted, Mr. Chairman, in your opening remarks. Our surface transportation system has become safer, cleaner, and more energy efficient over the years.

Today far less air pollution is emitted from vehicles using our highways than 25 years ago. The percentage of deficient bridges has decreased since 1990. ISTEA's flexible funding and transportation planning provisions have empowered States and metropolitan areas to identify for themselves transportation improvements that best serve their own communities, with flexible Federal funds and resources now providing a greater range of choices than ever before.

We have made great gains in safety with the Interstate System as the safest system in the world.

We recognize, however, that, despite record levels of transportation investment under ISTEA, significant investment is still needed to meet current demand. The resulting shortage of capacity has led to increased congestion and threatens to erode the safety and mobility gains that we have made in recent years; therefore, it is important that we remain eternally vigilant in dealing with the transportation needs of our country.

All of us at the Department of Transportation understand the need for overall investment in transportation, including Federal funding. In fact, average annual Federal transportation infrastructure investment over the past 3 years has been more than 10 percent higher than it was in fiscal year 1993, and the President's fiscal year 1997 budget proposes $19.5 billion in new highway investment, $1.5 billion more than fiscal year 1993.

But we also recognize that bipartisan effort is necessary to eliminate the Federal deficit and also to respond to the transportation infrastructure challenges we face, and therefore we appreciate this opportunity to appear before this committee, along with the others who will follow us during the course of today's hearing, to respond to and to discuss the important transportation challenges before us.

The NHS represents a superb model for strategic infrastructure investment. NHS routes are very important. They will allow us the opportunity to experiment with the deployment of ITS technologies and other technologies and will serve as another way of bringing about optimal returns through the use of innovative financing techniques, along with the implementation of our State infrastructure bank initiative.

In crafting our next reauthorization bill, therefore, we must continue to remain true to our rich legacy. The Federal Aid Road Act of 1916 laid the groundwork for an immensaly successful Federal/State partnership, one that has evolved and grown over the decades, and this reauthorization provides us another great opportunity to build upon that initiative, much like the interstate legislation of 1956 provided us that opportunity.

Let me close with this statement by President Clinton which underscores the significance of all of my remarks thus far. In recently speaking about the importance of the Interstata System, he noted that it has literally brought all Americans closer together. We are connected city-by-city, town-by-town, family-to-family as we had never been before.

This law did more to bring Americans together than any other law of this century. ISTEA also provides us an opportunity, as we reauthorize it, to continue to bring America together in our pursuit to create a more perfect union.

Thank you for your attention, and I look forward to responding to any questions you may have.

Mr. PETRI. Thank you very much for your testimony.

Mr. Rahall, would you like to start off?

Mr. RAHALL. Thank you, Mr. Chairman.

Thank you, Mr. Administrator, for your excellent testimony this morning.

You may recall, Rodney, it was approximately 2 years ago, almost this very day, that you wera in southern West Virginia.

Mr. SLATER. I remember that.

Mr. RAHALL. You were touring our Route 52.

Mr. SLATER. Right.

Mr. RAHALL. You were riding a coal truck that particular day down a stretch of the road. I'm not sure it was as quite as short a trip as you had hoped it would be, but we were vary delighted to have you visit at that time, and I thought I'd just give you an update of that particular stretch of highway today.

On April 22nd, just a few weeks ago, Secretary of Transportation Van Kirk, Governor Caperton, and I broke ground on that particular stretch of highway to upgrade it to a four-lane section, and it's because of your assistance and your help and the hslp of ISTEA, of courss, that we're doing that, and so I wanted to give you that update this morning.

Mr. SLATER. Thank you. I will say that I would probably like riding on that roadway longer in the future because of this improvement because, as I recall, when two trucks passed their mirrors almost collided, and it was quite a dramatic demonstration of the need for this improvement that you've just noted, so I commend your very fine leadership, that of the Governor, and Secretary VanKirk in dealing with this issue.

Mr. RAHALL. Ws thank you, as well. And on thst particular day they were coal trucks, but somstimes it's a coal truck and a school bus that come close to colliding with one another.

Let me ask you, Rodnsy, the first question by, of course, commending your testimony. Do you believs that in ths national highway system reauthorization that we should be considering the change in the reapportionment formulas? Do you think they need to be replaced?

Mr. SLATER. Well, it's clearly a—

Mr. RAHALL. Or modified, maybe.

Mr. SLATER. Wsll, it's clearly a legitimate issue for considsration. There was significant give and take on that issue during tbe ISTEA authorization, and it is also an issue of importance.

We intend to play a positive role in working through that issue with Members of Congress and with the States who are very interested in it, so I think that it's probably time to look st the factors that go into making up ths formula.

As I noted in my remarks, since the Interstate System was laid out, the economy of the country has grown significantly, especially in parts of the country tbat did not have quite the diversity in the economies of those areas at the time that the Interstate System was laid out. I'm speaking specifically of certain portions of the midwest, and also ths southeast, in particular.

Also now we have, as Congressman Filner noted, significantly more activity along the borders, and I am looking forward to reviewing the legislation or the bill that you and Senator Boxer have submitted.

So I would say that clearly this is an appropriate issue for consideration during reauthorization and we'll try to bs a good partner in that procsss.

Mr. RAHALL. Let me ask you one last question. In the great system that we have in this country, a union of States that are linked together by highways of an intsrstate nature, do you believe that a system could exist witbout having a donor and donee States relationship?

Mr. SLATER. Let me just say that I don't think that we could havs constructed the system that we bave constructed without the kind of system in place that we've had in the past, which took into account considerations tbat clearly wsre beyond the interest solely of a given State within its borders.

I do think that our system is a united system because we had some donor/donee relationships in ths past.

But evsn as you look at the NHS that is 95 percent complete as roadways, themselves, are concsrned, in the future I think that that is a proper question for reevaluation.

The formula still may result in soms donor/donee relationship, but it should be based on current factors, as well as a focus on the future needs of our transportation system.

To the degrse that those are the driving forces for ths creation of the new formula, then I think the interests of ths Nation will be served as well as the individual interests of the individual States.

Mr. RAHALL. Thank you. Thank you, Mr. Chairman.

Mr. PETRI. Mr. Bateman, do you have any questions?

Mr. BATEMAN. No, Mr. Chairman.

Mr. PETRI. Ms. Johnson, any questions?

Ms. JOHNSON. Not at this time, Mr. Chairman.

Mr. PETRI. Mr. Kim?

Mr. KIM. Yes, sir. Thank you, Mr. Chairman.

Mr. Slater, I have three questions. I'd liks to ask all thres questions at once, and then you can come back to me one by one.

Mr. SLATER. Yes, sir.

Mr. KIM. First question is, you mentioned how important this ISTEA program is and how successful it is, but why did your Administration submit such a huge budget cut on highway program? Let ms get specific.

For 1998 you've got 23 percent reduction until year 2000. Altogetbar, your Administration proposed 36 psrcsnt reduction in highway programs.

Isn't that kind of contradicting, or is that some kind of hypocrisy here?

You mentioned how important this program is, yet you're proposing huge reduction. That's my first question.

Second question is: American people are paying $0.186 per gallon of gas tax right now, but you know that only $0.10 goes to highway trust fund. The remaining $0.086 goes to other programs such as leaking underground storage tank programs, congestion management, mass transit, and social programs.

It's getting worse each year. For that reason, my second question: why?

My third question is: you'vs been gutting this highway trust fund money the last 2 years, so Congrsss has passed legislation last year to try to place all the highway trust fund off budgst so we can see it better. It will give us better accountability and, not only that, you cannot gut the highway trust fund any more by placing this highway trust fund off-budget.

Your Administration vigorously opposed that concept so you can continue gutting this highway trust fund.

I'd liks to ask you to answer those three questions, please.

Mr. SLATER. Okay.

First of all, let me just repeat that over the years the ability to deal with transportation infrastructure needs has required a bipartisan effort, and, fortunately, ovsr the years it has received that kind of support from both sidss of the aisle, from the Congress and the Administration.

As ws dsal with ths budget situation of the country currently, what the leadership of ths Congress and the leadership of tha Executive Branch through tha President, what they're grappling with is a need to balance our ovsrall national budget.

I am pleased that I work for a President who has cut the deficit in half ovar tha last 3½ years and has committed to balancing the budget by tbe year 2002, along with the leadsrship of ths Congress. In order to do that—

Mr. KIM. Sir, do you think the gas tax is a user fee instead of actually a tax? Isn't that money supposed to be used for tha users, including highways?

Mr. SLATER. That is an issue that is worthy of dsbate. I think also an argument can bs made that a lot of ganeral funds are also ussd for transportation purposes, as well.

But the point that I'm trying to make in responding to your first quastion is to say that this Administration has taken seriously the call from ths public and ths responsibility of leadarship to balance the Nation's books, to balance our budget.

Evan though there has besn that commitmsnt that has resulted in a cutting of the deficit in half over the last 3½ years, based on ths 1993 budgst passed by the Administration, there has also, over tha last 3 years, been an increase—an 11 percent increase in highway infrastructure investment, as well as a 10 percent increase in overall transportation infrastructurs investment.

All of that is a part of an initiative to balance ths competing interests of our Nation, recognizing that an investment in transportation is very, vary critical to our economy and to our quality of life, but also recognizing that we havs to bs committed to balancing the ovarall budget of ths Nation, as well.

Then the final point I want to maks is that, even though these plans for balancing ths budgst have been offsred both by the Congress and by the Administration, both resulting in a significant reduction in transportation infrastructure invastmant over the out years, we still have to go through the appropriations process.

I know that a lot of paople will be making their case for continued increase or a maintenance of or a sustained investment in transportation infrastructure. That will be the give and taks that will result as we go forward.

Ultimately, wo'll just have to see how transportation ranks along with all of the othsr priorities of the country, as argued by the Administration and as argued by tbe Congress.

So that's the way I would respond to the first question.

Tho second question deals with, in some way, some of ths elsments of the first question, and that is: how do we divvy up those resources that are brought into ths trust fund and thsn some that go into the general fund that result from the lavy of motor fuel taxes of a number of kinds?

Well, first of all, I'm pleased that this Administration has brought $0.025 back into the trust fund—that was done this year—so that we can continue the significant investment in transportation infrastructure that I mentioned up to this point.

Mr. KIM. How much?

Mr. SLATER. Pardon?

Mr. KIM. A half cent?

Mr. SLATER. Two and a half cents. You'll recall, I believe, in 1990 that the gas tax was increased by $0.05, with $0.025 going to the general fund for deficit reduction and $0.025 going into the highway trust fund, and then the transit account receiving a portion of that, as well.

Well, this year we have brought back into the highway trust fund and to the two accounts the $0.025 that was put into the general fund in 1990.

We do still have, though, $0.043 that continues to go into the general fund, and I know that there is an effort afoot in the Congress to repeal that, at least temporarily, and then to deal with an outright repeal with the next budget cycle.

The President has noted a willingness to deal with that as the Congress continues to deal with the issue of the Minimum Wage Act, so I think that that issue is on the table and will be resolved, one way or the other, over time.

Also, as it relates to the question of taking the highway trust fund off budget, the only thing I'd note there is that we've got a number of trust funds. The highway trust fund I think is only one of more than 100. Clearly, when it comes to bringing the books of the Nation to some semblance of order where we deal with all of the red ink, you have to look at all of the resources that are at your disposal as a Government.

What the Administration has said is that until we deal with this issue of bringing the deficit in line, we should keep all of the trust funds on budget and make the kinds of priority judgments that you have to make as you're dealing with the overall financial well-being of the Nation.

So I stand behind those commitments as a member of the Administration, but I will say that we will continue, as a Department, to make the case for transportation infrastructure investment.

I recall that in 1993, as the 1993 budget of the Administration was being put together, there was initially a proposal that the transportation budget be cut by some $6 billion over a period of years.

Because of the case that was made by the Secretary and because of the President's sensitivity to the importance to rebuild America and the commitment that he had made, as I've noted, we ended up, over the last 3 years, having a 10 percent overall increase in transportation infrastructure investment, with an 11 percent increase in highways, alone.

Mr. PETRI. Mr. Filner?

Mr. FILNER. No questions. I just look forward to working with you, and I know Mr. Kim also, in spite of some of the critical nature of those questions, wants to work very closely on the border infrastructure improvements, and we look forward to working with you.

Mr. SLATER. Yes, sir. I understand that sentiment, as well. Thank you, sir.

Mr. FILNER. Thank you.

Mr. PETRI. I had one or two questions, and then we could have another round if there are any further questions anyone wanted to ask.

I guess this is sort of a "working togetber on scheduling" question. We're sager to begin getting the recommendations from Federal Highway Administration for the Transportation Department for any changes in the program or the way the program should look as we go forward. We'd like to have kind of a draft that we could circulate among the community before the end of this year and try to get it in rough shape for introduction early in the next Congress.

Mr. SLATER. Yes.

Mr. PETRI. With that tims table in mind, it would be helpful for us to get—even if we don't get a whole, complete thing, if we could get as much as possible and then keep on moving forward, we'd be eager to do that if you think it could be done.

Mr. SLATER. That schedule that you've outlined is pretty much consistent with our own. We are now engaged in an ISTEA outreach effort. We've held two meetings thus far, ons in Philadelphia and one in Chicago. They are subject oriented, and I believe we've got ten more to go, but the objective is to complete that outreach effort in about two to three months and then to formulate a proposal, and that then can be shared at a time certain. We'll have to coordinate that with the Secretary's wishes at the time, with tbe intent of going forward with ths bill early next year.

The schedule is pretty much the same as ours.

Mr. PETRI. Good. Just one or two other questions.

If you could, identify for us any areas of the current program where you think there are problems where we should definitely be looking at to try to maks them more user friendly or, in fact, maks thsm effectivs. Could you highlight any arsas that come to your mind that we should be definitely taking an especially hard look at?

Mr. SLATER. Sure. Clearly the planning provisions—and let me just say that I think on many of these issues that I'm going to note, that we've been able administratively to improve the application implementation of those programs, hut I'm thinking specifically of the greater emphasis on planning and involvement of the public, as well as metropolitan planning organizations and the States involvsd in that process.

We've seen considerable improvement in that effort over the last few years. We are continuing to outrsach on that.

There are questions heing raised about the makeup and maybe the voting equity on the MPOs, those kinds of issues tbat I'm sure you'll hear more and more ahout.

You get questions regarding enhancement programs and how you can make those lese cumbersome, hecauss even though they are significant projscts in the eyes of the puhlic, many State DOTe have said that a lot of times it costs as much administrativs time and sffort to move a $100,000, $200,000, or $500,000 project as it does to move higger projects tbat deal with construction and the like, so we've tried to work with them administratively to improve that.

We are hearing more and more from larger cities that they would like a stronger role ln the planning process that goes beyond just representation on the MPO, and we're working to try to get greater clarity on those requests. That's something that I know that we will specifically bring to the attention of the committee as we move forward.

Many of the other issues we've sort of dealt with in our testimony this morning—questions regarding the border and many of the States arguing that those needs involve our ability to deal with the national interest of competing in the global economy; therefore, it should not be the sole burden of the cities and the local communities to deal with those infrastructure needs.

There are many questions about whether we should fund high-priority trade corridors—I know Highway 69 and then I-35 are mentioned a lot as NAFTA corridors—and those kinds of issues.

But generally those are the kinds of concerns that are raised to us, but clearly we want to continue to make ourselves available through the ISTEA outreach sessions and also through some of the listening sessions that FHWA is—that we're planning, as well, to get the kind of feedback that will allow us to be more specific in dealing with those questions as we go forward.

But those are generally some of the issues that have come forth.

Mr. PETRI. Thank you. I have a series of questions which, if it's all right, I'd just submit for written response.

Mr. SLATER. Sure.

[The questions and answers thereto follow:]

Questions for the Record
ISTEA Reauthorization Hearing on
Maintaining Adequate Infrastructure:
The Interstate Maintenance, National Highway System,
Bridge and Reimbursement Programs
June 5, 1996

Question 1: In your testimony you spend a lot of time discussing the successes and accomplishments of these ISTEA programs. Where do you believe these programs have come up short and need to be improved?

Answer: We are now in the process of identifying areas that need to be improved. This is being done chiefly through the outreach and focus group sessions we are holding throughout the Nation. We will be evaluating the feedback we receive from our partners at these sessions, and then we will be able to identify specific actions that can be taken, either administratively or legislatively, to improve the program.

Question 2: Do you believe there should be any Federal requirement on the States to maintain the Interstate System at a certain level of repair? Should such a requirement be structured in the same manner as the current requirement which is backed up with a ten percent penalty in reduced highway funds?

Answer: The primary goal of a requirement for maintenance of a federally funded project is to assure that the highway facility continues to provide safe and dependable service to the public. A maintenance requirement has been an underlying principle of our law for over 80 years, ever since the adoption of Section 7 of the Federal-aid Road Act of 1916. States have recognized the importance of maintaining what they have built. For example, even though current highway law allows the States to unconditionally transfer up to 20 percent of their Interstate Maintenance program (IM) apportionment to their National Highway System (NHS) or Surface Transportation Program (STP) apportionments (any or all of the remaining 80 percent could be transferred with sufficient justification), transfers of IM funds by all States from FY 1992 to FY 1995 amounted to only 8 percent of total IM apportionments.

Still this issue bears reexamination. In the context of our reauthorization discussions and as part of the Federal Government-wide effort to move toward results-based measures, we are examining ways of ensuring that the substantial Federal investment in our highway system over the past several decades is well maintained.

Question 3: The bridge program formula has been criticized for a number of reasons. Have you taken a look at the bridge program and how it could be improved? Since this program is based on need, does it make sense to allow a State to transfer up to 50 percent of its bridge funds to other programs?

Answer: The Department/FHWA has evaluated the Highway Bridge Replacement and Rehabilitation Program (HBRRP) and considered various options for potentially improving the program. The HBRRP is considered by State Bridge Engineers to be one of the most needed, effective, and successful Federal-aid highway programs. This program addresses identified needs, reduces congestion, increases transportation efficiency, and enhances safety by providing the necessary traffic and structural capacities for the safe and efficient movement of people and goods. Under the Special Bridge Replacement Program (the predecessor of the HBRRP) and the HBRRP some 43,385 deficient highway bridges have been replaced or rehabilitated. Therefore, the Nation's deficient bridge needs have been effectively reduced at least by this number. Unfortunately, there are still significant needs that have not been addressed, and the needs continue to accrue as our existing infrastructure ages and bridges--built in the 1960's during the Interstate construction boom--begin to reach the stage where significant rehabilitation work or bridge replacement is necessary.

As far as improvements to the program are concerned, the DOT is considering various options to make the program more flexible, including the possible consolidation of some existing set-asides. This could give the States the flexibility to select cost-effective and worthy bridge improvement projects without regard to the location of the bridge or the proposed bridge material type.

The HBRRP is a needs-based program and HBRRP funds are allocated to the States based on the square footage of deficient bridges in each State in accordance with the allocation formula described in 23 U.S.C. § 144. The existing allocation formula has served the objective of the program effectively over the years. However, with the funding transferability provisions of ISTEA (Section 1028(g)) and the NHS Designation Act (Section 302), HBRRP funds that are allocated to the States according to their bridge needs are available for use by States for purposes other than the replacement or rehabilitation of highway bridges. Thus, a State can repeatedly transfer its HBRRP funds to the NHS or STP categories, and continue to receive HBRRP funds each fiscal year based on its deficient bridge needs that will most likely increase due the expenditure of bridge program funds on other than bridge projects. This bears reexamination, which is taking place as part of DOT/FHWA's ISTEA reauthorization process.

Question 4: Do you believe that the reimbursement program should be continued in the next highway bill?

Answer: We have not made that decision yet. The reimbursement program is an equity program, as are minimum allocation, donor state bonus, 90% payments and apportionment adjustment, and it will be evaluated in that light. We will work closely with Congress as they consider options for the distribution of funds among the States.

Question 5: Could you please discuss what criteria were used to select the intermodal connectors in the plan recently submitted to Congress?

Answer: In such a geographically diverse country as the United States, achieving consistency for the NHS connections was as important as it was difficult. The FHWA wanted to provide sufficient flexibility to accommodate differing State characteristics, plans, and investment strategies. However, consistency at the national level--a recognition of what constituted a "major" intermodal connector under ISTEA-- was important as well.

To accomplish these sometimes conflicting goals, the FHWA established primary and secondary criteria for identifying intermodal passenger and freight terminals that may warrant connections to the NHS: Primary criteria consisted of volume or activity levels by terminal type. Secondary criteria consisted of more subjective factors that underscore the importance of an intermodal terminal within a specific State.

In arriving at the passenger volume criteria, the FHWA concluded that different passenger volumes should be applied to commercial aviation airports than for Amtrak stations and intercity bus terminals. The passenger volume criterion for airports was established at 250,000 annual enplanements; the criterion for Amtrak stations and intercity bus terminals was established at 100,000 annual boardings and deboardings. Even though the criterion is higher, airports with 250,000 annual passenger enplanements handle nearly 96 percent of total enplanements at all commercial aviation airports. Thus, NHS connections to these major airports will serve a significant share of total passenger volumes nationwide. The criterion for commercial aviation airports was applied in a somewhat liberal sense, particularly in States which may not have any airports that meet the criterion and in States which may have only one airport that meets the criterion. States were permitted to identify connections to airports with 100,000 to 250,000 annual enplanements where the significance of these airports is reflected in State airport and aviation plans and increased service levels was anticipated.

Primary Criteria

National Highway System connections were required to all terminals that meet the primary criteria unless justification was provided for not identifying a connection.

Commercial aviation airports:

- o Passengers - scheduled commercial service with more than 250,000 annual enplanements.
- o Cargo - 100 trucks per day in each direction on the principal connecting route, or 100,000 tons per year arriving or departing by highway transport vehicles.

Ports:

- o Terminals that handle more than 50,000 TEUs per year, or other units measured that would convert to more than 100 trucks per day in each direction. (Trucks are defined as large single-unit trucks or combination vehicles handling freight.)
  (Note: A TEU, a volumetric measure of containerized cargo, stands for twenty-foot equivalent units).
- o Bulk commodity terminals that handle more than 500,000 tons per year by highway transport vehicles or 100 trucks per day in each direction on the principal connecting route.
  (If there is no individual terminal that handles this amount of freight, but a cluster of terminals in close proximity of each other does, then the cluster of terminals could be

considered as meeting the criteria. In such cases, the connecting route might terminate at a point where the traffic begins to separate to each terminal.)

- o Passengers - terminals that handle more than 250,000 passengers per year or 1,000 passengers per day for at least 90 days during the year.

Truck/rail:

- o 50,000 TEUs per year or 100 trucks per day in each direction on the principal connecting route, or other units measured that would convert to more than 100 trucks per day in each direction. (Trucks are defined as large single-unit trucks or combination vehicles carrying freight.)

Pipelines:

- o 100 trucks per day in each direction on the principal connecting route.

Amtrak:

- o 100,000 passengers per year (entrainments and detrainments). (Joint Amtrak, intercity bus, and public transit terminals should be considered based on the combined passenger volumes. Likewise, two or more separate facilities in close proximity should be considered based on combined passenger volumes.)

Intercity bus:

- o 100,000 passengers per year (boarding and deboardings).

Public transit:

- o Stations with park and ride lots with more than 500 spaces or 5,000 daily bus or rail passengers with significant highway access (i.e., a high percentage of the passengers arriving by cars and buses using a route that connects to another NHS route), or a major hub terminal that provides for the transfer of passengers among several bus routes. These hubs should have a significant number of buses using a principal route connerting with the NHS.

Ferries:

- o Interstate/international - 1,000 passengers per day for at least 90 days during the year. A ferry which connects two terminals within the same metropolitan area should he considered as local, not interstate.
- o Local - see public transit criteria.

Secondary Criteria

Justification was required when NHS connections were proposed based on the secondary criteria. The justification was based on the significance of the facility within the State and plans that the State, metropolitan planning organization (MPO), or others have for improving the access to or for development of the facility. Any of the following criteria could be used to justify an NHS connection where there is a significant highway interface.

- o Intermodal terminals that handle more than 20 percent of passenger or freight volumes by mode within a State,

- o Intermodal terminals identified in either the Intermodal Management System or the State/metropolitan transportation plans as a major facility,
- o Significant investment in, or expansion of, an intermodal terminal,
- o Connecting routes targeted for investment by the State, MPO, or others to address an existing or anticipated deficiency as a result of increased traffic.

Descriptiona of the specific criteria used for each type passenger and freight terminal are included as an addendum. The criteria are also fully described in the report, *Pulling Together The National Highway System and Its Connections to Major Intermodal Terminals*, submitted to Congress by Secretary Peña on May 24.

Question 6: In light of the final designation of the NHS last year, do you believe that there should be both an NHS and an Interstate Maintenance program or should they possibly be combined?

Answer: In principle, we believe that actions to simplify the various funding categories would be beneficial. The increased flexibility provided by a combined NHS-IM funding category could benefit the States by allowing them to direct funding to areas of greatest perceived need without restraints concerning whether the project/program is physically a part of the Interstate or NHS Systems. However, we are acutely aware of interest in preserving the condition of the Interstate System, thereby protecting the substantial Federal investment.

One issue that a combined NHS-IM funding category would need to address is whether there should be some special incentive to preserve the Interstate System at some higher level of performance. The possible merger of these programs and several other options are being examined as part of the Department's reauthorization deliberations.

Question 7: Are you supportive of any modifications to the STP program? Do you believe this had been an effective program in addressing transportation needs?

Answer: The STP program provides funding to States, metropolitan areas (attributable to UZAs greater than 200,000 in population) and rural areas based on a formula structure. The funds provided may be used, at the discretion of State and local officials, for a wide range of transportation improvements. The flexibility and attributability have been enthusiastically supported by many officials. STP funds have supported more effective customizing of transportation investments to meet State and local needs. For example, the transportation enhancements program allows areas to fund bicycle and pedestrian facilities, create scenic highway programs, and preserve historic transportation facilities. The STP, as currently structured, has made a substantial contribution to the improved performance of transportation systems in metropolitan areas. Any decisions pertaining to modifications of the existing program will be made after consideration of information received through the Department's ongoing outreach efforts on ISTEA reauthorization, however we do believe that there is a need to provide metropolitan planning organizations with more information on all projects in their regions.

Question 8: There are some in Congress who would like to de-evolve the Federal highway program and return many of the resources to the States. Can the Federal Government meet all the transportation challenges you discussed with reduced revenue and oversight?

Answer: The Federal government has played a vital role in meeting the transportation challenges of the Nation and will continue to do so in the future. America's economic progress and the well being of its people have always been closely linked to advances in transportation. Some of the most dramatic advances in transportation occurred through strong Federal programs and leadership. Our major areas of emphasis are to improve safety, protect our environment, foster development of new technologies, and assure connectivity throughout the country. Any waning in the Federal commitment could erode the progress we have made. For example, Federal highway safety grants continue to be the principal source of funds for State and local safety programs--programs that have produced the greatest reduction in highway deaths and injuries. Federal leadership led to the inclusion in last year's NHS Designation Act of the President's Zero Tolerance Initiative. So far in 1996, nine States have passed Zero Tolerance laws to combat drunk driving.

Protecting the environment is the responsibility of all levels of government, but environmental problems frequently transcend local, State, and regional boundaries. A Federal perspective can help ensure that future generations will enjoy a safe, healthy environment throughout the country.

Similarly, Federal leadership in research and technology can close the gap between what we currently can do and what we know is ultimately possible. This is true with such advances as Intelligent Transportation Systems and other new technologies that will allow us to use the existing surface transportation system more effectively, thereby reducing the need for costly new construction.

Investment in transportation infrastructure from the transportation trust funds is an important component of our Federal role. These trust funds are more than a vehicle for redistributing user tax revenues among the States. They are the means to fund programs that affect the Nation as a whole and to assure that the various transportation modes operate as an interconnected and integrated system. This is necessary to protect the national interest in interstate commerce and to continue the productivity gains national infrastructure investment has produced. We recognize that surface transportation needs are great, and will continue to seek the highest funding level possible within the framework of a balanced Federal budget. Most importantly, we will continue to work with States and local governments to assure that priority Federal interests, along with State and local interests, are addressed.

Question 9: Are there specific areas of the project approval process that need to be streamlined? What can we do to improve program delivery?

Answer: There are some areas that have been targeted to streamline the project approval process through administrative improvements. The highway project development process requires compliance with multiple Federal environmental laws, regulations and executive orders. Satisfying these multiple mandates is sometimes challenging. The Federal Highway

Administration, Army Corps of Engineers, Environmental Protection Agency, National Marine Fisheries Service, and Fish and Wildlife Service have worked over the last several years to establish streamlined coordination procedures, and interagency agreements are in place in most regions of the country. Other opportunities exist for streamlining other aspects of the environmental review process. The DOT is currently looking into those options.

Proposed delegation of the review of draft environmental impact statements (DEIS) to the FHWA's field offices will avoid concurrent review by FHWA regional and headquarters staffs, thus freeing headquarters resources to assist during EIS preparation to avert potential trouble areas with the public and other agencies. We have already achieved some modest results from a pilot of this initiative.

We are working within the Department to accomplish environmental processing more smoothly on intermodal projects and others where more than one DOT operating administration is involved.

An additional area that has been streamlined involves project authorization and execution agreements, which are required for each Federal-aid highway project. The FHWA has revised its procedures for taking these actions and encourages the States to use a process where the project authorization and project agreement actions between a State and the FHWA are combined into a single document. Further, use of an electronic version of the document, including an electronic signature, is now permitted to help simplify and expedite processing.

In our Emergency Relief (ER) program, the FHWA has implemented a process that allows for Federal ER funding to be quickly provided to a State where a disaster has caused considerable damage to Federal-aid highways. By reducing the amount of paperwork normally required to secure ER funds, funds are immediately available to reimburse States for the Federal share of eligible repairs costs they incur in responding to disasters.

Question 10: The Department recently released a report showing that historically almost 30 percent of the Nation's growth in the rate of productivity can be attributed to highway investments. Could you share with us your thoughts on how best to target Federal transportation investments to insure continued productivity gains?

Answer: Right now, we expect investment in the National Highway System, including its intermodal connector components, to yield high productivity benefits. Another area with productivity payoffs would be Intelligent Transportation Systems. As we explore reauthorization options, we will consider the relative benefits of investing in other types of projects. We will also consider other national goals that we will seek to achieve in a post-ISTEA reauthorization program.

Question 11: There has been much discussion about the effect of NAFTA on truck size and weight standards. Could you please clarify how NAFTA relates to State and Federal standards? Can the agreement override current size and weight standards or must further legislative action be taken?

Answer: The North American Free Trade Agreement (NAFTA) Land Transportation Standards

Subcommittee (LTSS) is only a mechanism for examining the land transportation regulatory regimes in place in the United States, Canada, and Mexico. As provided in the NAFTA, the Department's objective is to eliminate inefficiencies in cross-border trade, while encouraging adoption of regulations that yield the highest levels of safety. There is no provision in the NAFTA that exempts Mexican or Canadian commercial vehicles from Federal or State safety statutes or operating standards. In fact, the NAFTA specifically states that each country retains the right to adopt and enforce standards that may be more stringent than standards in effect in the other countries. When operating in the United States, Mexican and Canadian carriers must comply with the same requirements that apply to U.S. carriers.

After considering all alternatives, the LTSS could make recommendations for improving compatibility in safety standards among the U.S., Mexico, and Canada. If recommendations were made by the LTSS, the Department would then consider the appropriate U.S. Government response. If, at some point, the Department were to consider amending existing regulations based on LTSS recommendations, the Department would follow the normal regulatory process for the issuance of Federal regulations. Any Department recommendations for change to statutory requirements, such as vehicle size and weight limits, would be transmitted to Congress for deliberation and action. If Congress were to take no action to adopt the recommendations or were to consider but reject the recommendations, the statutory requirements would remain unchanged and Mexican and Canadian carriers would have to comply with such standards, just as U.S. carriers do, when operating in the United States.

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Mr. PETRI. There is one question I thought I might have you comment on at this hearing: there is interest in some quarters—I think there is one Senator or Member of the House who has either introduced or is planning on introducing legislation to devolve the Federal highway program—either most of it, or a large part of it—back to the States. I wonder if you could comment on that idea generally. Are you enthusiastic about it, or what problems would you see with it, or what's your attitude toward it?

Mr. SLATER. Well, I think we should always question the utility of a given function carried out by anybody created to carry forth that function.

I will say this: that over the last 103 years I do not believe that our system would be in the shape that it's in. I do not believe that we could argue that we're the most mobile society in the world were it not for the Federal Highway Administration and all of its predecessor entities.

Also, I think, as we approach a new era of economic activity where we, as a Nation, play on an international stage, that it's all the more important that our transportation system be of such a quality, with such a focus on regional and national and international needs, so as to allow us to enhance the system where necessary to continue to have a quality transportation system that undergirds our economy.

I do believe that that requires some considerable national focus. I believe that when it comes to garnering the resources and the attention and the support of the public in a broader sense, that that, too, requires national leadership.

What we've been trying to do over the last 3½ years of this Administration is to really focus on those things that do just that: that give us a focus on regional and national and international issues of importance as relates to transportation. We believe that the NHS, the intermodal connectors, those kinds of issues do that.

We also think that funding is going to become more and more an issue in the years to come, and while State and local governments will have to pick up more and more of the funding, there is a role to be played again by the Federal Government and by the private sector.

We believe that our innovative financing initiative and also our State infrastructure bank initiative, brought about through Federal leadership, will be important in that regard, as well.

So clearly I think that, while all of these questions are appropriate and it's appropriate for us to come forth and to respond to them, I think when all is said and done we will still recognize the need for a Federal role, a national role, when it comes to transportation leadership.

We understand that it's incumbent on us to explain the specifics of that role, and we look forward to working with the Congress and with our State and local partners in doing just that.

I'd just close by saying this: the States involved in the flooding in the midwest over time may have been able to respond to that crisis, but I do believe that our Department provided leadership in that regard, and I think we responded in partnership well.

The earthquake in California—I'm sure that California over time would have been able to deal with that issue, but I don't think that thay, without our assistance, would bave been able to let a contract 18 daye after tha earthquake on the Sante Monica Freeway and complete tbat work in 85 days after tha eartbquake.

The same bolds true for the blizzard of 1996 in the northeast. We bave played a vital role.

Could we hava done it alone? No. Could tha States have done it alone? No. But because of the partnership and because of our place at tbe table, their place at the table, we were able to do it collectively.

I think the public notes that, appreciates that, and I think the public has been well served because of that partnarship.

Mr. PETRI. Thank you.

Are there further questions?

[No response.]

Mr. PETRI. If not, we thank you very much for your testimony, for your willingnese to come here and work witb the committee as you have consistently done ovar the yeare.

Mr. SLATER. Thank you, sir.

Mr. PETRI. Thank you.

The eecond panel coneiets of: Mr. William G. Burnett, who's the Executiva Director of the Texae Department of Transportation and preeident of the American Association of State Higbway and Transportation Officials; Robert A. Welke, director, Michigan Department of Traneportation; Mr. James Siebels, tbe chief engineer of the Colorado Department of Traneportation.

Your full written etatements will be made a part of the record, and we look forward to your summary presentations.

Who would like to begin? Mr. Burnett?

TESTIMONY OF WILLIAM G. BURNETT, EXECUTIVE DIRECTOR, TEXAS DEPARTMENT OF TRANSPORTATION, AND PRESIDENT, AMERICAN ASSOCIATION OF STATE HIGHWAY AND TRANSPORTATION OFFICIALS ACCOMPANIED BY ROBERT A. WELKE, DIRECTOR, MICHIGAN DEPARTMENT OF TRANSPORTATION, AND JAMES SIEBELS, CHIEF ENGINEER, COLORADO DEPARTMENT OF TRANSPORTATION

Mr. BURNETT. Thank you, Mr. Chairman, and good morning members of the subcommittee.

My name is William Burnett, and I'm the executiva director of the Texas Department of Transportation and currently sarve as president of the American Association of State Higbway and Transportation Officiale, AASHTO.

With me today to diecues highway and bridge infrastructure needs are Robart Weike, director of the Michigan Dapartment of Transportation, and Jim Siebels, chief engineer of the Colorado Department of Transportation. Jim also serves as chairman of tba AASHTO Highway Subcommittee on Bridges and Structures.

We appreciate your invitetion to teetify here today, and after my commants Mr. Welke will discuss interstete maintenance iesues and Mr. Siebels will provide our porspective on tbe national bridge needs.

The national highway syetem ie the backbone of an inter-connected transportation network. Thie network serves our urban areas like Dallas and our rural areas like the Black Hille of South

Dakote; major commercial businesses like IBM, and local Mom-n-Pop operations; touriste and visitors to our Nation's national treasures; international trucking companies and cross-town shippers; the emergency medical services and militery response teams in times of personal and national crisis.

The development of the national highway system is the crowning transportation achievement of this decade. With its designation, the Congress has recognized the need for focused Federal investment in the Nation's key highway routes, and at the same time the Intermodal Surface Transportation Efficiency Act of 1991 provided continual Federal support for our highway routes, bridges, and intermodal facilities, which play an important role in achieving national objectives such as: enhanced mobility, safety, emergency preparedness, national defense, and economic development in every part of our vast Nation.

If you were to drive across our Nation's highway system, the diversity of our Nation and the challenges facing transportation officials to maintain the system would be revealed mile by mile.

We must overcome a variety of natural and manmade obstecles to provide a highway system that will last.

In the mountainous regions of our Nation we struggle to fight erosion, landslides, and extreme temperatures, and in the midwest diverse soil types combine with large amounts of rain and snow, creating multitude of challenges for highway maintenance crews year-round.

In all of our urbanized areas, the tremendous crowding of our highway system keeps transportation officials scrambling to find ways to keep up with the demand for mobility and access, and at the Nation's border crossings we struggle to find effective ways to facilitate the flow of international trade without disturbing the quality of life in our border communities.

The USDOT's 1995 condition and performance report finds that, without further investment at all levels of government, the Nation's transportation infrastructure will deteriorate at a rapid pace.

With increased investmente in the past decade, we have made great strides to improve the conditions of our highways; however, the USDOT report estimates that the cost to maintain the current physical condition and capacity performance of our national highway system is $263.7 billion for a 5-year assumed reauthorization.

The cost to improve current physical conditions and capacity performance would take an additional $93.8 billion.

The combined total required to meet all maintenance and improvement needs is $357.5 billion over an assumed 5-year period.

However, current funding levels of $221 million (sic) for highways are insufficient even to maintain the system in its current condition.

Only when three things occur will we have the resources to meet the basic maintenance needs of our Nation's highway and transit systems over the 1998 to 2002 time frame.

To meet the basic system needs, AASHTO suggests the following situations must take place: all current State and local funding is continued, all current Federal highway trust fund dollars are fully deployed, and the current $0.043 per gallon in the motor fuel tax going to ths general fund is shifted to the highway trust fund and fully deploysd.

The interstete reimbursement program is a funding mechanism to repay the States for the cost of the interstate highway system, highways built before ths creation of the interstate highway system.

AASHTO takes no formal position on any discussion of funding formulas or the distribution of funds to the States; however, our reauthorization documente which ws have furnishsd ths committee support additional program flexibility for every State to allow them to meet the needs of the area.

One characteristic of the interstate reimbursement program is its relative flexibility. Ths funds are transferred to the surface transportation program, the most flexible of the core ISTEA programs. In addition, half of ths interstete program reimbursement program funds are not subject to the enhancement and safety set-asides, nor are they required to be sub-allocoted to the urbanized areas.

States need this type of flexibility program characteristics to be included in all Fedsral funding programs in the next reauthorization.

I thank you for the opportunity to talk to you today about our highway system's needs, and I'd like to turn the microphons over to Robsrt Welke, director of the Michigan DOT.

Mr. PETRI. Thank you.

Mr. WELKE. Thank you, Mr. Chairman. I'm certainly happy to bs here, and I would like to point out my qualificetions. I have 38 years of experience in the transportation highway industry, including design, district engineer, project engineer, and now director.

A major responsibility and concsrn of the AASHTO membsr departments, working with the Federal Govsrnment, is to maintain the significant investment that the Nation has mads in our Interstate System.

AASHTO strongly endorses the level of support for interstate and national highway system maintenance adequate to retain efficient, safe, and reliable service for the system.

AASHTO has a concern with regard to an ISTEA requirement for maintenance activities. Each State must certify on January 1st that it has a program to maintain tbe Interstate System, in accordance with guidelines issued by ths USDOT Secretary. Failure to do so may result in withholding of 10 percent of the interstete maintenance and construction apportionment.

It is in the State's best interest to maintain existing facilitiss, and the State programs already include a number of checks to assess the level of maintenance on the interstete, such as our payment management system and the highway performance monitoring system.

Projects on the system will be maintained through each State's regular maintenance program, regardless of the probable impending Peñalties. No value is added to the quality of the system through this 10 percent Peñalty requirement.

AASHTO also urges FHWA to reconsider its lnterpretation of work eligible for interstate maintenance. Following the passage of ISTEA, FHWA issued a memorandum on the implementation of the interstete maintenance program which excludes certain items for eligibility for the interstate maintenance funding, including new commuter parking lots, new noise walls. AASHTO has urgsd FHWA to widen its interpretation of ths eligible activities to include eucb items.

Maintaining our Stete'e network of roade and highways are tbe Department's highest priority. In Michigan, for example, we spend $200 million just on maintenance and bridge preservation in the State, and we're certainly slipping behind. To date, our backlog is about $3 billion, and we're very concerned about that. We have efforts underway to raise additional local funds to do sometbing about it.

But maintalning our Interstate Syetem ie so key to the future of this country, we uee the terminology that our traneportation facilities, particularly our interetate, is the lifeblood of the economy of our State and certainly of this country. I juet want to point that out.

In the reauthorization we feel etrongly that the interstate maintenance is key to any future in this country in transportation.

Thank you.

Mr. PETRI. Thank you. Mr. Siebels?

Mr. SIEBELS. Mr. Chairman, In addition to my role as chief engineer for engineering and construction with the Colorado Department of Transportation, as indicated, I also serve as chairman of the AASHTO Subcommittee on Bridges and Structuree, and my comments thie morning will be pertaining to bridge iesuee and the importance of the Federal bridge replacemsnt and rehabilitation program.

A Federal program has been in effect since the early 1970s. It has been a vary successful program, with mors than 43,000 of the Nation's deficient bridges replaced or rehabilitated. However, the latest information indicates that approximetely 33 percent in total of the Nation's bridges remain as structurally or functionally deficient, and that equatee to almost 180,000 bridges.

In order to maintain that level of deficiency, we would bave to address approximately 11,000 bridgee on an annual basis, at a cost of $5.1 billion annually. In Colorado, alone, we have over 1,900 deficient bridgss.

A very important provision of the bridge program has been the ability of the States to use these funds on local roads and Streets. In Colorado we have used that provision to the maximum in order to deal with an even greater need on the local road syetem than on the State system.

A major part of any bridge program involvee bridge inspection. It has been 25 years since the first national bridge inspection etandarde were first issued in 1971. Since thet time, the Statas bave developed very comprebensive bridge inepection programs, dealing with inspection of Federal, State, and local bridges.

It has aleo been of great help in Colorado to be able to use the Federal bridge funds to cover a portion of those inepection costs on hoth the on-and off-eyetam bridges.

Although the National Highway Syetem Designation Act bas made the implementation of management eyeteme optional, I aseure you that moet, if not all, States are very supportive of implementation of a bridge management eyetem to help make the difficult decisions regarding bridge maintenance and bridge replacement.

The PONTIS system, which is a computerized bridge management system developed by AASHTO and FHWA, is currently being used by 38 States, and I believe most of the otber States have other systems either developed in-house or other commercial eystem.

The States are continuing to look for innovative ways to obtain more cost-effective bridges, and, through the AASHTO Subcommittee on Bridges and Structures, have developed better design and construction specifications.

We recently developed a state-of-tbe-art deeign specification utilizing the load and resistance factor design method. This bridge deeign specification was a major effort of AASHTO, FHWA, taking almost 5 years in the development and about $2 million, but will provide a more uniform lsvel of safsty and more cost-effective structures nationwide.

In addition, the States' bridge engineers met recently in Philadelphia and gave tentative approval to a new pedestrian bridge design epecification which will provide for more cost-effective designs and, where appropriate, reduce the design load.

We had been accused by some of taking an 18-wheeler mentality in the design of pedestrian bridges, and while I don't support that accusation I do believe the bridge engineers have responded in coming up with a specification thst will be more cost-effective in regards to the construction of pedestrian bridges.

We are continuing to look for new materials which will be more cost-effective for bridge construction. High-psrformance steels and concrete, new applications for aluminum, and recent developments in fiber-reinforced plastics are now being considered by bridge designers in order to provide the best design solution.

Bridge research continues to be a high priority of AASHTO through the national cooperative bighway research program.

These are just some of the efforts by AASHTO and member Statee to make eure we obtain the moet value with tbe bridge funds available. The need for bridge funds, however, continues to exceed the funds available, and AASHTO supports continuation of a bridge replacement/rehabilitation funding for bridges in order to maintain or improve the condition of the Nation's bridges.

I thank you, and I'll answer any questions at tbe appropriate time.

Mr. PETRI. Thank you all very much.

Mr. Rahall?

Mr. RAHALL. No questions, Mr. Chairman.

Mr. PETRI. Mr. Horn, any questions?

Mr. HORN. Thank you, Mr. Cbairman.

Let me just make sure I underetand the problem. I think we all ehare your concern on bridge repair and bridge maintenance and perhaps bridge reconstruction. What I'd like to get a feel for is your ideas and wbetber you all agree on the degree to which that ie a State decieion or a Federal decieion and the degree to which the percent of money devoted to bridges ought to be clearly earmarked in the law.

Do you have a conseneue on that?

Mr. BURNETT. Mr. Horn, I'll try to answer that.

AASHTO's position, as we have tried to look at the existing programs and position ourselves on reauthorization of ISTEA, greatly believes that there is a major concern with our bridges as they are today. But I think AASHTO also strongly believes that with the programs that we have, with the national highway system program and the surface transportation program, that if there is enough flexibility in the reauthorization bill to allow the States to fund what their needs are, it would more be AASHTO's position than having a set-aside, per se, for bridges.

Mr. HORN. Any reaction, Mr. Welke, Mr. Siebels?

Mr. WELKE. I have a similar view. Bridges are very critical. In Michigan our most critical transportation problem is our bridges. In the Detroit area we have some 250 bridges with plywood underneath to catch the fallen concrete.

The Governor has authorized additional expenditures, and we went from $65 million to $110 million in 1 year just to rehabilitate bridges.

We think we need to approach the $200 million a year over 6 or 7 years to play catch-up.

It goes back to a lot of issues. Some of it was the design flaw, we feel, back in the early 1960s of doing what we call "thin bridge decks." They're coming due, and they're coming due very rapidly. We're very concerned about that issue.

Last year we closed a major bridge on a trunk line that handled 11,000 cars a day. We finally had to close it until we could remove it and replace it. It was a surprise.

So we're trying to do everything we can in the States, but we're pushing that envelope of money.

The $0.043 of Federal gas tax that's going in the general fund, if that came to Michigan that would be $200 million a year, and we feel in 6 years would solve our bridge problem.

We need and all the States generally need to get on with this issue.

I feel, from a professional standpoint, it's a very major concern.

Federal funding is also very important to help meet the goals I mentioned.

Mr. HORN. I would share your concern as a driver on interstates across the country. I certainly wouldn't like to be passing bridges where they've get plywood under them to catch the falling parts of the bridge underneath.

The question would be: If that money that you cite, the gasoline tax, is turned completely back to the States, should that simply be part of maintaining an Interstate System? You can't have an Interstate System without the bridges that connect the highway from one end of the river to the other, so I don't know if we need to isolate it, but I'd be interested in your views on that.

Mr. Siebels?

Mr. SIEBELS. I guess my only comment would be, in Colorado we receive $19 million a year in Federal bridge replacement money. We have a State gas tax dedicated fund for bridge replacement in Colorado of about $25 million, so we have a great need in Colorado for bridge replacement, and meeting part of that need through the State gas tax revenues.

Mr. HORN. Well, do you think we should simply have a fund for the interstate, no matter what part of the interstate we're funding, or should we isolate money? Do people at the State level not want to keep a bridge in first-class condition or build a new bridge, or what?

Mr. SIEBELS. I'm not sure that we've taken a formal position on that. I think in Colorado we would like to have as much flexibility perhaps as possible in how we deal with the needs. As I say, we've taken and have a dedicated State fund. Whether or not we would increase the—more Federal funds on bridges if we had that option, I'm not sure, if that's your question.

Mr. HORN. Well, let's look at it this way. There is a certain mileage figure on interstate that really triggers your money; is that correct?

Mr. SIEBELS. That's correct.

Mr. HORN. Well, is the factor of a bridge at various parts given proper weight to greatly increase the money? If you have enough bridges, it seems to me you can't just treat them as another mile of interstate, can you? You've got to treat them as a very costly footege of interstate. I mean, does that make sense how to work that formula, and would that help people that have a lot of bridges?

Mr. BURNETT. Mr. Horn, if I could, in Texas we have 33,000 bridges on our system that we maintain, and then we assist in 14,000 bridges off our system.

What we have found is that where we can best address our bridge needs is not to have a pocket of funds dedicated strictly to bridges.

I think, like Colorado does, and I'm sure Michigan and other States do, we actually supplement more money into the special pots that we get because I think all of us realize the significance of a catastrophe on a bridge.

You've got to connect both riverbanks, and as States go through and prioritize their needs, the most flexibility they have to take their surface transportation program funds or their national highway system program funds to address what their major needs are, I think benefits the States.

What we do in Texas, we have to sit down and look at what our needs are, and Michigan has to look at theirs, and Colorado has to do the same.

So I think AASHTO's position would be that anything that gave the State DOTs as much flexibility to meet their individual needs would be what we would prefer.

Mr. HORN. Would States that do not have proportionately too many bridges feel that we shouldn't have a formula that gives a proper weighting for the bridge portion of the Interstate?

Mr. BURNETT. I would think that as AASHTO has walked through their positions consistently, every time it came to program set-asides, AASHTO continually—all 52 members, including the District and Puerto Rico, have indicated that any program that gives maximum flexibility back is their preference.

I think that would reflect to your question as to States with bridge problems compared to States without bridge problems—that every time it comes down to maximum flexibility in the program, that would be their desire.

Mr. HORN. Has the Administration, Mr. Chairman, testified on this issue one way or the other? If so, does Mr. Slatar have any comment he'd like to make on this, since be's hearing the diecussion?

Mr. PETRI. I think he'll be happy to submit something.

Mr. HORN. Well, if staff could ask him to submit it, I'd be interested to know if you adjust the formulas to take into account a different weight when a bridge is a factor and then the State gets its interstate allotment.

Mr. PETRI. That question was submitted to him for written response.

Mr. HORN. Fine. Thank you, Mr. Cbairman.

Mr. PETRI. Thank you.

Mr. Oberstar?

Mr. OBERSTAR. No questione, Mr. Cbairman.

Mr. PETRI. Me. Johnson?

Ms. JOHNSON. Yes. Thank you, Mr. Chairman.

I'd like to ask Mr. Burnett a question as it relates to I-35, the NAFTA Higbway.

I know that it runs from Canada all the way to Mexico, with a large bulk of it being in the State of Texas, and that traffic has increased tremendously since NAFTA, and big trucks that offer a lot of safety problems.

Has your organization taken a position? Is that affecting the other Statas in the same manner?

Mr. BURNETT. Yes, ma'am. As you're aware, prior to the construction of Interstate 35 tbe trip from Dallas to San Antonio took about 8 hours. That trip bas greatly been reduced. It's a distance of about 250 miles.

We've done a lot of work on 35, and I think, Congresswoman, as you're well aware, if 35 is not addressed, that trip between Dallas and Fort Worth and San Antonio by the year 2002 will creep back up to about a 7-hour trip because of congestion.

One thing that we're doing in our State is trying to find parallel corridors to go around San Antonio and Austin and Waco and other cities, but I think the primary thing that we've done is we have contacted our sistar States along 35 and asked them to sit down and work witb us to come up with a technical solution that benefita Oklahoma, Kansas, Minnasota, Iowa, and the other States along tbe route.

We're very active with that, and since, in the passage of the national highway system, it was designated as a high-priority corridor, we have—the Statee along 35 are in the process of making a proposal to the Federal Highway Administration for funds to determine what that corridor should actually be.

Ms. JOHNSON. Thank you.

One other question. I'm a native Texan. I've been in Texas all of my life, and I'm concerned somewhat about this flexibility in that flexibility to Texas has not always meant fairnese.

Do you bave a focus on how funds would be distributad? As you know, in tbe past we've had these three commissioners, and wherever they owned property, tbat's who got preference.

[Laughter.]

Ms. JOHNSON. That's a very difficult prohlem for Texas. I've intervensd and got funds stopped coming from Federal and all that just trying to get a little hit of attentlon away from where tbey live. Has that changed any?

Mr. BURNETT. Yes, ma'am, Me. Johnson. Our Commieeion last year set aside or started on a journey to develop targete for each region of the State, and that target ie basically determined by 70 percent of the vehicle miles traveled in an area plus 30 percent of the vehicles registered in an area, becauee ws feel that hest reflects—the vehicle milee traveled reflects the gasollne tax spent in an area as a user'e fee, and also the registration, which is the other portion of our funding in our State.

Then, as we elt down and put together—as the staff proposes to the three commissioners our unified transportation program for the State, ws try to be sure that each of our 25 districts, that there ie a return that matches the percent that we think ie collected in that area.

So the Commission has done that.

The other thing ths Commieslon has done is, realizing tbat Tsxas is a very diveree State and tbat we have 26 metropolitan areas, we have five transportation management areas, and we also have very rural parts of the State, the Commission has gone in there by population also and said that in certain programs like the national highway system program or various surface transportation programs, that certain percent of the projects would go to counties over 200,000, certain percent to counties between 50,000 and 200,000, and by doing that a project ln Dalias competee againet a project in Harris County, Bear County, but a project in Lubbock County competes against a project in Smith County.

They've tried to compare apples to apples and oranges to oranges, and this will bs our eecond year in this program.

Ms. JOHNSON. Harris County hae always had a representative and Dallas County has not always had a representative, and even when we have had them, the dollars tended to follow where tbey wanted to develop.

Those formulas were in place then and it didn't seem to help a lot.

Mr. BURNETT. Congresswoman, I can tell you that the three commissioners we have today—Chairman Laney and Commieeioner Berneen and Commissioner Wynn—have made a concentrated effort over tbe last 2 years to be commissioners for the whole State of Texas and not the communities tbat tbey reeide in.

Ms. JOHNSON. Thank you.

Mr. PETRI. Mr. Bateman?

Mr. BATEMAN. Thank you, Mr. Chairman.

I don't know whether this may have been covered, but some of my conetltuente bave raised concerns about what ie going to happen or may happen in the context of tbe size, weight, and nature of trucks that may be permitted on their highv/aye as a reeult of the NAFTA agreement.

Is there a problem there that you all perceive that we're going to have to deal with?

Mr. WELKE. If I may, Mr. Congressman, I'd like to answer that for Michigan.

We're certainly working with Ontario, Quebec, for example, because we are a global economy and 43 percent of the trade with Canada passes through Michigan, and we're seeing a change in that.

We do have heavy truck gross loads allowable in Michigan and relatively very lower axle weights. We're looking, on a national basis, to standardize that. I think that becomes very, very important that when a truck leaves Illinois, passes through Wisconsin, up through the UP into Canada, that it's going to have to meet a standard that we all agree to, both as to dimensions and weight, and that will be in the metric system, of course.

We're finding a great change in truck patterns because of NAFTA. We feel that it's important, if we're going to compete in this country on a global economy that we get some uniformity between the States and certainly with the foreign countries, particularly, with Michigan, with Canada.

We know that some of the weights are adding burdens to the trucking company, as well to the State and the road conditions.

I think, looking ahead to the future, this will have to be faced from a uniformity standpoint if we're going to continue to compete in the national and international scene.

Mr. BATEMAN. Is there something in the agreement which mandates that we accept triple trailer trucks and larger or higher weights than are presently permitted?

Mr. BURNETT. As I understand the NAFTA bill, it permits, in our case, trucks from Mexico to enter into Texas, but they have to comply with Texas' laws.

Probably the biggest concern—they have to comply to our laws when they operate inside the State of Texas, but probably the biggest concern to us besides the weight is the different configuration in the vehicles that come out of Mexico and Canada and the affect that they have on our bridges with axle spacings and axle loads. I think that is a definite major concern.

Mr. BATEMAN. I would hope, certainly, that somebody is on guard to see that our highways and our bridges are not damaged or we don't run into an agregious problem as a result of relaxing standards.

Mr. BURNETT. I think that is in place, and I think that in our State, and I'm sure in other States, we've been able to have our weight and license troopers from our Texas Department of Transportation into the Customs facilities where we can catch them and turn them back before they even get out on our highways, so we have been able, I would say, through a very cooperative effort with the USDOT, to sit down with the other Federal agencies.

I'm sure its similar in the other States that share a border with Mexico and all those with Canada, that they have been able to work out agreements to do exactly what you do to protect our—talking about protecting our investments.

Mr. BATEMAN. Reference was made to the need for uniformity. Do you feel like Congress needs to legislate on the subject of truck weight limits, configuration?

Mr. BURNETT. I think our association has pretty much been on record in the past that, where you talk about operating on a national system, that there is a lot to be gained by everybody being consistent.

I think we have that today on the Interstate System.

I'm sure there is a role for discussion with the Congress as to what would be appropriate.

Mr. BATEMAN. Thank you.

Mr. PETRI. Mr. Sawyer?

Mr. SAWYER. Thank you, Mr. Chairman.

Mr. Siebels, when you were talking about design standards you mentioned innovative materials, you talked about fiber reinforced plastics and polymers and other kinds of innovative synthetics. Could you expand a little bit on the current state of play and the use of those kinds of materials and strength issues, cost versus life span issues, that sort of thing?

Mr. BURNETT. I guess some of those things, Congressman, are very new. I do know that in California they have done some use of fiber-reinforced plastics as it deals with strengthening some of their bridges for earthquakes.

There is some research going on in terms of fiber-reinforced for rebar.

As far as whether or not, at this point, those materials are really cost-effective, I think it's too early to tell. We're really kind of in the experimental stage.

I know there are some people in the aluminum industry that are looking at new applications for aluminum, for aluminum bridge decks, and trying to lighten load—light-weight and perhaps more cost-effective. We are looking at that as part of our subcommittee.

But I would say some of that is still in the research stage.

Mr. SAWYER. I used to be a mayor, and it was of particular interest to me. I kept looking around my city every spring and feeling as if, if the damage that had been incurred had happened over a single weekend, we might have been eligible for Federal earthquake money or some kind of disaster money, but because it took place over 18 weeks or so it was not something that really caught the attention of the Nation.

The use of more-flexible materials and ones that respond both to catastrophic events of the kind that you describe or the kinds that we somehow take for granted but which are inevitable in terms of weathering of materials, that there is a good deal of promise there, and the work that's being done in establishing new and innovative design standards is important in that regard.

Let me ask a second question: you talked about formula-driven dollars, all of you in one way or another. It seems to me that, particularly when we're talking about population issues, that we're in a period of time when population is moving in ways that it has not moved before and at a pace that it has not moved in perhaps as much as 100 years.

At the same time, what you say about highway construction is important, both as a facilitator of commerce and perhaps even a predictor of commerce. "Build it and they will come" is not an exaggeration in that it's kind of hard to know whether population movements are the product of a self-fulfilling prophecy or something that is a guide to where we ought to he anticipating future need in construction.

Can you comment on the efficacy of population-driven formulas today versus where they might have heen even as recently as 20 years ago in terms of population movement?

Mr. BURNETT. Congreesman, I guese, heing here speaking for the American Association of State Highway and Transportation Officiale, wa have—52 memhers have—I guees we've taken an oath in hlood that we're not going to get into funding formulas. It'e very divisive in our aseociation, and so we have tried to concentrate all of our work on reauthorization on the eize of the program, iteme that are eligihle for the program, as we axplained to Mr. Horn, flexibility—

Mr. SAWYER. I'm trying very hard not to get you to pick winnere and loeers.

Mr. BURNETT. And than, finally, process improvsment.

Mr. SAWYER. Juet to comment on the efficacy of ths—

Mr. BURNETT. I think all of ue feel that—this ie a very tight line for ue to walk, hut a lot of us feel that, no matter how thie is distrihuted, it ehould he looked at ae factore that are relevant in 1996 and not old factors.

Mr. SAWYER. I hear you. Thank you. You walk a fine tightrope.

Mr. PETRI. Mr. Rahall?

Mr. RAHALL. Thank you, Mr. Chairman.

I juet wanted to follow up on the question that Mr. Bateman asked you, Mr. Burnett.

Mr. BURNETT. Yes, eir.

Mr. RAHALL. I want to make eure I heard your reeponee correctly. It ie your impression, or your understanding that nothing in NAFTA overrules current law in regard to truck sizee and weighte, ie that correct, and that only Congreee can paes euch a provieion?

Mr. BURNETT. That ie my understanding, Congreseman.

Mr. RAHALL. Fine. That'e correct. Thank you.

Mr. PETRI. I had one or two queetions.

In your teetimony you mentioned hurdeneome and unnecessary provisione imposed by ISTEA and aarlier laws, and I wondar if you, Mr. Burnett, or one of the other gentlemen, could expand on that and cite some provieione that you feel are hasically not coet-effective.

Mr. BURNETT. I can try, Mr. Chairman.

I think—and then Bob and Jim may have eome others—I think some thinge, like when you get into the NEPA requirements—the national environmental protection requirements—and we etart working with the congeetion mitigation funde, that we don't have one-etop ehopping ae we go out there and try to do a project that ueed congestion mitigation funde to improve the air.

You work it through one Govsrnmental agency so far and you kind of gat their hleeeing, and then all of the sudden you're over in the Environmental Protection Agency, eo that's hurdeneome to ue in that you can't start with one person and go all the way through it.

Other thinge, like in the area of some of the programs, I think Mr. Slater talked ahout this a little hit, like the enhancements program, it'e a very expeneive program to operate for the recipiente for the gain that they get back. If there could be some modifications to allow their match not necessarily to be in hard dollars but more in soft matches, in-kind services and things, it would make for a lot of small communities that apply for enhancement projects—those type of things.

So it would be things similar to that. I think a lot of it is process-driven. A lot of it could just—minor improvements could be made if the States ended up just having to deal, when transportation funds are being spent, with Federal transportation agencies.

Bob or Jim may have some comment.

Mr. WELKE. We feel there is certainly an area, in working with FHWA, where we can reduce the amount of paperwork.

Last week I signed an application. It was a transit grant application, and it was about an inch-and-a-half thick of forms. I signed in seven different locations. And when I got to the end I looked up and it was for $385,000. I thought that was just an awful lot of paperwork for that amount of money.

So I think, with the advent of the computer and expert management systems, I think we've got to get beyond the paperwork, we've got to get back to some trust, maybe some block grants or however we want to do that, where there are some assurances of fairness.

We need to do that. We're spending too much money on paperwork and not enough time and effort to get on with maintaining and improving our system.

Mr. SIEBELS. I certainly support the comments from Mr. Burnett and Mr. Welke. I think the planning and public participation process laid out in ISTEA has been very helpful to Colorado, and we support that.

If I had to pick one thing in ISTEA that we would say should be different, it would be less categories of funding and more of flexibility of how the funds are used.

Mr. PETRI. Thank you.

One other thing I wonder if you could respond to. Talking with Wisconsin Department of Transportation officials over the years, they seem generally to have the idea that they work quite well with the Federal office or people in Madison, and pretty well with those in Washington, but they're not sure value is really being added to the whole process by the regional offices.

They seem to feel things get often confused or there is a lack of understanding, and then they have to come out to Washington and straighten it out again, rather than things being solved at the regional office level.

Do you think, sort of following on to what you indicated about trying to reduce burdensome paperwork and get with the sort of downsizing and modernization process that is happening in spades in the private sector, that there is an opportunity for us, as part of this reauthorization process, to look at the organization of the Department of Transportation and see if taxes can just go to Washington or some other place? Or don't you have those sort of frustrations in your States?

Mr. BURNETT. Mr. Chairman, this is tough with Rodney sitting behind me, but I think the division offices in each of the States definitely add value. And I think that when you look at the regional structure, the size of our State to the size of your State, they have the capacity to do a lot of things in-house.

I think that if there is a need for regional structure, it should really be more of service centere of excellence, maybe a center that concentratee on bridges and structures, so that a State that may not be as fortunate as my State and have ths resources to do a lot of research on bridges, that they can lsarn frem other States.

I think Wyoming will tell you that without the regional office in region eight, Wyoming's program wouldn't be quite what it is today, but—I guess what I'm trying to say, regionally I think there is a need for centers of excellence to help the States, but administratlvely, as a pass-through, lt's just one more person to check off on a box, is my opinlon.

Bob may have a different opinion, or Jim.

Mr. WELKE. I concur with that exactly.

In Michigan the division office and oureelves, we considsr ourselves partnere. We work together on problems to solve it.

Administretivsly, some of the questions and decisions we understand havs to go to Washington. We appreciate that. And I agree with BIll 100 percent. There is a need for ths technical expertise as support and help. We call them "skill centere" ln Michigan. We're starting to sse it that way, not the administrative need.

Mr. OBERSTAR. Mr. Chalrman?

Mr. PETRI. Yes?

Mr. OBERSTAR. Thank you, Mr. Chairman.

I listened with great interest to the testimony from our panel about more flexibility, block grants, gstting rid of categories. I just wanted to ask Mr. Welke, how long you have been in the highway business?

Mr. WELKE. Going on 39 years.

Mr. OBERSTAR. That's a good while.

Mr. WELKE. Thank you.

Mr. OBERSTAR. About 6 yeare longer than I have.

I've heard State highway officials come in time after time and say "We want more flexibility. We want fewer categories. We want a national program."

Congress has identified, through many Congresses, through many Administratlons, democrat and republican, on a bipartisan basis, that there are certain natlonal intereste to be served by various categories of programs.

As a State administrator you'd like to have none of that, would like to run your program to serve your needs. But then when a road project or a bridge is not built in an area or ls long in ths coming, who hears about lt? A Msmber of Congress or United States Senator. These are Federal funds, it's a Federal program. We expect you to administer to our needs.

We go back to the State and they eay, "We've got our own categories. We've got our own programs. We've got our own priorities." Those may shift from Governor to Governor and from legislature to legislature within the same State.

So, while I think it was useful to reduce categories from some 34 that we had at one time down to roughly 12, I'd be very hesitant to move any further.

Tell me which categories of funding that you'd like to remove.

Mr. WELKE. One of my premises, certainly, is remove the amount of paperwork, if possible.

Mr. OBERSTAR. I'll come to the paperwork in a minute. I want to talk about categories.

Mr. WELKE. As of categories, I don't want to be—Mr. Congressman, I don't think I can be specific here without reviewing the issue. I'd be happy to respond to that in writing if you would like, because—

Mr. OBERSTAR. I certainly would like to see that, because I think it's a very important issue for us all.

Mr. WELKE. Yes. Staff tells me we're dealing with 134 different categories. Now, there seems to be a difference of opinion, and I'm not up on the issue specifically to answer that, but I certainly would be happy to respond to that.

[The information received follows:]

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ROBERT A. WELKE, DIRECTOR

July 15, 1996

The Honorable James Oberstar
U.S. House of Representatives
2366 Rayburn House Office Building
Washington, D.C. 20515-2308

Dear Congressman Oberstar:

I very much appreciated the opportunity to represent the American Association of State Highway and Transportation Officials (AASHTO) in testimony before the House Transportation and Infrastructure Committee on June 5. At the time, I did not have enough detailed information to respond to your questions on the number of categories of funding under ISTEA and the perception that ISTEA gave more flexibility to state departments of transportation. You further asked what programs could be onllapsed and the degree of paperwork necessary under the present act. I hope this letter will answer those questions.

When ISTEA was first passed, state and local transportation officials across the country anticipated its implementation with a mixture of hope and anxiety. ISTEA brought many changes to the way state and local transportation agencies do business. Some of these changes have been positive; others have created more problems than they solved.

The truly remarkable impact that ISTEA onuld have had has not been realized because the Act was never fully funded. Congress promised greater transportation funding in exchange for our accepting and fulfilling the more stringent planning and program requirements of ISTEA, but severely reduced annual obligation ceilings have thwarted the potential benefits of ISTEA.

The intentions of Congress were honorable in developing ISTEA. Unfortunately, we have found that its implementation has created substantial roadblocks to its own efficiency.
The Surface Transportation Program (STP) was envisioned as a block grant to fund the types of projects that had previously been funded by many other separate categorical programs. While this would have simplified federal funding, some forty categories and sub-categories were added to the STP. The result is a much more onmplex and cumbersome funding system than the one ISTEA replaced.

Representative James Oberstar
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For example, in crafting the next authorizing legislation, the following discrete funding categories could be collapsed into one block grant, leaving states the discretion to spend the money where it most makes sense for them:

- Bridge Program, Optional 20% On/Off System
- Bridge Program, Mandatory 15% Off-System
- Bridge Program, Mandatory 65% On-System
- Timber Bridge Construction Grants
- Rail/Highway Crossings, Elimination of Hazards, FY 1991 and Prior
- Rail/Highway Crossing, Devices, FY 1991 and Prior
- Hazard Elimination, FY 1991 and Prior
- Congestion Mitigation and Air Quality
- STP - Optional Safety
- STP - Transportation Enhancement
- STP - State Flexible
- STP - Mandatory Amount for Non-Urban
- STP - Rail-Highway Crossings, Protective Devices
- STP - Rail-Highway Crossings, Elimination of Hazards
- STP - Other Than 200,000 Population
- Donor State Bonus, Any Areas

Each of these categories is further subdivided into State and Local for reporting purposes, and the reporting requirements for the smallest category ($53,000 for STP - Rail/Highway Crossings, Elimination of Hazards, Local) is the same as for the largest ($77 million for National Highway System, State). To their credit, the Federal Highway Administration now allows us to obligate projects electronically through their FMIS system, but the quarterly report of obligations is still time-consuming.

By splitting federal funding among numerous categories and sub-categories, wa are forced to search for funding sources on a project-by-project basis. If we are unable to find available funding for a particular project it must be delayed. This contrasts sharply with how a simplified block grant approach would work. The state department of transportation, in consultation with local officials, would be allowed to decide which projects best serve our motoring public and then fund them out of this type of grant.

We support the positions of the American Association of State Highway and Transportation Officials (AASHTO) on federal funding. We desire the reduction of programmatic sub-categories. We also seek the creation of a block grant for the non-NHS system, making safety and enhancement programs eligible activities. States should be granted maximum flexibility in deciding the disbursement of federal funding.

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The largely unfulfilled promises of ISTEA deserve a second chance, with some simplification, through the next authorization bill. I urge Congress to provide full and simplified funding for transportation in the future--for only under those circumstances will the positive intent and potential benefits of ISTEA truly have an opportunity to be realized.

Sincerely,

Robert A. Welke

Robert A. Welke
Director

cc: Frank Francois
Bill [illegible]

Mr. OBERSTAR. Now the matter of paperwork.

When the Small Business Association could reduce ite average application from 120 pages to 2, surely Federal Highway Administration could reduce the amount of paperwork required from an inch-and-a-half to something less than that.

Have you reviewed that document since you found it hurdensome—and I would certainly understand that—to say, "these are the pages that we think are superfluous"? Hava you and your colleaguee of the State highway administrators gotten together and looked at these various forms and made constructive suggestions to the Federal Highway Adminietration and said, "These are pieces of paper that are either duplicative, overlapping, unnecessary"?

Mr. BURNETT. If I could respond to part of that, sir, we've recently completed a study in our State on construction projects, and we had a joint task force of Texas Department of Traneportation, Federal Highway Administration, and the Associated General Contractore of Texas, and we've sat down eince November of last year looking at the 79 pieces of paper, 79 different forms that we have to suhmit on a construction project that has Federal aid or just even State aid, and we were able to identify 27 forms that could be eliminated and 8 that could be modified, but the toughest forms for ue to eliminate are the Federal forms.

We can sit in there and look at our State of Texas letter, notice to contractors to go to work, and we can decide that we can eliminate that, or the payroll certification form, and that's just an area after a project has gone to contract.

We've done extensive work, and I'm sure other Statee have tried to, as they—

Mr. OBERSTAR. But have you talked to Federal Highway Administration about thie and said, "Look at all this paper"?

Mr. WELKE. They were on the committee with ue.

Mr. OBERSTAR. Okay. Have you—I mean, Mr. Slater ie sitting right here. He's a very responeive fellow. I've found him, since Frank Turner, to he the most responsive of Federal Highway administratore in all my years of experience.

Mr. WELKE. I would echo. We find Mr. Slater to he a joy to work with in Texas.

[Laughter.]

Mr. WELKE. Eepecially since Rodney's sitting hehind us.

[Laughter.]

Mr. WELKE. But this is a report that I received Monday, and from my review—and we haven't had an opportunity yet, but I just bring that out as an example.

Mr. OBERSTAR. I think that's something that can be worked on very constructively. As I said, if the Small Business Administration could do it to accommodate Main Street America, then surely the Federal Highway Administration can work with State highway administrators to reduce the level of frustration, if not necessarily the level of categories.

I would like to see your written response to number of categories.

Finally, the question of bridges has come up time and again, but nothing has been said about the bridge formula.

Have you State highway administrators been in touch with the Transportation Research Board, which has done a great daal of work on updating the bridge formula? And what comments have you to make about the bridge formula now with calls by the American Trucking Association for longer vehicles, heavier vehicles, long combination vehicles, shift of axle weights that's happening?

I conducted hearings many years ago, along with Bill Clinger from Pennsylvania, and we had a great many research authorities on this subject testify at those hearings about the bridge formula. It's sort of dormant since that time.

I'd like to hear your comments about the bridge formula in relationship to the new trucks, heavier trucks, longer trucks.

Mr. SIEBELS. Thank you. It is a complicated subject, actually, although it is timely. It is being addressed right now by the AASHTO Subcommittee on Bridges and Structures. Of course, any decisions coming out of that subcommittee would go up through the organization of AASHTO.

At the meeting in Philadelphia just last month, the bridge engineers reviewed a report from an AASHTO Committee on Domestic Freight Policy, which recommended adoption of a new bridge formula that was developed by the Texas Transportation Institute, called the TTI formula.

The bridge engineers, at least tentatively, have recommended adoption of that formula to replace the current Federal bridge formula B, and what it actually does is it—if that recommendation were adopted by AASHTO, it would, for the longer trucks with over seven axles—seven-, eight-, and nine-axle trucks—it would require those trucks to carry the same load as formula B to be—have a longer length between axles.

Like I said, that was a report that came out of a Transportation Research Board back in the late 1980s, its Special Report 225 from TRB, and the bridge engineers, at least, have made—have recommended that formula be adopted. That will be going through to the AASHTO Board of Directors.

Mr. OBERSTAR. And when do you expect AASHTO to act on this?

Mr. SIEBELS. That would probably go at the AASHTO meeting this fall, in October, I think it is, in Buffalo, New York.

Mr. OBERSTAR. Very good. Is that document available generally, or is it a close-held document?

Mr. SIEBELS. Which?

Mr. OBERSTAR. The engineer report, bridge engineer report.

Mr. SIEBELS. The AASHTO document was published I think in 1995. It came out of the Domestic Freight Policy Group.

Mr. OBERSTAR. But the one you referred to that was agreed upon last month.

Mr. SIEBELS. That resolution is still actually being finalized and sent forward.

Mr. OBERSTAR. Okay.

Mr. SIEBELS. It's actually on my desk right now, so it has not really been formally—

Mr. OBERSTAR. Could you send me a copy of that when you've completed your processing of it?

Mr. SIEBELS. That will be submitted to the Standing Committee of Highways of AASHTO, probably in the next couple of weeks.

Mr. OBERSTAR. I'd very much like to see that.

Mr. SIEBELS. Okay. We'll send you a copy.

Mr. OBERSTAR. Thank you very much. Thank you, Mr. Chairman.

Mr. PETRI. Thank you, gentlemen. We appreciate your testimony today.

The next panel consists of distinguished former administrators who will be able to tell us how to do things better, hopefully, consisting of: Mr. John Hassell, former administrator of Federal Highway Administration; Mr. Howard Yerusalim, former Secretary of Transportation of the State of Pennsylvania and former president of the American Association of State Highway and Transportation Officials; and Gene McCormick, former deputy administrator, Federal Highway Administration.

Gentlemen, welcome. We appreciate your taking the time to prepare testimony and sharing your experience with this subcommittee.

Mr. Hassell, would you like to begin?

Mr. HASSELL. Sure, Mr. Chairman.

TESTIMONY OF JOHN S. HASSELL, JR., FORMER ADMINISTRATOR, FEDERAL HIGHWAY ADMINISTRATION, U.S. DEPARTMENT OF TRANSPORTATION; HOWARD YERUSALIM, SENIOR VICE PRESIDENT, KCI TECHNOLOGIES, INC., AND FORMER SECRETARY OF TRANSPORTATION, STATE OF PENNSYLVANIA, AND FORMER PRESIDENT, AMERICAN ASSOCIATION OF STATE HIGHWAY AND TRANSPORTATION OFFICIALS; AND GENE MCCORMICK, SENIOR VICE PRESIDENT, PARSONS BRINCKERHOFF, AND FORMER DEPUTY ADMINISTRATOR, FEDERAL HIGHWAY ADMINISTRATION, U.S. DEPARTMENT OF TRANSPORTATION

Mr. HASSELL. Thank you very much. It is a pleasure to be here before the subcommittee and testify concerning the reauthorization of the Federal surface transportation program.

As someone who's followed the preparation of Federal authorization legislation for highway transportation for over 20 years, I appreciate the difficulty and the magnitude of the task facing the subcommittee's members.

The subcommittee's upcoming reauthorization of the surface transportation legislation following the major rewrite of surface transportation legislation that the 1991 ISTEA Act represents, provides both the luxury of reflection as well as the opportunity to adjust and move the Federal program forward.

This morning I would like to touch on two areas that I feel are of great importance in your deliberations. The first item deals with the reauthorization of ISTEA and reflects my experiences with Federal, State, and local governments as they have attempted to implement this major shift in direction in the Federal highway and transit programs.

My observations are that the implementation has gone amazingly smoothly, considering the magnitude of the changes that were part of ISTEA.

This can be directly attributed to the skill, dedication, and the positive attitude of all of those involved in learning what was required under the new act and then working in good faith to put these requirements into practice.

Progress has not always been smooth nor even, but I feel, from my observations, that is has gone far better than most expected; therefore, I feel it would be a serious mistake to try to make major adjustments at this stage in the basic program structure and processes.

The steepest part of the learning curve is just now passing. Change and adaptation in process and substance are just now being accommodated, and to shift gears, change direction, or make major modification in concept at this point would neither serve the interest of the program nor the users of surface transportation in this country.

I would point out, however, that the major obstacles to fully assimilating these new processes has been the lack of funding to proceed with the necessary research and development of tools to carry out these programs.

We have not invested in new tools for planning and program development in over 20 years, and to expect the tools of the 1950s and 1960s to adequately serve us as we move into the next century when it comes to planning, projections of traffic and demand, development of consensus to proceed with solutions, or deployment of ITS solutions to our major facilities is both short-sighted and unreasonable.

Even the research on design and construction methodology has been limited and proceeded in fits and starts such that States and local governments are challenged to provide even the most fundamental improvements to our facilities with the current fiscal environment and programmatic constraints.

The systems to integrate environmental concerns with environmental constraints, safety demands, and political considerations simply do not exist, and it is testimony to the inventiveness, creativity, and just plain "we will get it done" determination of State and local transportation managers that anything occurs.

Even the Federal Highway Administration's significant efforts in developing the national highway system, which Congress adopted last year, was challenged by the lack of adequate tools. These shortcomings became evident even before the Congressional approval occurred and resulted in Congress requiring a retrofitting of intermodal connections and other concerns that could not be accommodated by the procedures that we have available to us.

In terms of the total program, these investments in planning, research, process development, system design, construction management are negligible, but without them tremendous losses occur, both in the time it takes to implement appropriate projects, as well as the selection of the very projects, themselves, for implementation.

The second area I would like to bring to your attention concerns the overall progress of transportation in the country with, of course, specific emphasis on our surface transportation systems.

The last 12 months have seen some of the most horrific transportation accidents that have occurred in most of our lifetimes. One has to go back to the latter part of the last century and the early part of this century to find a period when transportation failures have resulted in the magnitude of disruption, economic loss, and casualties that we have seen.

My review of what I can find on these occurrences, from the AMTRAK/MARC incident here in Washington, to a series of air traffic control failures across the country, to the evidence of ever-mounting congestion-related incidents on our highways, is that we have simply failed to invest enough in our transportation systems to have them operate efficiently and safely in support of the Nation's economy and social development as we approach the end of the 20th century.

The Federal Highway Administration and the Federal Transit Administration have both published studies recently describing the magnitude of investments, and their data indicate we should be making more investment in our highway and public transportation systems.

These investments recommend a minimal level needed to maintain current conditions, and I feel that it is shocking that they reflect almost a 50 percent increase in our current investment level merely to obtain the modest goal of not falling further behind and disinvesting further in our Nation's infrastructure.

I would hope that as this subcommittee and the other committees of Congress consider the highway and transportation needs of the Nation, that they will realize and take into account that failure to invest in our Nation's transportation system is both shortsighted and simply inhumane. It denies jobs to many who need the opportunity to contribute and condemns tens of thousands to lifetimes of injury as a result of the accidents that occur on our out-of-date, unsafe systems.

I urge the subcommittee to continue to use its resources to advance the program at a rate that at least ensures that taxes being collected from users of the highway and transit systems are put back into these systems and not continued to be held for other purposes, as worthy as these purposes might be, for in the long term it is the investment in our Nation's transportation infrastructure that will ensure our national security, expand economic opportunity, and contribute to our social welfare.

Mr. Chairman, again let me thank you for the opportunity to appear before you, and I will be pleased to respond to any questions you or the Members might have at the appropriate time.

Thank you.

Mr. PETRI. Thank you.

Mr. Yerusalim?

Mr. YERUSALIM. Thank you, Mr. Chairman. It's a pleasure to be invited to be here this morning.

I want to thank you for being the keynote speaker during my term as president of AASHTO. That was a very good speech and we greatly enjoyed it.

I'm Howard Yerusalim. From the middle of January, 1995, to the present I've been a senior vice president with KCI Technologies, Incorporated, which is a full-service environmental and engineering firm. Before that I spent 27 years with the Pennsylvania Department of Transportation, 8 years as Secretary of Transportation, and from October, 1993, to November, 1994, I was president of AASHTO.

Let me stress that I am not representing the Commonwealth of Pennsylvania, neither their sxcellent Secretary, Brad Mallory, nor their Governor, a former Member of your Body.

With those brief introductory remarks, let me get to today's subject. I'll cover interstate maintenance, the national highway system, and the bridge system in the country and Pennsylvania, as well as transit.

ISTEA was a great start. I believe strongly that any reauthorization should build upon ISTEA and not start over.

ISTEA changed the way we do business. There is much greater public involvemsnt; much greater involvement of MPOs and cities, even though some of them might not believe that that is true; flexible funding, the ability to move funding from one highway category to another, or from highway to transit, is allowed; congestion mitigation/alr quality funds; as well as transportation enhancement funds were new to surface transportation lsgislation.

Also, ISTEA reduced the number of categories, but I'll talk a little bit more about that later.

ISTEA, followed by the national highway system legislation, is perhaps the most important two pieces of legislation in many, many years—as you know, 159,000-mile system, 4 percent of the road mileage, 40 percent of the vehicle miles, and 70 percent of the commercial traffic.

The NHS promotes intermodal ties to ports, rails, traffic terminals, airports, and mass transit stations. It concentrates the funding on the most important roads. It links cities not linked by the Interstate System together, and it links States together through its connectivity.

Let me turn to the issues, as I see them. Reauthorization should address thsse issues.

First, funding: I strongly support H.R. 842 to take the trust funds off budget. There is just not enough funding for highways, bridgss, or transit, and that's enumerated in my written testimony so I won't repeat those numbers.

Nationally, 118,000 of the 575,000 bridges over 20 foot in span are structurally obsolete; 3,700 bridges on the Interetate System are obsolete. USDOT says $78 billion would be required to correct all the bridge deficiencies, compared to about $3 billion that is epent each and every year.

The second issue is formulas. This is a very, very difficult topic. I've tried to correct it in Pennsylvania with a maintenance formula we have for our 67 counties. The problem is, whenever you have winners you havs losers, and the only way that I see to really correct formulas is to have a lot more money in the program and then everyone can be a winner. Short of that, that's going to be a very difficult issue and it's going to have to be addressed.

MPO expectations were pretty high. I heard in many, may meetings that the MPOs now controlled everything and the States would take a back seat. That may be true, except in Pennsylvania we have 14 MPOe and we have the largest rural population in the country. Now, we have a pie of money that's only so big, and it might be equated to a 16-inch pizza. The problem is, each of our 14 MPOs thought it wae a 32-inch pizza and each one of them thought that they were being short-changed, and the buck had to stop somswhsre, and it had to stop at ths State, becauss somehow ths total program had to be fiscally constrained.

Howsvsr, lst me say that I do not recommsnd further allocatione to cities, ths MPOs, beceuse I'm concerned that will take away the flexibility that is so needed to complete our transportation program and continus it.

Ths fourth is flexihle funding. Flsxibls funding is a great idea, but thsre is not snough monsy for highways, thers is not enough money for hridges, and thsre is not enough money for transit.

In Psnnsylvania we transfsrred 40 percent of our bridge funding to the NHS and STP categories each year while I was Secretary, and I undsrstand it wsnt up to 50 percent thie year.

We also transferred $200 hillion [sic] in Title I funds—which my transit frisnds get vsry upset whsn I say "highway funds" to transit—$200 billion was transfsrrsd to transit in early I995 whils I was still Secretary of Transportation, but to bslieve that the flexibility provisions of ths Surface Transportation Act, ISTEA, are snough to solvs the transit problem is just not valid. Thcre is not enough money for the highways and bridges, alone.

Let ma just say in closing, ISTEA and NHS legislation wers major breakthroughs, and ths reauthorization will taks a major sffort, hut I believe it should ba built on ISTEA and not started over.

Thank you.

Mr. PETRI. Thank you, Mr. Yerusalim.

Mr. McCormick?

Mr. MCCORMICK. Thank you, Mr. Chairman, and good morning, Mr. Chairman and memhers of ths committee. My name is Gene McCormick. I'm with Parsons Brinckerhoff, and I, too, truly appreciate the opportunity to join the suhcommittee this morning and share thoughts as you look at reauthorizing of so-callsd ISTEA.

Parsons Brinckerhoff is our Nation's largest transportation enginesring firm. I will reflect my own psrsonal viewpoint and that of my firm, but also draw upon my past experisnce in the community that includes 25 years with a State DOT and also with the Fcderal Highway Administration in the I989 to I993 tims frame.

Incidentally, during that time frame in ISTEA I had tbs good fortuna of working with many of you currently on ths subcommittee and ths full committee, and I look hack at those years and I say that truly was ons of the most personally rawarding efforts in my mind, so it's good to see some very familiar faces from the past, as always.

Interstate commerce is hedded in our Nation's Constitution. Our Nation's surface transportation system and ths highway system manifest interstata commerce, and I believe there were six elemsnts of ISTEA that wsre particularly important as we look to the 2Ist century and our surface transportation system.

Number one: the national highway system, itself. Of course, Congress actually designated ths system last fall. To see that system in place and to serve as our bedrock I think is key to the future.

Secondly, ISTEA recognized the true intermodal movement of peopls and goods on our surface transportation syetem, and day in and day out I think we ses new attention and focus given to tbat trus intermodal spirit, as espoused hy ISTEA.

Increased flexibllity: yes, ISTEA did bring increased flexibility, perhaps not to the eyes of all beholdere, but at least a step in that direction, and I, too, will touch more upon that in a moment.

ISTEA created a situation that nurtures a relationehip between tbe private sector and the public sector. The NHS enactment bill of last fall certainly takes another step in tbat direction. I believe that eerves us collectively well in tbe long term.

Yes, ISTEA did create more comprehensive transportation planning requiremente, but I would suggest that it was all in an effort to assure sound investment decision-making, and in my judgment it serves us well.

Lastly, ISTEA provided, I believe, a renewed leadership at the Federal level in terms of research, and I believe tbat, too, ie important for our future.

So as we look at reauthorization, I believe the continuation of those eix components is absolutely essential, and the NHS is clearly the bedrock, in my mind.

We've beard that later this montb we celebrate the 40th anniver-eary of the Interstate Syetem, certainly a remarkable accomplishment. I would also suggest that how that Interstate System came to be today, the highway trust fund, the creation of credibility with the users of our system, and the investment of tboso revenues in our system is absolutely essential as we look to the future.

Another element of the national highway system which you will be looking at later this year is the recently-eubmitted NHS connectors. Thoee are the connectors that truly do inter-link and make tbe national bigbway system a part of a true intermodal, overall system—a very key step.

Safety—we haven't talked about safety much. I would put safety in tbe context of the Interstate System and view what we bave done in this country in terms of the accident rate on our highway eystem.

The fatality rate today is roughly half of what it was 20 yeare ago on our highway system—remarkable accompliehment—but we still kill 40,000 Americans each year on our highway eystem, the equivalent of the airliner crash in the Everglades, that tragedy, each and every day on our highways.

We can't lose sight of safety in the future, and if we look at the safety benefite tbat have been brought to us by the Interetate System, we save at least 5,000 lives a year on the Interstate Syetem. That should serve the impetus as we look at the future of our transportation syetem.

Flexibility—we've heard flexibility brought up a couple of times this morning. I would only euggest that the sub-allocation factors in the current categories of the program are, in my judgment, too stratified, do create too many constraints to nurture true flexibility.

Bridges—I belleve there should be a continued etand-alone bridge program. I think tbe commente that Congressman Horn made earlier this morning in terme of the formula and bow you integrate bridge factors in an overall formula were very, very legitimate concerns.

Bridges are costly. Bridges bave a particular relevance to safety. I believe they are worthy of a special bridge category.

Actually, one of my frustrations witb ISTEA the way it culminated in the end was what I considered to be an inadequate discrstionary bridge program. It's at vsry minimal lsvsls today in terme of its funding. I think there is good cause to consider actually increasing the funding for a discretionary bridge program that funds extremely higb-cost bridges througbout our highway syetem.

I would close by recognizing the challenges that you all on this subcommittee face, as on the one hand you look at the Department of Transportation's 1995 condition and performance report tbat suggests we've got to increase our investment lsvel 50 percent in our highway system if we're going to hold our own; it also suggests we've got to double our investments if we're going to maks inroads to the backlog—that cballenge, on one hand, and the challenge of continued constraints and judicious use of Fsdsral funding, on tbs other.

Yet, I would also suggest that the heritage and tradition of this subcommittee and your full committee will ssrve us well in the long term.

On behalf of Parsons Brinckerhoff, we etand ready to help in partnerehip any way we can as you proceed with your reauthorization considerations next ysar.

Thank you very much, Mr. Chairman.

Mr. PETRI. Gentlemen, tbank you all.

Mr. Rahall.

Mr. RAHALL. Thank you, Mr. Chairman.

I heard two of ths three panelists. I apologize for miseing the firet. But if I understood correctly, the basic thrust of all three is to keep ISTEA as it is, that it is working, tbe innovative and flexible provisions that ws provided in ISTEA sbould be given more tims to work their will, and with psrhaps some minor criticisms about the MPOs, etc., that the basic structure—we should stay the course.

Is that accurate?

Mr. MCCORMICK. Yes.

Mr. YERUSALIM. Yes, Mr. Rahail.

Mr. HASSELL. Yes, it is.

Mr. RAHALL. All three in agreement. Fine. Let me ask you, Mr. McCormick, because you touched upon the issue of eafety, I'd like to ask if you could expand perhaps on some of the specific elements of the highway safety program.

Let me give you an example. Highway grads crossings are in the nsws theee daye. Is this an sffective program? If so, or if not, what needs to be done?

Mr. MCCORMICK. In my judgment, yes, it is an effectivs program. If I remsmber my numbers correctly, we have 600 to 700 fatalities a year at highway grade crossings, and I believe tbe opportunities to bring technology to bear in terms of further ways to improve the safety at those highway grade crossinge should continue to be an effort.

I realizs full well that DOT, I bslieve, has a task forcs working on that issue, as well.

So yes, highway grade crossings, in my judgment, are a very sensitivs part of our rural bighway syetem.

Mr. RAHALL. Do eithsr of the other two wieh to comment?

Mr. HASSELL. I think technology has a lot to assist us with in the highway grade crossing area, and we're just now entering an era where it can really have some major payoffs.

I'm looking forward to seeing what the Administration's review comes out with, because I think there is some new technology—the ITS research work that has gone on that can be very applicable there.

Mr. YERUSALIM. I also agree. I can remember taking a vacation in Connecticut. I was in a townhouse right along the rail corridor there, and they were trying to separate the rail from the highways, and they were having all kinds of problems with the local people who didn't want that because of the provisions for pedestrians with disabilities business the ramps got so long that they were fighting over that issue. It turned out to be more than just a bridge.

But I saw the trains that went along that northeast corridor sitting out on a porch we had there, and I know it's needed, and I know in Pennsylvania it's needed. There just are too many accidents that occur at rail highway crossings.

Mr. RAHALL. Thank you, gentlemen.

Mr. PETRI. Mr. Poshard, any questions?

Mr. POSHARD. Thank you, Mr. Chairman. I just got back to town, so I missed most of the testimony already this morning, but I would like to ask unanimous consent to submit an opening statement for the record.

Mr. PETRI. Without objection.

[Mr. Poshard's prepared statement follows:]

SUBCOMMITTEE ON SURFACE TRANSPORTATION

HEARINO ON ISTEA REAUTHORIZATION, MAINTAININO ADEQUATE INFRASTRUCTURE: THE INTERSTATE MAINTENANCE, NATIONAL HIGHWAY SYSTEM, BRIDGE AND REIMBURSEMENT PROGRAMS

Opening Statement of Congressman Glenn Poshard

June 5, 1996

Mr. Chairman, thank you for holding this session in our series of hearings on the important topic of ISTEA reauthorization. As we all know, the maintenance of our highways and bridges are vital to the safety of all who use them, as well as a key component of our economic system. These needs are especially great in our country's rural sections. Hence, it is imperative that we ensure sufficient funding in this area well into the next century.

Mr. Chairman, I appreciate your leadership towards this goal. I would also like to acknowledge the efforts of the ranking minority member, who has worked tirelessly on behalf of this cause. I look forward to the testimony of our witnesses, and I thank them for their time and expertise.

Mr. POSHARD. And I'd say to my dear friend, Gene McCormick—I think Gene and I came to this town together several years ago. One of the beet transportation minds in the country, I think.

Gene, on page three of your written testimony you say that "interstate maintenance must continue to be a key objective in the NHS program and it appears clear that Stete DOTs will exercise appropriate judgment in allocating resources. Among the array, NHS needs to assure the protection of past inveetments in the Interetate System. A separate program element is not required."

To what were you referring there?

Mr. MCCORMICK. The question on the teble being, the way I interpreted it: ehould the NHS category actually be broken into two componente, one for interstate, one for the balance of the interstate maintenance, one for the balance of the NHS?

I was simply suggesting that I believe there ie a consciousness level that exists at Stete DOTs that would assure the ample investment in the Interstate System; therefore, there did not need to be a sub-allocation within that category.

And we heard the testimony earlier this morning that each Stete DOT must also today have an annual certification procees with the Federal Highway Adminietration that eaye yes, we're making the appropriate investment.

So that, Congressman Poshard, was the intent of the stetement.

Mr. POSHARD. Would that be—I'm just asking here, thinking of our Stete of Illinoie, for instance. In your following comments you talk about the Federal program recognizing the need for continued funding support for local arterial roade, State roads, etc., local roade. Is that eufficiently left to the discretion of the Stete DOT Departments also, in your mind, or ehould we have a little more guidance along those lines out here?

Mr. MCCORMICK. I believe ths Federal program today creates a framework, both in the rural areas and in the metropolitan areas, that allows hopefully a spirit of collaboration and cooperation to exist between the State and local governmente, and therefore I would hope that Congress could continue to refine that framework to assure that happens, but the bottom line is, it's got to happen out there. I guees that was the concept.

Mr. YERUSALIM. I wish to add to the response to that.

Different States have different roadway systems. For example, in Pennsylvania just about all the major roads are the responsibility of the Penneylvania Department of Traneportation. That's not the same as other Stetes.

For example, Maryland, New Jersey, and all of New England aren't responsible for ae many State Highways as the Pennsylvania Department of Transportation ie.

So wben you set specific factors, even in the bridge formula, 15 percent for off-eyetem bridgee, we've had probleme since the very beginning spending that 15 percent on off-system bridges. Part of it has to do with the municipalities learning the Federal system—and we want to try and eimplify that—but part of it has to do with maybe 15 percent is correct for one State, but maybe it's not correct for anotber State.

Now, tbere is a large portion that can go either on or off syetem. That doee try and correct for that.

Also, with respect to the categories, one thing I didn't say in my testimony that agrees with Mr. McCormick's testimony, is there are too many sub-allocations. In the STP category, alone, there are eight sub-allocations.

So when we talk about less categories, there are less categories, but when you add in all the sub-allocations, I'm not sure it's less.

At one of these hearings I actually held up a paper that showed all the categories were taller than I was. Now, I'm not very tall, but that's still an awful lot of categories.

Mr. POSHARD. Thank you. Thank you, Mr. Chairman.

Mr. PETRI. Thank you. I have one question for all the panelists, and that is: do you believe there could be a point where the program is too flexible and that our national focus would be lost, or do you think we should strive in the direction of flexibility and forget about national focus?

Mr. MCCORMICK. Don't forget about national focus. In my judgment, the national highway system must be the particular focus, but I don't think it needs to be the exclusive focus.

I guess I believe very fundamentally that our highway system does serve interstate commerce, and it is through the Federal aid highway program that that Federal role can and should be preserved, but that doesn't mean that there doesn't need to be supplemental, companion programs to supplement that.

I would think—and I know there are some that advocate elimination of the Federal program. In my judgment, that would be the worst set-back we've seen in our history of our transportation system in this country.

Mr. YERUSALIM. I would agree with the comments that Gene made, although I believe there should be some flexibility because each State, together with their MPOs, can make those decisions as to whether it's appropriate for them to transfer funds from one category to another, but the emphasis has to come at the Federal level. I think that's very important.

Mr. HASSELL. I think the subcommittee should be very careful to keep a national focus to the program. The history of the program shows, as it evolved, that it was maintaining that national—attaining that national focus that brought us to the level of surface transportation we enjoy today.

I think it would be very dangerous to loose a major focus on the NHS system, and even on the Interstate System, itself.

There are situations that require exceptions to that. We are not perfect in the way we find our emphasis from time to time. But I think it's absolutely critical that a Federal focus be maintained, and that it be on a Federal subset such as the NHS.

Mr. PETRI. Gentlemen, thank you very much for your testimony.

The fourth panel today consists of: Mr Jesse L. White, Jr., Federal co-chairman of the Appalachian Regional Commission; Mr. Fred VanKirk, Secretary/Commissioner of the West Virginia Department of Transportation; Tom Walker, executive director of the Wisconsin Road Builders Association; and Mr. John McQuaid, the president, Intermodal Association of North America.

Gentlemen, welcome. I think you know the drill by now. Your statements will be made a part of the record, and we invite you to summarize them.

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Who is going to begin? Mr. White?

TESTIMONY OF JESSE L. WHITE, JR., FEDERAL CO-CHAIRMAN, APPALACHIAN REGIONAL COMMISSION; FRED VANKIRK, SECRETARY/COMMISSIONER, WEST VIRGINIA DEPARTMENT OF TRANSPORTATION; THOMAS WALKER, EXECUTIVE DIRECTOR, WISCONSIN ROAD BUILDERS ASSOCIATION; AND JOHN A. MCQUAID, PRESIDENT, INTERMODAL ASSOCIATION OF NORTH AMERICA

Mr. WHITE. Thank you, Mr. Chairman and Ranking Member Rahall, members of the committee. I'm delighted to have the opportunity to speak to the committee this morning about the importance of the Appalachian development highway system, not only from the point of view of the 399 counties that comprise the Appalachian region, but also we feel to the Nation.

I'm also pleased to be joined today by Fred VanKirk, representing the State co-chairmen of the ARC. As most of you know, we have a unique structure in that the Commission consists of the Federal member and the 13 Governors, and we share power, decision-making power. The State co-chairman this year is Governor Caperton of West Virginia, and Mr. VanKirk has been the highway commissioner there, I think, for many years and is one of the outstanding highway commissioners in our region.

This is particularly important to us today because of the reauthorization of ISTEA, which we think is very important to our highway system.

As most of you know, highways have always been a central part of the strategy to develop Appalachia. When President Kennedy appointed the President's Appalachian Regional Commission in the early 1960s, the opening line of the report back to the President and the Congress was this haunting sentence. It says, "We find that Appalachia is a region apart, both geographically and statistically," and it went ahead to paint a picture of a region that was really left behind and disconnected to the American economy.

So when Congress authorized the Appalachian Regional Commission in 1966, it created at the heart of that program what became a 3,000-mile highway system that would connect our Appalachian communities to the mainstream of the American economy.

It also created another part of our program, which works on community and economic development, but the central feature was our highway system.

Indeed, about two-thirds of the money appropriated by Congress over our 30-year history, about $4.6 billion has gone into the building of our highway system.

The ARC also created—the Congress created this unique Federal/State partnership, and, in fact, the Governors and the Federal co-chairmen jointly have designated the 26 corridors, which cover all of West Virginia and parts of the 12 other States that comprise the Commission.

It's interesting that the reason Appalachia was disconnected with the American economy was because the road system was so poor there and the fact that the interstates had bypassed the mountains, and so Congress declared that the Appalachian development highway system would be a little different from other road programs in that it was going to be an economic development system, with the idea to bring jobs and economic development to this region, and then the passengers and so forth would follow along.

The Governors and I are still committed very strongly to this system. In fact, in the strategic plan for the future that the 13 Governors and I unanimously adopted in February of this year, we call for 90 percent of that system to be open to traffic in the next decade.

Currently about 72 percent of our 3,025-mile system is open to traffic, another 4 percent is under construction, so 76 percent or 2,298 miles are either open or soon will be. Of our 26 corridors, five have been completed and, thanks to the Congress, all but about 240 miles of our system is now on the national highway system.

The truth of the matter is, Congress' vision 31 years ago was absolutely right: the Appalachian development highway system has, in fact, worked; it has, in fact, brought jobs; it has brought economic prosperity to a region that had for so long been isolated and left behind.

There have been three major studies that document this, one in 1981, which looked at the first 15 years of the system and found that over 230,000 manufacturing jobs had been created in 916 new plants along the corridors.

A study in 1987, which looked at the ensuing 6 years, said that 80 percent of all new jobs created in the Appalachian counties were in counties with a major highway, compared to 20 percent in the other counties, a four-to-one ratio.

And a study published last year in the "American Planning Association Journal," the so-called "Twin County Study," which looked at the Appalachian counties compared to statistical twins, found that the ARC counties had highly out-performed the others, in large measure based on the highway system.

In terms of the future, Mr. Chairman, we have 727 miles yet to be built. Unfortunately, they are some of the most expensive miles, some of the most difficult terrain, in many cases cutting down a mountain to put a road through it. In some cases the average cost per mile is $22 million.

A 1992 cost-to-complete estimate said that that would probably cost about $5.6 billion, of which the Federal share would be $4.5 billion, so almost as much to finish the other 25 percent as we spent on the first 75 percent. Of course, inflation and so forth has also been galloping along in the last 30 years.

We are now launched on a new study to finalize and formalize a cost-to-complete estimate, and then we'll be working with our highway commissioners, Fred and his colleagues, and with the 13 Governors to establish priorities for finishing the system.

Congress currently appropriates us about $100 million a year to work on these roads from our appropriations. Of course, there is money also that has been made available from ISTEA and the Federal Highway Administration, but certainly at our appropriated levels you can see that this promise made to the people of Appalachia 30 years ago would be a long time in coming at the $100 million a year level.

So we consider the reauthorization of this act crucial to the people of our region, to the communities of our region, and, indeed, to the prosperity of the Nation as we try to make Appalachia a contributor to the national resourcee ratber than a drain on it.

We can hopefully come to Congrees some day, Mr. Cbairman, and eay that Appalachia ie at the table of the American economy and our particular epecial assistance is no longer needed. Thank you very much.

Mr. PETRI. Thank you.

Mr. VanKirk?

Mr. VANKIRK. Thank you very much, Mr. Chairman, Congressman Rahall, and members of the subcommittee.

I am Fred VanKirk. I am the Secretary of Transportation and Commissioner of Highwaye for the State of West Virginia.

It is, indeed, an honor for me to appear before the subcommittee to express support for the Appalachian development highway system as you consider reauthorization of ISTEA.

Mr. White has covered eome of the major etatietics and overview of the Appalachian program, and I won't try to repeat tbat. My written etatamant has been submitted, and I'll attempt to summarize that just very briefly.

The Appalachian Regional Commission, of course, was born back in 1965 in tha days of the great society, and in 1963 and 1964 I can remember I was a somewhat younger gopber back in the Division of Highwaye, and I worked very closely with President Johnson's Blue Ribbon Commission in putting together a dream for Appalachia and the State of West Virginia.

That dream turned out to be tbe Appalachian Regional Development Act of 1965 and the birth of the Appalachian development highway eystem.

Over the last 30-odd years, I have been able to witness the growtb of that highway eystem, and, as has been said here on eeveral occasions today, overall the system ie about three-quartere completed.

In the Stata of Weet Virginia, we have completed 304 out of the 425 miles that were allocated to our State. We have completed or have under construction four of the six corridors. The final two corridors or segmente of those corridors, we now have the environmental studiee being updated and we'll be able to etart construction on those vary soon.

We have found, through experience, since the mid 1960e that tha Appalachian program in our State, as well ae region-wide, has reduced traffic accidente by as much as 40 percent when you compare these modern highways to exieting roads that we had.

Travel time has been reduced tremendously, and that hae translated into better access and the end to the physical isolation that we bave euffered in Appalachia because of our mountainous terrain.

We have found that jobs are created very near to wbere these modern highwaye are constructed, and our research shows even further—this was done at West Virginia University—that the pattarne for economic growth first occurs near existing population centars, and then it expands to the under-developed rural areas of a region, and that bodes very well for tbe original intent of the Appalachian higbway program.

We see that happening every day in our State.

Most of the Appalachian highway system, as has already been mentioned today, has been included in the national highway system. In West Virginia, all of the Appalachian system is included into the national highway system. That verifies the national significance of these facilities as being principal arterial highways serving our Nation.

Several folks here today, including Administrator Slater, have talked to us about the importance of the national highway system.

I would recommend that the committee consider alternative sources for funding of the Appalachian highway program as you consider reauthorization of ISTEA. I would ask you to consider the history of the Appalachian program. It dates back to 1965. I would ask you to consider that the system is nearly three-quarters complete. I would ask you to consider that the contribution that completion of this system can make to the region, as well as to the national economy, would be a major concern.

I believe this could very well be done quite easily by simply accelerating completion of the Appalachian program which is, as we said, a major part of the national highway system.

In closing, just let me say in the last 31 years in the Appalachian region much has been done. Many things have changed from a social and an economic standpoint, and they are changing even more.

I can speak for the State of West Virginia that we have come a long way, and we are now in a position, as Mr. White said, that we no longer have to come here with our hand out and say simply, "Help us." We are now to the point where we can start helping ourselves, to a great extent. We're willing to do that, and we're anxious to do so.

The unfortunate part of it is that when it comes to building highways we cannot do that alone with our State resources.

Again, Rodney Slater referred a little bit earlier to what President Eisenhower said back in the 1950s, that the interstate highway system would change the face of America. I can tell you that the same thing is happening in Appalachia. The Appalachian development highway system and some other highways are changing the face of Appalachia.

I would ask you, as the United States Congress, to continue to adequately fund the program and to put some emphasis on the Appalachian highway system, and by doing that you can help us help ourselves in Appalachian.

We're willing to do that, and we have the State resources to fund our proportionate share of that program.

Thank you, Mr. Chairman.

Mr. PETRI. Thank you.

Mr. Walker?

Mr. WALKER. Thank you very much, Mr. Chairman.

I very much appreciate the generous invitation from the committee to come and testify today.

My subject matter is fairly focused. I am here today to lay out some compelling reasons why we believe that Congress should fold the categorical bridge program into two larger, broad, national programs, one funding the new national highway system and the other remaining State and local highway and bridge needs.

We really do believe that a continuing high level of national bridge inveetment is, in fact, absolutely justified and critical to maintaining safe mobllity, but we believe just as strongly that by doing this through a categorical bridge program we are creating a major dislncentive for State and local fiscal responsibility, and further we're creating serious program management and equity problems.

Each State and metropolitan aree is unique. The Statewide and metropolitan planning processes that ISTEA strengthened are, in fact, the best location to dsvelop long-term infrastructure management etrategies thet allocate resources among competing infrastructure priorities.

Most States are voluntarily developing customizsd manegement eystems, as we heard today. By integrating them, States will actually be able to optimize investments in roedway reconstruction and rehabilltation, bridge replecement, safety, and capacity.

Each State's mix will, by necessity, be different. That is precisely why we believe it is very important thet Congress terminate off-the-top funding decisions that try to pre-judge whet level of inveetment in bridges, pavsmente, and even snhancemsnts is appropriete.

In its infancy, a categorical bridge program was no doubt the right Congressional decision. It took a number of yesrs to develop within State DOTs the kind of expertise needed to professionally manage a long-term bridge investmsnt strategy. That goal is largely eccomplished. Stetes no longer need funding restrictions to assure that they will make wise decisions in meeting bridge neede.

What they do need is the flexibility to achieve State-set performance standarde and State-developed managemsnt strategies.

Whet then are the problems thet we see with the current categorical program?

Number one, the bridge inventory includes so much subjectivity and variability in bridge rating, especially among the States, that the GAO has repeetedly questioned its accuracy and validity for the purpose of funding allocation.

In an era of limited staff and financial resources, States are placing their highest priority on safety in bridge inspections rather than cross-checks to ensure consistency in paperwork reports. This should absolutely invalidete use of the national bridge inventory to allocate resources among States.

Number two, a formula thet rewards deficiencies with additional external funding ects as an incentive to postpone maintenance and rehabilitation to maximize replacement costs and maximize a State's share of Fedsral bridge funds.

In short, a State is Peñalized for any actions it takes to address bridge needs prospectively through long-term quality maintenance, or after the needs have devsloped through supplemental investmsnts, or both.

States like Wisconsin that havs invested to improve bridge safety and commercial access are now being Peñalized for that effort.

Percent of netional bridge apportionments and allocations to Wisconsin has shrunk dramatically since 1982 from about 2.3 percent of the national total to about 1 percent today. This is equivalent to Wisconsin now getting back about a $0.50 return on the bridge program.

A critical question that we continually have to face in Wisconsin is whether we or other States will eventually be discouraged from doing what we should be doing, which is making justified bridge investments, because of that economic Penalty.

One potential solution is to change the bridge formula from one based on bridge-specific condition assessments to one based on generic long-term measures of bridge needs.

A good candidate might blend each State's share of bridge square footage with each State's share of diesel fuel consumption. The first factor roughly correlates with the extensiveness of bridge needs, while the second roughly correlates with projected loadings and needed structural capacity.

We believe that a far better solution is to integrate bridge eligibility into broad national programs.

Number three, by including square footage costs in the formula, States with more efficient bridge construction programs and lower local unit costs are Penalized in favor of States with higher cost structures.

Most public policy analysts argue that Government programs should not chase costs but be structured to reward efficiency.

What this policy does, I believe, is to fail to make the critical distinction between needs and costs. By defining needs in terms of cost, a high-cost environment is protected from pressures to match costs, and a low-cost environment Penalized.

Number four, in recent years Congress has enacted greater flexibility, allowing States to transfer bridge funds to other highway programs. As a result, States capture bridge funding based on need, and then can turn around and use it for some other priority. That State will then capture another full share of bridge funding the following year because there has been little reduction in its inventory.

While State flexibility and needs-driven programs are potential rational policies in isolation, the problem arises when you combine them.

Using flexibility is exactly what those States should be doing—prioritizing their needs. The only thing wrong is that they are getting extra funds another State is not in the name of bridge needs, and then turning around and using them to meet those other needs.

Five, a major underlying assumption justifying a separate bridge program is that additional Federal funding directed at bridges will actually increase State bridge spending and improve bridge conditions. In many cases, additional Federal bridge funding might simply cause a shift of Federal or State funds now allocated to bridges to other State or local highway priorities.

It almost seems counter-intuitive, but perhaps the easiest way you can think about is that from a State's perspective we look at all our funds as a single decision. State legislature determines how much it ought to spend, given limited resources, on highways, on bridges, highway capacity, pavement rehabilitation. The only thing that really matters is how much total funding is available.

If, in fact, Congrees were to substantially increaee bridge funding to Wisconsin without increasing overali funding, Wisconsin would simply shift the money around in its budget and still do exactly the same program, because the total funding availability hasn't changed.

And if Congress were to increase the overall level of funding for Wisconsin by increasing the bridge program, Wisconsin may or may not spend that increased funding in bridges because it still has the flexibility to back out of tbe bridge program. The Stats funds are there. Put the new Federal funds in there and then uee the excess money for some other priority.

Finally, I think it's important to emphasize strongly that the problems that are inherent in the bridge formula are, in fact, one of the major causes of the equity problem tbat the committee is going to have to wrestle with in the reauthorization.

If you think hard about eliminating tlüs as a separate categorical program and instead integrating it into the NHS and STP programs, I think you'll go a long way toward resolving the equity problem.

For too long Congress has tried to look at the equity issue and solve it to adjustments after programs are set. We think that the real solution lies in fundamental program restructuring.

This will do two important things: one, it will help focus decision-making at the State and local level where priorities can best be set; and, eecond, it will make it much easier for you to devise formulas that are fundamentally fair, precisely because they are decoupled from system mileage decisions and needs analysie that can be manipulated. Including either will inevitably distort rational Stats decision-making.

Thank you very much. I'll be pleased to answer questione later.

Mr. PETRI. Thank you.

Mr McQuaid?

Mr. MCQUAID. Thank you, Mr. Chairman.

I appreciate the opportunity to appear today on behalf of the Intermodal Association of North America to share our views as part of this comprehensive hearing leading up to reauthorization of ISTEA.

Many of IANA members are the ultimate customers, I think, of the road builders and government representatives who have been testifying here today.

At the outset I want to commend the subcommittee and the Congress on its enactment last fall of legisiation designating the NHS. This important measure was mandated by ISTEA, and its enactment was an important declaration of the Congress' commitment to creating a highway network that meets our future needs to move people and goods.

The NHS, along with the world's best railroad system, modern container port facilities, and growing air cargo capabilities, makee this Nation's incomparable freight intermodal network a network whose continued efficiency is critical to the competitiveness of U.S. producers both at home and abroad.

My comments today, Mr. Chairman, will focus on an often overlooked but vitally important aspect of the NHS network, one that recently has been the subject of a report from Secretary Peña, Department of Transportation, to the Congress. It involves the matter of identifying and recommending to the Congress so-called "intermodal connectors" to the NHS system, a requirement that was included in the NHS bill with the strong involvement and active support of an IANA-led coalition of diverse freight interests.

Secretary Peña's report contains a list of intermodal connectors for inclusion in the NHS, as mandated by Congress. I have a copy of it here. You may have seen it. It's a fairly substantial filing.

The list of connectors was developed by DOT in cooperation with the States and metropolitan planning organizations based on FHWA guidelines that were issued in April of 1995 and revised last August.

While IANA and other association members of the Connectors Coalition have not yet had an opportunity to review the Secretary's report in detail, a cursory review of the list is encouraging. It reveals that the list contains substantially more connectors than was suggested last fall by the DOT in an inventory of illustrative facilities that was sent to the Congress as part of its NHS proposal.

The DOT's latest list includes connections totaling approximately 1,925 miles of roads and arterials, connecting to more than 1,250 major terminals, both passenger and freight.

By comparison, the NHS adopted last fall included connections to only 148 intermodal passenger and freight terminals.

I might add too, Mr. Chairman, that at least my review of the list shows that there were 30 intermodal connectors included from the State of Wisconsin, totaling about 87 miles of roadway, and also nine intermodal terminals designated by the State of West Virginia, with a total of 23 road miles.

We will closely review the connectors list and advise the DOT and Congress further of any significant omissions that might be discovered.

The miles of roads comprising critical freight intermodal connectors is not significant when compared to the overall size of the NHS; however, the recent efforts to identify major intermodal freight facilities using the DOT's guidelines will allow the States and MPOs to work together with other public and private interests in establishing the best intermodal connector routes.

This, in turn, will lead to investment to alleviate bottlenecks in the system by improving vertical clearances, road dimensions, signage and signaling, and safety enhancement such as grade crossing advancements, and fostering more efficient truck movements.

An investment in improving intermodal connectors in most cases is not a big-dollar item. When compared with the cost of building or rebuilding a mile of highway, an investment in improving a route connecting a terminal with the NHS can be a bargain, delivering an impressive return on investment.

Given the importance of goods movement to the competitiveness of U.S. producers, such an investment in enhancing efficiency, in our view, is essential.

In 1995, for the second year in a row, the Nation's railroads transported more than eight million containers and trailers throughout the U.S. The Nation's top 15 container ports, meanwhile, handled more than 18 miliion TEUs of frsight. A TEU is the equivalent of one 20-foot container.

These stetietics helped frame the significance of the Nation's freight intermodal network, and since most containere and trailers spend at least a portion of their journey between origin and destination on the highway, the importance of efficient freight intermodal connectors is eelf-evident.

Mr. Chairman, while transportation planning is not the focal point of these hearings, it is important to note thet the efforts to date by freight transportation interests to target intermodal connector projects for MPO consideration have met with mixed results.

A recent freight stakeholdere' national network eurvey, of which IANA is e member, reveals that 38 percent of MPOs responding have a routine mechanism for receiving input from the freight community—namely, ehippere and transportation providers.

While some intereets have suggested that the finding illuminatee the fallure of the MPO planning procese, IANA would suggest thet it reflects a reasonably favorahle trend, given that the MPOs were only authorized or mandated thie expanded responsibility for freight planning only about 3½ years ago.

From a standing start of zero several years ago, e 38 percent rate of improving freight interest in the planning process is acceptahle progress from IANA's standpoint. Therefore, Mr. Chairman, IANA would strongly eupport retaining the important role of MPOs in any reauthorization bill. However, while moet infrastructure decieion-making is heing accomplished locally, there is an ongoing need to view our frsight transportation infrastructure in a eyetematic way, assuring the most efficient nationwide freight network.

To assure that the MPOs are cognizant of the traneportation network consequences of their local planning efforts, including investment in freight intermodal connectore, IANA helieves that thsre is a need for continuing Federal oversight of such activities.

In thie age of increasing global competition, the transportation component of the delivered price of U.S. goods often can make or break a market for American producers. We need to ensure that, in our local planning activities, barriers to greater freight transportation efficiency are not inadvertently erscted.

Thank you, Mr. Chairman.

Mr. PETRI. Thank you.

Mr. Rahall?

Mr. RAHALL. Thank you, Mr. Chairman.

Let me begin with our Secretary of Traneportation and Commiseioner, Mr. VanKirk, and join in the words of commendation directed to you from Dr. White of the ARC. Let me say thet I know firsthand and very personally, the tremendous dedicstion, perseverance, patience, and tenacity with which you have dirscted our highway program in West Virginie for a numher of years—and it was you that eaid decades, not me.

But I know that you have the experience and you have been a tremendous commissioner and now Secretary of Transportation, Fred, and I thank you on hehalf of all West Virginians.

Mr. VANKIRK. Thank you, eir.

Mr. RAHALL. As you are aware, the NHS apportionment formula is haeed on each State'e fiscal year 1987 through 1991 ehare of total national funding, with adjustments made for interstate maintenance and bridgs apportionmsnts.

Since tha Appalachian highways in West Virginia, such as Corridor G down in the southsrn part, have just recently besn completed, ie it fair to say that those additional lans miles are not reflected in the current NHS apportionment formula?

Mr. VANKIRK. Yes, sir, tbat's correct.

Mr. RAHALL. In your testimony, you noted that we spent $1.1 billion to date on Appalachian highways and we still bave $1.2 billion more in neede. That additional needs is for what corridor? Is that Corridor H and Corridor D?

Mr. VANKIRK. Yes, sir. That's Corridor H from Elkins to I-81 in Virginia, and U.S. Route 50 and the Parkersburg area ars Corridor D.

Mr. RAHALL. Okay. Let me aek you one last question, Fred, although this is not directly related to the subject of this hearing. Hava you ever heard of the step 21 group of States? If so, do you hava any comments on their highway apportionmant highway proposal?

Mr. VANKIRK. Well, I'm not intimately familiar, Congressman Rahall, with that. I have heard the name, but what I've seen, I don't think it's something that we would endorse in the State of West Virginia.

Mr. RAHALL. Okay. That's sufficient enough.

Dr. White, let me commend you on your tsstimony, as well, and your stewardship over tha Appalachian Regional Commission. You have dona an excellent job in directing tha ARC in wbat can only be mildiy stated as difficult timss. I note that you have Governor Caperton's representative, Mike Winger, with you today, who has done an excellent job, as well.

You spoke of the positive contributions that ARC has made to Appalachia, but yet more needs to bs done. Now is certalnly not the time to just chop it out completely or cut the legs and heart out of the program at all.

You did spsak of the day in which we can progress to the point where we won't nesd the Appalachian Regional Commission. My question—again, not directly highway related or to the subject of today's hearings—but in epeaking last week to some of the students tbat were in Washington sponsored by the ARC, as well as the Washington Center, tbey directed a question to ms about the greduation program, which was something I'm not acutely aware of, but I'm asking perhaps if you could giva us an update on what is the graduation program that the ARC has in place and what is the status thereof?

Mr. WHITE. That's a very important issue and one that I have been personally very committed to. What we have seen in the 30-year history of the program, of course, ie that we have gone from a region of almoet uniform poverty to a region of contraet with peaks and valleye.

Some of our areas in tha region have made substantial progress. I think there are legitimate questions about whether or not they need to still be in tbe program.

I have testified before Congress that I would like to work with the Congress, with perhaps coming up with eome sort of eystem whereby areas could perhaps be graduated out of tha program.

Only Congreee can do tbat. Only Congress can change the boundaries of the Commission. In fact, we're prohibited by law, as a Commieeion, to even speak to tbat to tha Congress.

But what we have done internally in terms of Commission policy ie create three categories of countiee. We have what we call our 115 distressad countiee, and these are countiee in which tha par capita income is no more than two-thirds the national average and the poverty rates, the unemployment rates are at least 150 percent of the national average.

Many of these counties are in West Virginia still, a lot of them in eastern Kentucky.

These countiee can get 80 percant funding on ARC projects from us.

Then we have about 33 competitive counties or attainment countiee, and these are counties that are close to meeting national norms of performance, and they can only get 30 percent ARC funding on a project.

And then the counties in between can get tbe normal 50 percent.

So we have moved in tha direction of diminishing Federal support as countias get more self-eufficiant, more able to etand on their own feet, which we think has tha coneequence of targeting the resources more on the areas that still have the greatest need.

That's what wa were referring to.

Mr. RAHALL. Thank you.

Thank you, Mr. Chairman.

Mr. PETRI. Thank you.

Mr. Walker, I appreciate your calling our attention to what seeme to be potentially or maybe actually a perverse set of incentives in the bridge program.

Wae I correct in underetanding you to say that, the way the program is currently etructured, a Stete would be advantaged by having its infrastructure in a etate of disrepair?

Mr. WALKER. Certainly not by intent, I'm sure. It just happens that way. I mean, clearly if a Stete finds itself in whatever circumetances that it has allowed a huge backlog of needs to davelop, then it's obviouely going to benefit with extra Federal funde ae a result of that.

Sometimes those are circumstancee well beyond its control. Sometimes the decision of the State legislature is that it puts a low priority on infrastructure investment and chooses not to create resourcas, and then thay would come here and eay, "Gee, whiz, wa have some problems hare," and another State that has gone the extra mile and asked its citizens to pay additional fees would then see lese Federal funding coming in in tbat particular category ae a result.

Mr. PETRI. How difficult would it be to ewitch the program if we were going to maintain it to an asseeement of just the baeic categories?

Obviouely not all bridges are equal, so you can't juet look at the number of bridges and fund it. Make some assessment of the category of bridga and then beet practicee or good practices, life cycle, and just have a funding formula based on that, rather than looking at the condition of the actual hridges, hecause people who did a better, low-cost job would then be benefitted rather than those that did a worst, more-expensive job?

Mr. WALKER. I think, Congressman, it probably would he possihle to structure a formula for a separate categorical bridge program, and what you wouid have to try to do is come up with some factors that look at needs in a very iong-term sense so that the cycles of investment are kind of flattened out, and is neutral essentially to a State's actions as to whether to prioritize or not prioritize, and says you've got a fair amount of bridges based on square footage, perhaps, and do it that way.

There are some other factors that could be put in there, and people looked at that, and there are a variety of different formulas that people will come up with over the years, but they do tend, in almost all cases, to distribute money fairly significantly different than what the current formula does.

As somebody characterized earlier, you get into winners and ioeers situation, and people tend to take sidee, and it becomes a very challenging exercise.

That's why some years ago it seemed to me a more prudent way to look at things was to think about what would happen if you didn't have this categorical bridge program at all and you could focus on that larger issue of distribution to two broad national programs.

I think it's much easier to get States to move toward a direction of, "Hey, tbat makes some sense," that way than trying to deal with separate formulas and each separate program—a very, very divisive exercise.

Mr. PETRI. Thank you very much.

Gentlemen, thank you all for coming and sharing your testimony.

The fifth panel today consists of: Mr. Jay R. Taylor, president, The Stimsonite Corporation, and chairman, American Road and Traneportation Builders Association; Paul Mellott, the president of H.B. Mellott Estate, Inc., on behalf of tbe National Stone Association; Tim Docter, on behalf of the Asphalt Pavement Aseociation; and Mr. Michael J. Maples, vice president of Vinton Construction, on behalf of the American Concrete Pavement Association and the American Portland Cement Alliance.

Gentlemen, thank you very mucb for being here. We look forward to your testimony.

I think we probably will proceed in the order you're listed on the agenda, with Mr. Taylor's testimony first.

TESTIMONY OF JAY R. TAYLOR, PRESIDENT, STIMSONITE CORPORATION, AND CHAIRMAN, AMERICAN ROAD AND TRANSPORTATION BUILDERS ASSOCIATION; PAUL C. MELLOTT, JR., EXECUTIVE VICE PRESIDENT, H.B. MELLOTT ESTATE INC., ON BEHALF OF THE NATIONAL STONE ASSOCIATION; TIM DOCTER, PRESIDENT, MACLAIR ASPHALT COMPANY, INC., AND CHAIRMAN, NATIONAL ASPHALT PAVEMENT ASSOCIATION; AND MICHAEL J. MAPLES, VICE PRESIDENT, VINTON CONSTRUCTION, ON BEHALF OF AMERICAN CONCRETE PAVEMENT ASSOCIATION AND THE AMERICAN PORTLAND CEMENT ALLIANCE

Mr. TAYLOR. Thank you, Mr. Chairman, Mr. Rahall, members of the subcommittee. My name is Jay Taylor. I'm the president of ths Stimsonite Corporation in Niles, Illinois, a manufacturer of highway safety products. I am also honored to be this year's chairman of the American Road Transportation Builders Association.

During the past year, this committee has taken the lead to end the practice of using transportation trust fund balances to offset dsficits elsewhere in the Federal budget. We appreciate your leadership on this effort towards restoring honesty to the budgeting process and in making available additional funds for investment in transportation infrastructure.

Although H.R. 842 is a very positive step, we bslieve there are additional actions that should also be taken to eliminate inequities and increase trust fund income. They are: the transfsr of $0.043 per gallon of the motor fuel tax now used for non-transportation purposes to the highway trust fund; end of the preferential tax rate for ethanol that now costs the trust fund about $1 billion a year in lost revenue; continue and strengthen recent efforts to eliminate fuel tax evasion; and to create a separate capital budget for the Federal Government.

Mr. Chairman, the cost of correcting existing highway deficiencies, improving safety, and providing additional capacity for the demands of the future is staggering. The Department of Transportation last October reported that just to maintain 1993 conditions and performance of major highways and bridges will require an average annual expenditure of $32.3 billion by all levels of government over the next 20 years.

This level of investment should be a minimum on which a reauthorized ISTEA is built. Without it, we face the prospect of further deterioration of existing highway system, a certain decrease in motorist and worker safety, and the lack of adequate new capacity to mest the rsquirements of the 21st century.

ARTBA strongly bslieves there should be a continuing prominent Federal role in transportation. The partnership has developed the safest, most efficient highway system in ths world. We strsnuously disagree with those who would scale back Federal involvement and return most responsibility for transportation funding to the States.

The existing Federal/State partnership structure allows important transportation concerns to be addressed on a coherent, national basis. Devolution could result in a fragmented, uncoordinated approach that could reduce transportation safety and efficiency.

Mr. Cbairman, ARTBA has developed an extensiva list of recommsndations for reautborization of ISTEA. A numbsr of these are reviewed in my prepared statemant, and I submit for the record ARTBA's complete reautborization documsnt.

I would lika to highligbt a few proposals that we baliavs would significantly improve ths bighway program:

Limit expsnditures for tha trust fund's higbway account only to construction-based and safety-related improvements to highways and bridges.

Existing flsxibility provisions that allow tbe uss of highway account dollars for transit programs should ba aliminated.

Emphasize highway safety, a major public health issue, by continuing categorical funding for safety construction programs sucb as the hazard alimination and rail highway grade crossing programs. In addition, amphasis should be continued on activities designed to improva work zone safaty.

Eliminate the transportation anhancement program, which sincs 1993 has daflected $1.3 billion from highway invsstment for projects that may ba desirabla but do not contribute to improving safsty or reducing deficiencies in ths Nation's highway and bridga inventory.

Establish a border crossing program to improve transportation infrastructurs, serving connections with Canada and Mexico, to support international trade expansion under ths North Amsrican Free Trads Act. Such a program should be financed by new Federal usar fees levied on commercial vehiclas using this infrastructure.

Encourage tha privatization of highway and bridge maintenance programs. To maximizs the return from scarce resources, highways and bridges should be properly maintalned. Experisnce has shown that contracting out maintenance activities to private sector firms can save tax dollars and improve safaty and sfficiency.

Remove the requirement that only projects which ars fiscally constrained can be included on State transportation improvement programs. This restriction has resulted in a reduction in the number of projects available for implementation, sven whsn funds are availabls, and bas slowed the davalopment of transportation improvemsnts.

Mr. Chairman, in closing I would liks to revisit my earlier comment regarding the use of highway account dollars for transit programs.

ARTBA is strongly opposed to recommandations made earlier this week on the following two points: one, highway trust fund revenues be made available for transit operating expenses; and, two, that tbe surfaca transportation program created by ISTEA bs expanded so that additional trust fund highway account money can be mads available for flsxing to mass transit programs.

Thesa actions proposed by transit supporters are extremely ill-advised. In time, they would likaly strangle highway capital improvement programs in States with large urban mass transit systems and safety, mobility, and efficiency of the highway infrastructure would suffer.

ARTBA believes mass transit has a role to play in a balanced transportation system. We bave also accepted the decision made by

Congress in 1982 to allow the use of mass transit account revenue for transit capital construction projects.

Howsver, over 97 percent of surface transportation travel in the United States is carried out on highways. All research shows this trend will continue. The national transportation investment program nseds to reflect this reality.

Mr. Chalrman, that concludes my oral testimony. I would be pleased to answer any questions.

Mr. PETRI. Thank you.

Mr. Mellott?

Mr. MELLOTT. Thank you, Mr. Chalrman, Congressman Rahall. I'm Paul Mellott, Jr., representing National Stone. I ssrve as chairman of the board. I'm from Warfordsburg, Pennsylvania, Bud Shuster Country, and 1 know that I still only have 5 minutes, so I'll continue.

[Laughter.]

Mr. MELLOTT. I'd like to summarize my statement around three pointe.

There is a dramatic need to enhance the Federal aid highway program both in terms of its financial commitment to building our national higbway network and in improving the quality and cost-effectiveness of the highway construction process.

As the Federal Highway Administration has reported, the Federal investment in bridges and highways needs to grow to $32.3 billion annually for our country just to keep pace with our existing needs.

NSA believes that, to encourage job creation and economic growth, we will need to expand beyond that funding levsl. We support taking the Federal transportation trust funds off budget to ensure that the user fee trust concept can be used as it has been for almost 40 years to meet our highway needs.

But we must also ensure that the public receives the best value for its highway investments. While the public focuses on the three-quarters of an inch of travel surface that they ride on, a road is really a complex system msde up of multiple layers, each with specific functions, that may add another 12 to 18 incbss below the road surface.

NSA has joined our sister group, ths National Aggregate Association, to form the Center for Aggregate Research, CAR, that is working on issues that impact not only the 5 percent of the road the public sees, but also the 95 percent that is generally only visibls when there is a potbole.

We believe the Federal aid highway system should encourage innovation, productivity, and performance in highway construction. There should be a flexibility in the Federal aid system to encourage partnering between Government, industry, and the research community to ensure those paying for our highway system get the best possibls highway for their money.

Second, we believe that when Congress resuthorizes ISTEA it should focus on the need to increase highway capacity. Highways are how we provide mobility for the vast majority of our people and goods. During the life of this bill, highway performance and capacity should be as focused.

Whils in certain areas transit has a rols to play, higbways will bs the dominant mode of surface transportation for tbe foreseesbls future. The ISTEA reautborization process sbould reflect this reality.

Third, Mr. Cbairman, under ths current budget process environment, ISTEA reauthorization will bs competing witb otber programs for scarce Federal dollars.

NSA urges you to remembsr ona basic formula when you bsgin this task: I = Port = SL ovsr QL—infrastructure equals productivity equals standard of llving and quality of life.

Investing in transportation infrastructure is an absolute necessity in a global economy. Reports produced from both public and private sector show a huge unmet need in the construction, repair, and rehabilitation of our transportation network. Also, our population is forecasted to grow by 75 million people by tha year 2030. Ths actions we taks today will support that future growth.

Transportation infrastructure provides a complex ssrvice that has a largsr impact than just the provision of mobility. It does impact the environment and helps shape by structures; however, mobility is ths first purpose for infrastructure investments, and when needs are growing and the competition for resources is grsatsr than sver before, we need to give priority to those types of programs that move the most people and goods psr dollar invsstsd.

We believe that we can build infrastructure that meats our Nation's needs in ways that respect the environment and communities and still providas cost-sffsctive mobility.

Thank you very much.

Mr. PETRI. Thank you.

Mr. Docter?

Mr. DOCTER. Thank you, Mr. Chairman, Mr. Rahall. Good afternoon.

My nama is Tim Docter. I'm a highway contractor from Crownsville, Illinois, and the 1996 chairman of the National Asphalt Pavement Association.

NAPA is the trade association exclusively representing hot mix asphalt industry. A majority of our membsrs are smsll businessss, and our membsr firms producs approximatsly 70 to 75 percent of the total HMA produced in the United States annually.

Ws command you, Mr. Chairman, for holding thsse important bearings on the reauthorization of ISTEA. Reauthorization comes at a tims when the highway industry and tbe entire Nation celebrates tbs 40th anniversary of the Dwight D. Eissnbowsr Interstate System.

Ths same senss of vision and commitment which led to the historic devslopment of the Interstate System must be generated if this Nation is to maintain the most efficient highway network in the world.

NAPA bslieves that the backbone of the Nation's surface transportation system, our highways, has become lost in the rhetoric of intermodalism.

ISTEA attempts to please all and only succeeds in diluting and divsrting highway user fees to social and environmental uses to the detriment of the highway system.

NAPA urges this subcommittee to take a fresh look at the Federal highway program and restore its rightful place as foundation of a surface transportation program.

NAPA believes that the Federal Government should focus its resources on building and maintaining a safe and efficisnt national higbway systam, which is essential for economic growth, national defense, and personal mobility.

There should be minimum standards established for the NHS by agresment bstween the States and the U.S. Department of Transportation.

Adequate funds should be provided to bring the NHS up to standards within a raasonable period of time, with no diversion permitted.

In addition, NAPA supports a strong leadership role of FHWA in critical research and development of new technologies, construction materials, and techniques.

At its May meeting, the NAPA board of directors unanimously approved a resolution on reauthorization which is attached to my writtan statsment. Let me briefly describe the five key points.

First, the bill should provide authorizations only for the highway program from the highway trust fund. NAPA balieves that the nsxt Higbway Act should reaffirm the Federal highway program and incrsase highway authorizations to better address the deterioration of the Nation's roads and bridges.

Second, the bill should repeal all so-called "flexibility" provisions whersby highway funds are eligihle to fund non-highway programs.

NAPA helievas the flexihility provisions have eroded the highway trust fund. Transit, historic preservation, bike paths, and intermodal facilities have varied purposes, but to erode the core funding source of the highway program is not warranted. Ths transportation enhancement program is a prime example and should be repealad.

Third, all highway user fees should be deposited in the highway trust fund and dedicated to highway purposes. NAPA believes that the $0.043 of the highway user fees currently going into tha general fund should be deposited in the highway trust fund, and that the exemption for ethanol should be repealed.

At the current rats of diversion and exemptions, total Fedaral diversions will reach $100 billion hy the year 2000.

Fourth, the ultimate authority for dsciding on projects for the Federal highway funding should bs vested in the Stats DOTs.

NAPA believes that tha State should continue to have full authority for administsring the Federal transportation programs within the Stata. The State may choosa to delegate authority to sub-State entities for project selection, design, lettings, and administration consistent with its laws and policies, but that is a Stats prerogative. There is no ovarriding Federal interest that justifies usurping Stats constitutional rights by granting decision-making autbority to quasi-government institutions like MPOs.

And the fifth point: the highway trust fund should be taken out of tbe unified Federal budget and the revenues to the fund be fully available for the expenditura on highway projects.

If the Senate fails to act on the off-budget bill—and we hope they don't—then it should be made a top priority for the next Congress as its foundation for increased authorizations.

In summary, Congress should pass highway legislation that restores the highway program as the backbone of the Nation's economic mobility. Significant steps should be taken to restore the integrity of the highway trust fund by eliminating diversions to nonhighway purposes and fully expending highway user fees to address well-documented highway and bridge needs.

NAPA appreciates the opportunity to present our views, and I would be pleased to answer any questions.

Mr. PETRI. Thank you very much.

And last, but certainly not least, Mr. Maples.

Mr. MAPLES. Thank you, Mr. Chairman, members of the subcommittee.

My name is Mike Maples. I'm vice president of Vinton Construction Company, a concrete paving contractor located in Manitowac, Wisconsin. Vinton Construction is a $25 million firm concentrating in concrete pavement construction. We have been in business since 1931.

On behalf of the American Concrete Pavement Association and the American Portland Cement Alliance, I appreciate this opportunity to express our views on the reauthorization of ISTEA.

I am proud to be associated with both organizations, representing 100,000 workers throughout the United States.

Nearly 80 percent of our $7 billion industry is the result of public expenditures. As such, the Federal Government's participation has been the cornerstone not only of project funding, but of planning, research, and innovation, as well.

While there are those who recommend a drastic reduction of a Federal role in transportation, there is plenty of evidence to support the enormous need for additional investment in highways and other transportation modes.

Despite unprecedented expenditures during ISTEA, the Federal Highway Administration's conditions and performance report to Congress shows that we lost ground on pavement and bridge conditions and, most unfortunately, in our highway fatalities.

While we support good planning, environmental balance, and quality of life, we cannot sit back and expect the highway network to take care of itself. All signs show that our infrastructure is deteriorating faster than we are replacing it.

To support increased investment in a national transportation program, we join with our construction partners in advocating taking the transportation trust fund off-budget, redirecting the $0.043 gasoline tax into the highway account, eliminating the tax subsidy for ethanol, strengthening motor fuel tax collection and enforcement efforts, and developing additional funding sources to supplement user-financed mechanisms. We'd also advocate a long-term authorization period.

Mr. Chairman, a long authorization period is important to Vinton Construction and other small-to medium-sized companies like ours. It enables better planning in an industry that is changing rapidly. It is a clear signal for us to invest in our work force and our equipment.

On the subject of equipment as it relates to long-term authorization, the placement of concrete pavement has progressed from a simple slip form paver first used in Iowa in 1958, costing $32,000, to today's fully-automated pavers costing upwards of $2 million. This innovative technology provides our customers with the world-class quality they demand. A steady, long-term reauthorization period gives us a strong incentive to make these significant investments.

A long authorization psriod also impacts the work force size. If we perceive a national commitment to a long-term program with adequate and stable investment levels, we are better positioned to make the required investment in human resources.

I must tell you, Mr. Chairman, that the projected budget figures for transportation, including highways, send a direct message not to invest or expand.

During the last authorization, the highway community came together under the quality banner and signed a national quality initiativs. My industry friends sitting at this table and ACPA are proud to have been signatoriss to this initiative.

While working on the quality initiative, we learned much about Europsan pavement practices. Our observations are: European technology ie not better than U.S. technology, nor is their commitment to quality any stronger than ours; however, the Europeans have a willingnees to expend more funds per unit of construction. This tranelates into deeper pavement sections, premium material specifications, and much earlier rehabilitation than is generally common in our country.

Often European companies use contracting techniques such as warrantise, guarantees, and design/build. We have sxperimented with some of these techniques in the United States, and particularly in my State of Wisconsin. We are disappointed that the national debate tends to ignore the European investment experience and focuses more on the European contracting experience.

To design and build truly long-lasting, quality products, we must address the fundamental determinant of quality: high quality results from adequate funding, euperior materials and workmanship, and teamwork between the agsncy and the contractor.

Finally, we believe Congress should authorize and eventually fund the highest possible Fedsral dollar for the NHS and for the bridge program. It ehould also give eerious consideration to directing the NHS monies to the interstate as a first priority in the funding process.

Thank you, Mr. Chairman, for the opportunity to discuss the interests and concerns of the concrete paving and cement industries. We look forward to working with you during the reauthorization process.

Mr. PETRI. Thank you.

Mr. Rahall?

Mr. RAHALL. Thank you, Mr. Chairman.

My first comments are just that, and not really questions of the panel, but I'd liks to tell the panel and my colleagues exactly what I was doing this last Memorial Day. I don't know what membere of the panel were doing—perhaps attending a picnic with the family or wetching TV or playing a game of softball or out in ths yard doing one of those "honsy do" days, or whetever.

But whet I did this past Memorial Dey was dedicate e transportation enhancement project in my Congressional District down in Bluefield, West Virginia, along the West Virginia/Virginie border. There were e lot of people there witnessing this particular event. They were enjoying the scenic grandeur of our mountains and also paying tribute to whet these transportation enhancement funds hed dons to this particular site—East River Mountainside site—and how it hed improved the area, made it more enjoyeble for their children and grandchildren to enjoy our netural resources.

So I gusss I'm saying this for the benefit of Mr. Teylor and Mr. Docter, who in your statements I noticed specifically call for elimination of the TEP program.

I say thet. I want it on the record. I'm kiud of e transportation enhancemsnte type of guy, and I spend my holidays et thsss type of projects, and I want to continue doing it in the future, so I just put thet on the record es, I think, one of our effective usss of highwey funds.

Mr. PETRI. Mr. Rahall, I spent my Memorial Dey doing exactly tbs sams thing.

Mr. RAHALL. A transportation enhancement project.

Mr. Taylor, lst me ask you e specific qusstion, and it's one I asked an earlier panel or earlier witness releting to the edequacy of our existing safsty progrems.

For instance, it seems thet every month somebody's proposing to make changes in tbe rail highwey grede crossing progrem. Is this an lssue that you think needs to be eddressed? And, if so, how?

Mr. TAYLOR. Interesting question, Mr. Rahall. Coming from the safety side of the buslness, it's difficult to talk sither against such a program, but I think in some instances rail safety grade crossing progrems can get carried away on sxpsnses.

I think that they're good. They should be thoroughiy evaluated. But I've seen some instances where I fsel the money could be better spent in othsr areas.

Mr. RAHALL. Okay. Do any other panslists wish to comment?

[No response.]

Mr. RAHALL. Okay. That's all I hevs. Thank you.

Mr. PETRI. Thank you. I had a couple of questions I'd liks to esk.

Mr. Meples, you talked ebout the importance of trying to heve a long-term fremework, and I wonder if you could eleborete on that a little blt. What would you consider to be a long-term? And could you offer any thoughts on how e short eutborization period would potentially lmpact project costs and your business costs?

Mr. MAPLES. Yes, Mr. Chairman.

I believe the last authorization period was 7 years. If you would like my opinion on what long-term is, I would suggest e 10-year period, if possible.

As far as the effects of a short-term, ths cost of investment in mechinsry and ths training of our crews takes e tims frams of anywhsre from three to 5 yeers.

If we know whet—if ths industry knows and municipalities and Stats agencies know that thsre is e long-term commitment, we can better heve an idea what is aheed of us, and therefore allow us to purchase equipment and train people accordingly and not have to worry about a year or two later maybe having to lay some people off.

Mr. PETRI. I think some of that framework could be accomplished not only by authorization, but by getting the trust funds off budget so you'd know you had a dedicated fund.

Mr. MAPLES. Definitely.

Mr. PETRI. That's one of the major arguments that we've had for doing that.

A colleague of ours, Tony Beilenson, has been before our committee a number of times and talked to us and other Members about European pavement practices and efforts to try to learn from what they are doing. Do you believe they have any applicability in the United States or any comments in that area?

Mr. MAPLES. As I said in my testimony, I don't believe they have any technology that we don't possess. In fact, a lot of the machines that they use there are produced in our country.

What they do is they commit more dollars per unit of construction. If I can clarify that, they build pavements that are 14 inches thick on 12 to 18 inches of sub-base. We tend to build pavements eight and nine inches thick on six to eight inches of sub-base.

We have a lower cost per unit, therefore our section isn't as deep, therefore our pavements don't last as long.

I'm not saying that's—some people say that Europeans are ahead of us because their pavements last longer. It's because they invest more up front, not because we do a poor job.

Mr. PETRI. Do you think it would make sense for us to invest more up front, or are there ways we can change contracting guidelines or give the States more flexibility to have life cycle—better life cycle analysis and—I mean, you can put too much in, too. Some Europeans—Germans, when it comes to high-tech, they're still stuck with 50-year sort of fax mechines, or whatever, that are being outdated in 5 or 6 years, so I guess there is a balance to be struck there, but are we too short-term thinking?

Some people said when we went to the national highway system we wanted to do it all as quickly as possible, then start shifting our focus, once it was in place, to more of a long-term situation, and once road beds have been there for a while I suppose it makes extra good sense, since they've stabilized and we're building on them, to start upgrading the level of work being done.

Would you comment on that?

Mr. MAPLES. I believe that on our primary and highly-traveled roads, I believe a deeper section is definitely called for—probably not going to as thick as the European section, but I leave that up to design engineers. I'm only a contractor.

But on our secondary roads, I think the American design is adequate. I believe we have a better transportation network in this country than Europe does, anyway.

I think we're doing everything fine except on our highly-traveled roadways.

Mr. PETRI. Mr. Docter, would you care to comment on that whole area? I think in some areas there is a little tension and in some areas a lot of cooperation between the asphalt and the concrete people, so I thought I'd give you a shot, too.

Mr. DOCTER. I would sey that when the Interstete System was originally designed and the projections were made for traffic, it was adequate, and probably in a lot of cases would be serving us better than it has; however, I think truck traffic and automobile traffic has increased exponentially, and I don't think any planners or designers really were prepared for the types of increases that they were faced with.

So as we look at that now and project into the future, I think we have to be more aware that those traffic patterns are out there and we have to address that.

I guess it's a matter of what the priorities are. Do we build short sections well or do we try to satisfy more people by building longer sections, sections witb less thickness?

That's the dilemma you're in, and especially when you have a finite amount of funding.

But I agree with my counterpart from the concrete industry. I think when you look at percentage of GNP invested, the foreign countries are doing a little better job than we are here.

Mr. PETRI. Any other comments? Yes, sir?

Mr. MELLOTT. Mr. Chairman, one of the comments I would make is that I've read some of the studies, and the Europeans require a much higher quality aggregate in their mixes, and that's what the Natlonal Stone Association believes in, that there is a need for a much higher quality aggregate for the design for the future mixes that will last longer.

That's one of the positions we feel very strongly about.

Mr. PETRI. All right. Thank you all very much. We appreciate your diligence in preparing your statemente and your responsiveness to our questions.

This hearing is adjourned.

[Whereupon, at 12:58 p.m., the subcommittee was adjourned, to reconvene at the call of the Chair.]

PREPARED STATEMENTS SUBMITTED BY WITNESSES

American Association of State Highway and Transportation Officials

Wm. G. Burnett, P.E., President
Executive Director
Texas Department of Transportation

Francis B. Francois
Executive Director

STATEMENT BEFORE THE

HOUSE SUBCOMMITTEE ON SURFACE TRANSPORTATION

Relating to

THE NATIONAL HIGHWAY SYSTEM,

INTERSTATE MAINTENANCE, BRIDGE, AND REIMBURSEMENT ISSUES

By

William G. Burnett
President, American Association of State Highway and Transportation Officials
and
Executive Director
Texas Department of Transportation

Robert A. Welke
Director, Michigan Department of Transportation

James Siebele
Colorado Department of Transportation

June 5, 1996

Founded in 1914, AASHTO represents the departments concerned with transportation in the fifty States, the District of Columbia and Puerto Rico. Its mission is a transportation system for the nation that balances mobility, economic prosperity, safety and the environment. AASHTO is the only national public sector association that represents all transportation modes - air, highways, public transportation, rail and water - and it works to foster the development, operation and maintenance of an integrated national transportation system. The active members of AASHTO are the duly constituted heads and other chief directing officials of the member transportation and highway agencies.

Working To Connect America

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Mr. Chairman, my name is William G. Burnett. I am the President of the American Association of State Highway and Transportation Officials (AASHTO), and Executive Director of the Texas Department of Transportation. Accompanying me today are Robert A. Welke, Director of the Michigan Department of Transportation; and James E. Siebels, chairman of the AASHTO Highway Subcommittee on Bridges and Structures, and Chief Engineer for Engineering, Design and Construction for the Colorado Department of Transportation.

On behalf of AASHTO, we are pleased to accept your invitation to testify on issues related to National Highway System, Interstate Maintenance, Bridge, and Reimbursement Issues as part of the reauthorization of the Intermodal Surface Transportation Efficiency Act (ISTEA). This testimony addresses all four subjects of your invitation. In our oral presentations, I will address National Highway System and Reimbursement issues, Mr. Walke will discuss Interstate maintenance issues, and Mr. Siebels will discuss bridge issues.

The material that we are presenting is based on the "AASHTO Transportation Policy Book", (Advance Copy - June, 1996), a copy of which is being provided to the Subcommittee; and the AASHTO reauthorization documents.

On April 29, the AASHTO Board of Directors approved two additional documents as part of its reauthorization activities. The first of these is titled "Transportation for a Competitive America", and provides a broad-based discussion of the work that AASHTO has completed through its Reauthorization Steering Committee. The second is the "Bottom Line II" report, which discusses transportation investment needs for the period 1998-2002. These two reports are in the process of being published, and we will provide you with copies. In the meantime, attached is an excerpt from the "Bottom Line II" report. It contains some of AASHTO's basic findings on the requirements for our highway, bridge, and transit programs. At the AASHTO Annual Meeting in October, 1995, the AASHTO Board of Directors approved five reports dealing with federalism, planning, environmental, research and finance issues. Copies of the October reports have been provided to the Subcommittee.

These reports contain four key recommendations:

- The maintenance needs of the nations's highways and transit systems outstrip the funds currently available. The 4.3 cents per gallon in user taxes collected from motorists should be deposited in the Highway Trust Fund and be spent on system maintenance, rather than diverted to the General Fund.

- State and local governments should be given more flexibility in determining how, when, and where transportation resources are spent, to maximize the benefit to mobility, safety, and the environment.

- Many of the key concepts of ISTEA, such as state and local cooperation, intermodal planning, and public participation, should be retained.

- Burdensome and unnecessary provisions imposed by ISTEA and earlier laws should be eliminated or reduced. The National Highway System Designation Act was a first, and major, step in this direction.

1. National Highway System

With regard to the National Highway System (NHS), AASHTO has supported the NHS for many years, and worked with the Congress and the Federal Highway Administration in the development of the NHS system for the ISTEA legislation. We were most pleased to see the passage of the National Highway System Designation Act last December, and again thank you for your efforts.

AASHTO and our member departments worked with the Federal Highway Administration on the identification of intermodal connections to the NHS, and we were pleased to see that Intermodal Facilities Map submitted to you by FHWA in May.

AASHTO has also worked with the Congress in the discussion of NHS Design Standards, and was pleased to see that flexible design standards for the NHS were included in the National Highway System Designation Act.

AASHTO strongly supports funding for the National Highway System as the backbone of that nation's transportation system. The NHS is composed of a very important transportation component that serves our economy from both a national and international perspective. The Interstate System and the key principal arterials that together comprise the NHS are essential to interstate and regional commerce, travel, and border crossings in the movement of people, agricultural products, industrial goods, and other commercial movements developing in our changing economy.

The NHS serves major portions of the nation's urban and rural areas, and connects population centers, ports, airports and provides rural areas with access. The NHS serves the major movement of people and goods into and throughout urban areas while providing access to commercial, industrial, and institutional activities via public and private vehicles. The NHS is also vital in that it provides for national defense and emergency preparedness requirements, including the Department of Defense STRAHNET system and STRAHNET connectors. Improvements to the NHS will provide a safer, more efficient transportation system to serve the nation in the near future and well into the future.

AASHTO believes that as the most visible and significant part of the nation's intermodal transportation system and like the Interstate System before it, the NHS must be promoted and maintained as a national goal which not only promises but delivers national benefits. Therefore, the nation must commit to a national investment in the NHS.

Federal investment in the NHS and other highways will assist the states and localities in their efforts to address common concerns, including congestion, air pollution, travel delays, adequate and reliable access to trade centers, jobs, health care and education, and for emergency readiness. As we focus major attention on the NHS, it is important to also recognize the importance of federal support for non-NHS routes for national purposes including mobility, access, trade, emergency response, economic development, and related factors.

The AASHTO "Bottom Line II" report, which used the 1995 edition of the U.S. Department of Transportation report "The Status of the Nation's Surface Transportation System: Condition and Performance" as a major resource for needs information, indicates that there are a growing number of highway needs on the horizon.

Highway and bridge needs are outpacing the nation's investment level. To keep highways and bridges in their current physical condition will require an investment of $149 billion over the 5 year period beginning in 1998. To make all economically justified improvements, the nation as a whole needs to invest an average of $72 billion each year on highways and bridges, or a total of nearly $360 billion, which is almost twice as much as was invested in 1993.

With the extensive scale of our national system, a substantial proportion must be reconditioned each year to maintain the life of the system. This accounts for the major part of the investment needs faced by the nation. If investment falls below those required levels, the system deteriorates. Failure to invest in a timely fashion, before deterioration sets in increases substantially the ultimate costs when repairs are finally made in later years.

The system declined during the 1980's to a point where 16.8 per cent of the nation's urban Interetate system required immediate improvement. This condition improved in the 1990's to the point where U.S. DOT reported in the 1993 "Conditions end Performance" report thet the number of U.S. pavement miles in poor condition was reduced to 9 per cent, compared to 14 per cent in 1983.

However, the most recent information from U.S. DOT indicates that a greater percentage of the nation's highway system is in mediocre condition. Mediocre pavements are the pavements that are expected to need improvement in the near future - generally within the next five years - depending on the pevement design, environmental factors and the amount of future traffic.

Unless funding is provided to address their needs, these pavements will slide into "poor" condition. Of even greater importance is that these mediocre pavements are substantially in the higher levels of the road system. More than 30 per cent of both urban and rural Interstates are rated as poor or mediocre.

In addition, our nation's highways are increesingly unable to meet the travel demands in the largest metropolitan areas. Efforts of the past decade focused on rebuilding the existing infrastructure, while daily travel per lane mile increased 24 per cent in urban areas, and over 29 per cent on urban Interetates.

The resulting increaeed congestion damages air quality, increases travel times and costs an estimated $43 billion annuelly in delays in the country's 50 largest urban areas.

Congestion places a heavy coet on our economy, affecting the speed and reliability of movement demanded by manufacturers and shippers. In today's economy, materials are no longer werehoused. Parts-makers provide continuous supply to assemblers in a "just in time" organization of shipmente. This saves logiatics costs and reducee prices to consumers at home and abroad. Our national logistical system ie a major component of our internationel competitiveness. But these new ways of organizing production plece tremendous pressures on the nations's road syetem to provide rapid, reliable delivery at low cost. The netion cannot afford an inadequate highway system.

With the growth of metropolitan areas as key regional employment and residential centers throughout much of the country, urban Interstates and other fraeways are accommodating higher levels of traffic. Peek hour congastion on urban Interstates increased about 55 per cent in 1983 to approximately 70 per cent in 1989, remaining relatively constant eince then. At these levels of congeetion, trevel periods spread out - the peak rush hour becomes the peak period, consisting of several hours.

The Federal Highway Adminietration forecasts of travel demand in major metropolitan ereas vary. All FHWA forecasts predict a decline from the recent 3.4 per cent travel growth per year. One estimete forecasts growth of 2.4 per cent, based on e diminished trend in trevel growth. Another FHWA estimate forecasts 2.2 per cent growth annuelly based on policy steps to curtail travel. Even with such extremely conservative forecasts, by the year 2012 vehicle travel is expected to increase by 34 to 55 per cent.

Meeting these major physical and capacity needs for the nation's highway system will require a total of $357.5 billion investment for the period 1998-2002, or approximetely $72 billion per year.

The maintenance needs of the nation's highway system outstrip the funds currently available. The combined funding at current authorized levels of $221 billion for highways is insufficient even to maintain the systems at current conditions.

The 4.3 cents per gallon in user taxes collected from motorists should be deposited in the Highway Trust Fund and be spent on system maintenance rather than diverted to the General Fund. Only if all current and state and local funding is continued, and only if all current federal Highway Trust Funds are fully deployed, and only if the current 4.3 cents per gallon motor fuel tax now supporting general federal programs is shifted to the Highway Trust Fund and fully deployed, only then would the resources be sufficient to maintain current conditions on the nation's highway and transit systems over the 1998-2002 time frame.

The return of the 4.3 cents per gallon to the Highway Trust Fund (combined with other available federal funds) would provide $155 billion in federal funding for highways. These federal user fee revenues are drastically needed if we are to keep our transportation system in good working order as we enter the next century. With this level of federal funding combined with current state and local funding levels, transportation officials will be able to maintain the current physical condition and capacity performance of our nation's highways. However, even the full use of all these currently available funds would not allow for very much improvement of the highway system.

Any action that moves us away from this basic funding level will inevitably result in gradually deteriorating highway conditions and in untold costs to the long-range future of the American economy. The U.S. DOT study of the economic benefits of optimum highway improvement indicates a conservative $2.60 return for every dollar invested. Highway infrastructure is a solid and sure investment for the nation.

AASHTO supports increased federal funding for highway improvements and efforts to make funding more predictable. This increased funding can be provided by fully funding the authorized levels in the reauthorization legislation, by efforts to reduce fuel tax evasion, and by spending the revenues from the 4.3 cents per gallon user fee on transportation-related investments, all of which are supported by AASHTO policy. AASHTO policy also supports taking the Trust Funds off-budget. Adequate, predictable funding will allow states to plan and implement more cost-effective, practical transportation improvements.

2. Interstate Maintenance

A major responsibility and concern of the AASHTO member departments, working with the federal government, is to maintain the significant investment that the nation has made in the Interstate system. AASHTO strongly endorses a level of support for Interstate and National Highway System maintenance adequate to retain efficient, safe and reliable service for the system.

AASHTO has a concern with regard to an ISTEA requirement for maintenance activities. Each state must certify on January 1, 1996 that it has a program to maintain the Interstate System in accordance with guidelines issued by the U.S. DOT Secretary. Failure to do so may result in withholding of 10 percent of Interstate Maintenance and construction apportionments. It is in the state's best interest to maintain existing facilities and state programs already include a number of checks to assess the level of maintenance on the Interstate (such as the Pavement Management System and the Highway Performance Monitoring System).

Projects on the system will be maintained through each state's regular maintenance program regardless of probable impending penalties. No value is added to the quality of the system through this 10 percent penalty requirement, and with the programs that states already have in place, this federal oversight is inappropriate. AASHTO urges the repeal of 23 USC 116(c) and 119(b) requirements for an annual certification and the associated penalty provisions.

AASHTO was glad to see Section 309 of the National Highway System Designation Act that added preventive maintenance to the list of eligible activities that can be funded under federal-aid highway programs if the state demonstrates that the activity is a cost-effective means of extending the useful life of a federal-aid highway.

AASHTO also has urged FHWA to reconsider its interpretation of work eligible for Interstate maintenance. Following the passage of ISTEA, FHWA issued a memorandum on the implementation of the Interstate Maintenance Program which excludes certain items from eligibility for Interstate Maintenance funding, including new commuter parking lots and new noise walls. AASHTO has urged FHWA to widen its interpretation of eligible activities to include such items.

3. Bridges

Significant progress has been made in correcting structural and functional deficiencies on the nation's bridges, decreasing the percent of deficient bridges from 34.5 percent to 27.9 per cent in four years. However, bridge conditions on the nation's higher function roads will continue to require additional investments. The nation must address the deficiencies of 11,000 bridges per year, on average, to maintain current levels of condition. Over one third of the nation's bridges were constructed in the 1960's and 1970's, and those 125,000 bridges are reaching the end of their useful lives. While careful maintenance and planning can smooth the peaks and valleys, there are still important surges in needs.

In 1994, less than one in four of our 55,000 Interstate bridges was classified as deficient compared to 29 percent in 1990. On all other arterial systems, where 129,000 bridges are located, the percentage of deficient bridges declined from 32 percent to 28. And 28 percent of the 162,000 bridges on collector routes were deficient in 1994, compared to 35 percent in 1990. These impressive improvements prove that increased investment can produce rapid turn-a-round in the system. However, over 13,000 bridges on the Interstate, 36,000 on other arterials and over 45,000 on the collector system are in deficient condition. With almost 100,000 deficient bridges, there is a great deal of work to be done.

The U.S DOT "1995 Status of the Nation's Surface Transportation System: Conditions and Performance" estimates that the cost to maintain 1994 bridge conditions is $5.1 billion through 2013, and that the cost to improve 1994 bridge conditions is $8.9 billion through 2013.

Bridges are vital to transportation. They increase mobility by spanning obstacles; they enhance safety by separating traffic; and, if they are to be economical and safe, engineers must rely on research to provide better ways of designing, constructing, maintaining, and repairing them.

The Federal Highway Administration invests about $8 million annually in bridge-engineering research. Transportation agencies in the states spend at least an additional $15 million on bridge research each year, and AASHTO uses about $2 million annually in it's National Cooperative Highway Research Program to develop practical tools that ensure that bridge engineers in the United States are able to apply the best technology produced by bridge research world wide.

About one-half of the approximately 600,000 highway bridges in the U.S. were built before 1940, and many are not in good shape. Most bridges in service today were designed for less traffic, smaller vehicles, slower speeds, and lighter loads. In addition, deterioration caused by environmental contamination is a growing problem. About one-third of the nation's bridges are substandard because of deterioration or because they do not meet current standards for safety and efficiency. The cost of needed work on these deficient bridges is estimated to be about $76 billion.

It is clear, therefore, that engineers will have to contend with large numbers of deficient bridges for many years to come, and many urgent, researchable problems relating to existing bridges remain to be solved. For example, practical, effactive procedures and equipment need to be developed and evaluated for use in the following ereas: inspecting bridge components, essessing the effects of deterioration and distress, load rating, and estimating remaining life. In addition, research and development are needed on materials, equipment, and techniques for repair, rehabilitation, and reconatruction of bridge components built of various materials using verious construction techniques under various loading and environmental conditions.

The current, strong emphasis on bridge research in our National Cooperative Highway Research Program reflects AASHTO's recognition that, for bridge engineers to continue to do their part in expanding and maintaining the nation's highway syatem in the face of limited resources, research will be necessary to find better methods of bridge design, construction, maintenance, repair, and rehabilitation. The megnitude of the effort required to deal with the nation'a deficient bridges is such that an investment in R&D that results in an improvement of only one percent in our overall efficiency of performing this task will return something on the order of $750 million.

No technology can be stagnant and remain healthy. Research on bridge engineering will be needed as long as engineers continue to seek better ways of designing, constructing, maintaining, and repairing bridges.

The states heve been working to implement Bridge Menagement Systems. AASHTO has been working with state transportation departments in the development of the PONTIS Bridge Management System. Thirty eight states and the U.S. Department of Transportation participate in this program. The program provides the perticipants with computer software to help the states maintain information about their bridge system, and to assist in making decisiona about how to spend resources to optimize the aystem. PONTIS has become an important tool for state trensportation agencies in managing and making funding decisions for their bridge system.

Bridges may be categorized as either structurally or functionally deficient. A structurally deficient bridge is in need of significant maintenance ettention, rehebilitation, or replacement. Functionelly deficient bridges are those that do not have the lane widths, shoulder widths, or vertical clearances adequate to serve the traffic demand. Adequate funding for our nation's bridges is of major importence from a structural perspective to be sure that structures are physically adequete and safe, and from a functional perspective to deal with factors related to the current characteristics of adjoining facilities and traffic activity. AASHTO supports continuation of a Bridge Replecement and Rehabilitation program for bridges on federal-aid highway systems. Further, AASHTO supports Discretionary Bridge Program funded at no more that 2 percent of the total highwey funding.

4. Reimbursement Issues

With regard to the Reimbursement program established under ISTEA, AASHTO has no policy position. When AASHTO began its reauthorization activities in November, 1994, the AASHTO member departments agreed thet this work would not deal with issues concerning the relative distribution of federal transportation funds to the states. Since the Reimbursement program focusses on the repayment of funds to the states based on a formula, AASHTO has no position within its reauthorization documents regarding this program. I would also note that when this provision of ISTEA was under discussion prior to passage of the Act, AASHTO took no position then.

One benefit of the program is that it provides funding to every state that is very flexible. The funds are transferred to the STP program but half of the funds are not subject to the enhancements or safety set-asides or required to be sub-allocated to the urbanized areas. States want this characteristic to be included in all federal programs in the reauthorization - greater flexibility in the application of federal funds to meet common transportation goals.

We look forward to working with the Committee to discuss these and other reauthorization issues and stand ready to provide information which would be of assistance to the Committee as it moves forward in the legislative process. Executive Director Francis B. Francois and the AASHTO Staff are available to respond to any further requests from the Committee.

Mr. Chairman, this concludes our remarks. Thank you for the invitation to present our views, and we will be pleased to respond to questions now, or in writing later.

APPENDIX A

Excerpts From:

THE BOTTOM-LINE

Transportation Investment Needs - 1998-2002

As approved by the AASHTO Board of Directors on April 22, 1996

**The American Association of State Highway and Transportation Officials
444 North Capitol Street, Suite 249
Washington, D.C. 20001**

PREFACE

The future of our national transportation system is at a critical juncture.

Use of our maturing transportation system has never been greater, and continued growth in demand is a certainty. Failing to accommodate that demand will threaten our ability to compete in the international marketplace and damage our nation, jeopardizing jobs, economic stability and quality of life.

Congress has entered a glide-path for achieving a balanced budget by the year 2002 and, as a result, has placed all federal-aid programs in intense competition for dwindling resources and has proposed progressing reductions in total federal transportation funding.

Against that backdrop of change and uncertainty, the Intermodal Surface Transportation Efficiency Act will expire in 1997 -- leaving Congress to address the who, what, when, where and even why of federal involvement in transportation.

Looking toward the development of the next federal surface transportation legislation, the AASHTO Board of Directors in November, 1994 began the development of its recommendations on future programs.

This report is a key component of that work, an assessment of the total investment needs for all modes of surface transportation in the public sector.

This report is intended to serve as a "bottom line" assessment of investment needed to meet the competitive demands of the next century. It estimates investment needs for all modes of transport in the public sector and represents the best available federal, state and local analyses. The report relies on the date presented in the 1995 report to Congress by the U.S. Department of Transportation titled *The Status of the Nation's Surface Transportation System: Condition and Performance.*

The first section of this report addresses the main surface transportation needs areas -- highways, bridges, and transit. A separate section discusses other surface modal sectors such as intercity rail passenger services, as well as non-surface modal sectors including waterborne and air travel needs.

The highway, bridge and transit estimates are AASHTO's estimates of national investment needs. The estimates for the other modal areas -- intercity rail, water and air -- are to establish a context for the national surface investment needs, provide a sense of the scale and to develop a base of discussion for upcoming legislation.

These studies reflect public sector needs only. No estimates of private sector requirements are included. The central elements in public investment, of course, are the rights-of-way over which both private and public fleets operate. This includes highways of all kinds (excluding only private roadways), transit rights-of-way, waterway facilities and airways. Excluded are all rail rights-of-way of America's private railroads and the pipeline system and associated facilities of the private pipeline industry.

Key Findings

- Transportation infrastructure is the engine which powers our economy, employing 12 million persons, consuming one of every five dollars of total household spending, and accounts for 11 percent of the nation's economic activity. Improvements in transportation efficiency and productivity are essential to a competitive economy.

- America's transportation system leads the industrialized world, with nearly four million miles of highways and roads, 109,000 miles of rail, 3,600 airports, 508 urban transit systems, 3,700 commercial water ports, and 200,000 miles of pipelines.

- Transportation investment works! Increased federal, state and local highway investments in the past decade have produced faster, safer, more efficient and more comfortable commercial and personal travel. Private and poblic investments by rail, trucking and logistics firms have reduced freight transport costs in a growing intermodal network. Though not cheap, the return on transportation investment is dramatic, paying off more than two to one in economic benefits.

- While past investment has stabllized highway deterioration, unless future investment levels are maintained and expanded, the highway system will soon return to the woeful conditions of the late 1970's and 80's. Congestion will worsen on "saturated" highways; many miles of highways will slide into "poor" pavement conditions; and the thousands of 50's and 60's built bridges approaching the end of their useful lives will go unrepaired or replaced.

- The passage of ISTEA promised a significant federal reinvestment in transit infrastructure, which has not been fully realized. State and local governments have born the cost of maintaining transit conditions and performance, at a time when federal mandates have increased and the balance of the Mass Transit Account has grown. Increased investment in public transportation is essential to provide the balanced transportation necessary for the nation's economy and mobility.

Highways

- Congestion damages air quality, increases travel times, and costs an estimated $43 billion annually in delays in the country's 50 largest urban areas.

- To maintain today's pavement quality, 100,000 miles of highways must be renewed every year.

- While significant progress has been made in improving bridge conditions, over 13,000 bridges on the Interstate, 36,000 on other arterials, and over 45, 000 on the collector system are in deficient condition.

- The U.S. Department of Transportation, in its 1995 assessment, reports that while highway conditions have improved in the last decade, a bigger highway investment challenge is on the horizon.

- To address the nation's overall highway needs from 1998-2002, the following funding is needed (in 1993 dollars):

Maintain Current Physical Condition	$148.5 billion
Maintain Current Capacity Performance	$115.2 billion
Total to Maintain Current Conditions	$263.7 billion

Improve Current Physical Condition	$69.5 billion
Improve Current Capacity Performance	$24.3 billion
Total to Improve Current Conditions	$93.8 billion

Combined Total All Needs	$357.5 billion

- Resources are available to make the investment needed to maintain our current highway system, if we so choose.

Continue Present Levels of State/Local Funding	$115 billion
Continue ISTEA Levels of Federal Funding	$95 billion
Total program level possible:	$210 billion
Options:	
Increase Federal funding by using the full resources of the Highway Trust Fund	$120 billion
Total program level possible:	$235 billion
Increase Federal funding by transferring to the Highway Trust Fund the 4.3 cent federal fuel tax now being used for general purposes	$155 billion
Total program level possible:	$270 billion

- Only if state and local funding is continued, the balance of the Highway Trust Fund is fully used, and the 4.3 cent per gallon federal motor fuel tax now supporting general federal programs is placed in the Highway Trust Fund and fully deployed, will resources be sufficient to maintain current highway conditions.

- Any reduction from this basic funding level will result in deteriorating highway conditions and untold costs to the long-range future of the American economy.

- Highway user fees should be used for transportation purposes, not siphoned off for other general fund uses.

Transit

- Unlike highway investments, the increase in transit capital investment of the past decade has been provided entirely by state and local governments. While vehicle conditions have been maintained, the backlog of overage vehicles and other infrastructure needs has grown, while the balance in the Mass Transit Account has accumulated.

- The U.S. Department of Transportation, and an independent analysis by AASHTO demonstrate the magnitude of today's transit needs:

    - In the past decade, 3,000 additional bus and rail vehicles have passed their useful life, but remain in service;

    - To maintain 1993 physical conditions, replacement of 13,800 buses and 505 rail cars is needed annually, at a cost of $2.7 billion. Another $2.0 billion is needed annually in infrastructure construction and repair.

    - To maintain current performance, $2.9 billion annual additional investment is needed for additional vehicles and for new or planned fixed guideway systems.

    - To eliminate the backlog of physical improvement needs, meed federal guidelines, and bring transit facilities in good repair, an additional $2 billion is needed annually.

    - To improve performance and serve under-served areas, an annual increased investment of $3.0 billion to $4.5 billion is needed.

- Assuming that the successor to ISTEA will be a five-year authorization for federal transit programs, the following are average investment requirements that would be necessary to address national transit infrastructure needs over the 1998 to 2002 period, in 1993 dollars:

Maintain Current Physical Condition	$25.2 billion
Maintain Current Performance	$14.4 billion
Total to Maintain Current Conditions	$39.5 billion

Improve Current Physical Condition	$10.5 billion
Improve Current Performance	$22.5 billion
Total to Improve Current Performance	$33.0 billion

Combined Total of All Needs	$72.5 billion

- Again, resources can be made available to begin to meet the nation's transit investment needs.

Continue Present Levels of State/Local Funding	$14.5 billion
Continue ISTEA Levels of Federal Funding	$12.5 billion
Total program level possible:	$27.0 billion

Options:

Increase Federal funding by using the full resources of the Highway Trust Fund	$24.5 billion
Total program level possible:	$39.0 billion
Increase Federal fuoding by transferring to the Highway Trust Fund the 4.3 cent federal fuel tax now being used for general purposes	$31.0 billion
Total program level possible:	$45.5 billion

- Continued state and local funding, full use of Mass Transit Account funds, and the use of 20 percent of the revenues of the 4.3 cent fuel tax will allow the nation's transit systems to maintain current condition and performance, and to address half of the $10.5 billion backlog of unmet physical needs.

- Continued federal support for transit is essential. Recent cuts in transit operating assistance (44 percent reduction in 1996, from $710 million to $400 million) have undermined the ability transit agencies to make needed capital improvements, shifting a financial burden to the state and local level.

APPENDIX B - More on Bridge Research

In 1931, the American Association of State Highway Officials (now AASHTO) initially published its *Standard Specifications for Highway Bridges and Incidental Structures*, the first bridge-design standard used in this country. These specifications were accepted as the most comprehensive document guiding bridge design and put the United States at the forefront of bridge engineering technology. Since 1931, the AASHTO specifications were revised on a near-annual basis to account for refinements in design theories, innovations in construction methods and materials, and heavier and more frequent traffic loads on bridges. Over the years, bridge engineers continued to apply an expanding array of innovations resulting from research, including prestressed concrete, high-strength steel, weathering steel, box girder construction, modular construction, segmental construction, cablestayed construction, high-strength bolts, welding, epoxy-coated reinforcement, curved girder construction, bridge management systems, load and resistance factor design, adhesives, elastomeric bearings, and drilled shaft foundations.

By the mid-1980s it was obvious that the AASHTO specifications had become fragmented and there were major gaps in coverage of various bridge elements. In addition, a design approach known as Load and Resistance Factor Design (LRFD) had gained prominence; however, the United States, once the leader in bridge engineering and technology, was one of only a few advanced countries not actively working toward adopting the LRFD format for its bridge specifications. In 1987 AASHTO's Highway Subcommittee on Bridges and Structures agreed on the need for a current, comprehensive code and commentary; and AASHTO's National Cooperative Highway Research Program, administered by the Transportation Research Board, was directed to develop and recommend AASHTO bridge specifications in a form suitable for the 21st century.

A $2 million NCHRP project was carried out over a period of almost 5 years to provide state-of-the-art bridge specifications that once again would place the United States at the forefront of bridge engineering. The project required translating and augmenting years of accumulated research results into a coherent and practical form suitable for use by designers. A research team, composed of more than 50 leading bridge experts, worked to develop the specifications, and hundreds of state, federal, and industry engineers were involved in monitoring the research effort and reviewing drafts of the specifications. AASHTO member departments performed trial designs of bridges using the new specifications, and provided thousands of comments to the researchers.

This research has helped to ensure that the United States regains a leadership position in the international bridge engineering community. The LRFD bridge specifications, completed in 1993 and approved and published by AASHTO in 1994, are the most comprehensive specifications in the world, and will be used to design new bridges that have a more uniform level of safety as well as improved long-term serviceability and maintainability.

NAPA
NATIONAL ASPHALT PAVEMENT ASSOCIATION
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Mike Acott, President

STATEMENT OF THE
NATIONAL ASPHALT PAVEMENT ASSOCIATION (NAPA)
FOR THE
SUBCOMMITTEE ON SURFACE TRANSPORTATION
COMMITTEE ON TRANSPORTATION AND INFRASTRUCTURE
U.S. HOUSE OF REPRESENTATIVES
June 5, 1996

TIM DOCTER
PRESIDENT, MACLAIR ASPHALT COMPANY INC.
AND CHAIRMAN OF THE NATIONAL ASPHALT PAVEMENT ASSOCIATION (NAPA)

37-734

ASPHALT 100% RECYCLABLE

My neme is Tim Docter. I am a highway contractor from Collinsville, Illinois, and the 1996 Cheirmen of the National Asphalt Pavement Association (NAPA).

NAPA is the national trede essociation exclusively representing the Hot Mix Asphelt (HMA) Industry. We have e membership of nearly 800 corporetions, most of which are HMA producers and paving contrectors. The majority of our members are small businesses, end our member firms produce approximately 70 to 75 percent of the total HMA produced in the United States annually.

I would first like to congretulete this Subcommittee for its leadership on two significant transportation accomplishments in this Congress: the overwhelming House vote in support of H.R. 642 and the enactment last fall of the National Highway System Designation Act. Importantly, the NHS legisletion included the repeal of the crumb rubber mandate which properly restored to highway engineers, and the open competitive market, selection of pavement design and materials.

We commend you, Mr. Chairman, for holding these important hearings on the reauthorization of the Intermodal Surface Transportation Efficiency Act (ISTEA) of 1991. Reauthorization of the Federel Highway Program comes at a time when the highway industry and the entire netion celebrates the 40th Anniversery of the Dwight D. Eisenhower Interstate System. The same sense of vision and commitment which lead to the historic development of the Interstate System must be generated if this nation is to maintain the most efficient highway network in the world.

THE NEEOS OF THE NATION'S HIGHWAYS

The debate on reauthorization takes place against the backdrop of a recent U.S. Department of Trensportetion report (1995 Status of the Nation's Surface Transportation System: Conditions and Performance Report) showing that the nation's roads and bridges continue to deteriorate because of a serious shortfall of investment by federal, state and local governments. The report's findings on the condition of our netion's roads end bridges are alarming:

- More than 60 percent of the nation's major roads are substandard and in need of repair -- 9 percent are in poor condition and 52 percent ere in fair condition.
- Overall U.S. pavement conditions have worsened for the last two years, for the first time in at least a decade.
- About one third of the nation's bridges -- 32 percent are substandard because of deterioration or because they do not meet current standards for safety and efficiency.
- Americen motorists spent an additional $21.5 billion -- $122 per driver -- in extra vehicle opereting costs in 1994 because of driving on roads in poor and fair condition.

Despite these alarming statistics, the federal government collects $30 billion annually from highway users and deposits only $21 billion into the highway account whera it can be used for road and bridge improvements. Of the remainder, $3 billion goas to the mass transit account and $8 billion to the general fund.

The report also finds that the nation must invest an average of $54.8 billion annually just to maintain current road and bridge conditions over the next 20 years. In 1993, federal, state and local govarnments invasted a combined total of $34.8 billion. Tha fedaral government cannot fill the $20 billion annual investment gap by itself, but it could maka a significant difference by directing all axisting highway taxes toward road and bridge improvements.

NAPA POSITION ON REAUTHORIZATION

NAPA believes that the backbone of the nation's surface transportation system -- our highways -- has becoma lost in the rhetoric of intermodalism. ISTEA attempts to please all and only succaeds in diluting and diverting highway user fees to social and environmental uses to the detriment of the highway system. NAPA urges this Subcommittee to take a fresh look at the Federal Highway Program and restore its rightful place as the foundation of a surface transportation program.

NAPA believes that the federal government should focus its resources on building and maintaining a safa and efficient National Highway System (NHS) which is essential for economic growth, national defense and personal mobility. There should be minimum standards established for the NHS by agreement between the states and the U.S. Dapartment of Transportation. Adequate funds should be provided to bring the NHS up to standards within a reasonabla period of time with no diversion permitted.

In addition, NAPA supports a strong leadership role of FHWA in critical research and development of new technologies, construction materials and techniques.

At its May meeting, the NAPA Board of Directors unanimously approved a resolution (attached) as guiding principles in discussions on reauthorization of ISTEA. Let me briafly describe some of the key points.

Tha bill ahould provide authorizationa only for the highway program from the Highway Truat Fund.

NAPA believes that the next highway act should reaffirm the Federal Highway Program and increasa highway authorizations to better address tha deterioration of tha nation's roads and bridges. While highway travel continues to significantly increase, the *1995 Condition and Performance Report* found that from 1983 to 1993, the transit service utilization rate (transit passenger miles to transit capacity equivalent miles) declined by 16 percent. Transit does not serve a national transportation purpose and funding should come out of the general fund and not from highway user fees.

The bill should repeal all so-called flexibility provisions whereby highway funds are eligible to fund non-highway programs.

NAPA believes the flexibility provisions have eroded the Highway Trust Fund. While such programs may be meritorious, they are not proper uses of the highway user fees. Transit, historic preservation, bikepaths and intermodal facilities serve varied purposes but to erode the core funding source of the highway program is not warranted. The Transportation Enhancement Program is a prime example and should be repealed.

All highway user fees should be deposited in the Highway Trust Fund and dedicated to highway purposes.

NAPA believes that the 4.3 cents of the highway user fees currently going into the general fund should be deposited in the Highway Trust Fund and that the exemption for ethanol should be repealed.

The largest federal diversion has been $30 billion to the general fund since 1990 for deficit reduction. An additional $29 billion has been diverted to mass transit and other non-highway transportation purposes as a result of the Mass Transit Account and flexibility allowed under ISTEA. The partial exemption from federal motor fuel taxes for gasohol since 1980 has reduced Highway Trust Fund revenues by $6 billion. At the current rate of diversion and exemptions, total federal diversion will reach $100 billion by the year 2000.

The ultimate authority for deciding on projects for federal highway funding should be vested in the state DOTs.

NAPA believes that the state should continue to have full authority for administering the Federal transportation programs within the state. The state may choose to delegate authority to substate entities for project selection, design, lettings and administration consistent with its laws and policies. But that is a state prerogative. There is no overriding Federal interest that justifies usurping state constitutional rights by granting decision making authority to quasi-government institutions like MPOs.

The Highway Trust Fund should be taken out of the unified Federal Budget and the revenues to the fund be fully available for expenditure on highway projects.

NAPA continues to work with the Alliance for Truth in Budgeting to urge Senate support of the off budget legislation. If the Senate fails to act on the off budget bill then it should be made a top priority in the next Congress as the foundation for increased authorizations as part of ISTEA reauthorization.

In summary, Congress should pass highway legislation that restores the highway program as the backbone of the nation's economic mobility. Significant steps should be taken to restore the integrity of the Highway Trust Fund by eliminating diversion to non-highway purposes and fully expending highway user fees to close the gap of well documented highway and bridge needs.

NAPA appreciates the opportunity to present our views and I would be pleased to answer any questions.

NAPA

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Mike Acott, President

RESOLUTION
HIGHWAY PROGRAM REAUTHORIZATION

Whereas, ISTEA eroded the Highway Trust Fund by encouraging the unprecedented diversion of highway funding to nonhighway purposes;

Whereas, such nonhighway purposes includes transit, historic preservation and restoration, and other purposes unrelated to highway transportation;

Whereas, there is mounting pressure to shift traditional states rights and responsibilities to local governments and Metropolitan Planning Organizations (MPO's);

Now therefore be it resolved that the National Asphalt Pavement Association (NAPA) supports the following principles in the next authorization of the Highway Program:

- The bill provide authorizations only for the highway program from the Highway Trust Fund;
- The bill repeal all so-called flexibility provisions whereby highway funds are eligible to fund nonhighway programs. While such programs may be meritorious, they are not proper uses of the highway user fees;
- All highway user fees should be deposited in the Highway Trust Fund and dedicated to highway purposes.
- The ultimate authority for deciding on projects for federal highway funding be vested in the state DOTs.
- The highway trust fund should be taken out of the unified Federal Budget and the revenues to the fund be fully available for expenditure on highway projects.

Adopted by NAPA Board of Directors, May 4, 1996.

Presentation of John S. Hassell, Jr.

before

House Transportation and Infrastructure Committee,
Surface Transportation Sub-Committee

June 5 1996.

Thank you Mr. Chairman.

It is a pleasure to be here before the Sub-Committee and testify concerning the reauthorization of the Federal Surface Transportation program. As someone who has followed the preparation of federal authorization legislation for highway transportation for over 20 years, I appreciate the difficultly of the task and the magnitude of the task facing the Sub-Committee's members.

The Subcommittee's upcoming reauthorizations of the surface transportation legislation, following the major rewrite of surface transportation legislation that the 1991 Surface Transportation Efficiency Act represented, provides both the luxury of reflection as well as the opportunity to adjust and move the federal program forward.

This morning I would like to touch today on two areas that I feel are of great importance in your deliberations. The first item deals with the reauthorization of ISTEA and reflects my experiences with federal, state and local governments as they have attempted to implement this major shift in direction in the federal highway and transit programs. My observations are that the implementation has gone amazingly smoothly considering the magnitude of the changes that were part of ISTEA. This can be directly attributed to the skill, dedication, and overwhelming positive attitude of all of those involved in learning what was required under the new act, and then working in good faith to put those requirements into practice. The progress has not always been smooth nor even, but I feel, from my observations, that it has gone far better than most expected.

Therefore, I feel that it would be a serious mistake to try to make major adjustments at this stage in the basic program structure and processes. The steepest part of the learning curve is just now passing. Change and adaptation in process and substance are just now being accommodated and, to shift gears, change direction, or make major modification in concept at this point would neither serve the interest of the program nor the users of surface transportation in this country.

I would point out, however, that the major obstacle to fully assimilating these new processes has been the lack of funding to proceed with the necessary research and development of tools to carry out these programs. We have not invested in new tools for planning and program development in over twenty years and, to expect the tools of the 'SO's and '60's to adequately serve us as we move into the next century, when it comes to planning, projections of traffic and demand, development of consensus to proceed with solutions, or deployment of ITS systems to our major facilities is both shortsighted and unreasonable.

Even the research on design and construction mythology has been limited and preceded in fits and starts such that states and local governments are challenged to provide even the most fundamental improvements to our facilities with the current fiscal environmental and programmatic constraints. The system to integrate environmental concerns with economic constraints, safety demands, and political considerations simply do not exist and it is testimony to the inventiveness, creativity and just plain--"we will get it done" determination of state and local transportation managers that anything occurs.

Even the Federal Highway Administration's significant efforts in developing the National Highway System, which Congress adopted last year, was challenged by the lack of adequate tools. These shortcomings became evident even before the Congressional approval concurred and resulted in Congress requiring a retrofitting of intermodal connections and other concerns that could not be accommodated by the procedures that we have available to us.

In terms of the total program, these investments in planning research, process development, system design, and construction management are negligible. But without them, tremendous losses occur, both in the time it takes to implement appropriate projects as well as the selection of the very projects themselves for implementation.

The second area I would like to bring to your attention concerns the overall progress of transportation in the country with, of course, the specific emphasis on our surface transportation systems. The last 12 months has seen some of the most horrific transportation accidents that have occurred in most of our lifetimes. One has to go back to the latter part of the last century and the early part of this century to find a period when transportation failures have resulted in the magnitude of disruption, economic lose, and casualties that we have seen. My review of what I can find on these occurrences, from the AMTRAK/MARC incident here in Washington, to a series of air traffic control failures all across the country, to the evidence of ever mounting congestion related incidents on our highways, is that we simply have failed to invest enough in our transportation systems to have them operate efficiently and safely in support of the nation's economy and social development.

The Federal Highway Administration and the Federal Transit Administration have both published studies recently describing the magnitude of the investments that their data indicate we should be making in our highway and public transit systems. These investment recommendations reflect the minimal level needed to maintain current conditions. Yet, I feel that it is shocking that they reflect almost a 50% increase in our current investment level merely to attain the modest goal of not falling further behind and dis-investing further in our nation's infrastructure.

I would hope that as this Sub-Committee, and the other Committees of Congress, consider the highway and transportation needs of the nation that they would realize and take into account, that failure to invest in our nation's transportation system is both short-sighted and simply inhuman. It denies jobs to many who need the opportunity to contribute and condemns tens of thousands to lifetimes of injury as a result of the accidents that occur on our out-of-date, unsafe systems.

I would urge the Committee to continue to use its resources to advance the program at a rate that at least ensures that taxes being collected from users of the highway and transit systems are put back into those systems and not continued to be held for other purposes, as worthy as those purposes might be. For in the long term, it is the investment in our nation's transportation infrastructure that will ensure our national security, expand economic opportunity, and contribute to our social welfare.

Mr. Chairman, again, let me thank you for the opportunity to appear before you and I would be pleased to try to respond any question you or the members might have.

Testimony to House Subcommittee on Surface Transportation

by

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June 5, 1996

ISTEA Reauthorization
Maintaining Adequate Infrastructure: Interstate Maintenance, National Highway System and Bridge Programs

Mr. Chairman and Members of the Subcommittee, thenk you for this opportunity. I am here today representing Parsons Brinckerhoff. Persons Brinckerhoff is the nation's largest transportation engineering firm, with over 5000 employees in 80 offices around the world and throughout the United States. We are an employee owned firm and have provided trensportetion engineering services for over 110 years. My comments today will reflect not only my firm's privete sector perspective on reauthorization, but also my previous personal experience from a state DOT and FHWA view point. I served as FHWA Deputy Administrator from 1989 to 1993 and with the Illinois DOT for 25 years.

We commend the Subcommittee's early hearing effort regarding the reauthorization of federal surface transportation programs. Our transportation system is too vital to our nation's economic welfare in the global marketplace to risk any interruption in the federal program. The founding father's foresight in reflecting interstate commerce as a vital role for the federal government in our Constitution is as appropriate today as it was over 200 years ago. The Intermodal Surface Trensportation Efficiency Act of 1991, ISTEA as it is called, provides e sound basis for now considering reauthorization. Several components of ISTEA heve proven to be particularly significant when considering the future:

* development and designetion of a National Highway System (NHS); your effort lest fall mede the NHS a reality
* recognition of the important intermodel nature of freight and passenger movement
* increased flexibility to stete end local governments to address uniqueness between states and regions
* greater opportunities for public/privete pertnerships in the delivery of cost-effective transportation services; further supported in last year's NHS legisletion
* broader and more comprehensive transportetion planning and investment decision-making in recognition of transportation systems' far-reaching impact on our individual, sociel and economic welfare
* renewed federel leadership in transportation research

These principles are as valid today as they were in 1991 and can continue to serve us well into the 21st Century.

Most are familiar with the statistics that demonstrate the significance of the NHS so I will not restate them although they are clearly very powerful indicators. It will suffice to say that the federel government has a <u>very clear and irreplaceable</u> role in assuring the NHS continues to be the foundation of our nation's entire transportetion system.

At the end of this month, we calebrate the 40[th] anniversary of starting the davelopment of our Interstate System. It was only through tha fedaral program and its leadership that we today continue to reap the economic and safety benefits of an integrated Interstate System. We must invest today in the NHS to assure our succeeding generations have similar benefits. The role of the federal program in this regard should be unquestioned.

Interstate maintenance must continue to be a key objective of the NHS program. It appears clear that State DOT's will exercise appropriate judgment in allocating resources among the array of NHS needs to assure the protection of past investments in the Interstate System -- a separate program element is not required.

Bridges ara a very unique element of our highway system. They are both costly and essential to allow safe and efficient travel. A separate bridge program should be continued to essure this critical element is adequately addressed. Furthermore, I also advocate a significant funding increase for the discretionary component of the bridge program. Some high-cost critical bridges simply cannot be funded at the local and state government levels without undue trade offs with other program needs.

While I have attempted to illustrate the clear federal significance of the Interstate, NHS and Bridge programs, I would be remiss if I didn't touch upon the nearly 3.9 million miles of our nation's other roads and streets. Our National Highway System cannot function properly without the support of these arterials and collectors. In most cases they provida the only means of accass into rural and urban areas. The federal program must recognize this need through continued funding support, but should also recogniza the ability of state and local governments in partnership to make the appropriate decisions within a very broad federal framework.

Anothar area of key importance is research. ISTEA began a period of renewed federal leadership. The FHWA, FTA, FRA and NHSTA must be financially supported to provide this leadership. Without it, the potential benefits will simply not be realized.

Mr. Chairman, we at Parsons Brinckerhoff are proud partners in our nation's transportation. We recognize and value the difficult challenges you, the Subcommittee and full Committee face. Yet basad on the strong record of historical achievements through the Committee, we remain completely confident of ISTEA's reauthorization bacoming another milestone along the road to progress. We stand ready to help in this journey!

STATEMENT
OF

JOHN A. MCQUAID
PRESIDENT
INTERMODAL ASSOCIATION OF NORTH AMERICA

BEFORE THE
SUBCOMMITTEE ON SURFACE TRANSPORTATION
COMMITTEE ON TRANSPORTATION AND INFRASTRUCTURE
U.S. HOUSE OF REPRESENTATIVES

ON
ISTEA REAUTHORIZATION

MAINTAINING ADEQUATE INFRASTRUCTURE:
THE INTERSTATE MAINTENANCE, NATIONAL HIGHWAY SYSTEM,
BRIDGE AND REIMBURSEMENT PROGRAMS

June 5, 1996

Intermodal Association of North America
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Mr. Chairman and Members of the Subcommittee, I appreciate the opportunity to appear before you today to share the views of the Intermodal Association of North America (IANA) on the matter of infrastructure investment as part of your comprehensive hearings leading up to reauthorization of the Intermodal Surface Transportation Efficiency Act of 1991 (ISTEA).

IANA is North America's leading industry trade association representing the combined interests of all types of Intermodal freight transportation companies and their suppliers.

Its almost 700 member companies include railroads, steamship lines and their stacktrain affiliates, intermodal truck operators and over-the-road highway carriers, intermodal marketing companies, and ports. IANA members transport the bulk of the nation's intermodal freight shipments both domestically and internationally throughout North America.

At the outset, I want to commend this Subcommittee aod the Congress on its enactment last fall of legislation designating a National Highway System. This important measure was mandated by the Intermodal Surface Transportation Efficiency Act (ISTEA) and its enactment was an important declaration of the Congress's commitment to creating a highway network that meets our future needs to move people and goods.

The NHS, along with the world's best railroad system, modern port facilities, and growing air cargo capabilities, makes up this nation's incomparable freight intermodal transportation network — a network whose continued efficiency is critical to the competitiveness of U.S. producers both at home and abroad.

My comments today will focus on the importance of investment in the National Highway System to meet the ever-growing needs of the nation's transportation service providers. In particular, I will focus on the need for critical investment to improve the efficiency of freight intermodal connectors — the roadways and arterials that link the nation's freight terminals with the NHS System.

IANA, last year, lead a coalition of freight interests which advanced the intermodal connectors provision in the NHS. The importance of this effort to insure that freight intermodal connectors, particularly, were included in the NHS is demonstrated by the diversity of freight interests who worked together to achieve this objective. Our coalition included:

- American Trucking Associations, Inc.;
- Association of American Railroads;
- American Association of Port Authorities;
- Air Freight Association;
- American Forest and Paper Association;
- American Institute of Merchant Shipping;
- National Association of Manufacturers;
- National Industrial Transportation League; and,
- National Private Truck Council.

This group, working with members of the Transportation and Infrastructure Committee and its Senate counterpart, was successful in making the case for connectors language in the NHS bill.

The NHS provision dealing with intermodal connectors directed the Department of Transportation, working with the States and regional and local planning organizations, to submit NHS connections to ". . .major ports, airports, international border crossings, public transportation and transit facilities, interstate bus terminals, and rail and other intermodal transportation facilities." These connections were to be proposed by the States and revised by the DOT and submitted to the Congress for approval within 180 days after enactment.

Recently, in keeping with this NHS mandate, the DOT submitted to the Congress its recommendations on NHS connections to major intermodal terminals. These connections total approximately 1,925 miles of roads and arterials, connecting to more than 1,251 major terminals. By comparison, the NHS adopted last fall included connections to only 148 intermodal passenger and freight terminals.

IANA and its coalition partners have not had an opportunity prior to this hearing to thoroughly evaluate the connectors list submitted by DOT. We are, however, encouraged by the substantial number of designated connectors and facilities that are included in the DOT report.

However, we will closely review the connectors list and advise the DOT and the Congress further of any significant omissions and/or oversights that may be discovered.

The NHS legislation also established interim funding eligibility for the connections to major intermodal terminals. Therefore, the connections identified in the DOT report now are eligible for improvement with NHS funds, even though such connections will not formally be designated as part of the NHS until the Congress adopts legislation doing so as part of its ISTEA reauthorization efforts.

Intermodal connectors, although often short roadway or arterial segments, are vital links between the NHS and freight terminal facilities. Often, these terminals are in older parts of our cities and the streets serving them never were designed to handle the volume of vehicles that move between these facilities and the NHS network.

Thus, these roadways often become choke points where traffic congestion contributes to poor air quality and an eroding quality of life in surrounding communities. Designating and investing in intermodal connectors as part of the NHS will allow the States and localities to begin alleviating these damaging effects by targeting spending on such activities as improving signage and signalling, easing highway clearances, and improving turning radii to accommodate today's longer trucks — all of which can improve traffic flow and enhance the quality of life in surrounding communities for a comparatively small investment.

Spending on intermodal connectors is essential to enhancing goods movement. In 1995, for the second year in a row, the nation's major railroads transported more than eight million containers and trailers throughout the U.S.[1] The nation's top fifteen container ports, meanwhile, handled more than 18 million TEUs of freight. A TEU is the equivalent of a twenty-foot container.[2]

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[1] Weekly Railroad Traffic, Association of American Railroads

[2] American Association of Port Authorities

These statistics help to frame the significance of the nation's freight intermodal network and — since most containers and trailers spend at least a portion of the transit time between origin and destination on the highway — the importance of efficient freight intermodal connectors is self-evident.

Without an appropriate investment to improve freight intermodal connectors, the continued growth of one of the nation's best economic success stories of the last decade could be stymied.

While the Congress, in the NHS, created the opportunity for the funding of intermodal connector projects, it did not guarantee such investment. It is now up to the advocates of intermodal connector projects to make their case for such investments through involvement with metropolitan planning organizations (MPOs), as well as the States.

Recognizing the challenges facing MPOs in meeting the funding needs of its various constituencies, and faced with tbe need to consider, for the first time, freight-related planning, as well, a group of freight interests have joined together to help their respective members better understand the planning process and the need for their involvement in it.

The Freight Stakeholders National Network is a coalition of associations representing transportation providers and shippers. Its members include:

- Air Freight Association;
- American Association of Port Authorities;
- American Trucking Associations;

- Association of American Railroads;
- Intermodal Association of North America;
- National Association of Manufacturers;
- National Industrial Transportation League; and,
- National Private Truck Council.

The Network was formed to help create and support locally autonomous partnerships among the freight community and the various State, local and regional transportation planning authorities responsible for freight mobility in our nation's cities. It is hoped that these partnerships will encourage private-sector freight interests to take ownership in the planning process, while providing an opportunity for public-sector planners to better understand the link between efficient goods movement and a community's economic well-being.

While transportation planning is not the focal point of these hearings, it is important to note that the efforts to date by freight transportation interests to target projects for MPO consideration have met with mixed results. A recent Stakeholders Network survey reveals that thirty-eight percent of MPOs responding have a routine mechanism for receiving input from the freight community — namely, shippers and transportation providers.

While some freight interests have suggested that that finding illuminates the failure of the MPO freight planning process, IANA would suggest that it reflects a reasonably favorable trend — given that the MPOs were given this expanded responsibility only three years or so ago. From a standing start of zero several years ago, thirty-eight percent represents acceptable progress to IANA.

Therefore, IANA would strongly support retaining the important role of MPOs in any reauthorization bill. However, while most infrastructure decision making is being accomplished locally, there is an ongoing need to view our freight transportation infrastructure in a systematic way — assuring the most efficient nationwide freight network.

To assure that the MPOs are cognizant of the transportation network consequences of their local planning efforts — including investment in freight intermodal connectors — IANA believes there is need for continuing Federal oversight of such activities.

In this age of increasing global competition, the transportation component of the delivered price of U.S. goods often can make or break a market for American producers. We need to insure that in our local planning activities, barriers to greater freight transportation efficiency are not inadvertently erected.

Thank you.

Testimony of

Michael J. Maples

for the

American Concrete Pavement Association
and the
American Portland Cement Alliance

on

ISTEA Reauthorization:
Maintaining Adequate Infrastructure

Subcommittee on Surface Transportation
of the
Committee on Transportation and Infrastructure

U.S. House of Representatives

June 5, 1996

Good afternoon Mr. Chairman, Members of the Subcommittee. My name is Mike Maples. I am Vice President of Vinton Construction Company, a concrete paving contractor located in Manitowac, Wisconsin. On behalf of the American Concrete Pavement Association (ACPA) and the American Portland Cement Alliance (APCA), I appreciate this opportunity to express our views on the reauthorization of the Intermodal Surface Transportation Efficiency Act (ISTEA). Mr. Chairman, in the interest of time, I would like to submit my written statement for the record and summarize my remarks.

Vinton Construction Company is a $25 million company concentrating on concrete pavement construction. We have been in business since 1931 and work throughout the state of Wisconsin. I am proud to be a member of the cement and concrete family which consists of nearly 100,000 workers throughout the United States, and our company is proud to have been a player in building Wisconsin's highway network. ACPA represents over 700 members with chapters in nearly every state. We are especially proud of the partnership between concrete pavers and cement companies, united to provide the best product to our customers.

Throughout concrete pavement's history, our customers traditionally have represented the public sector at the federal, state and local levels. We believe that nearly 80 percent of our $7 billion industry is the result of public expenditures. As such, the federal government's participation has been the cornerstone, not only of project funding, but of planning, research and innovation as well.

While there are those who recommend a drastic reduction of a federal role in transportation, we see the exponential benefits of a first-class national transportation system -- from efficiently moving people and goods to economic growth and job creation. We are pleased with our overall relationship with the U.S. Department of Transportation and trust that it will be a partner in the future.

Sadly, however, there is plenty of evidence to support the enormous need for additional investment in highways and other transportation modes.

Even with unprecedented expenditures during ISTEA, the Federal Highway Administration's *Condition and Performance Report to Congress* shows that we still lost ground on pavement and bridge conditions, and most unfortunately, in our nation's highway safety record. Even though ISTEA opened the door to meeting additional needs in transportation, we cannot escape the fact that the heart and soul of our system -- the highway network -- did not improve. While we support good planning, environmental balance, and quality of life, we cannot sit back and expect the highway network to take care of itself.

To support increased investment in a national transportation program, we join with our construction partners in advocating taking the transportation trust funds off-budget; redirecting the 4.3-cent gasoline tax into the highway account; eliminating the tax subsidy for ethanol; strengthening motor fuel tax collection and enforcement efforts; and developing additional funding sources to supplement user-financed mechanisms. We believe it is essential to supply additional funding if we are to "Grow America." All signs show that our infrastructure is deteriorating faster than we are replacing it. While my country, just like my company, needs to control borrowing and deficit spending, the argument against passing our national debt to our grandchildren is just as applicable against passing our transportation debt to them.

There has been some national discussion regarding the value of a long authorization period. A long authorization period is important to Vinton Construction and other small-to-medium-sized companies because it enables better planning in an industry that is changing rapidly. It is a clear signal to my company to invest in our work force and our equipment.

The placement of concrete pavement has progressed from a simple slip-form paver first used in Iowa in 1958, costing $32,000, to today's computer managed, hydraulically operated, automated paver costing upwards of $2 million. This new technology provides our customers with the world-class quality they demand. However, it can take our 8-12 person team nearly five years to fully master and manage this equipment in today's complex construction environment.

Secondly, a long authorization period impacts the work force size. The decision to expand or reduce our labor force is complicated. We must consider the potential local marketplace, labor force, material sources and projected financing. A significant factor in our decision is the public sector's commitment to long-term financing. If we perceive a national commitment to a long-term program with adequate and stable investment levels, we are better positioned to make the required investment in human resources.

Finally, we are a much maligned industry for our lack of innovation and creativity. Innovation costs are high, and it is only through the low-bid process that we can recover these costs. A steady long-term reauthorization period gives us at least one strong incentive to innovate knowing that we will have the opportunity to recover the costs over time. We know that concrete paver and concrete plant equipment manufacturers have many innovations on the drawing board and are waiting for some sign of national commitment to transportation.

My heart tells me to invest in training, innovation and world-class equipment, but I must tell you, Mr. Chairman, that the projected budget figures for transportation, including highways, sends a direct message not to invest or expand. My fear is that once the moment is lost, it may not be regained without tremendous pain.

During the last authorization, the highway community came together under the quality banner and signed the National Quality Initiative. This initiative was motivated by strong public and private sector commitments to address the most important overall goal of the highway progrsm. That is to bring quality directly to the public through smoother, safer pavements, better roadside safety, and longer lasting facilities. My industry friends sitting at this table and ACPA are proud to have been signatories to this initiative.

Quality, however, is not something that happens simply by signing a document. It comes from specifying clearly what is needed, establishing attainable goals and working as a team to deliver that product. We believe it is through cooperation with the Federal Highway Administration and the various state departments of transportation that we can better provide a quality product to the public.

While working on the Quality Initiative, we saw and heard much about European pavement practices. My Association was a key participant in several international scanning tours. Our observations then, and our observations now, are the same -- European technology is not better than U.S. technology, nor is their commitment to quality any stronger than U.S. commitment. However, what the Europeans apparently have is a willingness to expend more funds per unit of construction. This translates into deeper pavement sections, premium material specifications and much earlier rehabilitation than is generally common in the U.S.

Often, European companies use contracting techniques such as warranties and guarantees, design-build, or design-build-maintain as elements of their system. We have experimented with some of these techniques in the United States, and particularly in my state of Wisconsin. While we are proud of our industry's innovation history, we are disappointed that we have ignored the European *investment* experience and concentrated on the European *contracting* experience.

In order for the industry to design and build truly long-lasting quality products, we must address the fundamental determinant of quality. We believe high quality results from a combination of dollars committed to the project, the required quality level of materials and workmanship, and the teamwork between the agency and the contractor. The low-bid process is fundamental to ensuring quality as it assures evenness and fairness in the competitive process. If the agency raises its investment level and translates quality of product performance through sound designs and specifications, the low-bid process will ensure delivery of the best product -- without a lot of contract gimmicks.

What can Congress do to support the National Quality Initiative in light of European experiences? We believe Congress should authorize, and

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eventually fund, the highest possible federal dollar amount for the National Highway System (NHS) and for the bridge program -- upwards of 85 percent of all available funds. It should also give serious considerstion to directing the NHS monies to the Interstate as a first priority in the funding process. Finally, Congress should ask the Department of Transportation to develop and implement consensus about long-term performance requirements for the Interstate portion of the NHS. With sound finances and creative legislation, we believe that the NHS and the Interstate can surpass any quality test -- U.S. or European.

Thank you, Mr. Chairman, for the opportunity to discuss the interests and concerns of the concrete paving and cement industries. We look forward to working with you on the reauthorization process. I would be pleased to answer questions at the appropriate time.

nsa National Stone Association

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Statement of Paul C. Mellott Jr.

On

The Reauthorization of The

Intermodal Surface Transportation Efficiency Act

for the

National Stone Association

June 5, 1996

Before

The Surface Transportation Subcommittee

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Mr. Chairman, I am Paul C. Mellott, Jr., Executive Vice President of H.B. Mellott Estate, Inc. in Warfordsburg, Pennsylvania. My appearance today is on behalf of the National Stone Association where I serve as Chairman of the Board. I am accompanied by William D. Kelleher, NSA's Vice President for Government Affairs.

Summary

Mr. Chairman I would like to summarize my statement around three points.

First:

There is a dramatic need to enhance the federal-aid highway program both in terms of its financial commitment to building our national highway network and in improving the quality and cost-effectiveness of the highway construction process. As the Federal Highway Administration has reported the federal investment in bridges and highways needs to grow to $32.3 billion annually for our country just to keep pace with our existing needs (see Attachment 1). NSA believes that to encourage job creation and economic growth, we will need to expand beyond that funding level. We support taking the federal transportation trust funds off-budget to ensure that the user-fee/trust concept can be used as it has been for almost 40 years to meet our highway needs.

But we must also ensure that the public receives the best value for its highway investments. While the public focuses on the 3/4 of an inch of travel surface that they ride on, as shown in figure 1 a road is really a complex system made up of multiple layers each with specific functions that may add another 12-18 inches below the road surface.

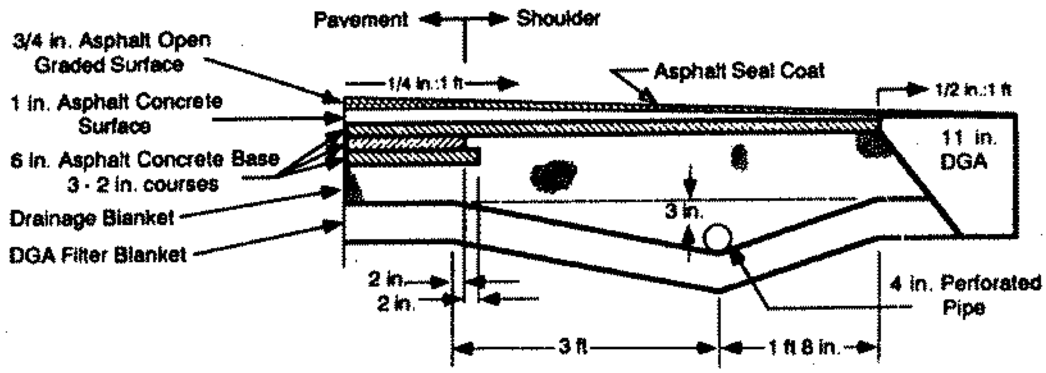

Figure 1 - Road Cross Section

NSA has joined with our sister group the National Aggregate Association to form the Center for Aggregate Research (CAR) that is working on issues that impact not only the 5% of the road the public sees, but also the 95 % that is generally only visible when there is a pothole. We believe the federal aid highway system should encourage innovation, productivity and performance in highway construction. There should be flexibility in the federal-aid system to encourage partnering between government, industry and the research community to ensure those paying for our highway system get the best possible highway for their money.

Second:

We believe that when Congress reauthorizes ISTEA, it should focus on the need to increase highway capacity. Highways are how we provide mobility for the vast majority of our people and goods. During the life of this bill highway performance and capacity should be its focus. While in certain areas, transit has a role to play. Highways will be the dominate mode of surface transportation for the foreseeable future. The ISTEA reauthorization process should reflect this reality.

NSA recommends:

- Reauthorizing ISTEA before the current law expires.
- As noted earlier, taking the federal transportation trust funds off budget to restore the integrity to the user fee/trust fund concept for financing the federal share of our nation's transportation infrastructure network.
- Restoring the over $10 billion shortfall in ISTEA implementation funding that has occurred since the Act's adoption. These funds should be focused on building mobility capacity in our highway system and constructing the connections between our highway network and other modes of transportation.
- Providing guidelines and assistance to MPOs (Metropolitan Planning Organizations) that will help them balance local and regional needs with national transportation programs such as the NHS purposes of linking major population and economic centers that stretch across local and often state boundaries.
- Providing mechanisms that will recognize market-based approaches to building and managing infrastructure and promote public-private partnerships when opportunities to encourage economic growth and job creation can be enhanced.
- Working to ensure that gasoline user fees are put to transportation purposes and not diverted from their intended use. While previous budget actions restored 2.5 cents of gas taxes to the Highway Trust Fund, 4.3 cents will continue into the late 1990s to go for deficit reduction. At a time when our infrastructure's physical and financial deficit is growing we should not be taking some $7 billion a year away from highway uses for non-transportation purposes.
- Keeping specific product requirements such as the mandated use of crumb rubber out of the ISTEA reauthorization process.

Third:

Mr. Chairman, under the current budget process environment, ISTEA reauthorization will be competing with other programs for scarce federal dollars. NSA urges you to remember one basic formula when you begin this task:

I = P = SL/QL
Infrastructure = Productivity = Standard of Living and Quality of Life

Investing in transportation infrastructure is an absolute necessity in a global economy. Dr. David Ashauer's research has clearly demonstrated the role of infrastructure investment in enhancing productivity and job growth. Many groups will come before this subcommittee and urge spending in their areas. In evaluating these different requests we urge you to recognize the basic fact that highways are the way we move the vast majority of people and goods in this country. Both equity and practicality argue for federal user-fee financed programs to focus their attention on the productive infrastructure investments of highways, runways and waterways.

Reports produced from both the public and private sector show a huge unmet need in the construction, repair and rehabilitation of our transportation network. Also our population is forecasted to grow by 75 million people by the year 2030. The actions we take today will support that future growth. Transportation infrastructure provides a complex service that has a larger impact then just the provision of mobility. It dues impact the environment and helps shape community structures. However, mobility is the first purpose for infrastructure investments and when needs are growing and the competition for resources is greater than even before, we need to give priority to those types of programs that move the most people and goods per dollar invested. We believe that we can build infrastructure that meets our nation's needs in ways that respect the environment and communities and still provide cost-effective mobility.

Background

The Nation's Economy and ISTEA Reauthorization

America's transportation infrastructure and especially its highway network supports a high standard of living and a rapidly changing economy. During the legislative process that lead to the passage of ISTEA (the Intermodal Surface Transportation Assistance Act) a full accounting of the problems of our infrastructure was presented. During the reauthorization process, Congress and the Administration must not only correct existing difficulties, but more importantly Congress and the Administration must lonk to the future in formulating this next generation of legislation.

Jobs and Population Growth

The nation's changing population counts and forecasts remind us that America is not standing still. While absolute growth continues to be focused on the sunbelt, all metropolitan areas except one are expected to see some growth between now and the year 2000. Approximately 19 million new jobs will be needed by the turn of the century to accommodate our population growth. The U.S. Department of Commerce has projected the growth in public works investment and especially in highways must be increased by one-third more if our economy is to sustain the industries needed to provide these jobs. ISTEA must play a key role in helping to stimulate and support these jobs. MPOs must recognize that as the workforce and employment centers spread across a region, the interplay between national, regional, state, and local transportation needs and networks must be courdinated.

Economic and Geographic Restructuring

While the exact nature of the link between transportation infrastructure is the subject of ongoing research, there is no doubt that transportation infrastructure services complement private capital investment and are necessary for economic growth. The old business saying that nothing happens until you make a sale has the corollary that if you want to keep customers you better deliver your products on time. A continuing underinvestment in our national highway network will retard economic growth and shift jobs and economic activity out of America into a global market place. Increasingly, state and local economic development efforts are highlighting the quality of their workforce and education system and the ability of their transportation network to reach world markets. If our transportation system will provide reliable and efficient deliveries, computer integrated flexible manufacturing and inventory control systems can provide cost savings equivalent to long run production plants. Clearly, this application of technology demonstrates the inter-relationship between private and public capital. NSA strongly urges making the public investments in ISTEA and especially the National Highway System.

ISTEA and the Crushed Stone Industry

As a capital intensive industry, a reliable and predictable market for our product creates the best environment for investment decisions for both acquiring reserves of aggregate deposits and purchasing plants and equipment. To provide quality aggregate at reasonable prices we need to work together with the public sector to smooth the large fluctuations in the infrastructure construction market. Timely reauthorization of ISTEA with adequate funding will give aggregate producers a clear signal that the Federal Government is committed to building and maintaining our nation's highway infrastructure.

The crushed stone industry has traditionally been cyclical in nature. Approximately half its demand is based on building construction related to housing and commercial development which is driven by shifts in interest rates. The other half of the aggregate industry is based on public works which is driven by the political process.

The impured cost for the crushed stone industry from the wide fluctuations in public support for infrastructure is estimated to be approximately $250 million to $325 million per year based on the standard analysis of the cost to the construction industry of cyclical variations in demand and an overall crushed stone annual market of $5 billion. However, this cost is not evenly distributed because of the highly localized nature of crushed stone markets. Costs will fall disproportionately on those areas where public support for infrastructure spending has wide fluctuations or investments in highways and other public works are highly dependent on unreliable state and federal programs.

Let me briefly give you some examples of how cyclical fluctuations impact our industry:

- In determining site suitability, the ability to accurately forecast long-term market potential effects investment determinations ranging from the building of access facilities for a site to the size of a site and the amount of reserves to be purchased as part of the initial land acquisition process. Also market forecasts will determine how much overburden can be economically removed before a commercially viable quarry can be developed.

- The production of aggregate by its very nature is a long-term industry. Issues such as rate of return comparisons to other investments, the size of plant to be established, whether new or used equipment should be purchased or alternatively whether a portable crushing plant should be employed instead of building a permanent facility are all part of capital cost considerations.

- Labor is the third and most important input influencing production. Labor is most important because the effective use of the other two factors depends completely on the skill of the labor force. In every aspect of the business, labor can make the difference between a highly profitable enterprise and one that is marginal or unprofitable.

Layoffs carry the risk that skilled employees will find other suitable full-time employment. For our industry to invest in training and developing employees and to ask our employees to make a commitment in developing their careers as part of our operations, we need to be able to offer them jobs with a long-term future for themselves and their families.

Research Priorities

As part of ISTEA reauthorization, we urge you to provide the necessary funds to continue the federal research program. But more importantly, we urge you to listen to what the research community tells us about materials design and construction methods.

Mr. Chairman, this committee was instrumental in saving the American taxpayers millions of dollars by repealing the imposition of the mandated use of crumb rubber modified asphalt (CRM) as called for in the original ISTEA legislation. We applaud the subcommittee's action. However, the larger issue is how the use of a material such as crumb rubber asphalt was put into law when the overwhelming weight of evidence was that it is a material with value, but limited applications. Further, there was a large volume of evidence indicating that CRM would increase costs but add no additional value. In addition, unless those applying it had expertise in its use it was consistently failing when used in highway construction. Fortunately this problem has finally been solved by the repeal of the crumb rubber mandate as part of the National Highway System Designation Act.

We believe a long-term solution to this type of problem is necessary. Research in the construction materials field must be based on poblic-private partnerships utilizing sound science.

As the old saying goes, "If wishes were horses, beggars would ride." We cannot simply will solutions to problems such as the disposal of scrap tires by passing a proposal into law.

To address the research needs of highways related to our industry the National Stone Association has joined with our sister group the National Aggregate Association to establish the Aggregates Foundation for Technology, Research and Education which funds the Center for Aggregates Research (CAR).

The Center for Aggregates Research (CAR) combines the research expertise of some of the world's top engineers and scientists, state-of-the-art research laboratory facilities, and two of the highest ranked engineering universities in the United States. Jointly operated by The University of Texas at Austin and Texas A&M University at College Station, the Center conducts invaluable research in the study of aggregates technology and provides the industry with the knowledge to put the latest aggregates technology into practice.

Through conferences, symposia, research bulletins and industry presentations, CAR is putting the most up-to-date technology into the hands of private industry and state and federal agencies, so aggregates resources are used in the most efficient and economical manner.

Funding for the center is derived from four primary sources: interest from an endowment established by the Aggregates Foundation for Technology, Research and Education; contributions from member companies; and funds contributed from UT and Texas A&M. The Center actively seeks additional funding for research projects. An Advisory Board of Directors, composed of industry and university representatives, provides direction to the Center.

Among its current and recently completed research projects are:

"Evaluation of Performance of Pavements Made with Different Coarse Aggregates"
"Reynosa-Matamoros Toll Road Project"
"Design and Evaluation of Large Stone Mixtures"
"Recycled Materials in Roadbase, Except Glass"
"Strategic Research Plan for Achieving Adequate Pavement Friction"
"Design and Construction of Extra-High Strength Concrete Bridges"

To put these titles in more readily understandable terms their focus is on making our roads last longer, improving safety and responding to environmental concerns.

Information and technology transfer is at the heart of CAR's mission. The Center works not only to conduct research but to put it into the field by means ranging from training seminars to the development of new computer programs. The aim of the CAR program is to take research efforts developed hand-in-hand with industry to develop solutions and put research into practice.

We believe this model of cooperation needs to be applied to federal research as well.

Government, industry and the academic community--each brings a special skill and perspective to solving research problems. The public interest is best served when we work together. As you know the needs for highway spending are growing and federal resources are becoming scarcer. We need to pull together practical application of knowledge that will insure we get the maximum return for the investment of our federal highway dollars.

Conclusion

Mr. Chairman, there is a common theme to our testimony--practical solutions to real world problems. NSA urges the subcommittee and Congress to focus on a timely reauthorization of ISTEA that emphasizes increased highway capacity financed through independent user-fee financed trust funds. We recommend that you invest in research that will help us get the most value for each dollar we spend and build to maintain our transportation infrastructure and recognizes that providing cost-effective mobility and not social engineering should be the top priority of all transportation programs.

Attachment 1

Annual Cost to Maintain 1993 Highway & Bridge Conditions & Performance 1994-2013

Highways

Functional System

Rural

Interstate	$2.8 Billion
Other Principal Arterial	$2.5 Billion
Major Collector	$4.6 Billion
Subtotal	**$9.9 Billion**

Urban

Interstate	$7.3 Billion
Other Freeway & Expressway	$3.1 Billion
Other Principal Arterial	$8.1 Billion
Subtotal	**$18.5 Billion**
Total "Major" Highway	**$28.4 Billion**

Bridges

Functional System

Rural

Interstate	$0.4 Billion
Other Principal Arterial	$0.3 Billion
Subtotal	**$0.7 Billion**

Urban

Interstate	$2.0 Billion
Other Freeway & Expressway	$0.5 Billion
Other Principal Arterial	$0.7 Billion
Subtotal	**$3.2 Billion**
Total Bridge on "Major" Highway	**$3.9 Billion**
Total "Major" Highway & Bridges	**$32.3 Billion**

Source: "1995 Status of the Nation's Surface Transportation System: Condition & Performance." U.S. Dept. of Transportation. Exhibit 5-8, page 175 and Exhibit 5-12, page 181.

Exhibit 5-8 shows investment required under this scenario for each functional system of highway. The exhibit shows total 20-year investment requirements categorized as system preservation and capacity improvements, and gives annualized totals. The annualized total is the 20-year total divided equally.

Exhibit 5-8
Cost to Maintain 1993 Highway Conditions and Performance
Investment Requirements
2.15% Compound Annual Growth
Billions of 1993 Dollars
1994-2013

	Total 20-Year Investment Requirement			
Functional System	Capacity	System Preservation	Total Capacity and System Preservation	Annualized Total
Rural				
Interstate	$21.6	$34.2	$55.8	$2.8
Other Principal Arterial	$14.0	$36.9	$50.9	$2.5
Minor Arterial	$11.1	$40.3	$51.4	$2.6
Major Collector	$8.4	$83.6	$92.0	$4.6
Minor Collector	$1.2	$38.9	$40.1	$2.0
Local	$0.0	$10.0	$10.0	$0.5
Subtotal	$56.3	$243.9	$300.2	$15.0
Urban				
Interstate	$97.9	$48.9	$146.8	$7.3
Other Freeway and Expressway	$41.7	$20.9	$62.6	$3.1
Other Principal Arterial	$98.0	$63.0	$161.0	$8.1
Minor Arterial	$86.9	$58.7	$145.6	$7.3
Collector	$44.0	$47.1	$91.1	$4.6
Local	$76.8	$10.3	$87.1	$4.4
Subtotal	$445.3	$248.9	$694.2	$36.7
Total Rural and Urban	$501.6	$492.8	$994.4	$49.7

Under this scenario, over two thirds of total investment would occur in urban areas. Capacity improvements would account for 67 percent of urban investment and about half of total investment. Over two-thirds of the total Cost to Maintain investment would be directed to the arterial system. Somewhat over half of the $33.7 billion annual arterial requirement is intended to correct capacity deficiencies.

Bridge Investment Requirements

Cost to Maintain Conditions

The average annual Cost to Maintain overall 1994 bridge conditions is estimated at $5.1 billion through 2013. This investment level would maintain the current total number of structurally deficient and functionally obsolete bridges. Exhibit 5-12 summarizes the Cost to Maintain bridge conditions investment requirements. All bridges 20 feet in length or greater, including those on local roads, are considered.

The bridge investment/performance procedure does not, at this time, incorporate explicit economic considerations into the analytical framework. Appendix C provides more detail on the methodology used to develop the investment levels required to maintain or improve bridge conditions.

Exhibit 5-12
Cost to Maintain Bridge Conditions
Billions of 1993 Dollars
1994-2013

Functional System	Number of Repaired or Replaced Bridges	1994 - 2013 Investment Required	Annualized Requirements
Rural			
Interstate	11,035	$9.0	$0.4
Other Principal Arterial	8,102	$5.4	$0.3
Minor Arterial	2,569	$1.8	$0.1
Major Collector	2,310	$0.8	$0.0
Minor Collector	24,972	$3.2	$0.2
Local	95,515	$9.1	$0.5
Subtotal	144,503	$29.3	$1.5
Urban			
Interstate	28,063	$40.0	$2.0
Other Freeway and Expressway	8,098	$10.8	$0.5
Other Principal Arterial	10,248	$13.7	$0.7
Minor Arterial	3,829	$3.7	$0.2
Collector	962	$0.7	$0.0
Local	8,091	$2.9	$0.1
Subtotal	59,291	$71.8	$3.6
Total Rural and Urban	203,794	$101.1	$5.1

Statement of Rodney E. Slater
Administrator, Federal Highway Administration
U.S. Department of Transportation

Before the House Committee on Transportation and Infrastructure
Subcommittee on Surface Transportation

June 5, 1996

Status of ISTEA Programs

Mr. Chairman, I welcome this opportunity to testify before you today on the status of several key programs funded under the Intermodal Surface Transportation Efficiency Act of 1991 (ISTEA), to tell you how well these programs have worked in many ways, and also to identify areas where we should and can do more. In honoring President Clinton's pledge to rebuild America, we are committed to leading our National transportation program into the next century, advancing surface transportation programa that invest in the future, bring innovation to transportation, and enhance the Nation's competitiveness in the global economy.

Before I turn to the specifics of ISTEA, I want to begin by noting a significant milestone. Thia month marks the fortieth anniversary of another landmark tranaportation measure, the Federal-Aid Highway Act of 1956, which created the Highway Trust Fund and provided the first significant Federal funding for the construction of the Interstate System. Thia legislation was truly a bipartisan effort between a Republican President, Dwight Eisenhower, and a Democrat-led Congress. In his memoir, President Eisenhower explained why the construction of the Interstate System was one of the most important domestic programs of his presidency. "More than any single action by the government since the end of the war, thia one would change the face of America. . . . Its impact on the American economy--the jobs it would produce in manufacturing and construction, the rural areas it would open up--was beyond calculation."

Traditionally, highway investment decisions were based on engineering requirements and on direct user benefits of reduced operating costs, shorter travel times, and lower accident rates. However, we have learned that our investment in the Interstate System has resulted in broader benefits, including real gains in national economic performance. Independent economic research conducted for the Federal Highway Administration (FHWA) has shown that industries have realized significant production cost savings from increased investments in our highway network, which suggests that highway investments more than pay for themselves when measured in terms of resulting improvements in economic productivity.[1] Another important finding of this research is that tha contribution of highway networks to annual productivity growth rates from 1950 to 1989 averaged about 26 percent, although this contribution has been lower in recent years as the highway system has matured. This means that the highway network has contributed over one-quarter of the yearly productivity growth rate in the U.S., and it dramatically underscores the importance of infrestructure investment to the national economy as a whole.

The forty years that have followed since the start of significant Federal funding for Interstate construction have been filled with changes and challenges to our surface transportation systems that few could have predicted in 1956, such as the integration of the several mudes of surface transportation into an intermodal system, increased State and local government responsibility for planning their own transportation systems, unprecedented flexibility in how these officials can use Federal resources, innovative financing methods to make our limited Federal transportation funds yield more, and intelligent transportation systems that cut travel times and reduce congestion. But President Eisenhower's view has proven to be true: the

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[1] M. Ishaq Nadiri, Contribution of Highway Capital to Industry and National Productivity Growth (1996).

Interstate System has changed the face of America.

Later this month we will commemorate the monumental contributions of the Interstate System to our Nation and its people with an extensive outreach tour. Our journey will start in San Francisco, the final destination of the U.S. Army's 1919 transcontinental motor convoy in which, as a young soldier, Dwight Eisenhower volunteered to participate to assess the capabilities of U.S. routes to serve military needs. On the way east, we'll be meeting with citizens and State and local elected officials, to listen and learn from the people who use our transportation systems. We will complete the trip here in Washington with a special Interstate System anniversary celebration on the Ellipse, the starting point of the 1919 convoy.

Overview of ISTEA Programs

National Highway System

Since the start of the Interstate era, our population has grown and shifted, our economy has changed, and our needs as a Nation have evolved. To meet these needs and to extend the benefits of the nearly 43,000-mile Interstate System to areas not directly served by it, the National Highway System (NHS) was developed. Just as the Interstate System has united the varied parts of our Nation like never before, the National Highway System is the cornerstone of our surface transportation system for the next century. Rather than another construction project, the NHS is a strategic tool for targeting our scarce Federal resources to the Nation's most important routes (including the Interstate) and thereby improving the safety, efficiency, and reliability of our transportation system. Nowhere are the economic benefits of highway investment potentially higher than with the NHS. For example, because counties containing NHS routes also include 99 percent of all jobs in this country, NHS investment provides virtually every American worker with improved access to work and nearly every employer with more reliable and affordable routes for transporting products to local, regional, national, and international markets.

Across the country, the Interstates have had tremendous impacts on local and regional economies by providing unprecedented mobility. They provide routas for just-in-time delivery of materials, manufactured parts, and finished goods from every corner of the Nation to every part of the world. The transformation of the Southeast along I-85, the area's primary transportation artery, into an international economic success has been highlighted in recent years. Heavy spending in basic infrastructure, including highways and the Atlanta airport, along with a well-trained labor force, an aggressive industrial policy, and low taxes, have lured many manufacturing firms to locate along I-85. In fact, one stretch of I-85 in wastern South Carolina has been nicknamed the "U.S. Autobahn" because of the large number of German companias that have located there. For the businesses and workers of the Southeast, I-85 is an economic lifeline.

In some cases, we don't recognize how much we depend on our Interstate System until it is no longer available, due to repair or reconstruction, or in the case of California, due to the destructive forces of the massive Northridge earthquake. Interstate routes 5 and 10, critical commercial and commuter routes, were among the many routes that sustained major damage from the quake. While many drivers responded to our calls to use public transportation, to carpool, and to telecommute, the loss of these major Interstate routes meant long delays and congested detours. Add to these expenses the costs to businesses and industries dependent on these major routes, and the costs of these closures escalated to $1 million per day. Using innovative contracting procedures to dramatically shorten construction times, the contract for reconstructing I-10, the Santa Moniea Freeway, was let only 18 days after the earthquake. Quick action and close cooperation with Caltrans and the contracting industry meant that we were able to reopen the Santa Monica Freeway only 85 days after the quake. The earthquake, although obviously impacting the Los Angeles area most severely, dramatically underscored the strategic importance of the National Highway System to the economy of the entire Nation. The impact of damage to these few critical Interstate routes, now a part of the NHS, was felt nationwide.

Prior to the designation of the NHS last November, all principal arterials (totaling approximately 204,000 miles) were eligible for NHS funds; designation of the 161,000-mile system has therefore reduced the number of eligible miles by approximately 43,000. These 43,000 miles are, however, still eligible for Surface Transportation Program (STP) funds.

ISTEA authorized $17.4 billion for fiscal years 1992-1996 for improving the NHS. To date, States have obligated $15.2 billion in NHS funds for projects to resurface, rehabilitate, reconstruct, and make operational and safety improvements to NHS routes, and $4 billion Interstate Construction funds for similar work on the Interstate System, a key component of the NHS. While ISTEA established categorical programs, it also made them flexible for the States. States may on their own decide to transfer up to 50 percent of their NHS funds to their STP apportionments. States may also transfer up to 100 percent of their NHS apportionments to their STP accounts if the Department finds that such a transfer is in the public interest. To date, 11 States have transferred $416.7 million under these provisions to meet temporary funding shortfalls or to fulfill longer-term transportation needs.

Fostering intermodal connectivity is one of the core functions of the NHS, because only an integrated and intermodal transportation system can support economic growth, increase our competitiveness in the vastly expanding international marketplace, and enhance the personal mobility of every American. Therefore I am pleased that the Department's recent submission of proposed intermodal connector routes, if approved by Congress, would add over 1,200 more connecting routes--totaling 1,925 miles--to link key highways with major ports, airports, rail/truck terminals, Amtrak and bus stations, pipeline terminals, public transit facilities, ferries, multi-modal passenger terminals, and international border crossings. Criteria for selecting connectors were developed through a collaborative process among the different modal administrations of the Department, State transportation agencies, metropolitan planning organizations, public interest groups, and others. Under a provision of the National Highway System Designation Act (NHS Act), these proposed connections are now eligible for improvements with NHS funds.

STP and CMAQ Programs

Two other ISTEA programs have been very successful in bringing new partners into the surface transportation arena. The first, ISTEA's Surface Transportation Program, provides Federal assistance for transportation enhancements and any roads that are not functionally classified as local or rural minor collectors. STP funds may also be used on bridges on any public road and transit capital projects, at the discretion of State and local decisionmakers. To date, States have obligated $20.7 billion in STP funds. The second flexible ISTEA program, the Congestion Mitigation and Air Quality Improvement Program (CMAQ), was developed to fund surface transportation projects that will improve air quality, regardless of transportation mode. The $3.4 billion obligated by the States under the CMAQ program to date have funded transit projects, traffic flow improvement projects, and demand management, ridesharing, pedestrian, bicycle, and traffic control measures. A notable example of one of the many successes of the CMAQ program is in San Francisco, where a local partnership manages a program to cut the time people wait in traffic due to disabled vehicles, both reducing travel time and improving air quality. Along with CMAQ funding, this program is supported by a $1 supplemental vehicle registration fee on area motorists.

As a result of these programs, transportation planners and State and local decisionmakers now use a multimodal approach to prioritize their transportation needs and identify the most appropriate solutions. These flexible funds, together with transit urbanized area formula funds, give local decisionmakers enhanced flexibility to fund important transportation initiatives that best meet locally determined goals and objectives for mobility, economic opportunity, and environmental quality. The flexible fueding programs have been a tremendous success. The total amount of all locally flexed funds (STP, CMAQ, Interstate Substitute, and transit urbanized area formula funds) to date is $2.5 billion, with annual transfers increasing from $304 million in fiscal year 1992 to $802 million in fiscal year 1995.

Highway Bridge Program

A fundamental and essential link in our surface transportation system is our Nation's highway bridges. To help ensure the integrity of our current highway bridge infrastructure, the Federal Highway Administration established National Bridge Inspection Standards for the regular and thorough inspection of highway bridges. We also provide dedicated Federal funding through the Highway Bridge Replacement and Rehabilitation Program (HBRRP) to replace or rehabilitate deficient highway bridges.

The National Bridge Inspection Standards cover all highway bridges located on public roads and include specific requirements for inspection procedures, the frequency of inspections, inspection personnel qualifications, and bridge inventorying. The aim of these standards is to locate, evaluate, and address existing bridge deficiencies. The bridge inventory contains information on over 576,000 of our Nation's highway bridges and is used to identify deficient bridges in each State, which are eligible for HBRRP funding.

The HBRRP is therefore a needs-based program under which funds are allocated to States annually based on the square footage of deficient bridges in each State, in accordance with a statutory allocation formula. Not more than 50 percent of a State's apportionment of HBRRP funds may be transferred to either the railway-highway grade crossing program or the hazard elimination program unless such transfer is found to he in the public interest. To date $187.7 million have been transferred from the bridge program and $14.2 million have been transferred into it from these two programs. The bridge program is an extremely successful and effective one; over 43,385 deficient highway bridges have been replaced or rehabilitated with HBRRP funds. We are fighting an uphill battle, however, as the overall bridge system continues to age and deteriorate.

To help address these needs, the FHWA continues to advocate the use of comprehensive bridge management systems to simplify the process of selecting the most effective methods for addressing ever-increasing bridge needs within existing budgetary constraints. Although the NHS Act has now made the implementation of bridge management systems optional, we are pleased that most States have indicated that they value this decisionmaking tool and will continue to use their bridge management systems.

We're also developing vigorous bridge management strategies for older bridges that carry the work of the National Bridge Inspection Standards to an even higher level. It is a high technology approach with a back-to-basics name; the find it and fix it program. This non-destructive and objective evaluation of in-service bridges will use such technologies as fiber optics, imaging radar and laser scanning to identify tbe problems that do not manifest visible symptoms until the demsge to the bridge structure is severe, such as hidden steel corrosion fatigue cracks under layers of paint. The materials we're developing to repair these problems are equally advanced and include high-performance steel and concrete and fiber-reinforced plastic. Unlike steel, these materials are non-corrosive and they have twico the strength of traditional concrete. These "find-it" technologies can greatly improve the speed, accuracy, and quality of bridge inspection. The "fix-it" technologies will improve the strength and length of service of bridges and will reduce the time necessary for their repair, making this work safer for bridge inspectors and repair crews end less disruptive to the traveling public.

Interstate Maintenance and Interstate Reimbursement

Recognizing the need to maintain the massive Federal investment in the Interstate System, Congress fust authorized funding for Interstate resurfacing, restoration and rehabilitation--a predecessor to today's Interstate Maintenance program--in the Federal-aid Highway Act of 1976. Projects eligible for funding under the Interstate Maintenance program include the resurfacing, restoration, and rehabilitation of Interstate routes, the reconstruction of existing interchanges and grade separations, and the construction of high occupancy vehicle lanes and auxiliary lanes. Additional single occupancy vehicle lanes and other capacity improvements are not eligible for Interstate Maintenance funding, but may be financed with NHS funds.

A State can transfer up to 20 percent of its Interstate Maintanance apportionments to its NHS or STP accounts. For transfers in excess of 20 percent, the Department must approve a State's certification that the sums proposed to be transferred are in excess of the State's Interstate System needs and that the State is adequately maintaining its Interstate routes. A few States have sought and gained the Department's approval for such transfers.

The NHS Act has now made prevantive maintenance activities that are a cost-effective means of extending the life of a Federal-aid highway eligible for all categories of Federal-aid highway funding. We are committed to preserving our investment, and we have already launched a new set of strategies and technologies for extending pavement life that will go a long way in assisting States in making the best investments in repaving, resurfacing and building their highways. In one of these strategies, Superpave, we've developed a new way to design asphalt pavement which reduces cracking and rutting and typically doubles the life of asphalt pavements. With more than 500 million tons of asphalt laid each year on all our roadways, the potential benefits of Superpave are enormous.

Whether to reimburse States for the expenses they incurred in building major, limited-access highways prior to increased Federal funding for the Interstate System was a contentious issue four decades ago as the Federal-aid Highway Act of 1956 was under debate. To resolve this controversy, the Bureau of Public Roads was directed to study the issue and report back to Congress. This study, completed in January 1958, identified \$4.967 billion as the total equitable reimbursement amount. The first funding authorized to reimburse the States came this fiscal year, with funds distributed to all States in accordance with allocations set forth in statute. ISTEA provides \$4 billion over two years for this program. The 1991 estimated value of the 1958 reimbursement amounts totals more than \$29 billion. Reimbursement funds provided in ISTEA are allocated to and generally administered as Surface Transportation Program apportionments.

ISTEA Reauthorization: Build On Our Successes

As we look to the next reauthorization period, we seek to learn from our experiences and build on our past successes. The ISTEA programs I've outlined above have worked well. America is the most mobile Nation in the world. Our surface transportation system has become safer, cleaner, and more energy efficient. Today, far less air pollution is emitted from vehicles using our highways than 25 years ago. This improvement has helped make air quality better in most metropolitan areas. The percent of deficient bridges has decreased since 1990. ISTEA's flexible funding and transportation planning provisions have empowered States and metropolitan areas to identify for themselves the transportation improvements that best serve their own communities, with flexible Federal resources now providing a greater range of choices than ever before. The ISTEA also improved the Federal Lands Highway Program through increased funding, greater program flexibility, and improved transportation planning coordination with State and local agencies over decisions governing the 93,000 miles of Federal roads included in the program. We have made great gains in safety, with the Interstate System continuing to be the safest system by far. However, after many years of steady decline, the Nation's highway fatality rate has been level in recent years, and total motor vehicle fatalities have been increasing. To continue to see gains in highway safety, we need to renew our commitment to ISTEA's safety programs, which is a discussion I will leave for another hearing.

We recognize that despite record levels of transportation investment under ISTEA, significant investment is still needed to meet current demand. The resulting shortage of capacity hes lead to increased congestion and threatens to erode the safety and mobility gains we have made in recent years. All of us at the Department of Transportation understand the need for more overall investment in transportation, including Federal funding. In fact, average annual Federal transportation infrastructure investment over the past three years has been more than 10 percent higher than it was in fiscal year 1993, and the President's fiscal year 1997 budget proposes $19.5 billion in new highway investment: $1.5 billion more than fiscal year 1993 funding. But we also recognize that the bipartisan effort to eliminate the Federal deficit requires that infrastructure investment spending must compete with other important national priorities for limited funding.

This situation reinforces the need for strategic Federal investment to target our resources to the most cost-effective investments and those that are national in benefit. The National Highway System is a superb model for such investment: NHS routes are our Nation's most important roads, linking workers to expanded job opportunities, manufacturers to new markets, and consumers to more products and services. The NHS is also a prime forum for deploying Intelligent Transportation Systems (ITS) and other technologies, and many ITS technologies are already at work on our Nation's highways. For example, advanced freeway management technology has increased the flow of traffic on Seattle's Interstate highways by almost 20 percent. In Minneapolis, the Guidestar system has helped reduce accident response rates by 20 minutes and has increased roadway capacity by 22 percent. ITS will increase the volume of traffic we can handle and reduce congestion. Even more impressive, we estimate that a fully deployed Intelligent Transportation Infrastructure in 75 of our largest metropolitan areas will create two-thirds of the additional capacity needed over the next decade in our most congested corridors--at 20 to 25 percent of the cost of traditional construction. ITS technologies also promise a 10 to 20 percent reduction in accidents.

Another way to make our available resources generate optimal returns is through the use of innovative financing techniques and State infrastructure banks. By attracting greater private sector and non-Federal public sector investment to transportation projects, innovative financing techniques have already made a real difference in projects across the country. Without requiring any additional Federal funds, these strategies have reduced project costs, advanced projects more quickly, and made more total money available faster to the States. Through our innovative finance test initiative, "Test and Evaluation 045," the FHWA has approved more than 70 projects in 35 States worth over $4 billion. This initiative has generated about $1.5 billion in additional public and private investment, above and beyond conventional financing. And because of increased flexibility that States now have, many projects will advance to construction an average of 2 years ahead of schedule. For example, in Texas we formed a partnership with the Texas DOT and the Texas Turnpike Authority to build the State Highway 190 turnpike near Dallas. The project was initially proposed in 1964, but was stalled due to lack of funding until 1995. Innovative financing made the project possible by allowing the Texas DOT to use Federal transportation funds to make a $135 million low-interest loan to the Turnpike Authority. Under the flexible terms of the loan, the Turnpike Authority will not have to begin repayments on the loan until after the toll road has opened and begun generating revenue.

Under the authority provided in the NHS Act, we have now approved applications from 8 States to participate in the State infrastructure bank pilot program, and two more will be designated shortly by the Secretary. These States will use a portion of their Federal highway and transit apportionments, along with their own funds, to loan money to transportation projects, or use the funds as a loan guarantee, as a credit enhancement, or to subsidize the interest rates for a project. Once these funds are paid back, States can use these same funds to advance a new round of projects, further increasing transportation investment.

By employing such innovative yet common sense approaches to financing, we have attracted new and additional funds to transportation projects, increasing investment in our Nation's transportation infrastructure by more than $4 billion, thus promoting economic development, creating high-wage jobs, and honoring the President's promise to rebuild America.

Conclusion

In crafting our next reauthorization bill, we must be true to our rich legacy. The Federal Aid Road Act of 1916 laid the groundwork for the immensely successful Federal-State partnership that has evolved and grown over the decades to include important new partners yet still remains the foundation of our program. The many benefits of the Interstate legislation of 1956 are still felt today. President Clinton recently spoke of the monumental impact of this legislation, stating that the act "literally brought Americans closer together. We were connected city to city, town to town, family to family, as we had never been before. That law did more to bring Americans together than any other law this century . . . ." ISTEA has also been a landmark surface transportation bill, in no small part because it built on the best of what preceded it. We should do the same, building on the fundamental ISTEA principles of strategic investment, comprehensive transportation planning, intermodalism, flexible funding, and strong commitments to safety and research.

This concludes my prepared remarks. I would be pleased to answer any questions.

ARTBA

Testimony of

American Road & Transportation Builders Association

To

Committee on Surface Transportation
Committee on Transportation & Infrastructure
U.S. House of Representatives
Washington, DC

Presented by

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Testimony of
American Road & Transportation Builders Association
To
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Washington, DC
June 5, 1996

Mr. Chairman, Mr. Rahall, members of the Subcommittee. I am Jay R. Taylor, president of Stimsonite Corporation in Niles, Illinois, manufacturer of a wide variety of traffic safety products. I also am honored to be this year's chairman of the American Road & Transportation Builders Association (ARTBA).

ARTBA is particularly glad to take part in today's discussion of the future structure and financing of the federal highway program. Later this month, we will mark the 40th anniversary of the creation of the Highway Trust Fund, which firmly established the user-fee-financing concept for national transportation infrastructure improvement program financing. This approach has worked well for four decades. It has enabled the United States to build the Interstate Highway System and in recent years to increasingly support other aspects of surface transportation development.

ARTBA firmly believes the trust fund approach has proven itself and is the logical mechanism to support surface transportation programs in the foreseeable future. Conditions have changed, however, and the structure of the tax system that supports the Highway Trust Fund needs to he updated to ensure that a steady, adequate and reliable income stream is maintained.

Mr. Chairman, one of the attributes of the user fee system of transportation infrastructure financing is its widespread acceptance by those who pay the fees. Over the years, public opinion surveys have consistently shown that American motorists are willing to pay the motor fuels tax so long as the receipts are used to provide better facilities. In addition to public acceptance, highway user fees also provide an efficient method of collection. As this committee well knows, opposition starts to mount when user fees are diverted for other purposes or are not used at all and left to accumulate.

During the past year, this committee has taken the lead to end the practice of using transportation trust fund balances to offset deficits elsewhere in the federal budget. Final enactment of the Truth in Budgeting Act will remove the four transportation trust funds from the unified federal budget. This action will constitute a major step toward not only restoring honesty to the budgeting process, but also making available the accumulated trust fund balanees for productive investment in transportation infrastructure. We are greatly appreciative of your leadership on this issue.

There are other actions that should be taken to eliminate inequities and increase trust fund income:

- The 4.3 cents-per-gallon of the motor fuel tax now used for non-transportation purposes should be deposited in the Highway Trust Fund. Congress and the president apparently will approve a suspension of collections of this tax until next year. The transfer to the trust fund should take place at that time to provide a stronger financial base on which to reauthorize the Intermodal Surface Transportation Efficiency Act (ISTEA).

- The unnecessary preferential tax rate for ethanol should be ended. With the growth in use of gasoline blended with ethanol, the revenue loss to the Highway Trust Fund continues to increase and this year will approach $1 billion.

- Continue and strengthen recent efforts to eliminate fuel tax evasion.

- Create a separate capital budget for the federal government. Under the present unified budget, long-term investments in infrastructure of all types are considered the same as day-to-day operating expenses of the government. A capital budget would provide a more rational approach to the planning, development and financing of trensportation facilities.

While the trust fund must continue to be the primary and basic source of financing for surface transportation programs, the sources of its income should he broadened beyond the user fees that have been in place for the past 40 years. To meet existing needs, Congress should direct the exploration and development of other user-based funding sources such as tolls and charges based on vehicle usage measured by vehicle miles traveled and weight-distence calculations. If the Highway Trust Fund revenue stream cannot be adequately expanded to the appropriate level through new funding sources, Congress should secure the needed revenue by an increase in the motor fuels tax. Congress also should encourage the Department of Transportation to complete work on the cost allocation study and provide it as a reference in developing future highway financing.

ARTBA has been a leader in promoting private sector involvement in the development of transportation facilities and will continue to vigorously advocate this practice when it is feasible. Clearly, though, these approaches by necessity must be considered as supplemantal funding sources. Basic, principal support for surface transportation must continue to come from public user fees.

Members of this committee are familiar with the findings of the biennial Cooditions and Performance report issued last October by the Department of Transportation. The 1995 edition of the report provides details of an all-to-familiar pattern of increased demands on the highway system, substantial and costly urban congestion and growing costs of preventing deterioration and providing for future growth.

Just a few statistics from the 1995 report are indicative of what we as a nation face in providing and maintaining the highway system needed to support the economic and mobility needs of its citizens. On the vital Interstate system alone, more than half of the pavemant (51%) is rated at no better than "fair." Urban congestion in 50 metropolitan areas cost businesses and motorists $43.2 billion in 1990 (85 % due to delays and 15% because of addition fuel consumption). It is apparent that without a massive effort, the situation will only grow worse. Over the 10-year period, highway usage, measured by vehicle miles traveled, grew by an average of 3.4 % per year to a total of 2.3 trillion miles in 1993.

The cost of correcting existing deficiencies, improving safety and providing additional capacity for the demands of the future is staggering. Achieving significant improvement will require a major, coordinated national effort by federal, state and local governments. An ARTBA analysis of the DOT report shows that <u>just to maintain</u> 1993 conditions and performance of <u>major</u> highways and bridges will require <u>average annual expenditure of $32.3 billion by all levels of government over the next 20 years.</u> The analysis is attached to my statement.

Mr. Chairman, this level of investment should be the <u>minimum</u> on which a reauthorized ISTEA is built. Without it, we face the prospect of further deterioration of the existing highway system and the lack of adequate new capacity to meet the requirements of the 21st century.

Unfortunately, proposals have been made to scale back the level of federal involvement in transportation. Without question, this approach will be a major issue for debate next year during the reauthorization of ISTEA. ARTBA believes that <u>a strong federal role is essential.</u> As developed over most of this century, the existing federal-state partnership structure allows important transportation concerns to be addressed on a coherent, national basis. Devolving most responsibility to the states could result in a fragmented, uncoordinated approach that could prove to be a serious setback. Answers to the problems that devolution advocates seek to resolve could better be addressed by adequate funding of the highway program.

The effectiveness of the federal-state partnership that created the existing highway system is not questioned. What should be recognized is the reality that roads and bridges require repair and maintenance on a timely basis and that safety improvements and additional capacity must be provided for future growth.

The Congress, in fact, has already spoken on the subject of the national interest in surface transportation. By enacting the National Highway System Designation Act last year, it decreed the NHS to be the keystone of America's transportation of the future. Likewise, the NHS is seen as the primary focus of federal transportation investment. Reauthorization of ISTEA should be approached with this in mind. The Department of Transportation has said that an annual investment of <u>$21.5 billion is required just to maintain current conditions on the NHS.</u>

Mr. Chairman, enactment of ISTEA in 1991 marked the beginning of the transition from 40 years of emphasis on construction of the Interstate Highway System. In addition to authorizing the NHS as the nation's basic surface transportation network, this legislation broadened both the use of Highway Trust Fund resources and the procedures for their commitment.

We have now had nearly five years of experience with ISTEA and the opportunity to evaluate its effectiveness. Based on that experience, ARTBA believes a number of revisions are needed to improve the ability of the federal highway program to construct, maintain and operate a safe, efficient, national system. This committee began the ISTEA refining process last year with several provisions in the NHS bill that eliminated unnecessary mandates and procedural hurdles. Our recommendations are intended to direct federal funding to areas of grestest need and to remove unnecessary impediments to their timely investment. Major proposals are as follows:

Increase State Flexibility--To promote maximum return from the investment of highway dollars, the flexibility provisions of ISTEA should be broadened to permit states to shift funds freely among highway program categories so long as national needs within their states are met.

Emphasize Safety--Highway safety is a major public health issue. More than 40,000 Americans die in highway accidents each year. And, according to the DOT, motor vehicle-related deaths and injuries cost American society an estimated $147 billion a year. Clearly, building safety into the nation's highway system should be a top priority. Categorical funding for safety construction programs such as the Hazard Elimination and Rail-Highway Grade Crossing programs is critical and should be part of a reauthorized ISTEA. Federal funding for eligible safety education programs also should be continued. Likewise, the fact that much highway improvement is now carried out under heavy traffic and night time conditions makes protection of highway workers and motorists a major priority. To help address this situation, the new legislation should provide for guidance to the states to help them implement highway work zone safety programs, encourage work zone safety through such approaches as training, education and voluntary certification programs for personnel responsible for traffic control at highway construction sites and assure good work zone safety data collection and analysis. Resources should be designated specifically for the clearinghouse and work zone safety programs.

Use Highway Funds for Highway Purposes--Limit expenditures from the trust fund's Highway Account only to construction-based and safety-related improvements to highways and bridges. To further focus financial resources on urgent highway needs, provisions of ISTEA that allow the use of Highway Account dollars for transit programs should be eliminated. Since enactment of ISTEA, its highway/transit flexibility provisions heve permitted more than $2.5 billion in highway funds to be shifted to transit uses. Most of the money transferred came from the Congestion Mitigation & Air Quality and Surface Transportation programs.

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Repeal Enhancement Program--ARTBA also recommends that the Transportation Enhancement Program of ISTEA be eliminated. While enhancement projects may be considered desirable, they do not contribute to enhancing safety or reducing deficiencies in the nation's highway and bridge inventory. In particular, they cannot be justified while these basic transportation needs remain high. Since 1993, more than $1.3 billion in federal highway funds have been awarded for enhancement projects, including such expenditures as $132,000 to restore an abandoned railroad station in Plymouth, N.H., $690,000 to "stabilize the structural integrity" of the Pullman Factory Administration Building in Chicago, and $333,750 to create an Archenlogical Records Management System in Santa Fe, N.M.

Support Non-NHS Highways--While the focus of reauthorization legislation should be on providing adequate resources to maintain a first-class NHS, it also should support a strong federal commitment to help meet non-NHS highway, bridge and safety needs.

Strengthen Bridge Program--The federal bridge program is critical to eddressing state and local bridge problems. The Department of Transportation reports that, on the Interstate system alone, more than 13,000 bridges are either structurally or functionally deficient. The department says an average of $5.1 billion a year needs to be spent by all levels of government over the next 20 years to maintain 1994 bridge conditions. Eliminating the backlog of bridge deficiencies requires a 20-year average investment of $8.9 billion. Yet, this year's authorization for the federal bridge program is less than $3 billion.

Establish Border Crossing Program--The North American Free Trade Agreement is creating increased commercial traffic between the United States, Canada and Mexico. To support this expanded level of commerce, federal surface transportation law should establish a separate program to finance highway and bridge improvements that serve border crossings and international trade. The program should be supported by new federal user fees levied on commercial vehicles utilizing this infrastructure.

Encourage Privatization of Highway and Bridge Maintenance--To maximize federal transportation investment, highways and bridges must be edequately maintained. Studies by the Army Corps of Engineers and others forecast thet there will be growing emphasis on maintenance and improved operations to provide much of the nation's future mobility needs. A report by the Urban Institute sates that many agencies to not have adequate systems for even determining maintenance needs and their cost. The report outlines procedures that should be instituted to avoid this deficiency. With greater emphasis on extending the life and improving the use of transportation facilities, Congress should consider maintenance requirements. According to the Transportation Research Board, studies show that one dollar invested in preventive maintenance at the appropriate in the life of a pavement may save $3 to $4 in future rehabilitation costs. The Department of Transportation estimates that an average of $54.8 billion is needed annually over 20 years to maintain 1994 highway conditions. Yet annual spending by all levels of government in 1993 was only $34.8 billion. This, according to the DOT, provides "a sense of the lowest reasonable level of investment," and includes repair of pavement and bridge deficiencies, elimination of unsafe conditions and addition of capacity. Experience has shown that contracting out maintenance activities to private sector firms can save tax dollars and improve efficiency. A 1992 pilot privatization program in Essex County, Mass., for example, resulted in an increased level of maintenance and a cost reduction of 27 percent. ISTEA resuthorization legislation should encourage greater use of this practice for the maintenance of highways and bridges.

Eliminate Highway Sanctions--Highway funding sanctions intended to force states to comply with social and environmental regulations and objectives are neither appropriate nor effective methods of achieving federal goals. Their application, in fact, often prove counterproductive to the desired effect and, in addition, to create uncertainty in transportation funding. All highway sanction provisions of current law should be rescinded.

Long-Range Planning--ISTEA limits projects included in state transportation improvement programs to those for which "full funding can reasonably be anticipated to be available for such project within the time period contemplated for completion of the project." This requirement for identified funding has sharply reduced the number of projects on which advance planning can be carried out. There can be adverse consequences to this practice. We have received reports of incidents in which projects become entangled in litigation or other delays. Because of a shortage of projects in the pipeline, states have been unable to move ahead with substitute projects while disputes were resolved. Thus, available funds can't be used to provide safer, more productive highways. We encourage the committee to investigate this situation and to make such changes as necessary to ensure a steady flow of projects for state implementation. State Transportation Improvement Programs should not be "fiscally constrained."

Protect Open Competition in Transportation Construction--The federal government has a responsibility to ensure that the highway user dollars it collects are invested in a manner that provides maximum return on investment. The practice of awarding highway construction contracts to the lowest responsible bidder in open competition with other interested and eligible firms has helped ensure integrity in the bidding process. It also has saved taxpayers hundreds of millions of dollars. Federal surface transportation law should continue to endorse the free enterprise system of open competitive bidding for federal-aid highway and transit construction contracts.

Mr. Chairman, this concludes my testimony on behalf of the American Road & Transportation Builders Association. Two years ago, our organization began development of a comprehensive set of recommendations for congressional consideration in the reauthorization of surface transportation programs. Those recommendations were published in June 1995 in a document entitled "Focusing the Federal Role in Highways and Mass Transit." I am providing copies of that report for the record.

I would be pleased to respond to any questions from the subcommittee.

Annual Cost to Maintain 1993 Highway & Bridge Conditions & Performance 1994-2013

Highways

Functional System

Rural

Interstate	$2.8 Billion
Other Principal Arterial	$2.5 Billion
Major Collector	$4.6 Billion
Subtotal	**$9.9 Billion**

Urban

Interstate	$7.3 Billion
Other Freeway & Expressway	$3.1 Billion
Other Principal Arterial	$8.1 Billion
Subtotal	**$18.5 Billion**
Total "Major" Highway	**$28.4 Billion**

Bridges

Functional System

Rural

Interstate	$0.4 Billion
Other Principal Arterial	$0.3 Billion
Subtotal	**$0.7 Billion**

Urban

Interstate	$2.0 Billion
Other Freeway & Expressway	$0.5 Billion
Other Principal Arterial	$0.7 Billion
Subtotal	**$3.2 Billion**
Total Bridge on "Major" Highway	**$3.9 Billion**
Total "Major" Highway & Bridges	**$32.3 Billion**

Source: "1995 Status of the Nation's Surface Transportation System: Condition & Performance." U.S. Dept. of Transportation. Exhibit 5-8, page 173 and Exhibit 5-12, page 181.

APPALACHIAN DEVELOPMENT HIGHWAY SYSTEM (ADHS)

Prepared for Presentation Before the:

US HOUSE OF REPRESENTATIVES TRANSPORTATION AND INFRASTRUCTURE COMMITTEE SURFACE TRANSPORTATION SUBCOMMITTEE

Rayburn House Office Building
Washington, DC

June 5, 1996

INTRODUCTION

Mr. Chairman, Congressman Rahall, members of the committee, I am Fred VanKirk, Secretary/Commissioner of the West Virginia Department of Transportation. I am honored to appear before the committee to express support for the Appalachian Development Highway System and substantiate the fact that this system of highways has, indeed, provided invaluable support to the economic growth of the thirteen state region and West Virginia in particular over the last 31 years. Mr. Jesse White, Federal Co-Chairman of the ARC will provide you with more in depth statistics and program oversight than I, but I will attempt to address features of the program unique to West Virginia.

BACKGROUND

One of the major factors which has contributed to Appalachia's relative economic stagnation in the past has been its isolation. This isolation resulted primarily from the difficulties of transport in a topographically rugged region. Roads have always been expensive to build and, as a result, prior to the Interstate and Appalachian Development Highway System, major national transportation arteries were built which by-passed Appalachia rather than going through it despite its strategic location. Thus, what evolved within Appalachia was a system of winding roads following river valleys and stream beds between the mountains. In general, these roads were, more often than not, narrow two-lane roads that could be squeezed into the limited available space. The resulting system characterized by low travel speeds, long travel distances due to the winding roadway pattern, unsafe roads built to inadequate design standards, short sight distances, and extremely high construction costs profoundly discouraged commerce and industrial development. With the exception of some communities located on major east-west routes, i.e., the National Pike and Lincoln Highway, most Appalachian communities were not able to compete for large employers due to poor access to national markets and because commutation was so difficult that the size of available labor pools was severely limited by the transport system itself. The Appalachian Regional Development Act of 1965, as amended in 1975, included under Section 201 the following:

"In order to provide a highway system which, in conjunction with the Interstate System and other Federal-aid highways in the Appalachian region, will open up an area or areas with a developmental potential where commerce and communication have been inhibited by lack of adequate access, the Secretary of Transportation is authorized to assist in the construction of an Appalachian development highway system and local access roads serving the Appalachian region . . . Construction on the development highway system shall not exceed two thousand nine hundred miles. Construction of local access roads shall not exceed one thousand four hundred miles that will serve specific recreational, residential, educational, commercial, industrial, or other like facilities or will facilitate a school consolidation program."

Although the construction of the Interstate Highway System has been and will continue to be of great value to Appalachia, it is not sufficient by itself to eliminate the Region's isolation. In fact, its primary effect has been to provide high speed through routes between large population centers outside the Region. Following the historic pattern, the major Interstate routes in Appalachia - I-70, I-40, I-81, I-95, I-20, I-75 and the other Interstate routes in the region tend to follow the well established corridors and do not open up the vast isolated areas which have been consistently bypassed. Additional highway construction is needed to provide required transportation service to these areas and population centers so that latent development can occur.

The provision of such additional highways is complicated by the generally high costs of highway construction in Appalachia. Except for the Interstate System, allocation of Federal-aid highway funds has not historically been based on costs of construction thereby discriminating against areas such as Appalachia with higher than average road building costs. In order to provide required transportation facilities, the various states of the Region must carry disproportionately high shares of the total financial burden.

The Appalachian Highway program was developed as a response to this problem and is regarded by the Commission as the key to an accelerated rate of economic growth in the Region. While it is recognized that building a highway alone will not, by any means, guarantee automatic economic and social growth to the towns and cities which lie in its path, good access to national markets is an essential prerequisite to growth. The designated Appalachian Development Highway System is already serving to encourage the location of new industrial and commercial enterprises in the Region. Of equal significance is the fact that many of the highways in the System facilitate commutation from rural, but heavily populated, areas to jobs in major population centers and cities.

In order to maximize the benefits accruing to an area as a result of improved transportation service, however, it is necessary to make other improvements which serve to complement the increased potential for mobility. Accordingly, the Appalachian Regional Development Act also includes provision for programs to upgrade health, education and community services and to improve the quality of the Region's environment. Toward these ends, the Appalachian Development Highway System was established to serve as a framework along which other investments in education, health services, housing, recreation and community development could be placed to provide easy access to these facilities for the people in the surrounding areas.

WHY WAS THE ADHS CREATED?

Obviously the Appalachian Development Highway System, as evidenced by its name, was created to enhance the opportunity for economic development in a previously economically deprived region of this great country. But tha creation of this transportation system has accomplished much more than that.

The President's Appalachian Regional Commission (1964) report was very clear and specific on the basis of the creation of the Appalachian Development Highway System and its component Appalachian Access Road Program. It stated, "Devalopmental activity in Appalachia cannot proceed until the regional isolation has been overcome .... by a transportation network which provides eccess to and from the rest of the nation and within the region itself... The remoteness and isolation of tha region, lying directly adjacent to the greetest concentrations of people and wealth in the country, is the very basis of tha Appalachien lag. Its penetration by an adequata transportetion network is the first requisite of its full participation in Industrial America."

"The Appalachian Regional Commission saw no dichotomy between infrastructure and social program. The commission stated that, 'the primary goal of the regional development program is to provide every person in Appalachia with the health and skills he needs to compete for opportunities wherever he chooses to live' (ARC 1968,9). Ralph Widnar, the ARC executiva director from 1965 to 1971, eloquently defended the highway investment as e crucial part of the health and education programs. 'If children cannot get to school for lack of decent transportation, if a pregnant mother cannot get to a hospital for lack of a decent road, if a breadwinner cannot get to a job because the job 30 miles away cannot be reached in a reasonable time, then is such en investment en investment in people or an investment in concrete?' In Widner's view, the Appalachian Development Highway System had a duel role. One purpose was to open areas with economic development potential, and the second was to improve local access to education, health, recreation, commercial and industrial facilities".

In the field of education the benefits of improved highway transportation such as the Appalachian Development Highway system has been graphically demonstrated. West Virginia is basically a rural state. With a geographic area of 24,231 square miles and a population of approximately 1.8 million people, the state has been pursuing a course of school consolidation over the past few years. The existence of the Appalachian Development Highway system has been a significant benefit in reducing travel time and increasing safety for school children traveling long distances to some of these consolidated schools.

In summary, creation of the Appalachian Development Highway System was intended to relieve isolation, to provide addition financial resources to a depressed region and to enhance access to education, social, health and recreation sercives and economic development.

CURRENT STATUS OF THE APD SYSTEM IN THE REGION AND WEST VIRGINIA

Of the current 3,025 miles designated to be constructed in the Appalachian Region, 2,296 have been completed or are under construction. In West Virginia, of the 425 miles designated, 304 have been built or are under construction. The percentages complete are 76, regionally, and 71.5 in West Virginia.

In terms of money, $4.4 billion has been spent with an estimated $5.3 billion still needed. The corresponding figures for West Virginia are $1.1 billion and $1.2 billion.

It is interesting to note that in West Virginia, a portion of the miles under construction are four-lane upgrades of two-lane roads built originally with APD funding and subsequently proven to be totally inadequate due to tremendous increases in unforeseen traffic growth.

WHAT HAS BEEN THE IMPACT OF THE ADHS?

The impact of the Appalachian Development Highway System on the Appalachian Region over the last 30+ years has been very positive.

These highways have impacted the region and state in the areas of enhanced economic development potential, travel time savings, improved access to services, safer travel to the motoring public and a complementary highway system to the Eisenhower Interstate Highway System. It has greatly increased the mobility of the Appalachian Region.

During a 1981 ARC survey of the thirteen Appalachien Stetes end 68 local davalopment districts in Appalechia it was determined that since 1965, when the system was first announced, 231,500 jobs hed been creeted in 916 manufacturing plants with 50 or more employees within 30 minutes of en Appalechian Corridor. ARC planners concluded that an additional 200,000 jobs in retail trade, commerciel establishments and various services heve been opened up elong the corridors, for e total of over 430,000 jobs (ARC 1993).

A second survey was conducted by the ARC in 1987. This survey found that:

- 695,000 new jobs were created in the region as a whole. These jobs were generated by en estimeted 12,700 new firms and expansion of existing firms. -
- 560,000 or 81% of those 695,000 new jobs were in the Appalechian counties elong Interstete highweys or the Appalachian Development Highway System.

In West Virginia there has been significant economic development thet can be attributed, at least in part, to the Appelachien Development Highway System. On Appalachian Development Highway Corridor G (Cherleston to Williamson) there has been the development of a mejor shopping complex (Southridge Centre) and e Postal Distribution Center. Adjecent to this development is a series of restaurants and businesses in addition to tha South Centrel Regional Jeil. A bank end car dealership have been proposed and all of this growth is directly attributable to Corridor "G". There will unquestionebly be more.

On Appelachien Development Highway Corridor L, the cities of Summersville and Beckley have experienced significant growth; Beckley and Releigh County are experiencing tremendous growth at the present time. Presently there is being developed a Raleigh County Air Industrial Park located adjacent to the Raleigh County Airport. Currently 30 businesses occupy this park. The in place infrastructure has allowed for another 11 firms outside the park boundaries as well as a 1500 bed federal prison and a 350 bed local regional jail. This has provided employment for 1,750 persons.

The Harper Road Industrial Park currently has 31 businesses that employ 1000 persons. A Pinecrest Business and Technology Park is also under development that is estimated to create nearly 1300 jobs with 450 jobs already created.

In addition to the above, Corridor "L" is serving through traffic from Canada and Michigan to Florida and points south. The town of Summersville is a bright economic growth site with light manufacturing, tourism and service as a regional trade center.

Appalachian Development Highway Corridor "Q" has contributed to the economic vitality of Mercer County, Princeton, West Virginia and Bluefield, West Virginia. Recently, the Robert C. Byrd Hardwood Manufacturing Center, a new consolidated high school, a new Department of Highways District 10 Consolidated Headquarters and the Cerper Industrial Park have all been concentrated into one area. These projects created or retained about 1200 jobs.

Appalachian Development Highway Corridor "E" in West Virginia has recently been designated "Interstate 68" through West Virginia and Maryland. While this route runs through a rural area in West Virginia it is expected to be of great benefit to the economic development of western Maryland. Also, it provides a high type transportation facility that will tie the proposed Mon-Valley Expressway into Pittsburgh, Pennsylvania from West Virginia.

Corridor "H", when completed, has the potential to become the most beneficial corridor of all to the state and region. It will provide an excellent access from the Washington-Baltimore area to the recreational and scenic areas of West Virginie and the industrial besa of the Ohio Valley The potential benefits are immeasurable.

These Appalachian Development Highway Corridors have provided significant savings in travel time. The following savings have been calculated. When corridors "H" and "D" are complated, those corridors will produce edditional travel time savings.

COMPARISON OF MILEAGE AND TIME FROM SELECTED CITIES IN WEST VIRGINIA TO STATE BORDERS

CORRIDOR	DESCRIPTION	APPALACHIAN MILEAGE	ORIGINAL MILEAGE	APPALACHIAN TIME (MINUTES)	ORIGINAL TIME (MINUTES)	TIME SAVING (MINUTES)	TIME SAVING (%)
Corridor D	Clarksburg to Ohio State Line	82	94	83	141	58*	41
Corridor E (Now I-68)	Morgantown to Maryland State Line	31.8	36	35	54	19	35
Corridor G	Charleston to Kentucky State Line (Williamson)	78	98	80	147	67*	39
Corridor H	Weston to Virginia State Line	134.7	151	152	227	75*	33
Corridor L	Beckley to I-79 Sutton	68.7	118	76	179	67	60
Corridor Q	Bluefield to Virginia State Line	27	29	29	42	13	31

*WHEN COMPLETED

These corridors have improved access to recreational facilities such as Summersville Lake, New River Gorge, Canaen Velley, Beckwater Fells. Seneca Rocks, Dolly Sods, Monongalia National Forest, Cheat Leke. Smoke Hole caverns. Northbend State Park. Chief Logan State Perk, among other locations. Access to these ereas enhence the tourism trade in the stete.

As previously stated, access has elso been improved to consolidated schools, regional jails and health facilities.

Not inconsequential, the Appalachian Development Highway system has significantly improved the safety of vehicular travel to all of the above facilities.

OUTLOOK FOR THE FUTURE
OF THE
APPALACHIAN OEVELOPMENT
HIGHWAY SYSTEM

Completion of the system in a timely manner is contingent upon continued existence of the ARC to provide funding support and speciel euthorizations of funds over and above current levels.

The Development highway system is an essentiel part of the newly designated National

Highway System. ranking directly below the Interstate routes In importence in terms of service and national significance. In our state, of the 1700 mile NHS system, 511 miles are Interstete. 424 will be Appalachian ano the remaining 765 miles sre existing arteriel routes, primarily two-lana 1930's vintage highways. This points up the importance of completing at leest the APD portion of the NHS system and other arterial roads, particularly in southern West Virginia. in a timely fashion.

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In context then. in West Virginia. completion of the APD system, combined with the interstate system. would result in e NHS that would be about 55% complete to modem standards. It will taka a very significant investment to complete this portion of our overall needs.

This naturally brings up the question as to the advisability and feasibility of including some assistance for the APD system in the ISTEA reauthorization. West Virginie is, like other states, an active member of the American Association of State Highway and Transportation Officials. Reauthorization policy development to date in that organization does not indicate much sentiment for inclusion of such regional programs in ISTEA. The reason for this is the fear that to do so would open the flood gates to other such programs as well as disturb the relative share of formula funds among the states. A further argument against this is that the APD highway system is primarily aimed at achieving social and economic benefits over and above the normally expected road-user benefits. Such general benefits, it is argued, should be financed from the General Fund. This underscores the importance of a continued ARC existence.

It is my view, however, that the Congress should consider alternate sources of funding through the ISTEA reauthorization process, with the above concerns in mind, but with the conviction that the Appalachian Development Highway System must be completed in a timely manner from whatever funding source.

Recently there has been a proposal to conduct a study which would evaluate whether or not we need to upgrade the transportation system in the southeastern states, and, if so, how should we upgrade the system to take advantage of the economic trade between this country and South, Central or Latin America. Obviously the Appalachian Development Highway System could play a large and significant role in this activity. Nine of the thirteen Appalachian States lie within this region. The Appalachian Highway System along with the Interstate system with possible expansions would obviously serve as the core of any transportation system that results from this study.

More specific to West Virginia, the state has, in the last few years, established a Port Authority and concentrated on the development of river ports and a regional airport study. One new river port is presently in operation and others are proposed. The Appalachian Development Highway System will be extremely important as part of an intermodal transportation system which will complement any regional airport or other river ports which may develop.

Corridor "H", linking the heart of the Mountain State and the mid-west section of our nation to the Baltimore - Washington area has the potential for the most dramatic development. Tourism in West Virginia contributes nearly $2.5 billion a year to the State's economy. A quick survey of license plates in the parking lots of Canaan Valley or Blackwater Falls State Parks or the Monongahela National Forest reveals that West Virginia is not such a well kept secret. In addition to recreation, Corridor "H" will connect to the west with I-79 running north-south between Pittsburgh and Charleston and even further west (via Corridor "D") it connects to the industrialized Ohio Valley. Completing this linkage is essential.

We know the cost of completing the Appalachian Development Highway System ($S.3 billion) and it is an imposing figure. But what would be the cost of not completing it? I have spoken of the jobs to be created and saved. The Purpose and Needs studies conducted in conjunction with the environmental studies of Corridor H address the transportation problems of attempting to operate 21st century treffic over mountain roads built in tha 1930's and 1940's.

Further, the APD system is to be just that, a system. If the crucial final linkages are not mede, we will heve e four billion doller non-system. The value of investment made to dete will have been, to a great degree, relatively ineffective compared to its ultimete potential.

SUMMARY

In the final analysis, it is the people of Appalachia to whom we must look. In the mid-1860's it was decided, through bloody end tragic conflict, that we were not to be just several States united but a nation, the United States. A cantury later, the people's representatives of this United Stetes, in Congress assembled, in an act cheracteristic of those idealistic times, unselfishly established the ARC to share the blessings of prosperity

with the afflicted Appalachian region. In this decade of the 90's, nemed by some as the "selfish decade", let us continue in this spirit of the 60's and make e place at America's table of plenty. Feilure to do so may, for decades to come, make of the Region's inhabitants, what Jeck Weller, in his 1965 book, referred to as "Yesterday's People."

In tha last 30-years much has been done. Many things, both socielly and economically, have changed for the batter.

I can speak for West Virginia. We have come far and we are now positioned to no longer come with our hand out simply saying, "help us."

We can now help ourselves to a great extent, and we are willing and anxious to do so. We cannot, however, yet go it alone.

We do ask that the United States Congress continue, and adequately fund, the Appalachian Development Highway System and by so doing, help us to help ourselves. We have the will and state resources to support our fair share of the program.

ISTEA REAUTHORIZATION

AN OPPORTUNITY TO INTEGRATE FEDERAL BRIDGE PROGRAMS

Testimony Before

THE SUBCOMMITTEE ON SURFACE TRANSPORTATION

COMMITTEE ON TRANSPORTATION AND INFRASTRUCTURE

U.S. House of Representatives

June 5, 1996

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Thank you, Mr. Chairman.

I am pleased to accept your invitation to appear before you today.

My name is Thomas Walker. My current position is Executive Director of the Wisconsin Road Builders Association. WRBA is a statewide Wisconsin association, affiliated with ARTBA, the American Road and Transportation Builders Association. Our membership includes virtually all companies that build and provide support to the construction and improvement of Wisconsin's transportauon systems.

Prior to my joining WRBA last month, I worked for eight years as Executive Director of the Transportation Development Association of Wisconsin, followed by more than nine years in key management positions in the Wisconsin Department of Transportation. At WisDOT, I served eight years as Executive Assistant to two DOT Secretaries, where I played an active role in AASHTO, and then, as Administrator of WisDOT's Division of Planning.

Throughout this period, I have been personally involved in the formulation of every federal Surface Transportation Act, since 1982, in cooperation with the Wisconsin transportation community, and have worked closely with our entire Congressional delegation.

One of the issues I have followed very closely is the federal commitment to bridges and how that commitment has been implemented througb a categorical bridge program.

During the late 1970's, like many other states, Wisconsin developed a very real bridge crisis. We had no program in place to inspect and then program and fund the needed rehabilitation of more than 13,000 state and local bridges, built over the previous 90 years. Bridge postings were becoming commonplace.

In response, Congress acted to assure public safety through mandated inspections and a major new capital iovestment program. Similarly, in Wisconsin, our Legislature was also responsive. It created new state and state-funded local bridge replacement programs, that put in place annual funding levels driven by needs, rather than the availability of federal dollars.

Since 1981, those commitments have been sustained by our Legislature, in constant dollar purchasing power. State funds were provided year after year, as needed, to hit the planned funding levels, with available federal bridge funds as only one funding source for the program.

This federal-state partnersbip has worked. Over the last 15 years, Wisconsin's commitment to timely bridge rehabilitation and replacement has reduced some of the very large backlog of statewide bridge deficiencies, at a rate faster than the national average, and at lower than average unit costs. This is an achievement that Wisconsin, and the Wisconsin construction industry in particular, is extremely proud of.

As we look into the future, Wisconsin sees the need to continue at least the current level of bridge investment. Our new State Highway Plan, currently in preparation, will determine an appropriate state long-term bridge management strategy. We anticipate that an increased level of bridge investment will be needed in the next decade to repair and replace the large number of bridges constructed In Wisconsin in the 1950's and 1960's.

I want to make it very clear that WRBA believes that a continuing, high level of national bridge investment is justified and critical to maintaining safe mobility. Nevertheless, we believe just as strongly that a categorical bridge program has become counterproductive aod that it is now time for Congress to change the mechanisms it uses to support bridge programs in the 50 states.

We believe that a categorical bridge program, as currently constituted, acts as a major disincentive to state and local fiscal responsibility, and further, raises serious program management and equity concerns. Instead, we strongly urge that bridge rehabilitation and replacement be fully integrated into reauthorized NHS and STP programs, as eligible expenditures.

Let me share with you today why we have concluded that this change is in both Wisconsin's interest and the national interest.

MANAGING AN INFRASTRUCTURE INVESTMENT PROGRAM

Perhaps the most significant but under-rated change created by ISTEA is its renewed commitment to the state and MPO planning processes, to determine relative needs. Each state and metropolitan area is, in fact, unique, with its own geography, economy, resource base, strategic goals, and physical infrastructure conditions. The statewide and metropolitan planning processes are the best location to develop a long-term infrastructure management strategy, that allocates forecasted federal, state, and local resources among competing infrastructure priorities.

One of the primary tools to help improve these processes is management systems. While no longer mandated, most states are voluntarily developing customized pavement, bridge, and where appropriate, congestion management systems. By integrating these systems, states will be able to optimize investments in roadwey reconstruction and rehabilitation, bridge replacement, safety upgradings, and capacity. Each state's "mix" will by necessity be different, to respond to its unique needs, conditions and annual funding availability.

This is precisely why we believe that Congress would be wise to completely terminate any "off-the-top" funding decisions, that in effect, prejudge what level of investment in bridges, pavements, and even enhancements is appropriate. This is what categorical programs have been traditionally designed to do.

If they worked as intended, they would eliminate the very state and MPO flexibility needed to integrate federal with state and local funding in order to craft workable long-term infrastructure investment strategies.

A far better alternative, in our view, is for Congress to decide what portion of available federal highway dollars should be allocated to the National Highway System, and then support, but not dictate improved state and MPO planning and management processes that will help assure that state-set performance standards on that system are actually achieved. The remainder of available higbway funding should be distributed as a block grant for other roads and bridges, eligible to receive federal funding. Again, priorities are best set at the state and local level.

A CRITIQUE OF THE BRIDGE PROGRAM AND FORMULA

Looking now at the issue from the perspective of the "status quo" is a belpful way to expose the problems of a categorical bridge program and the formula it uses to distribute funds.

Initially, in its infancy, a categorical bridge program was no doubt the "right" Congressional decision. It took a number of years to create an inventory, assess conditions, set up state and local bridge programs, and develop within state DOT's the kind of engineering and program management expertise needed to professionally manage a long-term bridge investment strategy.

That goal is largely accomplished. States no longer need funding restrictions to assure that they will make wise decisions in meeting bridge needs. In fact, those restrictions generally do not even work as intended.

Congress now has an opportunity to improve bridge management by eliminating categorical bridge set-asides in favor of comprehensive infrastructure management systems, thereby eliminating all of the problems with tbe current bridge program and formula.

What then are those problems?

The current formula has two elements: a state's relative share of deficient bridges, measured in square feet; and the relative cost of bridge work in eacb state, measured in unit costs per square foot.

The basic concept is that the formula can accurately calculate bridge deficiencies and that the right public policy is to provide a proportionate federal share to each state of the national cost to fix those bridges.

In brief, here aro the key problems:

> **1. The bridge inventory includes enough subjectivity and variability in bridge rating judgements, among engineers within a state and especially among states, that GAO has repeatedly questioned its accuracy and validity for the purpose of funding allocation.**
>
> **2. The system is vulnerable, in addition, to intentional or accidental manipulation, to maximize a state's funding share.**
>
> **3. A formula that in effect rewards deficiencies with additional external funding acts as a not very subtle incentive to postpone maintenance and rehabilitation, to maximize replacement costs.**
>
> **4. The formula, in effect, penalizes state and local effort, by reducing federal inventory costs, thereby lowering a state's relative share of national needs, compared to those states who limit their bridge programs to the federal apportionment plus local match. Over time, a state committed to bridge safety with its own funds would get a lower and lower share of federal funding, and be forced then to make up that reduction with more and more of its own funds that could go to meeting other highway needs.**

5. By including square footage costs in the formula, states with more efficient bridge construction programs and lower local unit costs are penalized in favor of states with higher cost structures. Most public policy analysts argue that government programs should not "chase costs", but be structured to reward efficiency.

6. In recent years, Congress has enacted greater flexibility, allowing states to transfer bridge funds to other highway programs. While positive in one sense, it has the unintended impact of allowing a state to capture bridge funding based on need, but then turn around and use it for some other priority. That state will then capture another full share of bridge funding the following year, because there has been little reduction in its inventory of needs, despite the infusion of federal funds based on those needs. A state seeking to maximize overall funding could use this strategy on a multi-year basis.

7. A major underlying assumption justifying a separate bridge program is that additional federal funding directed at bridges will actually improve bridge conditions. This ignores the impact of federal flexibility provisions, and more importantly, how states in fact co-manage total federal and state funding. In many cases, additional federal bridge funding might simply cause a shift of federal or state funds otherwise allocated to bridges to other state or local highway priorities.

8. The bridge formula is a major contributor to actual and perceived inequities in federal highway funding, for various reasons. Eliminating this program or significantly modifying the formula would contribute to resolving the vexing equity problem which is undermining support for a badly needed strong federal program, without resorting to major minimum allocation funding commitments.

Let me examine each of these problems in more detail, offering details from Wisconsin's experience where applicable.

INVENTORY ACCURACY AND VALIDITY FOR REPORTING PURPOSES

Over the years, GAO has repeatedly pointed out the problems with the current bridge inventory. The most complete critique, in 1988, states that the NBI does not accurately identify bridge funding needs because it is based on inaccurate, incomplete, and inconsistently reported state data, and furthermore, that it does not distinguish bridges that require total reconstruction from those that can be "fixed" with actions short of replacement or rehabilitation.

As you know, FHWA defines a structurally deficient bridge as one that cannot handle ordinary loadings for the highway on which the bridge is located, and is therefore restricted or should be restricted to light loads. I recently examined a table showing both structurally deficient and posted bridges on the NHS and unexpectedly found that the percent of posted bridges varied dramatically and without pattern from the percent of structurally deficient bridges. In some cases, there were virtually no posted bridges on a state's NHS system, despite the presence of many structurally deficient bridges in the inventory; at the other extreme, the percent of posted bridges exceeded the percent of structurally deficient bridges. This near total lack of correlation strengthens GAO's observations that reporting is inconsistent and subjective.

It is important for Congress to recognize the very real validity problems with using the NBI for funding allocations. In an era of increasingly limited state staff and financial resources to hire expertise, states are placing their highest priority on safety in bridge inspections, rather than cross-checks to assure objectivity and consistency in national reports (paperwork), that are of little usefulness in real-world state bridge management decisions.

We believe that the NBI is important because it provides to Congress a statistically valid tool to measure bridge conditions on a national scale over time. It is one of several useful surrogates for measuring overall national bridge and highway needs, that is, whether the current level of total national investment is adequate or not. And clearly, it is not.

We also believe that the NBI provides useful time-series bridge data for each state, and is as valid as each state chooses to make it. In general, states do the inventory the same way each year, and know if, why and when they chaoge their reporting strategy. However, we just as strongly believe that usiog the inventory to compare state bridge conditions is rough at best, given disparate commitments to accuracy and variable reporting strategies. This should absolutely invalidate use of the NBI to allocate resources among states.

DISINCENTIVES AND PENALTIES

One of the largest problems inherent in any "needs-based" federal program is that it will immediately face equity concerns, whenever the federal share is potentially supplemented by significant state or local resources.

The reasons are obvious. Whenever a state or local government invests its own resources in addressing those needs, the needs factor driving the federal allocation is proportionately reduced. In short, a state is penalized for any actions it takes to address bridge needs, prospectively through long-term quality maintenance, or after the needs have developed, through supplemental investments, or both.

To be perfectly blunt about it, states like Wisconsin who have done the best job we can to improve bridge safety and commercial access are now being penalized for that effort.

This is easy to demonstrate, if you look at Attachment A and Attachment B.

Attachment A is a graph showing how Wisconsin's percent of functionally obsolete and structurally deficient bridges went down much faster than the national average, betweeo 1982 and 1993, proving that our state investment has paid real safety dividends to Wisconsin motorists, and kept our routes fully open to commerce.

Attachment B, our "reward", shows how the percent of national bridge apportionments and allocations in Wisconsin has shrunk dramatically since 1982, from about 2.3% of the national total to about 1%. We are convinced that the primary reason for this reduction is that Wisconsin chose to supplement federal bridge funding, directly in its stand-alone bridge programs, and indirectly, by using other funds, like NHS and IR, to rehabilitate or replace bridges as part of a longer Interstate or NHS rehab project.

By comparison to Wisconsin's record, the national media from time to time has focused attention on poor maintenance practices in some states or localitles. Some Legislatures may choose not to raise needed state user fees. Is it fair that our motorists pay a relatively high state fuel tax, and support a strong Wisconsin bridge program, then see other states with lower commitments receive federal funds based on needs they chose not to meet on their own?

The critical question, of course, is not only whether that is fair, but just as important, will it eventually discourage states like Wisconsin from making justified bridge investments?

One potential solution is to change the bridge formula, from one based on bridge-specific condition assessment, to one based on generic, long-term measures of bridge needs. This approach has been recommended by GAO in ita report last year to Congress, Alternatives for Distributing Federal Highway Funds.

If Congress determines that the national interest requires a stand-alone bridge program, then we would recommend a major restructuring of the federal bridge program formula, to one that is neutral with respect to conditions, but uses surrogates for long-term needs. A good candidate might blend eacb state's share of bridge square footage with each state's share of diesel fuel consumption. Both factors are objective, and currently collected. The first factor roughly correlates with the extensiveness of bridge needs, while the second roughly correlates with projected weigbt loadings and needed structural capacity, which is a major cost driver.

A far better solution is to integrate bridge eligibility into broad national programs, for reasons I outlined above.

THE PROBLEM OF DIFFERENTIAL UNIT COSTS

One of the two key elements of the current bridge formula is each's state's average unit costs. The basic idea is that the bridge program should recognize that it is more expensive to build bridges in some states, and that the federal program should therefore add extra funds to make sure that such a state bas the resources to fix its bridges. In theory, the program acts like an open-ended cost-to-complete commitment, limited only by the authorization and appropriation processes. Costs are tracked, and funds are distributed based on those costs, no questions asked.

A major concern is that those states that have worked hard to constrain cost pressures are penalized.

This is not an insignificant factor in how the formula works.

If you examine Attachment C, you will see a Table showing unit costs per square foot, from 1984 through 1989. In the case of Wisconsin, our costs were quite stable, showing virtually no change. However, in some parts of the country, unit costs literally exploded, with increases of 50% common. In some cases, costs more than doubled.

Since then, there has been much greater stability, as Attachment D shows, but the rise in unit costs that occurred in the 1980's is now built into the bridge cost structure of those states, and is clearly a major reason for the dramatic shift in bridge funding to those states, that has occurred.

What this policy does, I believe, is fail to make the critical oistinction between needs and costs. By defining needs literally in terms of costs, a high cost environment is protected from pressures to manage costs, and a low cost environment penalized.

Taken to its logical conclusion, this kind of policy could eventually justify differential federal fuel taxes, where states with higher cost structures pay higher federal fuel tax rates. Since motorists in all states now pay the same tax rate, shouldn't those federal resources be distributed without regard to local cost distinctions, so that any higher local cost structures become the responsibility of motorists within those states, through higher state highway fees?

While this problem could be corrected through a bridge formula change, we believe that a much better approach would be to include bridges within broad programs, with funding distributed on the basis of broad measures of long-term needs and relative contributions. In this way, each state can best prioritize competing highway and bridge needs, using its fair share of federal funds.

FLEXIBILITY AND NEEDS-BASED FORMULAS: A CONTRADICTION

Both state-flexibility and needs-driven programs are rational policy elements of a federal-aid highway program, in isolation. The problem arises when you combine them. In simplest terms, a state is entitled by the formula to a given level of funding based on its relative needs, and then simultaneously given the right to spend up to 40% of those funds on some other highway need, without any loss of bridge entitlement in subsequent years. What a deal, unless of course you are a state that has used its own state flexibility to invest heavily in fixing its bridges, and is receiving less federal funding as a result!

If you look at the facts, you will find state use of this flexibility by states with large bridge apportionments is not uncommon. It suggests, of course, that their bridge needs may be overstated.

But I think the real lesson is not that at all. Those bridge needs are very real. But just as real are a vast array of other highway needs as well, which every state is facing. And nowhere near enough total funding to meet those needs.

Using that flexibility is exactly what those states should be doing: namely, prioritizing relative needs. The only thing wrong is that they are getting extra funds another state is not, in the name of bridge needs, and then using them to meet other needs.

The conclusion is obvious: extend the flexibility to encourage states to set rational priorities based on management systems, and eliminate separate categorical programs with formulas that distribute funding based on relative need.

DOES AN INCREASE IN FEDERAL BRIDGE FUNDING REALLY INCREASE STATE BRIDGE SPENDING?

It seema to be true that a fundamental assumption underlying the Congressional decision to create, nurture, and expand the federal bridge program is that any increase in the level of federal bridge funds will be automatically reflected in action at the state and local level to actually spend more on bridges.

The real answer to the question is: probably not, in most cases. In the case of Wisconsin, the record is quite clear. The decision on bow large or small Wisconsin's overall state and state-funded local bridge programs should be is 100% independent of the level of federal bridge funds we receive from Congress.

Let me explain.

In Wisconsin, we have a segregated all-mode Transportation Fund. All state transportation revenues -- highway, rail, aviation -- are deposited in the Fund. The Governor and Legislature decide biennially what programs to appropriate those dollars on.

From a budget perspective, projected federal highway funds are treated as income to the Transportation Fund. Fully 79% of the state's transportation revenue base is composed of state-generated transportation revenues, primarily highway user fees. The other 21% (and dropping) is the federal highway funds we receive through ISTEA and the annual appropriations process.

Even focusing only on state highway and bridge improvement programs, 58% of total funding for these programs is now state; only 42% is federal.

What our Legislature does is look at competing priorities, and allocate every available federal and state dollar as a single decision. It determines how much the state can afford to spend on highway rehabilitation, bridge replacement and rehabilitation, and highway capacity, and sets annual appropriations. The last part of the process is to allocate projected federal revenues into those "all funds" appropriations, and then fill in with state funds until the desired program level is set. If available funding is inadequate to meet those program targets, the Legislature can reprioritize, increase state fees, or reduce programs from desired levels.

From Wisconsin's perspective, what matters then is only one factor: the bottom line availability of federal funds. Which category it comes in is simply a hassle for accountants to figure out. We've always been able to use the broad state and federal flexibility we have to find a way to use every federal dollar each year, and stay within the program goals set by the Legislature.

An easy way to see this is to show you what would happen if Congress increased bridge funding. Let's look at our state bridge program. Assume the Legislature has decided that Wisconsin needs to spend about $54 million annually to manage its state bridges well, in competition with other needs, at available overall funding levels. Assume that the program is currently composed of $25 million in federal funds and $29 million in state funds. We would use the first $6.25 million to match the 80% federal money; the remainiog $22.75 milllon would finance state bridge projects with 100% state funds, to meet ongoing bridge program goals.

Suppose then that Congress decides to add $2 billion to the federal bridge program. Forgetting Minimum Allocation impacts, Wisconsin would get 1% of the additional funding (vs. the 2% of annual contributions to the Highway Trust Fund we pay, NETTING WISCONSIN A 50 CENTS PER $1 RETURN IN THE FEDERAL BRIDGE PROGRAM!) That's $20 million in new federal bridge funding.

If there were no overall increase in federal funds, the Legislature would simply shift into the bridge appropriation the $20 million in new federal funds, and shift out of the bridge appropriation the "freed-up" state funding, to make up for wherever Congress made its cut, to offset expanded federal bridge funding. No impact on Wisconsin bridge spending! AND PROPERLY SO! Why? Well, Wisconsin has set priorities, looking at all competing needs, over the long term. That's what state planning is all about. The state's priorities have not changed; Wisconsin is still spending $54 million annually on state bridges ($45 million federal; $9 million state). Nor has the overall level of funding availability. The only thing that has changed is the "color" of some of the federal funding: the label it carries.

From the industry's perspective, what Wisconsin is doing is thinking long-term and disconnecting itself from the ups and downs of federal program decisions. If total resources are short, we work very hard to find new state funds to meet ongoing long-term program goals, with new state funding. Wisconsin has in fact raised its fuel tax from 7 cents per gallon in 1980 to over 24 cents today, and indexed the rate to assure some level of program stability.

To take the story another step, what would happen in Wisconsin if the $2 billion increase in federal bridge funding were paid for with new money, not a federal reallocation? Would Wisconsin bridge spending be expanded? Again putting aside the question of Minimum Allocation impacts, the answer is that it might, or it might not. It's still a question of competing priorities. The Legislature might decide that the highest and best use of additional federal funding is pavement rehabilitation on NHS routes. The shift in state funding out of the bridge program I described above would still occur, but in this case, the "freed-up" state funds would be placed in the rehabilitation appropriation, to expand that program.

If bridge needs were considered a critical priority, absolutely the new funding would be placed in the bridge program.

The point from all of this detail is to lay out for you why that fundamental assumption is simply false. Virtually every state uses some system like the one I have described, to set priorities.

If this is true, then the primary real justification of a separate bridge program for many advocates becomes the "extra" funding allocation it brings to that state.

Absolutely, without question, what is critical to ALL states is the stability and level of OVERALL federal highway and bridge funding. Any decrease or increase in federal funding will show up virtually dollar for dollar in cuts or additions to Wisconsin's overall bridge and highway investment programs.

Therefore, what we would urge this Subcommittee to do is continue focusing its strong leadership in fighting to get the Highway Trust Fund off-budget, and than next year, transfer the 4.3 cents per gallon fuel tax going for deficit reduction to the Highway Trust Fund, where it is most needed, and even evaluate further revenue increases that might be needed to meet the emerging highway and bridge needs in every state.

THE CRITICAL IMPORTANCE OF EQUITY

I hope I have succeeded today in leaving you with two powerful conclusions.

First, the real place where priorities are set should be at the state level.

States are in the best position to set priorities among competing needs, based on their own unique goals and resources. NEXTEA should do everything possible to reinforce that. We are, after all, dealing with a federal-aid highway program, managed by states and local governments.

Congress has an enormous opportunity to restructure the federal program and, in fact, the role of FHWA itself, into one that supports and strengthens state planning and decision making, to assure both the federal and state taxpayer that their dollars are being invested as wisely as possible.

We in the construction industry stand ready to do our part. Our role is to assure the American motorist the highest quality product at a fair price.

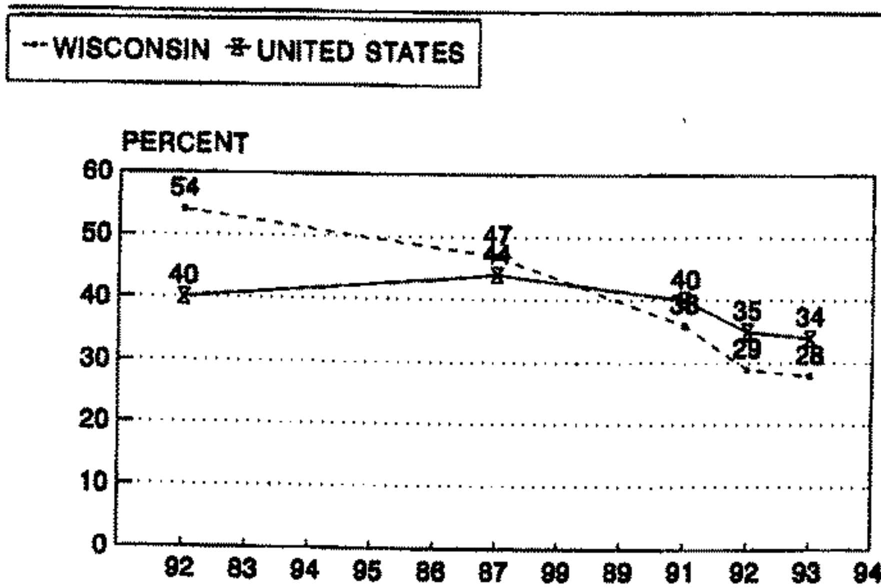
The second key point is that using needs assessments to allocate funding for bridges, or potentially other programs, raises insurmountable fairness questions.

For far too long, Congress has tried to resolve the equity issues through adjustments after programs are sst. The real solution lies in fundamental program restructuring. By re-shaping the federal commitment into a very strong NHS program and a flexible program to assist state and local governments in meeting their other highway and hridge needs, we can do two things: focus decision-making at the state and local level, where priorities can best be set; and devise broad formulas that are fundamentally fair, precisely because they are decoupled from system mileage decisions and needs analyses. Including either will inevitably distort rational state decision-making.

Thank you very much. I will be pleased to answer any questions.

ATTACHMENT A

FUNCTIONALLY OBSOLETE AND STRUCTURALLY DEFICIENT BRIDGES



ATTACHMENT B

Wisconsin's Bridge Apportionment Factors

ATTACHMENT C

BRIDGE CONSTRUCTION UNIT COSTS PER SQUARE FOOT
FEDERAL-AID SYSTEM

	STATE	1984	1985	1986	1987	1988	1989
1	CONNECTICUT	75	127	93	157	167	179
	MAINE	63	76	88	89	138	92
	MASSACHUSETTS	85	108	81	160	166	118
	NEW HAMPSHIRE	85	75	79	89	108	90
	NEW JERSEY	78	109	107	100	66	135
	NEW YORK	63	88	87	112	103	116
	RHODE ISLAND	87	87	88	108		79
	VERMONT	68	80	88	80	83	104
	PUERTO RICO	27	38	38	63	46	81
	TOTAL						
3	DELAWARE	64	67	88	92	83	95
	MARYLAND	68	73	82	75	87	89
	PENNSYLVANIA	73	81	82	85	116	107
	VIRGINIA	37	46	53	51	61	65
	WEST VIRGINIA	77	82	86	88	80	91
	DIST. OF COLUMBIA	84	156	197	229		166
	TOTAL						
4	ALABAMA	30	30	38	38	38	46
	FLORIDA	33	26	35	45	63	53
	GEORGIA	44	60	38	38	37	41
	KENTUCKY	68	56	50	54	48	61
	MISSISSIPPI	33	30	33	27	28	31
	NORTH CAROLINA	36	35	43	38	46	42
	SOUTH CAROLINA	38	30	37	38	44	33
	TENNESSEE	35	31	40	48	33	35
	TOTAL						
5	ILLINOIS	51	43	65	52	50	50
	INDIANA	42	41	63	66	48	47
	MICHIGAN	42	41	68	71	68	65
	MINNESOTA	48	52	48	41	62	52
	OHIO	53	50	48	62	68	63
	WISCONSIN	41	36	37	38	46	38
	TOTAL						
6	ARKANSAS	26	36	37	37	35	47
	LOUISIANA	33	49	34	35	30	37
	NEW MEXICO	44	57	38	69	49	50
	OKLAHOMA	27	38	60	32	30	33
	TEXAS	32	30	31	32	33	33
	TOTAL						
7	IOWA	34	33	33	33	37	43
	KANSAS	60	40	36	41	42	38
	MISSOURI	40	35	38	43	43	38
	NEBRASKA	30	34	38	38	43	48
	TOTAL						
8	COLORADO	55	47	59	49	47	48
	MONTANA	40	42	67	65	61	45
	NORTH DAKOTA	62	37	37	38	40	49
	SOUTH DAKOTA	38	45	30	36	35	42
	UTAH	57	40	47	50	47	43
	WYOMING	63	34	48	30	38	61
	TOTAL						
9	ARIZONA	46	43	38	38	47	45
	CALIFORNIA	53	53	60	53	56	42
	HAWAII	81	73	138	187	184	88
	NEVADA	61	43	50	48	52	37
	TOTAL						
10	ALASKA	87	61	75	31	88	117
	IDAHO	43	38	51	34	47	51
	OREGON	49	46	48	43	47	57
	WASHINGTON	54	35	58	57	64	88

ATTACHMENT D

	BRIDGE CONSTRUCTION UNIT COSTS PER SQUARE FOOT FEDERAL-AID HIGHWAYS						
	STATE	1989	1990	1991	1992	1993	1994
1	CONNECTICUT	170	168	115	141	89	141
	MAINE	92	94	93	119	73	98
	MASSACHUSETTS	160	120	131	128	137	143
	NEW HAMPSHIRE	90	92	81	87	97	97
	NEW JERSEY	130	98	87	80	132	118
	NEW YORK	114	117	128	93	98	103
	RHODE ISLAND	79	94	128	79	133	231
	VERMONT	106	75	107	92	92	97
	PUERTO RICO	81	79	77	56	85	72
3	DELAWARE	93	58	78	69	55	109
	MARYLAND	90	83	91	70	88	85
	PENNSYLVANIA	107	117	100	108	117	105
	VIRGINIA	65	82	59	59	53	58
	WEST VIRGINIA	91	93	91	78	90	89
	DIST. OF COLUMBIA	164	N/A	N/A	N/A	N/A	N/A
4	ALABAMA	46	31	33	33	40	43
	FLORIDA	53	48	46	49	32	49
	GEORGIA	41	40	39	40	37	41
	KENTUCKY	41	48	38	31	31	43
	MISSISSIPPI	31	36	30	30	30	32
	NORTH CAROLINA	42	43	46	46	48	35
	SOUTH CAROLINA	33	47	34	30	48	35
	TENNESSEE	36	33	42	44	49	39
5	ILLINOIS	50	69	56	73	71	70
	INDIANA	47	35	48	47	54	52
	MICHIGAN	69	66	77	71	68	72
	MINNESOTA	52	62	31	50	51	57
	OHIO	63	66	81	62	58	61
	WISCONSIN	38	38	43	43	43	42
6	ARKANSAS	47	42	42	40	40	43
	LOUISIANA	37	33	34	30	37	34
	NEW MEXICO	50	43	63	80	78	62
	OKLAHOMA	33	63	33	31	38	38
	TEXAS	33	34	32	33	33	32
7	IOWA	43	38	37	38	37	39
	KANSAS	38	43	43	65	43	66
	MISSOURI	38	42	63	61	43	61
	NEBRASKA	48	46	43	51	48	51
8	COLORADO	68	55	49	48	58	51
	MONTANA	43	50	31	44	78	63
	NORTH DAKOTA	43	39	41	48	45	63
	SOUTH DAKOTA	42	48	44	63	41	43
	UTAH	42	35	61	56	50	68
	WYOMING	41	43	48	83	49	51
9	ARIZONA	43	42	42	54	37	43
	CALIFORNIA	62	54	53	55	58	77
	HAWAII	88	138	108	131	131	104
	NEVADA	57	58	64	54	68	78
10	ALASKA	117	88	138	109	100	133
	IDAHO	54	43	48	47	49	53
	OREGON	37	31	38	80	62	57
	WASHINGTON	85	80	59	63	75	77

STATEMENT OF JESSE L. WHITE, JR.
FEDERAL CO-CHAIRMAN
APPALACHIAN REGIONAL COMMISSION

Before the Surface Transportation Subcommittee
of the House Committee on Transportation and Infrastructure

June 5, 1996

Mr. Chairman, Mr. Rahall, and Members of the Subcommittee:

I am pleased to appear before this Subcommittee to review with you the status of the Appalachian Development Highway System (ADHS). As you begin your review of ISTEA's reauthorization and the nation's transportation needs, I think it important to consider the critical role that the ARC highway system plays in linking this previously neglected region into broader patterns of national, and increasingly international, commerce. Next year's ISTEA authorization affords this Committee an opportunity to reaffirm the value to the region--and to the nation--of completing the Appalachian Development Highway System.

Let me begin by reviewing with the Subcommittee ARC's mission and unique partnership structure. Congress established the Commission in 1965 and charged it with the task of helping to bring almost 400 counties in the Appalachian region into the mainstream of the American economy, to make these hundreds of communities with their 21 million people contributors to, rather than drains on, the national resources. As our recently adopted strategic plan declares, ARC's mission is "to be an advocate for and partner with the people of Appalachia to create opportunities for self-sustaining economic development and improved quality of life."

We carry out this mission through a unique partnership between the federal government and the 13 states we serve. As the Federal Co-Chairman of ARC--appointed by the President and confirmed by the Senate--I have half of the votes on the Commission, and the Governors of the 13 states collectively have the other half. No policy can be set nor any money spent unless the Governors and I reach agreement. The ARC model represents neither the dictation of policy from Washington nor the abdication of policy to the states; rather, it is true collaboration.

We believe this model responds well to the current climate here in Washington. It is a "bottoms-up" approach that provides unparalleled flexibility to local communities and encourages each governor to tailor the federal resources to his or her specific economic development priorities.

The States' Co-Chairman this year is West Virginia Governor Gaston Caperton, and I am pleased to be joined this morning by Fred Van Kirk, West Virginia's Commissioner of Highways, representing Governor Caperton. The Governor has been a vigorous and effective advocate for our highway system. Indeed, at our hearing before the Appropriations Committee earlier this spring, Governor Caperton, in response to a question from Rep. Hal Rogers, declared that our highway system was absolutely essential to the economic growth of Appalachia. Mr. Van Kirk, who has worked closely with ARC over many years, has a very detailed knowledge of how our highway program functions.

In attempting to address the pervasive and persistent problems of underdevelopment across Appalachia, Congress, through your Committee, gave the Commission a broad programmatic mandate, placing at the disposal of local communities a broad array of resources--from basic infrastructure like water and sewer systems to education and job training, health care, enterprise development, telecommunications, international trade development, and training in local leadership and civic capacity. All are designed to assist Appalachia's communities in creating self-sustaining local economies--

and further the day in which our special assistance is no longer needed.

HIGHWAY BACKGROUND

But from ARC's creation, highways have been central to the work of the Commission. The region's isolation--a product of treacherous terrain, narrow winding roads, and low travel speeds--explains much of Appalachia's relative economic stagnation. Accordingly, since 1965 roughly two-thirds of our total appropriated dollars, or approximately $4.4 billion, have gone for highway construction. In the current fiscal year, Congress has provided us with $109 million for our highway work, compared with $61 million for all of our non-highway activities.

Prior to the ARC, the old system of roads--designed to follow the stream valleys and troughs between the mountains--was characterized by low travel speeds, long travel distances and poor design standards. In addition, the interstate highway system had largely bypassed the mountains because of low traffic use and high construction costs. This profoundly discouraged commerce and economic development. With the exception of some communities located on a few major east-west routes, most Appalachian communities were not able to compete for large employers due to poor access to national markets and because travel was so difficult that it effectively limited the size of available labor pools. Travel distances were frequently measured in hours, not in miles. Mountain ranges separated small businesses from potential markets, unemployed workers from job opportunities, and sick patients from their doctors.

The Congress wisely recognized that if the people of Appalachia were ever to have a full seat at the table of American prosperity, their communities and businesses must have ready access to markets and resources both across the region. Congress therefore created the Appalachian Development Highway System, which differed from most other federal highway programs in that it was deliberately crafted as a "developmental" highway system, designed primarily to encourage economic development rather then to reepond to traffic volume.

ECONOMIC DEVELOPMENT

While the Appalachian Development Highway System doas not overcome all of these problems, it significantly reduces many ot the barriere that impede commerce and development across the region. Mr. Chairmen, in my tenure as Federel Co-Chairman I have visited all parts of the ARC region and heve seen first-hand the contribution our highways have made to local growth end regional progress, demonstreting the wisdom of Congress' farsighted and courageous response to the needs of Appalachia. This corridor system has dramatically improved the economic opportunitiee of hundrede of communities across the region. With the system now elmost three-quertere complete, its impacts are considerable: industries and businesses have grown along tha highwaye; enterprises not directly along the highwaye heve been strengthened by the dramatic opening up of the region by the highway system; coal, timber, and other products are better able to reach domestic and foreign markets; and the costs and difficulty of extending health, education, and other services in the region heve been reduced significantly.

Severel studiee describe the economic development impact of the ARC highway program. A 1881 study--the most accurate count ever taken of the industries located on or near the Appalachian Development Highway System corridors--showed that in fifteen years after the corridor system wes first announced, 818 manufacturing plants with 50 or more employeee had located along the ADHS corridors, creating 231,500 jobs.

A 1987 survey of local development districts across the region showed that between 1980 and 1886, 560,000 jobs (81% of ell new jobs) were created in the Appalachian counties with e major highwey compared with 134,000 jobs created in countiee without e major highway. That is a ratio of roughly four to one--vivid evidence of the economic impact of a network of good highways in the region. As one would suspect, the unemployment rate in the counties with improved highways was significantly below that in the other counties.

More recently, a 1993 study by a professor at the University of North Carolina-Charlotte found a strong correlation between income growth and the presence of improved highways between 1965 and 1990 in Southern and Northern Appalachia. Central Appalachia had a weaker correlation between income growth and improved highways, which suggests a special need for the other ARC investments in area development in our poorest areas.

Finally, a study funded by the National Science Foundation and published last year in the Journal of the American Planning Association compared ARC's counties with statistical "twin counties" outside of the region in an effort to assess the economic impact of ARC's investments. This study, which covered the period from 1969 to 1991, found that the 110 ARC counties with Appalachian development highways grew 69 percentage points faster in income, 6 percentage points faster in population, and 49 percentage points faster in earnings that their twins outside of the region. Using additional data through 1993, the author further concluded that the 62 rural Appalachian counties with development highways grew 80 percentage points faster than their rural twins in income, 6 percentage points faster in population, and 62 percentage points faster in private sector earnings. This suggests very strongly the beneficial impact of the Appalachian Development Highway System. As the author concludes, "The Appalachian development highways have succeeded in creating jobs and stimulating growth."

STATUS AND FUNDING

Congress has authorized 3,025 miles for the Appalachian Development Highway

System, and the Commission has designated 26 corridors, with mileage in all of our 13 states. As of December 31, 1995, 2,298 (76%) of the miles authorized by Congress had been contracted for construction, of which 2,180 miles (72%) had been completed and open to traffic. Five of the 26 corridors have now been completed. The system has 727 miles in various stages of work, such as engineering or right-of-way acquisition.

In a reflection of the importance the States and the Clinton Administration place on the ADHS, all but 241 of our miles have been placed on the National Highway System. Most of the miles that are not on NHS reflect state decisions to designate alternative routings along interstates or other state arterials which generally carry heavier traffic volumes. These choices were necessary because of the limitations on mileage available for NHS designations and do not suggest a lack of state support for those Appalachian highway segments.

While ARC appropriations have funded the bulk of the work on the highway system, states have tapped a variety of other resources, including funds earmarked under ISTEA and the regular Highway Trust Fund, to accelerate the work on our system. A number of states, particularly Tennessee and Kentucky, have "prefinanced" construction of their corridors, using state funds to move forward with construction, with the understanding that they will subsequently be reimbursed with ARC funds.

Unfortunately, Mr. Chairman, if states rely solely on ARC dollars, current funding levels will not yield the completion of the highway system until the middle of the next century. Much of the remaining 727 miles not yet under construction consists of the most expensive mileage in the system, with costs in some states running as high as $22 million per mile. In short, most of the less expensive miles have been built, leaving some of the most challenging yet to be built (for example, a mountain tunnel in Kentucky and a key bridge across the Ohio River).

The last formal study of the cost to complete the system was released in 1992. We have recently conducted an informal update of that study, taking into account the additional construction that has occurred from all funding sources. We project that the current total cost to complete our system is $5.6 billion, with the federal share (80 percent) coming to $4.5 billion. The Commission is also planning to initiate a new "cost to complete" study during FY 1997, which will take into account necessary changes in alignment and other specifications, engineering considerations, construction costs, and other factors. As you can see, with an annual appropriation of roughly $100 million for highway construction, it will take well beyond the projected lifetime of any member of this Subcommittee to fully satisfy the promise that the nation made to the people of Appalachia more than thirty years ago.

FUTURE PLANS

Earlier this year the Governors and I unanimously embraced an ambitious new strategic plan for the Commission. The culmination of eighteen months of hard work--in which we listened to over 2000 Appalachians at four multi-state town meetings, more than a dozen focus groups, and a regionwide satellite teleconference--our strategic plan lays out a roadmap that, if followed, will make Appalachia's people globally competitive and its communities more self-sufficient.

That strategic plan reaffirms the importance of linking this region with broader avenues of trade. It sets an objective of having at least 90 percent of the highway system open to traffic within the next decade. Over thirty years ago the nation made a commitment to the people of this region to assist in providing a first-rate highway system that would bridge the barriers imposed by the mountains. We believe that commitment must be honored.

Earlier this spring we launched a full-scale review of our plans for completing the Appalachian Development Highway System, assessing the progress to date, informally updating the anticipated costs to complete the system, and identifying priorities to guide construction and engineering activities over the next few years. Later this month, we will be convening a meeting with the state highway officials from our states to solicit their suggestions on how best to move forward in completing the full system.

The Commission last reviewed its highway priorities in the mid-1980s, and those priorities have continued to govern the work on completing the system. The new study we are now undertaking will examine the plans for completing the system in light of changes in the region's economy, evolving local highway needs, and anticipated federal spending levels.

In reviewing the status of the highway program, Commission staff will be working closely with state highway departments and the Federal Highway Administration. The individual state transportation plans will provide information on current state plans and priorities for highway construction on our system. The full Commission is expected to consider the priorities for completing the system later this summer.

Let me emphasize, Mr. Chairman, that the Commission remains committed to completing the Appalachian Development Highway System, and the current review is designed to develop a multi-year plan for ensuring the expeditious completion of the system.

Finally, we will be working with the Department of Transportation and the Office of Management and Budget as the Administration develops its proposal for reauthorization of ISTEA. Although we have not adopted a formal position at this time on ISTEA reauthorization, I believe it is important that the Committee at least consider alternative sources of funding for our system through ISTEA. We look forward to working with you and tha Subcommittee in tha coming months as you creft the legislation that will guide the nation's transportation policy into the next century. It is critical that tha people of communities of Appalachia be fully included in such a policy.

TESTIMONY BEFORE THE SUBCOMMITTEE ON SURFACE TRANSPORTATION OF THE UNITED STATES HOUSE OF REPRESENTATIVES

WEDNESDAY, JUNE 5, 1996 ON ISTEA REAUTHORIZATION MAINTAINING ADEQUATE INFRASTRUCTURE

THE INTERSTATE MAINTENANCE, NATIONAL HIGHWAY SYSTEM, BRIDGE AND REIMBURSEMENT PROGRAMS

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Mr. Chairman Petri; Ranking Minority Member, Mr. Rahal; Chairman of the Committee on Transportation and Infrastructure, Mr. Shuster; Ranking Minority Member of the Committee on Transportation and Infrastructure, Mr. Oberstar; and members of the Subcommittee on Surface Transportation, I am pleased to testify before you on the ISTEA Reauthorization.

My name is Howard Yerusalim. Since January 1995, I have been Senior Vice-President for KCI Technologies, Inc., a consultant engineering firm which performs major investment studies, needs studies, environmental studies, preliminary and final design, and construction management for transportation projects as well as non-transportation projects. Before entering the private sector, I spent twenty-seven years with the Pennsylvania Department of Transportation. From 1987 to 1995, I was Secretary of Transportation for the Commonwealth of Pennsylvania, and from October 1993 through November 1994, I was President of the American Association of State Highway and Transportation Officials (AASHTO). I wish to again thank Chairman Petri for being the keynote speaker for the annual meeting when I was president of AASHTO and Ranking Minority Member Rahal for being the speaker when I was vice-president the year before. Also, I have spent many years working very closely with Chairman Shuster, and we have accomplished a lot together both in Pennsylvania and nationally.

Mr. Shuster asked that I work with the committee staff on reauthorization. I gladly accepted that request. As a result, I want to keep an open mind at this time on reauthorization and will not be very specific on recommendations. Let me emphasize at this time that I am not representing the Commonwealth of Pennsylvania nor the Pennsylvania Department of Transportation at this hearing.

Pennsylvania's excellent Secretary of Transportation, Bradley L. Mallory, can adequately handle those duties under the leadership of Governor Ridge.

ISTEA REAUTHORIZATION

With that brief introduction, let me get to today's subject. I will cover interstate maintenance, the national highway system, and the bridge situation in this country and in Pennsylvania.

I believe ISTEA was definitely a step in the right direction and any reauthorization should build on ISTEA, not start over. ISTEA made many changes to the way we do business in the United States:

- It provided for much greater involvement of the public in decision-making.
- More involvement and decision-making powers on the part of the Metropolitan Planning Organizations (MPO's) including the cities.
- It provided flexible funds from highway category to highway category, and from highway category to transit.
- It provided congestion mitigation and air quality funds.
- It provided enhancement funding which was never an item in federal transportation legislation before.

The ISTEA also reduced the overall number of categories. However, it provided for many sub-allocations which increased the overall number of categories. For example, there are at least eight sub-categories for STP funding. The National Highway System legislation was perhaps the most important transportation legislation passed in many years. A 159,000 mile national highway system was defined that included the most important roads that, while containing only 4% of the mileage, contained 40% of the traffic and 70% of the commercial traffic. This national highway system connects intermodal facilities such as ports, rails, traffic terminals, airports, and mass transit stations. Through the National Highway System legislation and a concentration on these most important roads and intermodalism, it will allow us to better compete in the global marketplace. It links cities not linked by the Federal Aid Interstate System to rural areas; it links states together through connectivity of the national highway systems. I want also to praise the writers of the National Highway System legislation for not requiring air quality conformity in attainment areas.

With that brief introduction, let me turn to some of the issues that the reauthoriation should address.

ISSUES

1. Funding

While I strongly support the ISTEA and the National Highway System legislation, there are still some issues to be discussed. I also strongly support HR-842 which would take the various transportation trust funds off budget. We all must work diligently for Senate passage of this most important legislation. I realize this will be an uphill battle.

There are still many issues to be taken up as part of the ISTEA reauthorization. The first of these issues is the lack of adequate funding. This is perhaps the most important issue facing us today. For example, nationally in 1994, $44.8 billion was needed to maintain highway conditions and performance at their present level. $59.3 billion was needed to improve highways according to economic efficiency objectives. The 1993 capital outlay of $28.8 billion was 64% of the funds needed just to maintain our current system and 48% of the funds needed to improve that system. In the bridge area, $5.1 billion was needed to maintain the current condition, $8.9 billion to improve those conditions, while a capital outlay of $6 billion occurred in 1993.

On the transit side, $7.3 billion was needed just to maintain current conditions, $11.8 billion to improve conditions and performance, and $5.7 billion was the capital outlay in 1997 (about one-half of what was needed). Nationally, about 118,000 of the 575,000 bridges over 20 feet in span are structurally obsolete; 3,700 bridges on the interstate system are obsolete, and the U.S. Department of Transportation says it would take $78 billion to correct all the deficiencies on our bridge system in this nation. This is compared to a funding of about $3 billion per year. Nationally, approximately 64% of the roads are in fair or worse condition. In Pennsylvania, 40% of the bridges are structurally or functionally obsolete; 3,840 bridges are posted; 267 closed. Let me say if people obey the postings, all of these bridges are safe.

On the highway side, 50% of the major highways in Pennsylvania are either in fair or poor condition. Governor Ridge, recognizing this situation has proposed a $.065 gas tax increase which would bring in approximately $350 million per year. However, that legislation has run into hurdles due to the election season and due to the fact that the cost of gasoline has gone up tremendously over the last few months.

2. Formulas

Many donor states feel the present formulas are unfair. They want $1 back for every $1 they put into the highway trust fund. While this issue should be addressed, it will be a very difficult issue. I know in Pennsylvania we have an allocation of our maintenance funding, and neither I nor my successor have been able to figure out how to correct what some consider an unfair allocation among counties. The reason being, that in order to change formulas; i.e., allocations, everyone must win. Unless there is a significant increase in funding, there will be winners and losers, and that is where the difficulties occur. However, let me restate this is an issue that must be addressed in the reauthorization. In Pennsylvania, we receive approximately $80 million a year for interstate maintenance. We need at least $200 million just to keep conditions as they are, which aren't very good. One problem is that truck traffic is not a part of the formula for distribution of interstate maintenance funds. The flexibility which allows National Highway System funds to be used for interstate maintenance is good, but there is not enough money available for both interstate maintenance and the rest of the National Highway System.

3. Metropolitan Planning Organizations (MPO's)

ISTEA legislation gave much more authority and involvement to the MPO's. However, their expectations were higher than reality. For example, in Pennsylvania we have 14 Metropolitan

Planning Organizations in addition to the largest rural population in the nation. The buck has to stop somewhere io the distribution of the available fundings to the 14 MPO's and the rural areas. When we did that distribution in Pennsylvania in past years, each MPO felt that they did not get their fair share. By working diligently with the MPO's, we were one of the first states in the country to receive approval of our 1995 state transportation improvement program. Let me state now that I would not favor further allocations of funds to MPO's or to cities. This would be too difficult to administer. Large projects become impossible to fund due to allocations not meeting requirements for large projects. Also, expectations of environmental groups and cities were not met. Many of the cities want their money direct. Again, I think this will cause further problems in reducing the flexibility to provide a statewide intermodal transportation system.

4. **Flexible Funding**

There are not enough funds to transfer funds from highways to other highway categories or from Title 1 to transit. Pennsylvania has been transferring 40% of its bridge funding to the National Highway System and STP funding categories since ISTEA passed. However, neither bridges nor the NHS are adequately funded. In early 1995, during my term as Secretary of Transportation, we transferred approximately $200 million of Title 1 funds to transit. This was the largest amount transferred to date by any state. While this was a one-time help for transit, it has proven very difficult if not impossible to repeat since then, and transit is still under-funded as are our highways. The answer to the transit funding problem is not in flexible funding unless there are enough funds to adequately fund both highways and transit.

5. Funding Categories

ISTEA did an excellent job in reducing the number of categories of funding. However, due to sub-allocation of funds such as eight separate categories for STP funding and three categories of bridge funding, there are still many categories of funding. This is an issue that should be addressed in the reauthorization.

In closing, the ISTEA and NHS legislations were major breakthroughs. Reauthorization will require much work, but I feel strongly that ISTEA is the proper direction and because of a few issues, we should not drop the ISTEA but rather refine it in the reauthorization.

Statement of the

American Portland Cement Alliance

on

ISTEA Reauthorization:
Maintaining Adequate Infrastructure

Subcommittee on Surface Transportation
of the
Committee on Transportation and Infrastructure

U.S. House of Representatives

June 5, 1996

The American Portland Cement Alliance (APCA), representing virtually all domestic portland cement production, is pleased to submit our views for the record on the reauthorization of the Intermodal Surface Transportation Efficiency Act of 1991 (ISTEA). As Congress begins the reauthorization of ISTEA, APCA would like to highlight several ideas and themes we believe are important to achieve a safe, durable and efficient national transportation system.

Background

Portland cement is produced by quarrying and crushing limestone and heating it in a kiln to over 2700 degrees Fahrenheit. At this temperature it is transformed to a black rock-like material called clinker. This clinker is then ground with gypsum and other materials to a consistency finer than talcum powder to become the grayish-white product known as portland cement. Portland cement is the glue that when mixed with water, binds sand, stone and other material to make concrete.

Although it constitutes only about two percent (2%) of the total cost of construction, concrete is one of the most essential and widely used construction materials. In 1995, approximately 83 millions tons of portland cement was manufactured at 113 plants in 38 states. Annual sales exceed $4.25 billion.

Nearly 52 percent of all portland cement is consumed by the public sector at the federal, state and local levels. Concrete paving and bridge construction account for approximately 29 percent of portland cement consumption. As such, our industry has a strong partnership with the concrete paving contractors where nearly 80 percent of their $7 billion industry is the result of public expenditures. The federal government's participation in the highway program has been critical for project funding, planning, uniformity, research and innovation. We believe it is important for this partnership to continue.

Federal Participation

Strong federal participation in transportation programs is vital to the nation's economic growth, military readiness and the general movement of goods and people in a safe and efficient manner. APCA is concerned about recent proposals to decentralize the federal role in transportation -- specifically to repeal a substantial portion of the federal fuel tax currently being deposited into the Highway Trust Fund. We believe this effort is in response to historically inadequate highway funding levels to meet the overwhelming needs in each state. If higher authorization levels to meet these needs are not established and clear national issues are not identified by Congress during the reauthorization process, then the program is in jeopardy of being transferred back to the states.

There is plenty of evidence to support the enormous need for additional investment in highways and other transportation modes. Even with unprecedented expenditures during the current ISTEA authorization period, the Department of Transportation's *Condition and Performance Report to Congress* shows that we still lost ground on pavement and bridge conditions, and most unfortunately, in our nation's highway safety record. Even though ISTEA opened the door to meeting additional needs in transportation, we cannot escape the fact that the highway network did not substantially improve.

Investment Level

In support of increased investment in a national transportation program, APCA strongly supports taking the transportation trust funds off-budget. We believe this legislation will fundamentally restore fairness, predictability and continuity in future highway funding. APCA also strongly supports the current efforts to 1) redirect the 4.3-cent fuel tax into the highway trust fund; 2) eliminate the tax subsidy for ethanol; 3) strengthen motor fuel tax collection and enforcement efforts; and 4) develop additional funding sources to supplement user-financed mechanisms.

We believe Congress should authorize, and eventually fund, the highest possible federal dollar amount for the National Highway System (NHS) and for the bridge program -- upwards of 85 percent of all available funds. According to the Federal Highway Administration (FHWA), an annual investment of $21.5 billion is needed simply to maintain current conditions on the NHS. Congress should also give serious consideration to directing NHS monies to the Interstate as a first priority in the funding process. Finally, Congress should ask the Department of Transportation to develop and implement long-term performance requirements for the Interstate portion of the NHS.

Additional investment in the bridge program is also needed to provide safer and more efficient mobility. The Department of Transportation's report also indicates that 13,000 bridges on the Interstate system alone are either structurally or functionally deficient. The average annual cost over the next 20 years to simply maintain overall 1994 bridge conditions is estimated at $5.1 billion. The average annual cost over the next 20 years to improve 1994 bridge conditions is estimated at $8.9 billion. However, the FY 1997 authorization is under $3 billion.

<u>Length of Authorization</u>

Throughout the ISTEA reauthorization debate, there has been discussion regarding the appropriate length of the next authorization period. A long authorization period is important to APCA because the portland cement industry is directly tied to the construction cycle, making it an extremely cyclical industry. Fortunately, the highway and street construction segment is <u>not</u> cyclical and is growing as a share of total construction spending. This trend helps to moderate both construction and portland cement industry cycles. Since the mid-1960s, the average construction cycle has been 88 months.

It typically takes four to five years to bring a new portland cement manufacturing plant on-line at a cost of approximately $200 million. Due to the cyclical sensitivity of the domestic portland cement industry, its high cost and inherent long lead times, no new manufacturing plant has been built in the United States since the mid-1980s. Consequently, domestic cement capacity has been shrinking over the past 15 years. As such, a 10-year authorization period would help "smooth out" the construction cycle and be a clear signal for cement companies to make sound, long-term capital investment decisions resulting in new state-of-the-art domestic cement production capacity.

Durability and Investment

During the last authorization, the highway community joined together under the quality banner and signed the National Quality Initiative. This initiative was motivated by strong public and private sector commitments to achieve quality through smoother, safer pavements, better roadside safety, and longer lasting facilities. APCA believes it is through cooperation with the FHWA and the various state departments of transportation that we can better provide a quality product to the public.

There was much discussion about European pavement practices during the consideration of the NHS legislation last year. And while our observations indicate that European technology is no better than U.S. technology, and their commitment to quality is no stronger than the U.S. commitment, the Europeans do demonstrate a willingness to expend more funds per unit of construction. This translates into deeper pavement sections, premium material specifications and much earlier rehabilitation than is generally common in the U.S.

Additionally, APCA believes that Congress should expand the use of Life Cycle Cost Analysis (LCCA) to ensure the construction of high-performance and more durable pavements. Evaluating total costs over

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the life of a project will ultimately minimize long-term costs and solidify the confidence of the American public that their tax dollars are being properly invested in a transportation system that will last for generations. With the current budgetary constraints and the projected decline in resources dedicated for transportation, it is vital that these limited funds be spent in the most effective manner possible.

NHS legislation requires states to conduct LCCA on NHS projects of $25 million or more. However, this only represents approximately seven percent (7%) of the total number of projects in a given year. Congress should lower the threshold to $5 million, establish a uniform analysis period and discount rate, and utilize user costs.

In summary, we believe that ISTEA reauthorization should stress:

maintaining a strong federal role;
increasing investment in the NHS and the bridge program; and,
providing a safe and durable investment for the American public.

Additionally, APCA supports a long authorization period to better enable cement companies to make sound, long-term capital investment decisions.

APCA appreciates the opportunity to submit our views on this important issue. We would be please to answer any questions the Committee may have.

CONGRESSMAN JACK QUINN (NY-30)
TESTIMONY SUBMITTED TO THE HOUSE TRANSPORTATION AND INFRASTRUCTURE SUBCOMMITTEE ON SURFACE TRANSPORTATION

JUNE 5, 1996

As a proud Mamber of the New York delegation as well as a Mamber of the House Trensportation and Infrastructure Subcommittee on Surface Transportation, I am honored to submit testimony on behalf of tha Honorable John B. Daly, Commissionar of tha New York Stata Department of Transportation.

Commissionar Oaly regrets that he was unabla to testify in pereon this moming as tha Subcommittee continues our serias of haarings on ISTEA reauthorization.

Commissionar Daly and I agrea that Naw York State has a tremendous staka in the outcoma of the aventual raauthorization of ISTEA.

Wa both agrea that our State needs and daservas to be heard in thase ongoing hearings.

I would lika to thank Chairman Shustar and Patri for scheduling thase haarings. I am ancouraged that wa are trying to make a good law better.

My only caution as we proceed forward toward reauthorization in 1997; is that wa are cereful not to pit our States against aach other as wa discuss ISTEA formulas end the so-called "donor stata issua."

I beliava that New York State is a shining exampla of how this progrem can work and I am hopeful that wa will continua to allow it to do so.

Thank you for the opportunity to speak on this important issue and for allowing me to submit for tha record, Commissionar Oaly's concems.

TESTIMONY BY JOHN B. OALY
COMMISSIONER
NEW YORK STATE DEPARTMENT OF TRANSPORTATION
SUBMITTEO TO THE SURFACE TRANSPORTATION SUBCOMMITTEE
OF THE HOUSE COMMITTEE ON TRANSPORTATION ANO INFRASTRUCTURE

Introduction

The New York State Department of Transportation is pleased to submit the following testimony conceming ISTEA Reauthorization--Maintaining Adequata Infrastructure: The Interstate Maintenance, National Highway System, Bridge and Reimbursement Progrems. New York Stete Department of Transportation hes responsibility for e $2.4 billion annual highway construction program, a $1.3 billion ennual transit opereting and capital assistance program, and planning, financing and oversight of rail pessenger and freight, eviation, and water borne transportation in the State of New York. Our State is currently implementing e $21 billion, multi-yeer trensportation financing packaga for both highwey end mass transit capital programs, with each mode receiving nearly $10 billion in federal and state funds. Federal funds comprise ebout 40 percent of both highway and transit capital spending in New York.

I would like to shara New York State's experience in implementing ISTEA with the Subcommittee and offer our recommendations on ISTEA Reeuthorization in general, and then offer specific recommendations with regard to Intarstate Meintenence, the National Highway System, the Highway Bridge Rehabilitation & Replecement Progrem end tha Interstate Reimbursement Program.

Reauthorize ISTEA--Make a Good Law Better

In 1991 Congress struggled to define the Fedaral role for the post-interstate era. The result -- ISTEA -- reflects a major change in surface transportetion policy from tha previous Federal surface transportation policies which guided our nation through the construction of the interstete system. Instead of the top down federally defined system of the interstate years, ISTEA ratumed the decision making authority to stata and local govemments in a way that provides local flexibility while maintaining a Fedaral role in transportation decision meking.

While ISTEA is not perfact, states, local govemments and regional organizations have invested significant time and resources in implementing this landmark legislation. As we continue to prograss as a nation, we must improve and refine the Federel surface transportation policy. Howavar, we must also ensure that, as a nation, we continue to strive to provide an integrated multimodal transportation system. Maintaining the basics tanants of ISTEA -- shered rasponsibility for national transportation interests, encouraging public participation in tha planning process and the promotion of environmentelly friendly intermodal transportation projects -- is peramount to this effort.

This landmark legislation overwhelmingly approved by bi-partisan majorities only five years ago is providing America with the intermodal transportation needed to effectively compete in the global economy. We believe that for the most part, ISTEA is working very well and that Congress should reauthorize the programs and formulas embedded in the present legislation with minor changes needed to make a good law better.

New York is not alone in supporting the reauthorization of ISTEA along these lines. In fact, these principles are embodied in a resolution signed by the Transportation Officials of all eleven Northeastern States, Puerto Rico, and the District of Columbia. These ideas of shared responsibility, public participation, and enhancing the environment through intermodal projects is also reflected in the recent statement by California of what that state seeks in the successor to ISTEA.

The Donor State Issue is Irrelevant to the Reauthorization Debate

The system of ISTEA formulas for distribution of Federal funds represents a responsible balance between addressing the individual states' relative transportation needs and the relative amounts of Federal taxes contributed by each State. To destroy this balance by ignoring the relative needs of the states and basing the apportionment of Federal funds primarily upon the ability of each state to collect fuel taxes, as advocated by the so called "Donor States" would be counter to the whole concept of Federalism. Further, the highway program is the only Federal program which even considers the revenue contributed by each state as a factor in distributing Federal-aid.

When California has an earthquake, or Florida has a hurricane, or the Mississippi and Missouri Rivers flood and the affected states need funds to rebuild and replace the damaged transportation infrastructure, the entire Nation addresses these needs without regard to whether the taxes used were raised in the affected states. Billions in Trust Fund dollars have been allocated on the basis of need to donor and donee states alike. Similarly, where the funds are raised should not be a major consideration in distributing funds to rehabilitate or replace deficient bridges, to keep our National Highway system in good repair or to mitigate congestion and clean the air in non-attainment areas.

For example, in response to the savings and loan crisis, the Resolution Trust Corporation was formed to help bail out depositors, but each state was not asked to contribute according to the amount of dollars lost in that state. If such an approach had been taken, the State of Texas alone would have faced costs of over $26 billion, while it would have cost the New York State only $3 billion dollars.

A recent publication produced by the John F. Kennedy School of Government at Harvard compares total Federal domestic outlays in each state (i.e., payments to individuals; grants to state and local governments; procurements; federal wages and salaries; and others) to total Federal taxes contributed by the residents and businesses of each state. The report shows that for 1994, many of the most vocal of the so-called "Donor States" received far more in total Federal domestic outlays than their citizens paid In all Federal taxes (Includiog the fuel tax).

For example, Virginie was the beneficiery of elmost $14 billion in excess Federal funding. In contrest, states considared "Recipient States" by the advocates of returning Federal fuel taxes to the Stete collecting them (e.g. New York, New Jersey and Illinois) contribute far more in taxes than are ever received in Federal expenditures. New Yorkers elone contributed over $18 billion in excess payments. The equitable treetment of states like New York, New Jersey and Illinois by ISTEA does not begin to address the negetive belance of payments relative to the total budget which the are bearing. When Congress discusses Donor States, they snould be talking about these states.

Through the impending National debete that will precede the development of legislation to reauthorize ISTEA, we hope that the Congress will keep intact the innovative and flexible programs established by ISTEA end preserve or update the balanced system of formulas for the distribution of Federal-aid which considers the relative needs of eech state as well as their contribution of Federal highway taxes to the Trust Fund.

We recognize that ISTEA is far from perfect and requires some adjustment to consolidate overlapping programs and modernize some of the apportionment formulas which become out of dete. To that end we propose the following modest changes to ISTEA:

NHS end Interstate Maintenence Program

With the approval of the NHS and incorporation of all Interstate highways into that system, it is logical to combine these two programs into e single program. Presently, ebout $8.6 billion is allocated annually to the Interstate Maintenence and NHS Programs. We would advocate providing an equivelent amount for the combined program. It is enticipated that a major portion of Bridge Program funds would also be used on NHS bridges, bringing the minimum expenditures on the improvement of the NHS to as much as 40 or 45 percent of total apportionments.

The present formula for apportionment of NHS funds is based upon avarage apportionments to each state during the 1987 to 1991 period and should be updeted.

Highwey Bridge Replacement and Rehabilitation Program

The success of the HBRR Program is evidenced by the 15 percent decrease in the number of deficient bridges between 1990 and 1994 (from 111,200 to 94,800). We propose to continue epportionments for this basic program, plus a discretionary program funded at $100 million annually to take care of major projects which cannot easily be hendled by ennuel stete apportionments. The time-tested current formula based upon estimetes of the relative cost of replacing and rehabilitating deficient bridges in each state accurately reflects the reletive bridge needs of most states and should be continued, except that to conform with most of the other formulas which guarantee each stata at least 1/2 percent minimum apportionment, the 1/4 percent minimum included in the bridge formula should ba increased to 1/2 percent.

However, the current Bridge Progrem distribution formula places e 10 percent maximum limitation on any state's Bridga apportionmant. This is tha only categorical progrem that imposes such as limitation, regardless of naeds, and only New York and Pennsylvania are adversaly affected by this arbitrary limit. Without this cap, New York State would be epportioned 16 parcent of Bridge Program funds. In Menhattan alona, their are 20 Interstate Bridges linking the island to the rest of the world. Each day, those bridges carry 1.7 million cars. Almost one-helf million of those trips are interstate in nature. There are 24 states that have less than 1.7 million cars registerad in their entire respectiva states. I would ask Congress to raise the bridge cep from 10 percent to 12 percent so that Faderal funding can more nearly approach meeting New York's enormous bridge rehabilitation and raplacement needs.

Interstate Reimbursement Program

Tha Fedaral-aid Highway Act of 1956 which provided tha first funding for construction of the Intarstate Systam, directed tha Bureau of Public Roads to detarmina the cost of reimbursing Statas for construction of highways incorporated into the Interstate System that wera complated or undar construction prior to June 30, 1957. Tha study Idantified 10,859 milas of highwey construction velued at $5 billion in 47 statas which were eligible for raimbursement. Tha raplacement cost in 1991 dollars was almost $30 billion and ISTEA established a 15-year schedule to rapey tha contributing statas the amounts that were advanced by the states for construction of Interstata Highways. I urge Congress to continua this program to reimbursa the states in accordance with tha relativa amounts due that were identified in tha 1958 report to Congrass. Now that the rest of the country has bean paid for tha construction of their intarstate highways, it is time for Congress to reimburse New York and the other pionaering stetes who constructed segments of the Interstate system prior to the establishment of the Interstate Program. WE HAVE WAITED FORTY YEARS--THAT IS LONG ENOUGH.

In addition to thasa highway programs, I also urge Congress to retain the other categorical highway programs, aspecially the Surface Transportation Program and the Congestion Mitigation and Air Quality programs.

Although tha focus of this hearing is on the highway infrastructura, I want to ramind the Subcommittee of the importance of the Transit Infrastructure to tha aconomic health of New York Stata. Every day, 2.2 million persons anter the Manhattan Business District on 10,000 scheduled buses end over 5,000 transit and commuter trains. To accommodate such volumes, we would hava to provide an additional 150 exprassway lanas into the Business District, end would require 18 square miles of parking on a 22 squara mile island. Clearly, transit is a vital element of Naw York's transportation infrastructure, and funds to support that critical alement must be provided. In raauthorizing ISTEA, I urge Congress to maintain a separate Transit program which is adequately funded to meet the transportation needs of the nation.

Summary

ISTEA works in New York State. It helps us move goods and people safely and efficiently, and helps us compete in the global marketplace. ISTEA provides a responsible balance between addressing the individual states' relative transportation needs and contribution of taxes contributed by each State. I urge Congress to reauthorize ISTEA and make a good law better.

ISTEA REAUTHORIZATION: FEDERAL TRANSIT GRANT PROGRAMS

TUESDAY, JUNE 18, 1996

U.S. HOUSE OF REPRESENTATIVES,
SUBCOMMITTEE ON SURFACE TRANSPORTATION,
COMMITTEE ON TRANSPORTATION AND INFRASTRUCTURE,
Washington, D.C.

The subcommittee met, pursuant to notice, at 9:30 a.m. in room 2167 Rayburn House Office Building, Hon. Thomas E. Petri (chairman of the subcommittee) presiding.

Mr. PETRI. The subcommittee will come to order.

Our hearing today will review the four major transit grant programs, which are the discretionary grant program, the urban formula program, the rural formula program, and the elderly and disabled formula program.

Witnesses will examine the status and needs of these programs, the eligibility, transferability, and other requirements of the programs, and consider whether these programs should be continued in the reauthorization, and, if so, how they can be improved.

ISTEA authorized the Federal aid transit program at $31.5 billion over 6 years from the highway trust fund and the general fund, and in budget year 1996 Congress appropriated $4.5 billion for the transit program.

As of 1993, 508 local public transit operators provided transit services in 316 urbanized area, and 5,100 local and regional organizations provided transit services in rural and small urban areas.

In 1993, there were 129,317 total transit vehicles, 7,439 miles of rail track, 2,317 rail stations, and 1,172 transit maintenance facilities.

The discretionary grant program was intended to finance major capital projects in three categories: fixed guideway new starts, fixed guideway rail modernization, and bus projects.

The major change in ISTEA was to make the rail modernization program a formula program instead of a discretionary program. ISTEA also gave the Secretary authority to enter into full funding grant agreements and make contingent commitments to fund new start projects in the future.

We will be looking closely at how this process is working and the effect of current commitments on future projects in light of the future availability of funds.

The formula programs for urban and rural populations were intended to meet the ongoing capital needs of transit systems and provide some funds for operating assistance, and the elderly and disabled program provides formula grants to make transportation services available to that segment of the population.

I'm pleased this morning to welcome the many distinguished witnesses who will be testifying before the subcommittee today.

First, I'd like to welcome Federal Transit Administrator, Gordon Linton.

Sir, welcome.

Mr. Linton accompanied Secretary Pena to a hearing last month on the need for a Federal transportation program and is now making his first official appearance as a witness at our reauthorization hearings.

We are pleased that you can be with us today to share your vast knowledge of the Federal transit programs.

After we hear from Mr. Linton, we will hear from a panel of representatives from the American Public Transit Association and the American Association of Stats Highway Transportation Officials' Standing Committee on Transportation.

These witnesses represent States and other grant recipients and will tastify about the various components of the Federal transit program.

We will also hear from representatives of three labor unions representing transit workere regarding their members' interest in the program, and from a panel of witnesses representing a public/privats partnerehip who will testify about the need for continued funding of new starts projects and the resultant henefits.

Our other witnesses include representatives of some of the larger urban transit eystems, the disabled, rural and small urban operators, and ferry boat operators.

I look forward to hearing from our distinguished witnesses and learning their views of the current transit program, as well as their recommendations for Improvements in the future.

At this point I'd like to yield to the ranking democrat on the subcommittee, Nlck Joe Rahall.

Mr. RAHALL. Thank you, Mr. Chairman.

The fundamental purpose of ISTEA, as we all know, is to foster increased and more-efficient mobility in this country, and today the suhcommittee turns its attantion to an extremely important factor in the mobllity equation, and that is transit.

Picking up the pieces of a failed, largely private sector transit industry, riding the wave of the great society in 1964, the Federal Government sought to restor public transit opportunities through the Urban Mass Transportation Act.

Today, from the L.A. Metro to the Washington, D.C. Metro, and the numerous light rail and bus systems in between, millions of Americans have mobility opportunities that they might not otherwise have had, as a result of the Federal role in transit.

As we approach the reauthorization of ISTEA, an authorization that will take us into the next century, some, however, would question whether this Federal role should be continusd. They would question whether the working poor should be assisted in reaching their employmant destinations, whether people ln rural areas and small communlties should have access to jobs and to health care by means other than an automobile, whether the lessening of highway congestion and the improvement of air quality are not appropriate prices to pay for relatively small investment in transit.

Mr. Chairman and members of the subcommittee, as you know—as members of the subcommittee know, I hail from a rural part of southern West Virginia. We receive almost no section three monies, except for a rare bus capital improvement grant, but I've seen what section nine means to my District and I've seen what sections 18 and 16 mean to that area, as well—how a small amount of Federal money goes a long way toward alleviating some of the transportation problems many people face on a daily basis.

So let it be a matter of record that I support the continuation of the Federal transit program as part of our ISTEA reauthorization. I, as well, look forward to bearing from our very capable and efficient administrator of the Federal Transit Authority, Mr. Gordon Linton, as well as the other members of our panel today.

Thank you, Mr. Chairman.

Mr. PETRI. Thank you.

Mr. Bateman or Mr. Hutchinson, do you have opening statemente?

Mr. HUTCHINSON. Yes, Mr. Cbairman. I do have a brief opening statement. Thank you.

I want to commend you, Mr. Chairman, for your continuing diligence in reviewing all the programs whicb are authorized under ISTEA. Certainly Federal transit grants are one area that has received much scrutiny over the last several months.

Due to the limited amount of Federal dollare availabie, questions have been raised as to what the proper role of the Government is in the development and maintenance of mass transit programs. It is essential that we use our resources wisely and get the best return we can for the money we invest. This hearing is, I think, an important step in that process.

Mass transit bas historicaliy been associated with large urban areas; however, as a population of our Nation continues to grow and move to less-populated areas, it is time for us to rethink what type of mass transit program we really need.

My District in northwest Arkansas is one of the fastest-growing areas in the Nation. With that growth comes the need for increased mass traneit services. That's why I'm particularly delighted that Taunya Kopke of Community Transit Services is here today. Community Transit Services is the largest mass transit provider in my District, and I have worked with Taunya for a number of years, have been impressed by her dedication and vision for mass transit. I belleve you'll find her comments insigbtful. I look forward to her testimony, as well as the other witnesses here this morning.

I thank you again for calling this hearing, Mr. Chairman.

Mr. PETRI. Thank you. Statements by the chairman of the full committee, Mr. Bud Shuster of Pennsylvania, and the ranking democrat on tbe full committee, Jim Oberstar of Minnesota, will be made a part of the record.

[The prepared statemente of Mr. Shuster and Mr. Poshard follow:]

OPENING STATEMENT
HONORABLE BUD SHUSTER
SUBCOMMITTEE ON SURFACE TRANSPORTATION
ISTEA REAUTHORIZATION HEARING
MAINTAINING ADEQUATE INFRASTRUCTURE:
FEDERAL TRANSIT GRANT PROGRAMS
TUESDAY, JUNE 18, 1996
9:30 A.M. 2167 RHOB

- I WOULD LIKE TO WELCOME THE WITNESSES TO ANOTHER OF THE SUBCOMMITTEE'S HEARINGS ON THE REAUTHORIZATION OF ISTEA.

- TODAY'S HEARING WILL FOCUS ON THE FEDERAL TRANSIT GRANT PROGRAMS -- THE DISCRETIONARY GRANT PROGRAM, AND THE URBAN, RURAL, AND ELDERLY AND DISABLED FORMULA PROGRAMS.

- ALL OF THE PROGRAMS WE ARE REVIEWING TODAY WERE IN EXISTENCE BEFORE ISTEA. HOWEVER, SOME, LIKE THE DISCRETIONARY PROGRAM, WERE REVISED TO SOME EXTENT IN ISTEA.

- WE WILL BE EXAMINING THESE PROGRAMS FOR THE PURPOSE OF EVALUATING HOW THE PROGRAMS ARE BEING IMPLEMENTED AND WHETHER ANY CHANGES SHOULD BE MADE TO ENHANCE FLEXIBILITY AND ENABLE TRANSIT SYSTEMS TO OPERATE MORE EFFICIENTLY.

- WE ALSO WILL BE TAKING A CLOSE LOOK AT THE

NEW STARTS PROGRAM TO DETERMINE HOW THE CONTINGENT COMMITMENT PROCESS IS WORKING AND THE EXTENT TO WHICH CURRENT COMMITMENTS WILL PRECLUDE FUTURE NEW STARTS' FUNDING.

- I AM LOOKING FORWARD TO HEARING THE VIEWS OF OUR WITNESSES ON THESE IMPORTANT ISSUES.

- I ALSO WANT TO TAKE THIS OPPORTUNITY TO ONCE AGAIN THANK THE CHAIRMAN FOR HOLDING THIS SERIES OF HEARINGS.

SUBCOMMITTEE ON SURFACE TRANSPORTATION

HEARING ON ISTEA REAUTHORIZATION: MAINTAINING ADEQUATE INFRASTRUCTURE, FEDERAL TRANSIT GRANT PROGRAMS

Opening Statement of Congressman Glenn Poshard

June 18, 1996

Mr. Chairman, I appreciate the opportunity to participate in this session which is part of our series of hearings concerning the reauthorization of ISTEA. Because of the Subcommittee's diligent work, decisions on this funding will be made from a position of full information, and I thank you and the Ranking Minority Member for your leadership.

Today we are discussing the Federal Transit Grant Programs, which are an integral part of our transportation system. The monies made available in these programs help ensure mass transit to the neediest areas of our country, including the inner cities and the remotest rural areas. As I have said many times before, I am especially concerned about the latter. Providing even the most basic public transportation helps improve the economies of our least advantaged locales. The term "mass transit" often stirs images of big cities, but we must not forget our smaller communities when planning these funding equations.

Mr. Chairman, I would also like to thank our many participants for their time and expertise, and to personally welcome the representative from the Illinois Public Transit Association, Mr. William Volk. I look forward to this morning's proceedings.

Mr. PETRI. Mr. Linton, we look forward to your opening statement.

TESTIMONY OF GORDON J. LINTON, ADMINISTRATOR, FEDERAL TRANSIT ADMINISTRATION, U.S. DEPARTMENT OF TRANSPORTATION, ACCOMPANIED BY JANETTE SADIK-KHAN, DEPUTY ADMINISTRATOR

Mr. LINTON. Thank you very much.

Mr. Chairman and distinguished members of the subcommittee, I am plsased to have the opportunity to appear before you today to talk about the Federal transit programs funded under the Intermodal Surface Transportation Efficiency Act of 1991.

I want to mention that to my right is my new deputy administrator, Janette Sadik-Khan, who is serving with me. Janette was formeriy the associate administrator for budget and poiicy, who I'm sure you and members of your committee staff have gotten to know. She is now a nsw deputy administrator, replacing Grace Crunican, who has now gone on to be the Secretary of Oregon DOT. I'd like to recognize that she's with us this morning.

My written statement that I asked to be submitted for the record addresses the scope and activities of the Federal transit programs. I would like to briefly review with you the important benefits that transit provides to the Nation and the strong Fsderal roie that is so important to ensuring economic growth, increased mobility, environmental and congestion benefits, safety, and meeting our transit infrastructure needs.

Firet, we have seen a significant increase in investment in transit infrastructure and equipment. Federal transit funds support both the maintenance of existing systems and the construction of select new systems. These investments have heiped to ensure mobility of all segments of our popuiation in both rural, as well as urban areas.

Transit creates iow-cost access to jobs, health care, schools, shopping, and other essential services, saving tax doiiars and promoting economic opportunity for over 80 miliion Americans who do not drive because they are too young, too oid, disabied, or cannot afford a car.

For millions of Americans in rural areas, public transit is a lifeiine. The enhanced mobility for those without a car yieids tremendous benefits in reduced social service costs. In addition to these 80 million users who depend on public transit service, many more choose transit as a convenient, time-saving mode of transportation, such as myself.

Transit connects peopie with their neighborhoods and creates more-liveable communities. Low-cost and readily available pubiic transit can resuit in reduced commuting times, convenient access to stores and services, cleaner air, and a better quality of life.

Middle-class households located near rail transit save an average of about $250 per month in auto costs, as compared to a typical suburban household. With an estimated 5,000 households within one-half mile of each of the Nation's 1,375 rapid and iight rail transit stations, this amounts to the total national transportation cost savings of $20 billion per year.

Used in concert with otber congestion management techniques, transit is kay to soiving congestion. America iosas more than 1.6 million bours a day stuck in traffic. Strategic investments can lower the cost of highway congestion.

Transit is vital to American markatplace citias whare American products and jobs compete in tha global economic markat. Public transit in all areas of the country is an important intermodal link in assuring that our transportation networks operate smoothly, productively, and efficiantly.

Fedaral leadership in transit is crucial to ensuring that we can realize thesa many benefite. For example, with tha ISTEA planning process, transportation planners and decision-makers at the State and local lavals are empowered to use a multi-modal approach to prioritize their transportation needs and to fund those projects that best meet local-determined goals and objectives for mobility, economic opportunity, and anvironmental quality.

We have heard from many representatives in tha transportation community that this process is working well. It sbould be maintained and strengthaned.

With fewer Federal doliars avallable for all dlscretionary programs, we have encouraged creativa solutions to develop innovative financa opportunlties and to reduce red tepe for all of our grantees.

We have streamlined the grant process with electronic, on-line applicatlons. Wa now have an FTA home page on the internet containing more valuable information about transit grants, formula appointmants, and technical assistance, all reachable within a few simple computer kaystrokas.

We are promoting innovative financing initiatives to halp State and local governmante to ldentify opportunitiss to laverage the use of their Federal transit funds.

Through FTA's innovative financing initiative, transit projects to date hava leveraged 2.5 times the Federal lnvestment, assuring that tha private sector investors, davelopere, and private capital markete provide an important source of revenues for improved public transportatlon.

These initiatlvas includa leasing transit vehiclas, pool purchases, and the soon establishment of eight Stete infrastructura banks on a pilot basis, with seven of the eigbt having both highway and transit accounts.

We're aspecially interested ln promoting the joint public/private devslopmant of transit facllities.

Our liberal communities initiativa promotes and facilitetes the development of residential neighborhoods and commercial activities all within walking distance of transit. Many benefite flow for liberal communities—more socially-cohesiva communities, reduced commuting times, convanient access to stores and sarvices, and fewer vehicle miles traveled, which translates into reduced air pollution and a better quality of lifa.

We are funding research lnto innovative technologies. Transit agencies are currently using advancad public transit systems, APTS, to track bus locations and collect fare cards electronlcally, which gives transit ridere more-reliable service and reduces operating costs.

In partnership with the transit industry, FTA is also developing the edvanced technology transit hus, e project that will reduce the weight of e typical 30,000 pound hus hy over 10,000 pounds. This weight reduction will yield savings in lower fuel and hrake costs, as well as less road damage. This is an exciting milestone in hus technology, and we expect to see the ATTB hus in full operation in 1997.

As we move towards reauthorization next year, we need to take stock of the benefits thet public transit offers and build on the success initiated hy ISTEA. While we recognize ISTEA has hrought significant transit investment, we also are eware that more investment for all sources will he required to improve the quality of service provided by puhlic transit.

Our work, however, is not done. Transit is an important link in hoth rural and urban areas to assure thet the Nation's transportation systems function efficiently. A strong Federal investment in buses, rail cars, stations and fecilities, research, planning, and safety is crucial to ensuring mobility and economic growth.

An inter-connected, multi-modal transportation system thet will carry America well into the 21st century needs a strong Federal role in transit.

Mr. Chairman, I stand reedy, along with my deputy, as well as othere, to answer the questions thet you mey have as we continue to look towards the future for transit in America, and as we look towards the reauthorizetion of ISTEA.

Mr. PETRI. Thank you very much.

Mr. Rahall?

Mr. RAHALL. Thank you, Mr. Chairman.

Thank you, Mr. Administretor, for your testimony this morning.

Let me ask you a hypothetical question. Sey perhaps we reeuthorize ISTEA for e period of 4 years. Do you anticipate many new full funding grant agreemente being signed over thet 4-year period?

Mr. LINTON. Mr. Rahall, let me suggest thet we, this year, have signed six new full funding grant agreements, or et least announced our intent to sign six new full funding grant agreemente. As those projecte continue to go through final design and e record of decision, we hope to ectually execute those full funding grant agreemente.

But we also heve e numher of next-tier projects—projecte that are in preliminary engineering, projects thet are in early environmental engineering. Those projects we expect will be moving forth in many cities around the country, and they will be looking towards the availahility of additional resources in the next reauthorizetion.

If, in fect, thet is to occur, we would anticipate thet there will be e need for edditional full funding grant agreements in that next reauthorization.

Mr. RAHALL. So, just es a ballpark figure, would you guesstimete a dozen, two dozen?

Mr. LINTON. It's really hed to sey. We have probahly et least anywhere from 15 to 20 projects thet are in some stage of development and consideretion in our next tier projects. Some of those, as we've seen over the previous year, even under this euthorization, some of those projects fall off and don't actually come into fruition.

Some of those projects get stagnated due to various local issues, and therefore are not in position to receive full funding grant agreements. So it's hard to predict how many will actually be in position under the next reauthorization, but there are somewhere in the neighborhood of 15 projects that are under some consideration at this point.

Mr. RAHALL. Okay. Do you see any reason why a cap on operating assistanca should be maintained?

Mr. LINTON. Sorry?

Mr. RAHALL. Do you see any reason why a cap on operating assistance should be maintained?

Mr. LINTON. Well, let ms just say that I think the reauthorization of ISTEA will give us an opportunity to look at new possihilities. We should not be wedded to all that we've done in ISTEA I.

Even though we have made a revolutionary change in this Congress, and those who are involved in working on that document have moved transportation planning a long way, we think that there are opportunities to not just be confinsd to the box that ISTEA I has given us, but to look with more vision as to what can be dons in ISTEA II.

Thinking in that context, we need to get soms consideration to how operating assistance is, in fact, even thought of.

We, with the support of the Congress, just recently have opened up our capital money in this new statute that gives us an opportunity to fund some bus overhauls and othsr projects that were formerly only capital projects. We have now tried to level the playing field with our Federal highway partner where they fund projects and highways that sometimes historically were seen as, if you compare to transit, as maintenance projects, but they funded thoss out of their capital.

I think, as we look towards reauthorization, we need to get some consideration to how we re-examine what we consider operating, and whether or not some thought should be given to whether or not some of what we currently fund as operating should, in fact, actually be considered capital.

So I think we need to think in those regards, as well, and think of a much more expanded use of the term that we now have as capital.

Mr. RAHALL. What about the rail modernization funds? Should they be revised? The formula for the rail modernization funds, should they be revised?

Mr. LINTON. I think we have seen a continued need for rail modernization that, if we look to our psrformancs and needs report, which we have transmitted to the Congress, where we continue to talk about both the current level of funding that's needed to maintain current level of transportation investments, and what the future will hold if we're going to improve that, it's clear that there is a continued need for rail modernization to continue to improve old systems so they continue to be revitalized.

Many of our old systems have old rolling stock, old signaling systems. We know that when somebody—even our commuter rail systems, we're concerned about the ability for them to have the best cables, as well as signaling systems, to deal with some of the issues that we've seen in some of our accidents in recent years, and our rail modernization funds enable us to deal with those issues in a formalized way, and we think there is continued need for that.

Mr. RAHALL. Thank you, Mr. Chairman. I would like a second round.

Mr. PETRI. Yes.

Mr. Bateman, have you any questions?

Mr. BATEMAN. Thank you, Mr. Chairman.

You mentioned the research on the lighter-weight bus. Is that something that is done in-house by the Transit Administration, or is this something that's done in the private sector through contracts that you monitor?

Mr. LINTON. This is a very exciting project. It's the project that is currently opereting in California with Nortbrop Grummann. It's a project that came out of Defense conversion, quite frankly, and it's a project where we are partners with transit properties, including LAMCTA from Los Angeles, Northrop Grummann, as well as Houston, and we have put together a project, in fact, that involved most of the major transit systems around the country, so they aleo are acting as peer reviews as we're moving forth with thie new project.

We think it presents a major opportunity for the country in new technology. We are at the point where our bus industry has been reduced and is becoming very, very competitive, and some of our bus manufacturers are having a difficult time continuing to compete.

We find ourselves in this country in a situation where we are importing more and more of our buses from other countrise around the world. We think this project, in conjunction with private enterprise such as Northrop Grummann, givss us the opportunity to use our defense technology, converted to a uss were we can bsgin to export our bus industry to larger markets.

This is a lightweight bus. It uses composite parts that were used in manufacturing of the stealth bomber. It's a bus that we think will bave a lifetime that's much longer than the current life for the buses that we currently have where we now have meybe a useful life of 12 years. They haven't even bsgun to figure out what the ueeful life of this vehicle will be.

I was able to drive it on its test bsd in Los Angeles. It will be able to increase its efficiencies. It will have on-board technology that will provide the drivers with on-board electronic information to give them information on when the bus was maintained, when the brakes were changed. They will be able to push a button and get that information right there. It will be able to reduce the maintenance down time of buses probably about 50 percent.

We think it's a phenomenal opportunity for the country, and I would hope that the Congress will continue with us, because the project has been funded in previous years. We would like to accelerate ite completion so we can get it into the market and get it into the global market for many of our industries.

Mr. BATEMAN. It seems very exciting. You mentioned Northrop Grummann as apparently the prime contractor doing this research. Are the bus manufacturers a part of ths program and intimately involved so that they can utilize this technology as it's perfected?

Mr. LINTON. Absolutely. What we have tried to do in this project, one, is to make sure that we involve the transit industry. It's vary important, if you're going to devalop a bus, that you make sure that the potential customers are engaged in the project so that tbeir concerns, tbeir needs can be met as tbe project is being developed, so we have put in place a peer review in which mostly—approximately about 30 of our largest systems are having some of their technlcal staff, as we go through this production, at each stage along tha way are having input into that production.

But we've also tried to make sure that we try to make sure tbat otber bus manufacturers will be able to utilize the technology that is being developed, so we're trying to—and recently, I guess, as of two weeks ago we invited many of them to look at the current production, trying to get tbem to begin to look at whether or not they would want to tool up their own manufacturing companies and begin to use tbe technologies being developed so tbey can also develop and produce this new bus, as well.

It's our view that it will offer opportunities for many of the bus manufacturers to be engaged in this.

Mr. BATEMAN. Thank you very much.

Mr. PETRI. Mr. Horn?

Mr. HORN. Thank you, Mr. Chairman.

How many of tboss bus companles that are experimenting with battery-operated buses are small businesses? Do you have any feel for that?

Mr. LINTON. I really can't. I can say tbat wa are looking at several technologies—battery-operated buses, fuel cell buses. All of tbose technologies have in their involvement some small businssses that are doing some of the subcontract work, some of tbe innovatlons in those new technologies.

What we try to do in many of these new developmente is try to put out a net that takes in some of the resources tbat soma of tbe new and developing and innovative firms can bring to tbe table, so when you do that you do elicit within their developmsnt smallar firms throughout tbs country that becoma partners in these projacts.

Mr. HORN. Do you work with tha Small Business Administration on a partnership, or bow do they get the capital to do what they need to do?

Mr. LINTON. Well, I'm not quite sure how tbey get tbe capital. Many of tbese firms are subcontractors. They work with some of our major providers. They participate wben tbe RFPs are pressnted. I'm not sure how they engage in gstting into tbe projects.

Mr. HORN. So your agency is not in tha business then of helping fund some of these projects?

Mr. LINTON. We provide funding for the projecte. Yes, we do that. And some of the funding goes into the research, some of ths funding goes into producing the prototypes. We bave prototypes tbat can ba used in service so that we can test.

Yes, we do provida tbose funds, and many of thase small firms that are engaged in that utilize that as part of the dsvelopment of these new technologiss. That's—

Mr. HORN. Are you investing in the fundamental research as to how we extend the life of the battery and how we miniaturize it, at least from where it is now?

Mr. LINTON. That's right. What we're trying to do is engage in extending the lives of the battery, trying to develop the charging mechanism so that the batteries can be charged easier, trying to make sure that we can also empower the hatteries so that they can also take on other auxiliary parts of the vehicle, euch as air conditioners.

Those are many of the things that ere being looked at in the research for many of these projects.

Mr. HORN. I happened to talk to a iieutenant general in the Army about six months ago who is one of their top technology experts, and I asked him, What is the major prohlem that you face in technology thet we aren't making much progress on? He said batteries. I think that's the same that applies to civilian application.

So do you see some light at the end of the tunnel in terms of progress in development of a battery that will, in a very compact way, provide the power source for an urban transit?

Mr. LINTON. Yes. What we have seen over the last couple of years is the increased capacities hatteries to he able to run the buses over longer periods of time. We think, as the research continues, this will continue to evolve. We think this offers a major use of vehicles in the future for this country where we can mitigate some of the air quality problems that we have in the Nation. We'll be ahle to use—be able to minimize the impact on our resources.

We think, as we continue to develop partnerships with the small firms, with the innovative firms, we expect to continue to eee improvemente in those areas, and we hope that that will enlarge the base for the utilization of the technology once it's refined and taken to market.

Mr. HORN. How many self-contained, battery-opereted huses do we now have? Do we know that figure?

Mr. LINTON. I don't have that information with me. We can present that to the committee so that you can have copies of that. We can give you actual figures on what's heing produced around the country and at what stege they are in development.

Mr. HORN. Good. I'd like to—If you wouldn't mind copying me when you send it to the committee, I'd appreciate it. I've got a major interest in this. I've had a firm in my constituency, Specialty Vehicle in Downey, that has been very successful in doing this. It has some difficulties now in terms of keeping the production line going, but the ordere are there, and they've showed it can he done.

Mr. LINTON. We'll be glad to provide that information as our ATT—and we also think that—we mentioned the ATT bus, hut it's also important to note that that hus has opportunities for other type of fuels. It will not just he used with diesel. We're talking about fuel cell technology that we can possibly put into it, alternative fuels, as well. We think the vehicle can be fueled on many different types of fuel sourcee. We think this provides opportunities for a hus, a hydroelectric, and other kind of fuel sources, as well, to he used.

Mr. HORN. Thank you, Mr. Chairman.

Mr. PETRI. Thank you.
Mr. Rahall?
Mr. RAHALL. Thank you, Mr. Cbairman.

Mr. Linton, ovsr the past year or so in hearings before this subcommittee, ws've beard a great deal of squealing and screaming, in some casss, about the 13-C process. This has been reformed over the last year by the Administration, by the Labor Dspartment, and I'm wondering if you've noticed any improvements in efficiency in the 13-C application process—not that I'm indicting it or saying that there were ever any inefficiencies in ths first place.

Mr. LINTON. Congressman, I wish I could givs you exact figures. I don't have those with me today, and I would provide those to the committee, but let me just say that there has been some reform in the area of 13-C, and I know that the last time that I looked we were finding that we were getting applications through the process quicker.

Ons of the complaints that we hsard over the last several years was the difficulty in gstting our projects on line, the difficulty in getting the grants actually authorized or obligated as a result of the 13-C process. We think, with the many reforms that have been put in place ln conjunction with the Dspartment of Labor, that that process has been accelerated.

There has been some—ws have had ths ability now to take soms grants and use our modsl 13-C agreements and move thoss grants through without going through the detailed revisw that was required in previous situations.

We thlnk there has been a tremendous improvemsnt in that, and we can provide some specific information on grant datss, what the increase of obligating those grants has been, to the committee for its review.

Mr. RAHALL. Over the recent years, there has been an sver-increasing share of section three bus progrem earmarked by the Appropriations Committee, not for bus purchases but for what are often termed as "intermodal facilities." It almost seems like half the earmarks are now for these typss of projects.

Has FTA reviewed these projects? In othsr words, are they bona fide and are they appropriate use of bus money?

Mr. LINTON. Let me just say that we've had a chance to review the projects as they're earmarked. I would suspect that if discretionary money was truly discretionary, that we may have made some other decisions with soms of thoso projects, and there are some opportunitles that we have across the country.

We've had a plpeline over ths last several years where many of the transit properties have come to us requssting discretionary money for projects that we have examined that are ready to go, but because of ths earmarking we have not had an opportunity to obligate thoss projects.

If we had had an opportunity, I'm sure that some of the intermodal projects would be ones that we, ourselves, would not have chosen, but some of them are good projects. Some of them have worked well and have provided increased mobility, but, more importantly, have actually provided a seamless system for some of the communltles around the country, and that is something that we would like to encourage—a seamless system where you are bringing the modes together so it provides easy access for mobility for the users in America, and it makes it customer-friendly.

Wa think soma of thosa projects have tremendous marit. There are a few, I would suspect, that if I had my decision I would probably not have selected them.

Mr. RAHALL. I didn't mean to imply in any way that I, for one, am against earmarking.

[Laughter.]

Mr. RAHALL. But I just was wondering if you thought there was an appropriate use of bus monies——

Mr. LINTON. I would never——

Mr. RAHALL.—for these intermodal facilities.

Mr. LINTON. I would nevar suggest to the Congress that I'm trying to suggest that you're implying that earmarking is inappropriate. All I am suggesting is that if the administrator and the Secretary had an opportunity with discretionary funds, that there would hava hsen an opportunity to do some things differently. But wa do think that thare is no question that there are soms continuing bus needs that are reflected in our 308 needs report, Condition and Performance Report, and that we would like to hava applied some of those resources to some of those bus needs.

If you sometimes had to compare the priority between ths intermodal facility and the expanding need for naw buses, in some areas wa would have chosen the huses.

Mr. RAHALL. Thank you.

Thank you, Mr. Chairman.

Mr. PETRI. I did have a couple of questions.

In your testimony you sort of described the Federal transit program. I wonder if you would have any ideas for us on changas in the program or how it might be improved, or about things that aren't working very wsll. Perhaps you could give us some guidance for how wa might do things aven batter in the future in tha reauthorizatlon legislation.

Mr. LINTON. Sure. I would lika to mention, Mr. Chairman, that we in DOT have hegun a series of workshops or outreach hearings around tha country where we've been trying to solicit from both nsighhorhood organizations, transit providsrs, highway providers, environmentalists, as well as mayors, what they have seen in tha first version of ISTEA, what they would liks to see as wa move forth.

We have not heen ahls to, at this point, coms up with what we think are specific changes that we would lika to recommend.

I guess, as wa continue to go through that, wa, in the Department, wili hsgin to shape, from those types of inputs, what we would like to ses.

I would suggest, howevsr, that, just from my own vantage point over the last 3 years, we would like to continue tha opportunitias for enhancement monles, the opportunities for continued utilization of flex funding, tha opportunities for providing flexihility to State and local governments to make decisions.

Wa have seen that that has given opportunities for people to make tough choices, and we think, as we go forth in trying to reduce the deflcit over the next 7 years, that there wili bs an increasing need for State and local government officials and MPOs and others to maka thoss tough cboices and hava tbe flexiblity in order to be able to do that.

So we think tbat is an area that was created under ISTEA I. We think lt's one that should be strengtbsnad as we go forth in ISTEA II.

We also think tbat, once again going back to our section three bus, I continue to be concerned as to whether or not that providea the best opportunity to distribute resources to local officials, governors, MPOs, or transit properties, and whether or not ws need to look at some flexibility in that area that may go to looking at maybe formalizing more of tboss dollars so that, once agaln, local officials can make local decisiona that best fit their needa.

I tbink tbat we also would llka to look at trying to expand the opportunities for soms of our transit systems to do much more creative financing so that they can engaga tha private sector in more of their projecte

I think as we look forward in ISTEA reautborization, ws need to focus on those type of elemente.

We've seen recently in some of our joint development projects, our liberal communlty projects, where we're trying to provide opportunities for private sector to sngage in dsveloping stations, some even running some systeme, in partnerehip with our public agencies. We think that provides an opportunlty to expand the investment in the infrastructure. We also think it may provide some opportunities for some of our transit systeme to get some resources, some financial resources througb these joint developments, that will go a long way in supporting tbeir daily operations of their systems.

We would like to continue to look at those opportunities in the next reauthorization, and we think, working with you and msmbars of your committee and etaff, that in the reauthorization we might be able to expand those opportunlties.

I was recently ln Japan and was looking at some new town developments and some of tbe creative financing that they use over there where their transit syetems are allowed to opsrate enterprises in conjunction with their transit stations, and are able to then, therefore, develop revenues, and those revenues, whicb are non-fare revenues, are used to support ths oparation of their facilities.

Some of our statutes make that difficult to do here ln this country. We need to begin to have that kind of vision as we go forth and see how creative we can be in looking ln those kind of areas, as well.

Mr. PETRI. We look forward to getting your specific suggestions, hopefully before Thanksgiving or something like that.

One area that we're conatantly debating about ie the area of operating assistance. Could you givs us your own view on the extent to which you think operating assistance should be subsidized by the Federal Governmant as opposed to being provided by the local communities where the transit is opereting?

Mr. LINTON. Let me just say that the operatlng assistance has been a major lifeline for particularly some of our smaller aystems. As we go around the country, if you—and I know from your witness list that there will be some from the CTAA and others who will come from some of our smaller systems, even from APTA, and they would suggest that some of our smaller systems, the operating assistance, to some degree, provides 35 to 40 percent of their cost.

In fact, we have seen, as a result of the reduction in operating assistance—particularly the dramatic reduction in operating assistance—that many of our small systems are having a great deal of difficulty continuing to maintain service in small communities.

In fact, I just was looking at—there's an article in the Sunday "New York Times" that talks about the Montgomery, Alabama, system. Many of you may know that this is a system where almost 40 years ago Rosa Parks led the effort to desegregate that system. This is a system that has had tremendous reductions as a result of reduction in operating assistance, and they've even had to take some money out of their city coffers that was going for maintenance of city facilities and other operations to try to maintain some bus service.

We've seen this. Greenville, South Carolina, is another small community where, for a short period of time, they actually closed down their system.

We see this going on around the country, and much of that has been directly related to this dramatic reduction in operating assistance.

So I think we have to look at a continued Federal role, identify what that role is. As we continue to see the need for ADA compliance, as we continue to see the need for areas like drug and alcohol, as we continue to see our Federal desire for our systems to continue to provide those aspects of their programs, I think that, as a result of that, there will continue to need to be a Federal role that's connected to our desire to have our systems to continue to provide alcohol remediation programs and testing programs, ADA compliance programs. All of those programs have an impact on the bottom line of the operating cost of those systems.

As we continue to require that—and I think that's appropriate, because it's a good area and it has increased mobility for America—there will continue to be a need for some level of operating support.

The question will become, however, in the future, I think, How do we define that? As I stated, recently, with the support of the Congress, we've been able to funnel into capital some bus overhaul, which formerly only came out of operating, to make that somewhat consistent with how those same type of overhauls are dealt with in highways.

So if we begin to move some of what has been formerly considered solely operating and see it as capital, as highways to us, we may begin to relook and redefine what, in fact, operating assistance actually is, but there needs to be some role for that in the Federal Government.

Mr. PETRI. Thank you.

One last area I wondered if you could comment on is the effect of the Transit Administration's current contingent commitments on future funding of new starts projects. We understand that you basically have committed what funds are available through 2002, and wondered about whether that made a lot of sense or not. The world might change between now and then. Maybe we should have a little flexibility to adjust to it.

Mr. LINTON. I will probahly ask my deputy administrator—allow her to participate in some of our great discussion here. But let me just say, Mr. Chairman, that we have tried to follow in ISTEA the tools that you have given us. Those tools have charged us to move projects forward hased upon their completion of major planning process. They've gone through what we call preliminary engineering, preliminary environmental work. They've had to go through preliminary design, final design, record of decision. And so we have required those projects to go through a process.

As those projects have gone through the process, we think it's appropriate to hegin to look at those projects for FFGAs. That's another tool that all of you gave us hureaucrats through the ISTEA legislation.

We've tried to follow that process, the one that was enacted into law. As we do that, we have projects that move forth who have gone through the process. When those projects move forth, we think it's apprepriate to fund them at that point and fund them at a level where they can maximize the Federal investment and minimize the overall cost of the project hy having a consistent allocation of funds so that they can do the kind of hudgeting, as well as leveraging of funds, to get the projects delivered on time and under hudgst.

So, in utilizing that thought process and also the tools that you have given us, we have moved forth projects that have come to final design and are ready for full funding grant agreements.

As a result of that, we're trying to fund those projects in their entirety over a series of years. In order to do that, we have also taken advantage of the contingent commitment element that you also gave us in our act that allows us to hridge hetween this authorization and the next authorization.

We think we've taken a prudent step, utilizing the tools that you have given us, and tried to uss those tools to maximize the Federal investment hut to minimize the overall cost of the projects.

That's how we've tried to proceed, and yes, in doing so we presented a pool of projects that have pretty much taken up most of the available funds within the authorization as we go through, hut we think we've used that in a prudent way, utilizing the tools that you have given us.

My deputy may want to add something to that.

Ms. SADIK-KHAN. The only thing I would add would he that each of the projects has, as Administrator Linton pointed out, completed the planning and statutory requirements as descrihed hy ISTEA and as is consistent with Congressional guidance. I think these projects are critical to meet the infrastructure needs that many cities and areas across the country have.

It dcesn't preclude Congress from providing additional authority for new start projects in the next authorization.

Mr. PETRI. Let's see. Ms. Johnson, did you have any questions?

Ms. JOHNSON. No, sir.

Mr. PETRI. Are there other questions then of this witness?

[No response.]

Mr. PETRI. If none, thank you very much for your testlmony, Mr. Linton.

The next panel is made up of: Frank J. Wilson, cbairman and Commissioner of Transportation, Nsw Jerssy Department of Transportation, and chairman of the Amsrican Public Transit Association; and Mr. John B. Daly, Commissioner, New York Department of Transportation, and cbalrman of the Amsrican Association of State Highway and Transportation Officials' Standing Committee on Public Transportation.

Gentlemen, welcome. I guess we'll probebly, once you get a chance to get in place, proceed with Mr. Wilson. All right, Mr. Wilson?

TESTIMONY OF FRANK J. WILSON, CHAIRMAN AND COMMISSIONER OF TRANSPORTATION, NEW JERSEY DEPARTMENT OF TRANSPORTATION, AND CHAIRMAN, AMERICAN PUBLIC TRANSIT ASSOCIATION; AND JOHN B. DALY, COMMISSIONER, NEW YORK DEPARTMENT OF TRANSPORTATION, AND CHAIRMAN, AMERICAN ASSOCIATION OF STATE HIGHWAY AND TRANSPORTATION OFFICIALS, STANDING COMMITTEE ON PUBLIC TRANSPORTATION

Mr. WILSON. Good morning, Mr. Chairman and membsrs of ths committes.

I eppreciate the chance to appear before you today to talk about a very vital piece of transportation legislation whoss rsgeneration stands before us.

Today I appsar as the cbairman of ths American Public Transportation Association, otherwise known as APTA. I heve with me a prepared text, which I won't read but I'll leeve with members of tbs committee so that you can peruse that at a later tims.

I'll just sort of paraphrass and hit the high pointe of some of the guiding principles that we tbink need to be attendant to the reauthorization of ISTEA.

APTA believes that this country should bs all about creating opportunities—opportunities for business and industry and households and individuals, and foremost emong those opportunities we belisve is enhancement of economic security for individuals in business. We want to assure personal safety and security, improve the quality of our neighborhoods and regional environmsnte, enhance the effectiveness of public services.

We believe thet public transit is a critical link to all these opportunities.

The Fedsral Government played a very vital role in ths creation of ISTEA. It's been described in many different ways since ite inception—landmark legislation is one, break-through legislation is another. However you describe it, it certainly was essential for positioning of the public transportation industry now and in the future, and we believe that there is a continuing Federal role, an imperative Federal role, in the regeneration of this ISTEA legislation.

I believe that ISTEA hes been an extraordinarily successful venture, promoting a balanced transportation policy, recognizing the value of coordinating all modes of transportation. The first word, "intermodal," "integrated," needs to bs underscored. The ability to develop integrated and inter-agency and intergovernmental partnerships, another keynote and foundation for the ISTEA legislation, bas been critical.

The fact thst it has enabled us to generete economic health and vitality at the local and State level cannot be missed, and tbe fact that transit, by and large, time and again, is asked to play a vital rols in schieving netional objectives should also not hs missed. Clean alr and accessihility for ths dissbled are two critical ones.

If we talk ebout ths role of puhlic transportstion and the Federal commitment to it, I'd like to address most directly the notion tbst there is no Federal rols, there is no Fedsral imperativs to support public transportation, and ssy to you that those who appear before you and sey that are simply wrong. We believe there are.

I would ask you te consider that rols slightly diffsrently, not in terms of what transit can do for you, but lst me esk this, sort of rhetorically: is economic vitality of American cities and locales and the metropolitan areas critical to ths national interest?

Is productivity of American industry critical to the nstional interest?

Is e sound infrastructure thst ws leave for future generstions critical to tbe netional interest?

Do we want a healthy environment? I hsve to belisve we do if we look at the Fedsral standards calling for clsan air. But is that in the netional interest?

And mohility for vast psrts of our citizsnry—the disabled, the elderly, the youth—is thet in ths national interest?

I'll submit to you that transit is a vital link to all thoss national interests. I'll give you a coupls of examples.

We'll go back to ths vitality and economic engins thet transit provides. You look here just locally and look to the Commonwealth of Virginia, wbere the creation of Mstro Rail, or the WMATA system, has genereted and spun off economic benefite hsyond its investment, in multiples heyond ite investment.

In the Commonwealth, alone, an edditional $2 billion in tax revenuss are directly ettributable to the operation and construction of thet system.

I can regals you with statistics of how many additional square feet of office spece—25 million to be exact—additional retail space, hotel space, additional jobs.

If you look closely et the local lsvel, you'll find, in this system, alone, about $1.2 billion in net revenues. This is incoms beyond ths cost thet the Commonwealth has contributed, clearly as a testament to the fact thet it has tremsndous economic generation capebility.

So I think that when ws look at whethsr or not a particular piece of legislation supporting transit has hesn effective, ws need to look at things liks transit cutting cost for construction thet would hevs had to have besn invssted in our highwey system, cut over $220 billion in the last 30 years in highways that didn't need to be built.

Key feetures of the legisletion: $2.2 billion has been transferred from highways to transit, another testament to ths fect that the flexibility built ln the lew was critical and necessary.

I would sey thst the ovsrall structure of the legisletion was vsry, very bsnsficial, and we would recommend thet you retain that structure in terms of discretionary programs versus formula programs, in terms of new starts, rall modernlzetion, and bus systems. They've worked remarkably well et the local level.

There has been a notion that tbe Nation needs to deal with Amtrak, and somehow lt becomes a iocal transit imperative to deal with Amtrak. I would call on you to consider further blending of the modes, not only public transportation and highways, but aviation, ports, and tbe Nation's inner-city rail operations, and using ISTEA as a vehicle to do thet.

I would also ask you to consider the impact that technoiogy will have, especially in the transportation industry and especiaily in tha transit industry. Technology will be the next forefront for us to galvanize opportunities, to make sure that we are able to dsliver products and services without having to come to Congress and asking for more cash to do thet.

And so I'd say that, finally, tbat if you want to enhance the impact and value of ISTEA as we redo it, we need to look for ways to expand our abillty to run public transit as a business, and by dolng that wa're referring not necessarily to expanding funding levels, but setting transit free to epproech the marketplace like any othsr business would—free of mandetes, free of costly reguiations, and free to engage public/private partnerehips in very innovative ways, not only financially, but operationally and structurally.

For these reasons, I would say that it's imperetive tbet we not only celebrate the victory of ISTEA in the pest, but make sure that we continue it long, long into the future.

Thank you.

Mr. PETRI. Thank you.

Mr. Daly?

Mr. DALY. Thank you, Mr. Chairman, ladies and gentlemsn of the House. My name is John Daly. I serve as the chairman of tha Standing Committee on Public Transportation of the American Associetion of Stete Higbway and Transportation Officials, otharwisa known as AASHTO, and also as commissioner of the New York Stete Department of Transportation.

On behalf of AASHTO, I want to thank you for ths opportunity you've givsn us this morning. I have a statement I've already submitted to you. I'll try to abbreviate it for the sake of time and make—try to live within my time restraints.

Let me emphasize that AASHTO strongly encourages the Fedsral Government to continua to carry out its iongstanding partnership with Stete and local governments in financing public transportation. With Federal funding for highway and public transportation ebout to expire, Congress must take steps to ensure that the Nation's vital transportation network will continue to provide for mobility, economic development, international competitivaness, and national defense.

Our large cities cannot function in a global economy without adequately-financed and sfficient public transportation systems. For example, we plan to invest over $12 billion in New York State over tbe next 5 years in lmproving the public transportation ecross the State, wbich is tha almost exact amount we are investing in our Stete higbways network over tha same period.

We also provide $1.3 billion annualiy in transit opereting assistance.

Each day, 2.2 million peopls enter ths Manbattan business district on 10,000 buses and over 5,000 repid transit and commuter trains, many from my good friend, Frank Wilson's, State of New Jersey. They're certainly welcome.

It would take 150 expressway lanes and 18 square miles of parking on a 22-square mile island to accommodate such volumes of traffic.

Also, it makes good business sense for the Federal Government to participate in providing good public transportation.

Because New York State—the exact figure is $18.3 billion of monies which it sends to the Federal Government, more than it receives back, and much of that comes from the financial district in downtown New York City, which would disappear, actually disappear without public transit. So it does make good economic sense for the Federal Government to continue its participation in the public transit affairs of this Nation.

These reports that you'll receive soon from AASHTO will provide four key recommendations:

The funding needs to maintain the Nation's highways and transit systems outstrips funds currently available. The $0.043 per gallon motor fuel tax should be deposited in the highway trust fund and spent to maintain the transportation systems, rather than diverted to other uses.

Secondly, State and local governments should be given more flexibility in determining how and where transportation resources are spent.

Third, many of the key concepts of ISTEA, such as State and local cooperation, intermodal planning, and public participation, should be retained.

Fourth, burdensome and unnecessary provisions should be eliminated.

In assessing the future needs for the various modes of transportation, AASHTO estimates that the Nation's transit systems will require an annual capital investment of $7.9 billion annually just to maintain existing conditions and service levels, and to complete service expansions already underway.

Improving the systems to optimum levels and meeting expected increase in passenger miles will require over $14 billion annually. By comparison, the average transit capital investment level over the past 3 years by all levels of government has been $5.4 billion.

As a result, transit systems cannot even maintain existing conditions, and much of the transit infrastructure continues to deteriorate.

As a transportation commissioner, I know that inadequate investment in transit will ultimately lead to increased investment requirements in highway facilities.

State and local governments have already shouldered much of the burden to finance transit over the past decade and have reached their limit.

Since 1980, in constant dollars, State and local investment in transit operations and capital has increased 270 percent to a level of $12.1 billion by 1994, while Federal investment has declined by 40 percent to a level of $3.3 billion. This has occurred as the balance in the mass transit account of the highway trust fund has increased to over $11 billion.

I note by the changing of the color in the light before me, Mr. Chairman, tbat my time is up. The rest of the testimony you will find in ths material we sent to the committee.

Thank you very much for the opportunity.

Mr. PETRI. Thank you. Thank you for your consideration. We bave quite a few panels today, and this will make it possible for us to probably givs evsryone a chance.

Mr. Rahall?

Mr. RAHALL. Thank you, Mr. Chairman.

I would just like to ask Mr. Wilson a few questions—the same ones that I asked Administrator Gordon Linton.

The first one: do you see any reason why capital and operating assistance should bs maintalned in the law? Second, should the formula for the distribution of rail modernization funds, be revieed? Ie it the position of APTA that it should be revieed?

Mr. WILSON. With respect to the capital and operating assistance, I think we need to consider that operating assistance means different things to different systems. In a large systsm, sucb as tbe ones that Mr. Daly or I are responsible for, they are vary, very small parts of the capital budgets. With some liberalization of how capital money can be used—not bastardization, but liberalization—ws can make a contribution by saying that we don't need—the larger systems really don't need, to run good businsss, continuing relianca on operating subsidise.

On the other hand, there are small systems that would not survive if it were not for the support that they receive from operating assistance. That is the position of APTA, and I believe AASHTO, and every other credible transportation official tbat we consult with.

Given tbe fact that the largest systems bave ways to generate additional revenues—and some of tbe things the administrator asked for I would ecbo etrong support for—the freedom to create our own casb, eo to speak, givee us lees reliance or causee ue to be able to be lees reliant on operating subsidies.

So I think that, in terms of Congreseional intent and balancing an operating budget, we should not be so prescriptive as to sey wa'll eliminate a whole category of support, but we ougbt to use the support in a little more customized fashion so that we gat the most return that we can on those investments.

So where it's necessary I tbink it should remain, and where there are options I think it can be reduced.

With reepect to the formula distribution of rail modernization, I think it's a testament to the value of ISTEA that rail systems bave sprung up in the last 4 yeare. They've been developed, they've been constructed, and, based on either rail miles or statione or ridee, some re-look at that formula is, in fact, probably necessary at this point, especially if the new authorization goee out any appreciable amount of time witb new eysteme coming on line. The sheer point of equity, I think we need to take a look at those.

So you have seven large historic rail propertiee that infrastructure is real critical, and you have these new syeteme being brought on llne. They need to be maintained from day one in fine working order and not ever fall to the level of dierepair or disinvestment that the older eyeteme had.

There needs to be a balance between the older systems and new, and for those reasons I think a careful look at the formula is probably in order.

Mr. RAHALL. In regard to operating assistance, perhaps then getting away from just a cap on operating assistance, just give the localities the money and say, "You spend it as you see fit"?

Mr. WILSON. Well, I think there needs to be some local accountability, as well. If you're going to have the privilege of having operating subsidy, I think there are certain performance levels. I think there is a certain amount of local effort that's necessary, as well. I don't think you should just take money from the Federal Government and say, "Well, that's it. Go forth in peace." I think you need to have a local commitment and I think there needs to be matching requirements, and I think you need to have sort of a business agenda and a business plan that says, "For this we will deliver these services."

I think it is wise for the Congress to ask for that local accountability in terms of the service that's operated and in terms of the local support, as well.

Mr. RAHALL. Mr. Daly, let me just get a full understanding from your testimony as to what type of reauthorization for transit AASHTO envisions in terms of the size of the program and in terms of whether the existing financing category should be maintained.

Mr. DALY. As far as the size of the program, we would not be that presumptuous. We said in the testimony that we would like the monies that—the penny in the gas tax returned to the usage for which it was taken originally, and, of course, that money then would be split between transit and highways.

We understand the situation that you'll have to go through in the next year. We feel very strongly that the infrastructure deserves singular attention, and that's what we're saying to you.

ISTEA has worked. ISTEA has worked for our highways. ISTEA has worked for transit. We think it should continue to be allowed to continue to work.

Hopefully, you'll be able to put more money into it, and we hope Congress can. But, again, we would not be that presumptuous, sir, as to say that you must—we, of course, don't have that right.

But the bottom line is, has ISTEA worked? Has ISTEA worked for transit? In our opinion it has worked for transit. Has ISTEA worked for the highways? Yes, ISTEA has worked for our highways and bridges, also. We would like to see it reauthorized pretty much in its existing form as far as transit.

Mr. RAHALL. So your bottom line is: stay the course.

Mr. DALY. I can only speak for transit. Pardon?

Mr. RAHALL. Your bottom line is stay the course?

Mr. DALY. Stay the course. Yes, sir, as far as transit. I speak here today—and I've got to be careful with this because I'm talking now with transit only. I do not have the authority to speak for AASHTO for the ISTEA reauthorization for bridges and highways. We have differences of opinions between our States between the States and AASHTO on that.

Mr. RAHALL. Thank you, gentlemen.

Thank you, Mr. Chairman.

Mr. PETRI. Mr. Horn?

Mr. HORN. Thank you, Mr. Chairman.

Mr. Daly, I'm interested in your comments on ISTEA, and I'm delighted you urge us to do what we all agree we should do, which ie get Preeidents to spend that money in the highway trust fund and quit trying to balance budgets with it. That's certainly been tbe aim of this committee in unanimously agreeing and getting the majority of the Houee to eay that we should get our transportation monies off-budget, if you will.

But let me try out a couple of things.

What are some of the concerns in ISTEA that you have? You've given strong support for it in thie area this morning, but are there some concerns in ISTEA?

Mr. DALY. In transit, sir, we would appreciate more flexibility.

Mr. HORN. Give me an example of where you don't have flexibility and where you want it.

Mr. DALY. I'm sorry, sir?

Mr. HORN. Give me an example from ISTEA where you feel you don't have flexibility and wbere you want it, to be very specific.

Mr. DALY. Well, we would like, very frankly, to move money into transit that—I don't know if I can give you a specific mention, or I ehould eay a specific item that perhaps would meet what you're—now you've got me.

Mr. HORN. Well, I'm just curioue. You seem to have a concern, but you don't really want to state it, and we're trying to reauthorize ISTEA. What should we be wary of and think a lot about, from your standpoint?

Mr. DALY. I'll defer to my colleague from New Jersey.

Mr. HORN. Okay. Mr. Wileon, what are your concerns on ISTEA?

Mr. WILSON. I just wanted to give you the example you're looking for in terms of flexibility, an example in terms of flexibility.

There is this raging debate over what to do with the AMTRAK reauthorization. We would submit that if you made it part of the ISTEA and freed the States and perhaps collection of States in a particular region—let's take the northeast corridor, which I'm familiar with. If you gave us the ability to blend dollars that came from the Federal level and perhaps match them and ask States to make the money available if, in fact, AMTRAK was an imperative priority for them. We can't do that today. We might be able to do that under a reauthorized ISTEA bill, saving and helping the Congrese solve the problem of the inter-city railroads, the national railroads.

If a State decides that inter-city rail travel is critical to them, then they've got to make a choice: whether we build another lane of road or a bridge or we fund the railroad.

Then the accountability in terms of performance, the accountability in terms of how we invest, becomee a local decision and we live within the confined pot of funding. It's just a matter of who's making the decision, who's got the flexibility to call for tbat.

But then we've got to go back in and say we need the flexibility to run that accessor railroad like a business, and so what the States migbt extract for spending what was formerly highway dollars for a railroad would be some buslness concessions or concessions on liability or concessions on overhead costs.

So you're moving—running the business closer to the level of—

Mr. HORN. Let me ask a question going to the trust fund of both Mr. Daly and Mr. Wilson, and that is: suppose it was arranged so that the State could keep half the trust funds that it generates within its State borders and have flexibility in using that? The other half would go, as it does in a sense now, as partly an equalizer between the States that simply don't have the people but sure have the miles and miles of interstate highway—the Wyoming's, the Montana's of the world.

What would you think about a formula where the State could spend the Federal trust funds on Federally-related projects, obviously, such as the interstate highway and transit, where appropriate, and you had that flexibility?

Mr. DALY. Well, you have right now, sir—under the existing ISTEA authorization, the States have a 90 percent minimum where they have to receive 90 percent of—at least 90 percent of the money they contribute to the trust fund, so you do have a protection in there for States of the type that you mentioned.

And again, sir, I have to speak now as commissioner for the State of New York Department of Transportation, not for AASHTO.

We believe that the funds from ISTEA should be based or should be distributed on the same basis the Federal Government has always used—need. Where is the money needed and what is it needed for?

To move away from that in one program, while in all other Federal programs you maintain that criterion of need, we think would not be wise. Nor, sir, would we in New York, for example, think that would be fair or equitable.

If you want to—for example, New York State, as I said during my testimony, contributes more than $18 billion, more than it receives back from the Federal Government, much of that generated down in that area supplied—I should say where public transit is so necessary. Therefore, in that particular case, we're a donor State.

Now, if Congress feels that the monies for ISTEA should be returned to the States based on the number amounts of dollars that go into—that State sends to the Federal trust fund, why then shouldn't it be done across the board? If you do it here, then do it across the board.

But we don't even ask for that. We say that need should, again, be the basis for the distribution of funds in this program, as it is the basis for distribution of Federal funds in all programs. That is New York State's position. I want to make that clear. I'm not speaking for AASHTO, sir, when I say that.

Mr. HORN. Do you feel the needs analysis done is adequate, and should there be any changes in it?

Mr. DALY. As far as—again, sir, we're talking the ISTEA overall, not just transit.

Mr. HORN. I'm simply picking up on what you just said about you want it based on need.

Mr. DALY. Yes, sir.

Mr. HORN. All right. Do you think the needs analysis currently adopted is appropriate?

Mr. DALY. Ws believe that tha ISTEA formula, as it presently exists, is a good formula. We agree also that there should ba some changes to it. Howavar, the formula, in general, has been good for the entire country and should be pretty much maintained as is, witb, again, as I said before, possibly with soms minor changes to it.

Mr. HORN. How would you meet the needs of so-called "donor States" with vast populations and many transit needs?

Mr. DALY. Sir, we think that tha ISTEA program, as it presently is established, does that. Sir, if the pie is so big and you're going to chop it up in different sizes now, then I would raturn a quastion to you: how then can you meet the needs of those States that have tha problems of the oldar States, that the older States do, and particularly those states where you have high density of population, where public transportation and mass transit ars so important?

In New York State we have one-third of the ridership of the entire Nation inside the State of New York, so we do have problems that other less-densely-populatsd States have.

We think that the ISTEA formula—if there are some inequities, then certainly we think you should look at them.

For example, I said before that 90 percent—you have a cap. A 90 percant minimum has been established for returning to those States the monies that they put into the trust fund. Of those funds, 90 percent are returnad. That's e minimum.

I guess whet I'm saying, sir, is thet the needs of the States—egain, you will have to assess the needs of the different States, and that's what you will be doing in reauthorization. We, frankly, in New York State—again, let me sey that, sir—we feel that the formula, as established on the whole, is a good ona. There can be some changes in the CMAC program, if you went to get into that, and broaden that so more States cen participate in thet program.

There are others, too, that we could recommend to you, but I won't take your time up todey to do that.

Mr. HORN. We'd welcome e letter for the record.

Mr. DALY. Congressman, I would be happy to do thet for you.

Mr. HORN. Good.

Mr. PETRI. Thenk you.

Mr. Quinn?

Mr. QUINN. Thank you, Mr. Chairmen.

To both gentlemen, I want to welcome you here. I eppreciate the time that you've taken from your busy schedules.

In tha case of Commissionar Daly from New York, we've worked with him, our office and ths members on the committee.

I also, as a former local elected official, as many of the members on ths panel are, appreciate that whole flexibility question. Commissioner, you talkad about that this morning in your testimony. I had an advanced copy. I appreciate your submitting it for the record.

I think whether we're talking ebout Naw York or New Jersey or Idaho or Montana or any place across ths country, thosa of us who have served in local elected positions understand how that flexibility question becomes so important.

Mr. Wilson, you talked about the local match and the share, and that most States nowadays and municipals aren't asking for a handout, that thay'ra willing to help thamselves. That's true. That's tha direction in which we should ba hsaded, I believa.

Once the money is received, as scarce as funds are nowadays, I think the flexihility question is key. I think both of you are correct in raising it today bsfore the committee as wa hear testimony for reauthorization, and I, for ona, will be taking that messaga to the rest of our colleagues who aren't here today—that when wa reauthoriza and as wa considar re-funding these issuas, that we allow for that flexibility, whether it's individuai States or aven local, municipai situations.

For exampla, I represent Buffaio, Naw York, tha other and of tha State of New York, as I'm quick to point out when people ask me what part of New York I'm from. But certainly the city of New York has diffarent concerns and neads than othar places evan within Naw York State.

So I think tha commissioner ia axactly right that thare are opportunitiea for us to maintain what wa've had, but aiso soma opportunitiaa to maka some changea.

So, Mr. Chairman, my comments today are only to thank the panal for being with us. I appreciate their input.

Mr. PETRI. Thank you.

Mr. Bateman, any questions?

Mr. BATEMAN. No, Mr. Chairman.

Mr. PETRI. Any other questions?

[No responsa.]

Mr. PETRI. If not, gentleman, thank you very much for your testimony.

Mr. WILSON. Thank you.

Mr. PETRI. We appreciate your coming.

Mr. DALY. Thank you, Mr. Chairman.

Mr. PETRI. The third panel consiate of: Mr. Thomas J. McCrackan, Jr., Chairman of the Regionai Transportation Authority of Northeastern Illinois; Mr. Larry Zarian, chairman, Los Angeles County Metropolitan Transportation Authority; Marc Shaw, generai manager of the New York Metropolitan Transit Authority; and Mr. Louis J. Gamhaccini, genaral manager of tha Southaaatern Pennaylvania Transportation Authority.

Gentlemen, walcome. Without objection, we'll proceed in the ordar that is in tha program. Wa'll begin with Mr. McCracken.

TESTIMONY OF THOMAS J. MCCRACKEN, JR., CHAIRMAN, REGIONAL TRANSPORTATION AUTHORITY OF NORTHEASTERN ILLINOIS; LARRY ZARIAN, CHAIRMAN, LOS ANGELES COUNTY METROPOLITAN TRANSPORTATION AUTHORITY; MARC SHAW, GENERAL MANAGER, NEW YORK METROPOLITAN TRANSIT AUTHORITY; AND LOUIS J. GAMBACCINI, GENERAL MANAGER, SOUTHEASTERN PENNSYLVANIA TRANSPORTATION AUTHORITY

Mr. MCCRACKEN. Good morning members of the committee. Thank you for the opportunity for us to testify regarding the ISTEA reauthorization.

My name is Thomas McCracken. I'm the chairman of the Regionai Transportation Authority of Northeastarn Illinois.

The RTA is the oversight authority for our three service boards, the Chicago Transit Authority, Metro Commuter Lines, and Pace Suburban Bus Division. We cover the six-county Chicago region in Illinois, and each business day provide over two million rides, day in and day out.

As you prepare to rewrite the ISTEA, I'd liks to make a couple of observations about the interstate nature of transit.

I think too often the point is missed that, in fact, in many regions of this country, interstats needs are met by the transit systems. New York, for example, serves multiple States. We in the Chicago region serve Indiana and Wisconsin, as well as northeastern Illinois. Even here in Washington, WMATA serves Virginia, Maryland, and the District. There are other examples.

More importantly, though, than even that fact is the fact that transit serves a vital part in our overall interetate transportation system. I believe transit is a crucial component, a complement to the highway system throughout the country.

For example, in our region we have tbe Kennedy/Dan Ryan Expressway, which is considered a corridor. On that system, we move over 200,000 vehicles per day; however, we have two rail lines in the medians, we have two metro commuter rail lines that parallel the corridor, and between the transit of ths Metro and CTA, we serve over 200,000 riders per day.

If you put onto those roads more than twice their current use, you would grind to a halt the intsrstate commerce in our region.

In fact, according to FTA estimates, our region's infrastructure and ssrvice save some $1.1 billion in economic production annually by reducing congestion.

In addition, as Mr. Wilson testified and as a study authorized by the RTA demonstrated, transit is an excellent economic investment, an excellent economic development tool. In fact, we were able to quantify its valus not only to our region, but also to the entire State of Illinois, even though we serve only the six-county area in the northeast part of the State.

The transit needs are tremendous. We're an older system, as you know. Just in order to maintain a state of good repair, according to this study I referred to, we would need billions of dollars over the next 5, 10, or 20 years, and that's not going to go away. As a mattsr of fact, that need, over time, we, of course, would expect to grow.

Rehabilitated, the new transit, we are finding even in the Chicago region, is a major impetus to development along those corridors.

We just reopened an entirely rehabilitated 100-year-old line, which we expect to provide tho impetus for major development in what had been a run-down part of the city.

Downtown, of course, we have a high market share, 75 percent in our downtown business area, which is still our prime employment area.

Of course, wo have other challenges in common with the rest of the country, but the value of ISTEA, I submit, is the flexibility in responding to those needs locally.

We believe that the transit capital investment is money well spent, a very proper role for the Federal Government, given the fact of its interstate nature and the complimentary effect it has on interstate highways, and we believe that the equitable treatment of modes is a continuing need which ISTEA addresses, and we would ask be addressed in any reauthorization.

In fact, we would ask you to consider preservation of the program structure, including the transit program, itself; preservation of rail modernization; funding and Federal match requirements which are equitable and reflect this partnership.

I have also submitted written remarks which are with the committee.

Thank you.

Mr. PETRI. Thank you.

Mr. Zarian?

Mr. ZARIAN. Thank you. Mr. Chairman, distinguished members of the subcommittee, my name is Larry Zarian. On behalf of the Los Angeles County Metropolitan Transportation Authority, I'm here as the chairman of the MTA to show you our appreciation for the opportunity not only to appear before you, but to also talk to you about some of the testimony that we are going to give you today about the importance of the reauthorization.

We have submitted my text to you earlier. I will make a few comments to save time for us today, and I see you are running out of time, Mr. Chairman, so to give an opportunity.

I applaud you for undertaking these hearings and providing leadership in moving forward in legislation which will reauthorize ISTEA.

There are numerous witnesses that are here before you today that are going to talk about the same issue—the importance of ISTEA.

ISTEA partnership has created recognition that a transportation system and not a single individual mode of transportation is important. It will take a network of transportation system—one that's multi-modal and that will help this country, and one that does not rely exclusively on a single mode of transportation.

In the southern California area, the Northridge earthquake of 1994 and its devastating impact on our automobile-oriented freeway system was a sobering reminder as to how vital the basic integrated transportation system is to our everyday life.

As the transportation agency for Los Angeles County, the MTA has accepted the leadership challenge to plan and operate a comprehensive system that is safe, reliable, and cost-efficient.

Over 90 million residents call Los Angeles County home, based on demographic forecasts prepared by the Southern California Association of Governments, and the population of southern California will increase approximately from 29 to 35 percent in the next 20 years.

If we don't do anything, if we don't change our mode of transportation, if we don't do anything to our infrastructure, Mr. Chairman, without any improvements we find that by the year 2015, if the population growth is correct, that our streets and highways are going to be traveled—especially our freeways—at a clip of at 15 miles per hour instead of the present 35 miles, and our streets will be traveled at a clip of about 15 miles per hour, and that is not acceptable.

Ths goal of the MTA is to develop, over the next 20 years, an integrated metro system that includes rail transit, commuter rail, extensivs bus and para-transit services, car pool and bus pool lanes, and improved street, highway, freeway, and high-occupancy vehicle.

In addition, as the region's largest provider of public transportation, ths MTA will also coordinste for allocating Fedsral, State, and local funds to 16 of the area's municipal transit operators collectively. The MTA's municipal operators provide approximately 425 million passenger trips annually, and that's many trips—425 million passenger trips annually.

As an operator, ths MTA is ons of the largest public transit carrisrs in the United States. We provide over 250,000 miles of revenue service daily. We have over 340 million boardings annually on 185 routss, with ovsr 18,000 bus stops. We covsr a service area of 1,442 squars miles.

Additionally, we operate the expanded rail line network. In 1993 we opened the first 4.4 mile segment of ths metro red line. And then, of course, we continue to sdd more rail lines to our system.

As noted, the importance of ISTEA is quite important to southern California. For example, projects built in all State and local funds includs the 22-mile metro blue lins to Long Beach, which is carrying over 43,000 passengers daily.

In 1995, we opsned the metro green line, which runs mainly down ths center median, with a passenger carrying load of 14,000.

Ths MTA has identifisd our long-range transport plan, with continued Fsdsral partnership, which will mske $72 billion investment in transportation for Los Angeles County.

We want to maintain programs such as the daily opsration of 2,800 buses; 94-mile metro rail system complete and operating; 280 miles of new car pool lanes; ths Alameda Corridor project and other port access projects; numerous automated traffic surveyancc and control traffic system management; numerous highway, street, and road projects; and numerous transit center projects.

The economic impact of the transportation investment will enable the southern California region to remain compstitive in today's global economy. In ons day of metro rail construction, alone, the MTA invests approximatsly $3 million in the economy, mostly in the southern California region, with the rsmainder spent for goods and services from throughout the Nation. Of this investment, approximately $650,000 goes to DBEWE firms.

In 1995, ths MTA created over 15,000 jobs throughout the Mstro area construction, and over 100,000 jobs will bs created during the next 6 years.

In closing, Mr. Chairman, I look forward to lively debate as the reauthorization of ISTEA continues through the process. We will continue to strive for the continuation of important ISTEA programs such as retaining section thres new start rail modsrnization and bus funding categories, retain section nine capital operating grant formula program, maintain current 80/20 capital match requiremsnt for section three and nine programs, retain local decision-making with surface transportation program, retain decision-making with ths congestion and air quality, and work with Congress with our transportation peers to identify Federal policies which strive for innovative management techniques.

For example, the MTA Board has adopted a position to repeal an outdated transit provision known as "13-C."

I trust my comments have demonatrated the need and the importance to the members of this panel of this committee how important ISTEA is and how important it is that we reauthorize and we encourage you to reauthorize and we will work with you.

Thank you very much, Mr. Chairman.

Mr. PETRI. Thank you.

Mr. Shaw?

Mr. SHAW. Mr. Chairman, my name is Marc Shaw. I'm the executive director of the New York State metropolitan Transportation Authority. I'm very pleased to be here to share with you some of our thoughts as we begin to discuss next year's reauthorization of ISTEA.

Let me start by saying that we consider ISTEA to be landmark legislation tbat has thoughtfully focused our national transportation policy on moving people instead of simply moving vehicles. That philosophy clearly confirmed the Federal commitment to transit, acknowledging our industry's critical role in the national transportation system, and it clearly fulfilled the promise of turning over more decision-making about regional transportation authorities to the local level, while emphasizing multi-modal solutions.

These underlying principles should be preserved as we move forward.

Beyond these principles, however, are a number of basic elements of ISTEA's transit program that we believe also should be maintained, such as: the current categorical funding structure of ISTEA's transit title, the current funding structure and ratios between formula and discretionary programs and among the discretionary transit programs, the current 80/20 Federal/local match, the preservation and enhancement of the mass transit account of the highway trust fund, and the continuation of a general fund commitment to the transit program, in particular to address significant Federal mandates such as ADA.

How then should ISTEA be changed to make it even better? Let me offer some modest suggestions on some elements of the act that have an impact on transit.

ISTEA encouraged rational and cost-effective transit system expansions through the new starts funding category. The MTA's own 63rd Street connector project linking Queens and Manbattan, deemed by the FTA as one of the most cost-effective new start projects in the Nation, was funded from the new start category with matching monies from State and local sources.

When the connector opens for business in 2001, 15 more trains an hour will go into service between Queens and Manhattan, significantly expanding system capacity and relieving over-crowding for over 250,000 daily subway riders on the E&F trains, the most crowded subway line in the country.

We hope to build on this success, but to do so will require the continuation of new atart funding in the next reautborization.

Governor Pataki has recently outlined a bold plan for expanding and better integrating our regional rail system in New York. His master links plan calls for the Long Island railroad service to Grand Central terminal on the sast side of Manhattan. It will deal with both existing demand and forecasted growth.

To accomplish this goal, we will maximize the Federal investments already made in the 63rd Street project by taking the next logical step—connecting the existing lowsr level of the 63rd Street tunnel to Grand Central in the west, and the Long Island railroad tracks in Queens on the east. The lower level of the tunnel was designed and built with just such a project in mind.

The MTA continues to have significant need for rail mod funding. In our effort to reach a state of good repair, we've invested over $22 billion in our transit and commuter rail systems since 1982. We estimate that at least another $40 billion will be required over the next 20 years simply to bring our system into a state of good repair while we maintain the existing infrastructure.

The continued rail modernizstion category that specifically reflects the special needs of older transit systems is, therefore, critical.

The section nine formula program, the cornerstone of the Federal transit program, could be modified to enhance its efficiency and reduce administrative burdens in order to help us stretch scarce Federal dollars.

For example, since operating expenditures use outlay authority in the first year 5 to 10 times faster than do capital expenditures, we suggest encouraging transit operators to take all or a portion of their operating sssistance and capital dollars by providing a mechanism for systems to make a voluntary two-for-one trade-in that would be administered by each urban area.

Such an incentive program would actually reduce Federal outlays, encourage transit operations to become more self-sufficient, and provide an incentive for State and local governments to increase their financial support for transit operations, while not penalizing properties that rely on currsnt levels of operating assistance.

Other minor modifications to the program to make it more efficient are included in my written remarks.

No discussion of ISTEA funding would be complete without commenting on the benefits of flexible funding as provided for in the sct. Since 1991, the MTA has received $354 million in flexible funding—money that previously would have been earmarked by transportation mode rather than they transportation need. With that money, the MTA has funded improvements at over 75 stations, adding parking facilities, our commuter rail network, and strategically expanding our network.

I'll just finish my remarks by saying that as the Nation continues to face the challenges of the 21st century, we think the reauthorization of ISTEA and ths monies associsted with it is extremely important to our economic future in the New York area.

Mr. PETRI. Thank you for your statement.

Mr. Gambaccini?

Mr. GAMBACCINI. Thank you very much, Mr. Chairman, members of the committee. I am very pleased to have the opportunity to testify here.

SEPTA, the Southeastern Pennsylvania Transportation Authority, is either the fourth or fifth largest transit system in the country, depending on what measure is used. We enjoy across-the-board strong bipartisan support in our Congressional delegation, and that is because of the knowledge of our delegation that we are vital to the functioning of the Philadelphia region.

We have a trsdition of usage of public transit that is among the highest in the country. We have an extensive system. We have significant State financial support. Of the households of Philadelphis, 38 percent have no automobile, so they are totally dependent for all of their purposes—journey to work, as well as quality of life—on access to our public transit system.

The economic health of metropolitan areas across the country, and particularly Philadelphia, is totally dependent on a vibrant, healthy public trsnsit system. On the order of 50 percent of all the people who work in Center City Philadelphia get there by public transit, and while the city represents 35 percent of the population of the Ststе, we generate on the order of 40 percent of the tax revenues, and our system carries some 75 percent of all the transit riders in the State.

Various studies have shown the return on investment, particularly capital investment, in transit varies between $3 and $9 per $1 invested. We had a study that showed the $9 figure, and the Steering Committee included the president of our Federal Reserve bank, who said he thought the figures were actually under-stated.

Without transit, we would seriously deprive a good proportion of our public to even the basic minimal right of mobility. We would dramatically worsen the condition of congestion on highways, the ever-spiraling cost to provide that relief through increased capacity of highways.

The ISTEA bill struck some elegant themes. I don't quite agree with some of the preceding speakers that ISTEA has been overwhelmingly successful. I think the elegant themes, however, produce a landmark bill and some objectives that should be built upon. I think the promise was greater than the reality, and that is not to minimize the importance of the progress under ISTEA.

I think it continues to offer a great deal of promise, but one can't improve on such elegant themes as intermodalism, efficiency—both of which are in the name of the bill—environmental concerns, increasing local determination of priorities, flex funding, flexibility, the broadened base of participation in the process, a level playing field. And yet, as I say with some qualification, there are institutional barriers that have impeded the full implementation and all of the promise of the bill.

For one thing, in our case we have an MPO that dramatically under-represents the city as a participant in decision-making about priorities. Only one of 18 members of the Commission represents the city, which indeed represents some 40 percent of the regional population.

Our State still has a prohibition on the use of gasoline taxes for other than highway purpose. The Federal Government set a precedent some 13 years ago to permit more flexible use of gas taxes for mobility needs, including transit, and I submit that that's an area that needs some attention.

The machinery for decision-making continues to be overwhelmingly in the direction of highways.

Let me say my remarks should not be construed as negative toward highways. I, in fact, had the position that Frank Wilson now has as commissioner of transportation in New Jersey. I understand the extreme needs of highway funding, particularly for repair and rehabilitation. Nevertheless, the level playing field goal of ISTEA has not been realized. An example, this year highways will be given 95 percent of their authorization under the ISTEA bill, and transit only 58 percent.

In 1981, for each $1 transit got, highways was getting $2. Today, for each $1 transit gets, highways is getting $5. That is not to minimize the extreme need to repair bridges and highways, but it is to say that we must find a way to truly level the playing field.

Thirteen years ago the Federal Government divested itself of Conrail, and in the course of which, having sold it, realized $2 billion of return to the Federal Government. In the case of SEPTA, alone, more than $2 billion of needed rehabilitation work were offloaded to the region. We have not been able to complete that rehabilitation.

Members of your committee inspected our system recently, and I think were impressed with progress we've made, but also very impressed with how much further we have to go.

Finally, let me just say that I think it's important, as we think about a level playing field, to think about what the national goals should be to curb the run-away rate of growth of VMT single-occupant vehicle use, and the ever-increasing dependency on imported oil.

Again, we must strike a balance, and the best protection of the continued efficient use of highways is that there be some safety valve in the form of public transportation to serve those who cannot access the highway system and to deliver a number of other national goals.

Thank you, Mr. Chairman.

Mr. PETRI. Thank you. Thank you all for your abbreviated statements.

Mr. Rahall, questions?

Mr. RAHALL. Thank you, Mr. Chairman.

Gentlemen, you may have heard my earlier question both to Administrator Linton and the previous panel about whether they believe the rail modernization formulas need to be revised, taking into account newer systems. Do any of you wish to comment on that same question?

Mr. GAMBACCINI. I'll comment. I think much more important than the change in the formula is permitting a greater percentage of authorization to be spent.

I have supported, for most of the 35 years I have been in the transit business, making Federal funding accessible to new starts, but I think it's important that we remember that in the origins of the program, that the cities that were in such extreme deterioration should be permitted to complete the rehabilitation of the basic systems.

During the recent storm of the century, we were the only thing operating for several days, our rail routes—subway, light rail, and commuter rail. Thoes systems are still tragically in deteriorated sbape.

We've made progress to a limited extent, but we have conditions that have been characterized as among the worst in the world, including compared to eastern Europs. We've got to address that on an aggressive basis.

Mr. McCRACKEN. Ws have the same concern, sir. We also have an old system, as you know, and are very concerned about a change in the formula.

As a matter of fact, not that it's directly related to that issue, but just recently the CTA had to put off plans to rehabilitate anothsr line—was unable to put all the capital together. Not that that's directly a rail mod issue, but we consider it vitally important both in the city and the suburbs, where our commuter lines ars aleo old and in need of good solid work on their infrastructure.

Mr. ZARIAN. Our system is rather new. I can't comment, as my colleagues have done hare, and hopefully the formula will be such that will allow us to improve our system as we go on.

As I said, our system is rather new. We don't bave the problems that soms of these othsr eystems have.

Mr. SHAW. I would juet reiterate the comments mada earlier by my collsagues that the older systems do have epecial needs. Here in Nsw York wa spent $22 billion since 1982. Wa have anotber $40 billion to go just to meet the state of good repair. It's an enormous amount of money.

We're raieing most of it at the State and local level, but we think we need the Federal commitment to keep that going.

Mr. PETRI. Mr. Horn, any queetions?

Mr. HORN. Thank you, Mr. Chairman.

I've listened with great interest to this panel. You all have tremendous responsibilities for the urban regions in which you operate.

I wonder, Mr. Zarian, let me ask you this question since you're eurrounded by regional authorities at this table, tbe MTA—Metropolitan Transportation Authority of Los Angelss County—is juet that, a county, yet it's the center pin of eouthern California. Do you see, with the reauthorization of ISTEA, a different form of governance that will be more regional throughout San Bsrnadino, Rivereide, Vsntura, and Orange Counties that surround Los Angeles County? What do you eee is in store?

Mr. ZARIAN. Yes. I see the connectability, the importance of dependence on each other. I see that connecting our rall to the other counties in Los Angeles will give the commuters an opportunity to travel from one end of the county to the other, and the importance is such that I see the future is euch that we need to work together in order to bring all of us under thie one system.

Obviously, if we don't improve and we don't finish what we have in southern California, we're not going to be able to commute from one end of the county to the other. That's how important that is.

Mr. HORN. Do you do this now with eort of bilateral agreements, or how do you solve that inter-connection problem right now?

Mr. ZARIAN. Well, it ie done bilaterally.

Mr. HORN. As L.A.'s MTA performs a lot of functions within southern California, what will ISTEA reauthorized permit you to do that you haven't done?

Mr. ZARIAN. That is a very good question. The Metro rail gets plenty of attention. The MTA is involved in all surface transportation policy and funding decisions for Los Angeles County, from the call box programs to the Metro freeway patrol service to operating the bus and rail network.

The MTA, with ISTEA's help, can and has tremendous impact on the life of people that work and live in southern California.

Of course, we need to continue ISTEA and we need the reauthorization to continue these programs that are so vital to the health and the future of southern California.

Mr. HORN. Is there any part of the current ISTEA that you feel lacks the flexibility you need to provide transportation for a very large population of roughly 10 million citizens?

Mr. ZARIAN. We need greater flexibility, obviously. We need to make sure that when we get our funds from ISTEA that we're able to spend the monies where needed, rather than have our hands tied in the programs that are mandated by the Federal Government.

Mr. HORN. Well, specifically, what do you target as binding your flexibility from doing the job that we expect regional authorities to be doing?

Mr. ZARIAN. Well, because we have a lot of new rail starts, our funding is properly targeted. It is important to note that as we go on we need to have more flexibility.

Mr. HORN. Well, I haven't quite heard the problem of inflexibility. That's what I pressed the commissioner from New York about. Now I'm pressing you about it. What's inflexible in the current law that we ought to target to change things? I mean, is there something there that's bothering all of you or what? Or were we so smart and perceptive years ago that this is a law which has no problems, let's just extend the deadline?

Mr. ZARIAN. Congressman, I think the reauthorization will allow us to expand our rail system. I don't see too many flaws now. I would encourage that we continue what we have.

Mr. HORN. Well, I'm delighted to hear happy, satisfied clients and customers. Thank you.

Mr. PETRI. Mr. Sawyer?

Mr. SAWYER. Mr. Chairman, I don't have specific questions. I'd like to thank the panel for their testimony and would join with my colleague from southern California in urging them to, as specific changes that might be useful occur to them, that they forward them to the committee. It is an area of shared concern in many different settings across the country.

Thank you, Mr. Chairman.

Mr. MCCRACKEN. Mr. Chairman, yes, we look forward to that opportunity, and we'll keep our staffs in touch on the particulars.

Mr. PETRI. Great. Thank you. We thank you all for your testimony today.

Mr. PETRI. Now we'd like to welcome the fourth panel of the morning. We're very pleased that we are joined by: Mr. James LaSala, who is the international president of the Amalgamated

Transit Union; and Mr. Edward Wytkind, executive director of tbe Transportation Trades Department of the AFL-CIO.

Mr. LaSala, would you like to begin?

TESTIMONY OF CHRISTOPHER TULLY, ASSOCIATE COUNSEL, AMALGAMATED TRANSIT UNION; AND EDWARD WYTKIND, EXECUTIVE DIRECTOR, TRANSPORTATION TRADES DEPARTMENT, AFL-CIO

Mr. TULLY. Actually, my name is Christopher Tully. I'm associate counsel for ths ATU. I'm appearing on behalf of Mr. LaSala this morning.

Mr. PETRI. All right. Very good. Thsn Mr. Wytkind?

Mr. WYTKIND. How are you? Good to see you. Mr. Rahall, always nice to see you.

I've got a prepared testimony which I've already submitted. I've also brought with me a few policy resolutions that our organization has adopted in the last few months that deal with some specific ISTEA concerns, which are embodied in my statement. I would ask if I could submit those now. The committee hasn't received them yet until now.

Mr. PETRI. Yes. You certainly may. They will bs made a part of the record, and we appreciate your bringing them.

Mr. WYTKIND. Thank you.

I want to first commend the subcommittee for the series of hearings that you've been holding. I know ISTEA is very critical to this committee, and it csrtainly is very critical to the labor movement in the transportation industry.

We belisve ISTEA, despite some comments made, isn't perfect, maybe not perfect, but it is an extremsly successful landmark piece of legislation passed 5 years ago which ws believe, as Mr. Rahall said earlier, we should stay the course. It hss created good jobs, it has inspired tremendous economic development, it has promoted rational local decision-making, and it has enhanced a lot of transportation choice issues at the local level.

We hope that the Congress can build on those successes and retain the objectives tbat were embodied in ISTEA when a bipartisan Congrsss enacted this legislation several years ago.

The future of the Federal transit program, which is the core of this hearing and which lies at the core if ISTEA's success, is a major concern of transportation labor. This program's long-term viability will depend upon a continued commitment by Congress. Recent cuts imposed on mass transit, which contradict ISTEA's pledge to expand America's transit needs, are resulting in service reductions, fare hikes, deferred capital investments, and a number of lost jobs.

Simply put, I hops the subcommittee will not only help reverse it, but will fight to make sure that the downward spiral in transit investments are put to a stop, because it is crushing transit systems across the country.

The role of unions in the planning process is vital to us. Under current law, a wide range of interests, including unions, are permitted to receive, review, and comment on long-range plans developed by MPOs. Workers and their unions help to ensure that employee issues are not merely cast aside when core planning decisions are made. For this reason, a hands-on role of local union leaders should be reaffirmed and, in fact, strengthened in ISTEA, to the extent possible.

We look forward to working with you to accomplish that goal.

Another key policy concern involves Federal labor protections and standards. While ISTEA granted States and localities added flexibility in administering transportation programs, a policy which we supported, it did so without jeopardizing Federal labor standards and worker protections. Laws like section 13-C of the Federal Transit Act and the Davis Bacon Act have been instrumental in allowing workers to earn a living wage. If these protections are eliminated or weakened, as some unfortunately have called for in the name of reform, or if some try to waive their application in certain instanccs, as some also have called for that, workers' rights, jobs, and wages will suffer.

While the Clinton Administration and a bipartisan majority in the Congress have been very supportive of these worker safeguards, some in Congress continue to call for their repeal. If attempts are made by some to use ISTEA to advance this anti-worker agenda, this committee should rest assured that transportation labor will once again vigorously defend our members' rights.

Transportation safety is also of paramount concern to us. Since deregulation of the 1970s, workers employed in every transport sector have seen the erosion of safety standards. During this era of reduced Government oversight, the health and safety of workers and the general public has clearly suffered.

Last year, as part of the NHS legislation, Congress adopted a program that exempted up to two million trucks from some safety-related requirements. Without getting into debate about that provision, we are concerned about using ISTEA as a vehicle to again advance measures that would weaken safety standards.

There are a lot of safety concerns in this country, and we would hope that Congress would reject any further weakening of safety provisions as ISTEA is reauthorized.

On the issue of privatization, we also have some very strong views. The longstanding role of the private sector is very well-known. I want to emphasize that decisions relating to the level of private involvement and the delivery of mass transit is better suited to the local level.

In ISTEA, Congress recognized the wisdom of that policy and made it clear that Federal purse strings should not be used to coerce local authorities into privatization decisions that they may not want.

This subcommittee hopefully will reject such policies and any efforts to turn the clock back on initiatives that were adopted over the last couple of years that rescinded 1980s transit privatization rules, which place undue pressure on local transit grant recipients to pursue privatization at any and all cost. I think it distracted from the attention of providing vital transit, and it took away from the ability of local planners to make decisions that are best suited to their communities on the issue of private versus public.

We believe, again, ISTEA's been a major success. It has represented a historic shift in transportation policy. Thousands of communities and their workers have benefitted greatly, but we believe thare are many pitfalls, which I hope that this committee will work with us to avoid, some of which we've raised in our statement.

Ws look forward to working with you and Mr. Rahall and other members of the committee to bring an ISTEA legislative process to a conclusion next year that brings the Nation's surface transportation nssds to the forefront, but at the same time does not harm tha interests and rights of transportation workers or turn the clock back on decades of critical transportation investments.

Thanks.

Mr. PETRI. Thank you. We look forward to working with you, as well.

Mr. Tully?

Mr. TULLY. Good morning, Mr. Chairman and members of the committee.

I'd like to thank you, on behalf of our international President LaSala and tha ATU, genarally, for ths opportunity to appear here befora this hearing.

Back in 1991, when Congress enacted ISTEA, it took a revolutionary step in how it dealt with providing transportation and Federal support for transportation.

First of all, it created a dedicated funding sourca for transportation through the mass transit account, and, moreover, it put tha responsibility for deciding how that money was to be used by local governments into the hands of ths localities, themselvss.

That sort of local flexibility allows the people who are responsible for providing ths transportation services and the users of thoss transportation services to make the decisions that they need to in order to maximize the productivity of those services.

We look forward to working with this committee and with all of you in trying to make sure that that idea is not lost, that the gains that have been mada since 1991 are not turned back.

We also look forward to—in our testimony we have submitted resolutions passed by the ATU at its international convention, as well as some Transportation Trades Department resolutions, about our commitment to work with you to improve efforts to maximize funding undsr ISTEA, to maintain and improve safety standards, to retain local flexibility in transportation planning and decision-making.

The informed decision-making that is a central part of ISTEA requires a broad range of groups that are affected by it—not only the local governments, themselves, but the business communities, the labor organizations involved, organizations which bsnefit the elderly, the disabled, and environmental groups, and other community groups. All these groups have a say now in what happens with transportation planning because of the creation of metropolitan planning organizations under ISTEA.

We want to work with you again to strengthen the role of MPOs in rsauthorization, and to make sure that each of those groups, including labor, has a strong representational rola in daciding how these decisions are made.

As a central point, we have basically nine principles that we would like to see this committee apply as it deals with reauthorization over the nsxt 2 ysars.

First, as I mentioned earlier, the gains of ISTEA should be built upon, rather than broken down as some might have the committee do.

Second, the MPO concept should be strengthened, and, again, the representational role should be strengthened for affected groups, including labor organizations.

Third, ways should be found to increase funding for transit, as well as its companion modes of traneportation—rail, AMTRAK, and highways under ISTEA—through the use of innovative funding reeources.

One example might be recent efforts to roll back the gas tax of $0.043. While now that monsy is ussd for deficit rsduction, one way of seeking to make sure that financlal needs are met for transit and other transportation programs would be to apply that tax to transit rather tban deficit reduction.

Fourth, that existing labor protections, such as 13-C and Davis-Bacon, are retained througbout the reauthorizatlon process. There have been those who have sought to weaken thoss protections over the last several years, but these are protections that have made sure that the employees do not lose their righte to collectively bargain and to represent themselves when Federal money is used.

It's merely an empowerment thing for employees' collective bargaining rights that the Congress strongly supported ln the last seesion. We belleve that they should not be weakened through reauthorization.

Fifth, because localities should be held accountable for the Federal transit money that they receive, the concept of block granting transportation funds should be rejected by the committee. Ratber, there should be some element of Federal accountabllity for these funds, working with the local authorities and the MPOs that receivs them.

Sixth, operating assistance for transit should be increased. Recent cuts have endangered several systems, and the grsater funding that can be provided for theee eystems, ths more we can ensure that they eerve their constituencies.

Seventh, Federal efforts to mandate privatization ehould be rejected in favor of local and State decision-making.

Eighth, reauthorized ISTEA should continue to provide support for labor and management cooperation programs which have improved the sfficiency of the Nation'e transit syetems.

Ninth, full funding should be provided through ISTEA to meet Federal mandates such as drug and alcohol testing requirements and transit'e responsibilitiee regarding the Amsricans with Disabilities Act.

Finally, I'd like to eay in closing that we recognize the importance of thie legislation and the importance of seeing that it's reauthorized, and we look forward to working with you, Mr. Chalrman, and the other membere of the committee, to see that it's reauthorized in the beet interest of the Nation as a whole.

Thank you.

Mr. PETRI. Thank you.

Mr. Rahall, do you have any questions?

Mr. RAHALL. Thank you, Mr. Chairman.

Thank you, gentlemen, for your testimony.

Earlier you heard me ask previous witnesses about the section 13-C program, the transit labor protection division. There have been some reforms undertaken by the Administration, not that I have called or foresee any need for legislative action directing such, but I'd just like to ask both of you how this process is working down at the Administration, how you view the reforms that have been undertaken by the Labor Department in regard to 13-C.

Mr. TULLY. Well, with regard to whether they've accomplished what they were intended to, primarily the major objection to section 13-C is that it was holding up transit monies. Transit authorities ostensibly had to wait several months to years to receive transit funding.

The reforms that went into effect at the beginning of this year have now significantly accelerated that process. They have cut down the amount of time it takes for the Department of Labor to certify a transit grant, as consistent with section 13-C, to 60 days, and any outstanding disputes that may remain after that 60-day certification period will be resolved within another 60 days.

The reports that we have received from the Department of Labor, from our affected local unions and transit properties, has been excellent. Grants have gone through, transit authorities have received their money, and, most importantly, the collective bargaining rights of the members involved have been retained. That's the key to section 13-C.

Further reforms we don't believe are necessary at all at this time. Section 13-C is doing what it's supposed to do, and it's doing it fairly efficiently now.

Mr. WYTKIND. If I could supplement that, before the reforms were undertaken by the Labor Department, one thing that the record should show, and it's clear, is that about nine out of ten grants before the reforms went through we getting through in about 90 days. That's a fact.

So what we were debating about was a very small piece of the pie when 13-C debate occurred last year in the appropriations bill.

The reforms that have been instituted show that at least the preliminary empirical data shows that the grants are going through quickly, and what we're really debating about now is collective bargaining. It's no longer just about process. Process has been fixed. We gave at the office, and we're done giving. We don't believe any reforms are needed any more. The Labor Department has spoken pretty clearly about that issue.

Mr. RAHALL. Thank you. I think that pretty well sums it up.

Let me ask you, Ed, about a statement you made on the issue of private enterprise participation.

In my opening remarks I mentioned how, in 1964, the Federal Government basically bailed out many private sector transit providers. I mean, they came here, they lobbied for this relief, they got it, they wanted to be turned into public entities, they got it.

So today is there some degree of, I guess, irony that you see when we hear the opposite from some of these private sector entities when they come up here and testify?

Mr. WYTKIND. Yes. I would agree that there is great irony. I think a lot of industries in this country aren't very good at understanding history. You are right. In 1964 it was a bail-out. The private sector has always had a role in the transportation industry. We recognize that. But what happened during the 1960s is they took it the next step, which said that they were trying to place conditions from Washington on local authorities in terms of their decisions on public versus private.

What we're saying is the current rules are very neutral. They say private sector participation is acceptable if a local authority determines that it's in the best interest of their transit system, but to place conditions upon local authorities to just privatize because somebody has some ideologically-driven zeal to say that privatization cures all of our Nation's ills I think is bad policy, and it ignores the fact that there are a lot of horror stories out there.

You hear about privatization as a cure-all, but there are a lot of cases. I know that the ATU has documented—in independent research is shows a lot of bad cases in a number of cities where privatization didn't fulfill its promise at all.

Mr. TULLY. If I may supplement that, one of the key considerations, as well as the fact that when we refer to public transportation, the idea, at least as we have conceived it, is to serve the public generally, and one of the horror stories we've seen out of privatization is that there is a tendency for private operators to cherry pick routes—which routes will be the most profitable, which will give them the least amount of difficulty.

As a result, you leave people sort of out on the vine without any hope of receiving transit service unless someone can provide it.

The public entities that provide it now, they don't provide it as a profit-making business. This, for them, is a means of trying to provide transportation for people who don't have an alternative means of it, and therefore the—and any sorts of decisions about privatization we believe should be made at the State and local level, because these are the people who have the best read on what the needs are of their communities and, quite frankly, what the risks are that people are going to get left behind.

We don't believe—the Federal Government has a role to play, but it is not this role. It is not the role of mandating; it's turning that role over to the States and localities.

Mr. RAHALL. Thank you.

Mr. PETRI. Mr. Horn?

Mr. HORN. No questions.

Mr. PETRI. All right. So your feeling on privatization would be that there should be no mandates? And would you agree there should be no barriers to that, either, at the Federal level, or should we have a fair playing field, but with a tilt in favor of public ownership?

Mr. TULLY. I'm sorry. I didn't hear the whole question. I'm—

Mr. PETRI. I just was asking, picking up on your last comment on privatization and arguing, I think, you felt that that was a decision that should be left to local operators—

Mr. TULLY. Yes. We believe—

Mr. PETRI.—or the communities that are being served, and I just wanted to say then, was it your position, so far as the Federal Government is concerned, that there should be no barriers to the decision at the local level to privatize, should they choose to do so, or should there be some reasonable tilt in favor of public ownership, in your view?

Mr. TULLY. Well, we believe that—our opposition is to mandates, Federal mandates to privatize such as existed during the Reagan-Bush Administration.

We believe that the Federal Government should leave the local governments and State governments to do as they will, to either provide it publicly or privatize it within certain restrictions—of course, things like section 13-C, Davis-Bacon, certain environmental restrictions, things like that. But the decision to privatize should be a more localized one. We don't believe it should be a Federal role.

Mr. PETRI. Thank you. Thank you both for coming. We look forward to working with you as this process goes—

Mr. WYTKIND. If I may, I want to just address the one question you asked, and that is, in a hearing on markup on a different issue, but it was a different mode of transportation, the chairman of the full committee said he pursued this airport privatization idea with great skepticism, I believe were the words he used.

I think that he brings that prudent view on that issue to the table, and it should also be applied in the transit industry. It is not going the solve the transit industry's financial problems. The transit industry's problems are not going to be solved by the private sector.

Do they have a role to play? Absolutely. But I think that needs to be noted. I think there are some in Congress who believe privatization at the local level is always going to solve all the problems that people have in the transportation industry, and it just hasn't proven to be that case.

Mr. PETRI. This is interesting. This movement is not restricted to the United States or even primarily, I guess, generated here. It's something that maybe came out of Thatcherite England, but is certainly now worldwide, and so we can learn by looking at—seeing what actually happens, I guess, in other societies as they get experience, recognizing that there is no sort of one-on-one translation. Each situation's a little different.

We're pretty pragmatic in this country, so we want to do what works as best we can, and we look forward to working with you to do that.

Mr. TULLY. Thank you.

Mr. WYTKIND. We appreciate having this opportunity.

Mr. PETRI. The next panel is the fifth one of the day, and it is made up of: Ms. Valerie Manning, the president and chief executive officer of the Phoenix Chamber of Commerce; Mr. Al Kerth, the executive secretary, St. Louis Civic Progress, Inc.; and Mr. Anton Nelessen of Anton Nelessen Associates.

We welcome you and look forward to your testimony.

Ms. Manning, would you like to—

Mr. KERTH. Actually, Mr. Chairman, if it's all right with you I will kick things off this morning.

Mr. PETRI. Sure. All right.

TESTIMONY OF VALERIE MANNING, PRESIDENT AND CEO, PHOENIX CHAMBER OF COMMERCE; AL KERTH, EXECUTIVE SECRETARY, ST. LOUIS CIVIC PROGRESS, INC.; AND ANTON NELESSEN, PRESIDENT, NELESSEN ASSOCIATES, PRINCETON, NJ

Mr. KERTH. My name is Al Kerth, and I am the executive secretary of Civic Progress, which is a group of 27 St. Louis-based companies, including Anheuser Busch, Emerson Electric, McDonnell-Douglas, Monsanto, Ralston Purina, TWA, and others.

Recently, Civic Progress endorsed the liveable communities campaign, which is a national coalition of business and civic leaders dedicated to sound community planning and effective transportetion policies.

Ws are now very pleased to be working with the new starts working group, represented here today, and we have a map that shows tha communitiss across the United States that are part of this new starts working group.

I am not a transportation executive. I am not engaged in the business of transportation, but as a representative of the St. Louis business community I feel very strongly that it makes great sense to reauthorize ISTEA because it's working and it's a tool to give people something thsy want.

In 1982, the chief executive officers of St. Louis-based companies that make up Civic Progress got behind the idea for St. Louis' light rail system. This was a bold move for these CEOs, because the popular wisdom of the day was that this is a system that wasn't going anywhsre, that nobody would ride it, it was a huge boondoggle.

It took 11 years to get the system open, but from day ons it blsw the skeptics away. The initial projections were that 13,000 people a day would ride ths St. Louis light rail system. In fact, it started off with 20,000 people a day riding the system, and over the last 3 years that number has grown to 40,000.

In 1994, we had to go back to the voters in St. Louis City and St. Louis County to ask for additional local funding for both the operation and expansion of our light rail system. That proposition won by a two-to-one majority in every ons of the 28 wards in the city of St. Louis, in every one of the 20 townships in St. Louis County, and in all three of our Congressional Districts.

The nsxt year we went to the voters in St. Claire County, Illinois, to ask them to approva a proposition to expand ths system 20 miles to the east. Again, it won by a two-to-one majority.

This August we will go to the votsrs in St. Charles County, Missouri, the third Missouri county to be faced with an election for the light rail system, and already the polls are showing again a two-to-one majority in favor of it.

I offer you this example as a measure of success of what light rail can do. In St. Louis, over the last 3 years, we have opened two new facilities downtown—one a 20,000-seat arena, home of the St. Louis Blues hockey team; the other a 65,000-seat indoor football stadium, home of the St. Louis Rams professional football team. We built both of these facilities without adding new parking structures or new parking facilities downtown.

Again, people though we were nuts, but light rail and bus bave proven to be the transportation mode of choice for at least a third of tbe people attending games in these facilities. It is working.

We are now in the St. Louis region engaged in a massive planning effort across all 12 counties that make up the St. Louis region to determine priorities for the 21st century. The number one question in each of our counties is: when do we get rail service here?

I also would note that over the last 2 years we've had delegations for more than 25 communities around the United States visit us in St. Louis to see what is happening with our light rail system and how they can repeat that in their communities.

That's what the campaign for liveable communities is all about. That's what the new starts working group is all about.

I would urge you to reauthorize ISTEA with an emphasis, as others have said, on more flexibility for local decision-making and a continued emphasis on new starts.

I thank you very much for your attention this morning.

Mr. PETRI. Thank you.

Now which would like to proceed? Professor, would you like to go next?

Mr. NELESSEN. Good morning. My name is Anton Nelessen. I'm an associate professor at the Rutgers Department of Urban Planning and Policy Development, and I'm president of A. Nelessen Associates, a consulting firm out of Princeton, New Jersey.

I'm here today to lend my voice in support of the section three transit new starts program in the reauthorization effort. That will be my conclusion today, and let me briefly explain to you how I came to that view.

My company conducts interactive, community-based planning as a consultant to municipal governments all across the country. Since 1984 I have conducted visual preference surveys in over 100 cities across the United States, including: Los Angeles; Davis; Portland, Oregon; Eugene; Seattle. We are currently working in Chattanooga and Reno, Nevada, and soon I will be working in Baltimore on the Reisterstown Metro Station.

What we have done is we've conducted surveys in cities of all sizes. The surveys were attended by and therefore reflect the personal views of about 350,000 people who have participated in this over the last 10 or 12 years. I speak today less for myself and more for those people who have participated in the survey.

First of all, let me tell you what a visual preference survey is, or VPS, and how it works.

It really is a visioning tool. It is one in which we ask people to look at a range of image types and tell us what they feel about those images, the characterization of those images. They look at existing environments and they looked at proposed environments, and we asked them to value those things from a plus 10 to minus 10 on two questions: one, do you like it? And, two, is it appropriate for your community?

We also then asked them a questionnaire: who are you, and what do you feel about these images?

It typically takes about two seconds to reach a conclusion. Analysis of the survey response has helped us define how Americans really feel and respond to a particular design and features of the community. Positive scores images suggest a type of enhancements that most Americans want.

What we find when people give positive scores is that gives them optimism, hope, safe, and gives them economic security. Negative images indicate what should be avoided. The negative images typically made people depressed, fearful, and angry.

As a planning tool, VPS involves all members of society to be personally and directly involved in deciding the future of their communities, as well as design of the particular projects, itself. We call the process "design by democracy."

One thing in the process I have found out is that many, many people agree. There are images that everyone in the survey will rate as positive, and images that everyone will rate as negative.

As a member of this panel, I would like to encourage this committee strongly support the new starts program.

How I came to be a rail transit supporter is wholly unintentional. My support grew out of the findings generated from all these VPSes.

Streets and transit are critical to movement of people and goods, and hence our economic well-being as a Nation. They are also our most important public spaces, instilling our primary sense of space and place.

Too often these facilities are designed for vehicles and not for people. As a result, modern streets and transit can be perceived by people as negative places.

Communities are robbed of their human and physical capital. This represents an enormous social cost in terms of lost potential, depression, hopelessness and fear, and anger. The negative qualities of these public spaces are part of the dangerous downward cycle of decay that must be halted, remedied, and reversed.

Through this VPS process, people are encouraged to take part in understanding the public spaces and signaling their local political leaders as to how they want their communities to develop and redevelop.

By involving people in this process and by believing and acting upon this vision, we also enhance the promises and spirit of democracy and help remove the negative stigma often attached to big government.

What we are finding is that small investments in enhancement of the physical environment will not only improve attitudes and usage of public transit, but I am convinced will also pay enormous dividends in terms of social and economic well-being in communities across America.

Let me also point out that these VPSes have not bsen front-loaded to elicit pro-transit or pro-rail response, but, interestingly, overwbelming response has been in favor of the type of human scale communities well-served by efficient transportation system. People want cars, but they also want them in forms of a balanced transportation system. They also want attractive walkways for pedestrians, safe neighborhoods, and a sense of community. In short, citizens want a sense of balance.

In most suburban areas, this balance certainly has been lost. Poorly-planned communities all over the United States become more and more automobile dependent, and simply require a single vehicle for every kind of major and minor usags.

The primary users are women, and they becoms family bus drivers, charged with child pick-up and drop-off, deliveries, shopping, and the like. In the case where the goods and service are not neatly situated near them, they must take the car. They simply have no other choice.

Yat, time and time again we have seen in these surveys that people need and want a sense of community and a sense of neighborhood. They want to return to the feeling, if not the actuality, of a small town America, but want to be connected to big city America, and tbat's how I have become such a large supporter of the urban rail projects, and because, when combined with the co-location of goods and services, rail transit goes a long way to help create a quality living environment for the largest number of people.

Briefly, my recommendation to this committee is that you fully support the expansion of rail transit projects in American cities, and that these projects be viewed in the context of a positive quality of life and the economic and environmental advantages that they generate; thet strong liveable communities aspect of transit be retained, and that public process be enhanced, not just because it's politically correct, but rather because the public knows what it wants. For the past 12 years they havs been showing me, and through you.

Most recently, "Engineering News Record" has come out with an articls which I have copies of for the committee, if they'd like, that begin to support this transit-orisnted development. It's becoming a mainetay across the country, and we're starting to find out that, pretty consistently, people are looking for and desire thase kind of small communities or these kind of neighborhoods that begin to respond directly to rail and rail provisions.

Thank you very much.

Mr. PETRI. Ms. Manning?

Me. MANNING. Thank you, Mr. Cbairman.

I'm Valerie Manning, and I'm president and CEO of the Phoenix Chamber of Commerce.

Bsfore I begin, I'd like to thank you for this opportunity to present testimony on behalf of the city of Phoenix, its business leadership, and the 1.2 million citizens of Phoenix and 2.5 million residents of the Phoenix metropolitan area.

I'm elso here as a representative of the new starts working group.

As some of you may know, the city of Phoenix and the surrounding metropolitan area continues to undergo phsnomenal growth. Between 1980 and 1990, tbe Phoenix population increased by 24.5 percent, tbs second-highast growth rete of the 20 largest cities in the United States, from approximetely 790,000 residente to 890,000.

It'e estimated that some 1,000 people are moving into metropolitan Phoenix per week. By the yaar 2015, the metro Phoenix populetion ie expected to reech 4 million people.

As you can imagine, such growth, while benefitting both business end government, alike, hes not been without ite consequences. This growth is placing a burden on our transportation infrestructure and challenging our communities to find innovative ways to address our transportation needs.

We know from our neighbors in California the metro areas there simply cannot build enough freeways to respond to this level of transportation demand. A balanced transportation system that includes mass transit as a major component is essential to successfully meet the transportation challenges that we face.

The Phoenix Chamber of Commarce, a business organization, has taken a keen interest in the Valley of the Sun's transportation issues. Over a year ago we set up a valley-wide transit task force to study how transit issues affect the business community and its working environment.

Our interest and position on transit issues is further strengthened by the findings of a recent report that tha Chambar asked Arizona State University to prepare, entitled, "Transit in the Valley: Where do wa go from here?"

Tha study found that the Phoenix metro area must do more than meraly build freeways. It must build support for a range of transportation solutions. There are many transportation needs in the valley—visitors, alderly, poor, physically-challenged, those that are just tired of the traffic congestion.

In ordar to meet the challanges that growth posss for the valley's system, transportation system, the metro Phoenix Chamber and other community chambers in the valley are working in partnership with local governments to find solutions.

Currently, the citizens of Phoenix and its neighboring communitias are examining options for expanding the public transit system. In Septembar the residents of our neighboring city of Tampe will vote on a half-cent sales tax to improve its bus system and axplora possibla rail line options. This one-half-cent sales tax will raise $20 million annually for the city of Tempa. These monies will be dedicated solely to mass transit system improvements.

Tha city of Phoenix also continues to aggressivsly support and look for ways to improve their transit system. Since 1985, Phoenix has steadily increased its general fund contribution to transit from $7.5 million annually to the current $24 million per yaar.

Phoenix citizens are also exploring ways to improve our transit system. They are now angaged in focus groups, and this fall will be involvad in community forums to discuss improvsments and options. It is anticipated that in the fall of 1997, with tha recommendations of Phoenix citizens, the business community, and community lsaders, ths citizens of Phoenix will bs asked and will approve an additional $40 million a year to expand our mass transit system.

If successful, this naw infusion of $60 million per yaar from the citias of Phoenix and Tamps will anabla our communities to double the size of our bus system and begin a fixed guideway implementation.

As you all know, the cost of such a system is staggering. This major commitment of funds has already stretched local budgets and will not ba enough to develop a system that will meet our travel needs and air quality standards. We could only do this with the support of the nsw starts program.

We are now engaged in discussions with officials of the FTA and have expressed a willingness to match Federal assistance dollar-for-dollar with local funds, a 50/50 partnership with the Federal Government versus the traditional 80/20 partnership.

We believe that this proposed commitment of local funds is consistent with your subcommittee's philosophy and objectives.

In light of the Federal budget deficit situation, we also recognize that we cannot rely on Federal operating assistance, alone, and are prepared to undertake the financial responsibility of paying for the operating and maintenance cost of this expanded system.

This is wby continuation of the new starts program is important. The funding need exists, especially in growing cities like Phoenix which are considering light rail and other alternative solutions to their transportation crisis.

From the chamber's polling of small businesses and in conversations with my counterparts in other sections of the country, especially growth cities, I can tell you that public transit is vital. It impacts business profitability, a community's economic development potential, and citizens' quality of life—all very important ingredients for success.

You may ask why the Federal Government should be interested in these problems faced by local agencies nationwide. It is because cities like Phoenix are part of the national economy. Goods and services flow in and out o Phoenix to all the other cities and regions of this country. As the Nation grows more and inter-connects more intensively, a better transportation system is an economic necessity.

As a representative of business and citizens of Phoenix, I feel that the continuation of the new starts program is vital to cities like Phoenix, not only because of the importance of mobility, but the quality of life of our communities.

Our businesses and citizens are engaged in a daily struggle to meet both State and Federal guidelines on travel reduction and air quality. Without improvement in the transit infrastructure, our economic vitality and competitive edge is weakened.

This spring the EPA downgraded the Phoenix area from moderate to serious for particulates, and has proposed a reclassification to serious for carbon monoxide, as well. We are at risk of redesignation for ozone pollution over the next year.

The State legislature is scheduled to go into special session any day now to develop additional air pollution controls, and the governor has appointed a few task forces to research and come up with recommendations on how to reduce air pollution.

We're involved in these efforts and support them. We want to be part of the solution. However, we understand that our ability to reduce air pollution is seriously limited by the capacity and status of our transit system. We are convinced that the new starts program is an integral component in not only providing for future transportation needs, but for a better quality of life, as well, and we urge you to continue it.

Thank you again.

Mr. PETRI. Thank you. Thank you all for your testimony.

I just had one or two questions. Professor, in your surveys, do you do any kind of checking either before or after; as to whether people who said that they were for expanding or creating mass transit opportunities use them, and in what percentages, or if they just sort of liked it to get other people off the road so that they could commute to work quicker, themselves?

Mr. NELESSEN. I think, sir, it's a little bit of both. I think it's a little bit of both. What we have found is that people see the community areas around transit as one of the great opportunities. They begin to understand how the road systems are loaded, and they begin to see the possibility.

Two examples. Let's say Wellston, which is an Afro-American, extraordinarily low income community out at St. Louis, with the new light rail system in, the people came forth to generate the plan, and the types of things they wanted were walkable, safe streets, relatively high density, open space and parks relatively close.

The same thing happens when we begin to move to any other of these cities that are transit-dependent or want to be transit-dependent, whether it's in Los Angeles or if it's in other places.

What we have found is that they are striving for this kind of community to be able to be connected to jobs, but also to have the community around that transit station, itself.

So it seems to me there are supporters of it both ways. One, they want to use the system, and, two, they see it as a way of relieving congestion in other places.

Mr. PETRI. All right. Thank you all for coming.

The next panel is made up of Mr. Robert N. Herman, who is the advocacy attorney for Paralyzed Veterans of America, and Mr Christopher Tiernan, senior government relations specialist of the National Easter Seals Society.

I'd like to welcome you both and give you a chance to get organized here. Have you decided who would like to head off? Mr. Herman?

TESTIMONY OF ROBERT N. HERMAN, ADVOCACY ATTORNEY, PARALYZED VETERANS OF AMERICA; AND CHRISTOPHER TIERNAN, SENIOR GOVERNMENT RELATIONS SPECIALIST, NATIONAL EASTER SEALS SOCIETY, ACCOMPANIED BY NANCY SMITH, PROJECT ACTION

Mr. HERMAN. Chairman Petri, Ranking Minority Member Rahall, and members of the House Subcommittee on Surface Transportation, my name is Robert Herman, and I'm advocacy attorney for the Paralyzed Veterans of America.

PVA is honored to be here today to present our views on the reauthorization of the Intermodal Surface Transportation Efficiency Act. PVA's members are all veterans of this Nation's armed forces with spinal cord injury or disease, the vast majority of whom use wheelchairs for mobility.

For our members and other people with disabilities, an accessible and efficient public transit system is critical to the ability to participate ln community, civic, and social activities.

PVA recognizes that all of the purposes of ISTEA must be achieved. One of the stated purposes is mobility for individuals with disabilities. As this subcommittee prepares to deal with this reauthorization, we urge you to keep in mind that people with disabilities want access to the same system as the general public.

People with disabilities worked for many years for access to mass transportation. Since passage of the Americans with Disabilities Act, we have greater access than ever before, but access absolutely reflects the quality of the system.

Strong public transit systems mean improved access. Weak systems have inferior access.

Public transportation must be efficient, economical, and convenient for all citizens, and accessibility must be an integral component. ISTEA is key to enabling transit agencies to provide that quality service.

PVA urges this subcommittee to continue on the course set by the 1991 enactment of ISTEA. The flexible funding provisions are critical to its successful implementation. For instance, funds from the surface transportation program may be used for public transit projects, as determined by the local planning process and with input from local users. This flexible use of funds from a variety of sources is essential to achieve the stated goal of improving the welfare and vitality of American society.

PVA also requests that you consider providing further flexibility within existing mass transportation funding programs. Transit operators should be afforded the flexibility to use capital project funding if necessary to meet transportation needs that traditionally have been funded through operating assistance funds—for instance, costs associated with the provision of para-transit services.

As public transit agencies fully implement the Americans with Disabilities Act, they have encountered a problem that had been anticipated during passage of the act. Human service agencies that provide non-emergency transportation to their clients—for instance, Medicaid trips—have turned to local transit providers to now transport many clients who may be eligible for ADA para-transit services.

The funds that previously had been used by the human service agency are rarely transmitted to the public transit provider. The funds have not followed the client, even though the demand for this type of para-transit service has increased.

PVA asks that in this reauthorization process Congress stipulates that agencies that receive funding from any Federal source for non-emergency transportation participate in the cooperative transportation planning process and the design and delivery of para-transit services.

In this manner, transportation services necessary to many people with disabilities can be provided in an efficient and fiscally-responsible manner.

We further urge this subcommittee to authorize the highest possible funding levels for formula and discretionary grant programs. While funding commitments among transportation modes must be balanced, mass transportation is of particular importance to people with disabilities. Sufficient funding is, of course, crucial to enable mass transportation systems to continue providing vital transportation service.

Funding decisions must take into account transit needs of people in urban, small urban, and rural areas and be authorized accordingly.

Federal legislation was necessary to establish the right of people with disabilities, particularly those who use wheelchairs, to use public transit. Do not make that right meaningless by failing to provide funding sufficient to enable transit systems to provide affordable, efficient, convenient, and accessible service to all citizens.

Balance must also be maintained in the Federal share contributed for transportation programs. The 80 percent share for mass transit capital projects and the 90 percent Federal share for capital investments for accessibility features must be preserved.

Finally, PVA requests that this subcommittee continues to support Project Action. Project Action, through the National Easter Seals Society, has become an invaluable resource to both transit operators and the disability community. It's ability to provide technical assistance, fund joint efforts to increase accessibility of public transit, and act as a resource to all involved in accessible transportation is unique.

Project Action's work is even more important as the date for full implementation of the ADA transportation provisions near us.

Mr. Chairman, the work you do on this reauthorization will have long-range effects on our members and other people with disabilities. Public transit systems must provide efficient service to all Americans and integrate people with disabilities into those systems. By reauthorizing a strong ISTEA, you assist those transit systems to achieve that goal and have the additional benefit of improving the mobility of people with disabilities.

PVA looks forward to continuing to work with you and your staff in this process.

Thank you.

Mr. PETRI. Thank you, Mr. Herman.

Mr. Tiernan?

Mr. TIERNAN. Thank you.

Mr. Chairman, I am Chris Tiernan, senior government relations specialist for the National Easter Seals Society. I am accompanied by Nancy Smith, who heads Project Action for our organization.

I will speak briefly about Easter Seals' efforts to promote accessible transportation for people with disabilities through Project Action.

The mission of the National Easter Seals Society is to promote equality, dignity, and independence for people with disabilities.

There are 25 million Americans with disabilities who depend on public transportation. For these citizens, access to transportation is the critical factor that determines whether they can pursue opportunities in employment, education, housing, and recreation.

In 1988, Easter Seals, Paralyzed Veterans of America, and the American Public Transit Association jointly asked Congress to fund an innovative program designed to enhance cooperation between transit providers and the disability community. That initiative became Project Action.

Since 1988, Project Action has sponsored research, funded demonstration projects, provided technical assistance to hundreds of transit providers, and developed the Nation's top transportation accessibility resource center.

When this subcommittee first authorized ISTEA, Project Action had been in existence for 3 years. In ISTEA, you underscored Project Action's special role, connected the project more directly to the ADA, and provided the impetus for Easter Seals to continue to administer the project.

Since ISTEA, Project Action has received the fully-authorized amount of $2 million from the Transportation Appropriations Subcommittee each year.

In recent years, thanks in large part to Project Action, transit providers nationwide have greatly increased transportation accessibility. Bus fleets in most small-to medium-sized communities are nearly 100 percent accessible. Rail station access has increased. People with disabilities are less isolated, more independent, and more economically self-sufficient, and the disability and transit communities have learned to work together.

Yet, many transit providers need ongoing assistance on accessibility issues in order to comply with ADA obligations. This is where Project Action can continue to play a vital role.

Project Action has completed 77 projects that enhance accessible transportation and has developed five videos and over 100 reports, each demonstrsting cost-effective methods to achieve ADA compliance.

The project also sponsored the first nationwide conference on transportation accessibility. The nearly 300 conference participants focused on the serious issues that have emerged in ADA implementation. State and local officials are concerned about the rising cost of para-transit services. Fixed-route ridership by people with disabilities is still low, while para-transit demand has escalated.

Para-transit eligibility determinations are complex and sensitive issues for transit providers.

Last year, Congress raised concerns about para-transit costs and Project Action responded. At the request of FTA Administrator Gordon Linton, Project Action convened two national para-transit forums. I have with me today the final report from those forums.

One of the key findings of the forums is that disability and transit groups must work together to encourage people with disabilities who are capable of using fixed route to transition to the less-expensive system from the more costly para-transit system.

In response, Project Action is now implementing a national consumer training project to encourage para-transit riders to transition onto the fixed route system.

Project Action will sponsor training in Harrisburg and Pittsburgh, Pennsylvania; Roanoke and Tidewater, Virginia; Santa Cruz and Thousand Palms, California; Jefferson City, Tennessee; West Chester County, New York; Lincoln, Nebraska; West Palm Beach; Boston; Savannah; Houston; Anne Arbor; Muncie; Akron; Cincinnati; and Portland.

Project Action will also sponsor two technical assistance conferences in the spring of 1997 in Pennsylvania and Colorado to help transit operators meet ADA requirements.

To help distribute Project Action materials, we have funded the University of Wisconsin in Milwaukee to set up a regional distribution center.

Today, Easter Seals' commitment to accessible transportation and to the work of Project Action remains as strong as ever.

We continue to believe that the project's cooperative approach remains more effective than the costly litigation and disruptive street protests that create the project's existence.

In the future, we will greatly expand our direct assistance to transit operators to help them implement the project's proven ADA compliance strategies.

Project Action is a credible, cost-effective, and creative program that has strong support in the disability and transit communities and at the FTA.

On behalf of the millions of people with disabilities who rely on public transportation and the transit operators who serve them, the National Easter Seals Society wants to thank this subcommittee for its past support of Project Action.

Easter Seals respectfully requests this subcommittee to provide a role for Project Action in a reauthorized ISTEA to ensure thet the project can continue to help transit providers implement cost-effective accessibility solutions.

Easter Seals is grateful for your support, and we look forward to being a resource to you as you address accessibility issues in the ISTEA reauthorization process.

Thank you.

Mr. PETRI. Thank you both for your testimony and obvious effort that went into preparing it.

What mode of public transportation would you say is the least accessible right now to the handicapped community?

Mr. TIERNAN. That would be the over-the-road coaches and tour and charter operators at this point. Most of the successes in ADA implementation have been in the small and mid-sized cities who are now approaching 100 percent accessibility.

As you know, when you passed the ADA you didn't require buses to be retrofitted; it was just as new buses came on line they would be accessible. Now, 6 years out, we're starting to see that the new purchases have been accessible and that many, many of the systems across the Nation are accessible for people with disabilities.

Mr. PETRI. And are the new—they said they are buying the rail passenger equipment accessible now?

Mr. TIERNAN. Yes. Rail—the one car per train rule has been successful at enabling people with disabilities to increase their ability to trevel by rail.

Mr. PETRI. Good. Well, we look forward to working with you and other representatives of the community. As you know, in this world of scarce resources and competition for them, there is a fair amount of tension between the mass transit operators and the disabled community as to allocating those resources and how fast they can go.

We want to keep the pressure on, but we don't want to have it so much that the whole thing breaks down. So we're looking forward to working with you, and hopefully we can continue to move forward in this important area.

Mr. HERMAN. Thank you, Mr. Cbairman.

Mr. TIERNAN. Thank you.

Mr. PETRI. The seventh panel is: Mr. David Raphael, executive director at Community Transportation Association of America, accompanied by Taunya Kopke, director of Community Transit Services, Fayettevills, Arkansas; and Robert Boylan, vice president, West Virginia Public Transit Association and general manager of the Central West Virginia Transit Authority in Clarksburg, West Virginia.

Mr Raphael, would you like to begin?

TESTIMONY OF DAVID RAPHAEL, EXECUTIVE DIRECTOR, COMMUNITY TRANSPORTATION ASSOCIATION OF AMERICA, ACCOMPANIED BY TAUNYA KOPKE, DIRECTOR OF COMMUNITY TRANSIT SERVICES, COMMUNITY RESOURCES GROUP INC., FAYETTEVILLE, AR; AND ROBERT BOYLAN, VICE PRESIDENT, WEST VIRGINIA PUBLIC TRANSIT ASSOCIATION, AND GENERAL MANAGER, CENTRAL WEST VIRGINIA TRANSIT AUTHORITY, CLARKSBURG, WV

Mr. RAPHAEL. Mr. Chairman, thank you.

My name is David Raphael. I'm the executive director of the Community Transportation Association, a nonprofit membership organization that represents both the people who operats local community transit agencies, as well as the peopls who depend on community transportation as their lifeline to jobs and basic services such as health care.

Our members include the managers of rural, small, urban, and specialized transit agencies throughout the country.

Joining me here today at these hearings is Taunya Kopke, the director of Community Transit Services for the Community Resources Group in Arkansas, and Bob Boylan, the vice president of the West Virginia Public Transit Association, who is also the general manager of the Central West Virginia Transit Authority.

Both organizations are members of CTAA, as well as are over 1,000 other smaller transit systems and State transit associations across the country.

I'll commsnt briefly on the status of community transportation nationally, while Ms. Kopke and Mr. Boylan will share with you some of their concerns and experiences from the perspective of local operators.

Since my testimony will be included in the record, I thought I would try to bring you some greetings from Wisconsin, Mr. Chairman. We had invited originally Mark Huddleston with Oshkosh Transit and Allen Mondel with Fon du Lac Area Transit to join us today, and both ran into the same problems, which are very indicative of smaller transit agencies, and this is they couldn't be spared. They didn't have the resources and the people to spare them.

Mr. Mondel has sent me a note, which he has asked me to share with you, and I would like to do that, with your permission.

"Congressman Petri, thank you for allowing CTAA to read a short transit message from the Fon du Lac Area Transit. I'm sorry that I couldn't come to Washington for the hearings you are holding on Federal transit legislation. It's very frustrating knowing that communication with Congress is essential, yet one is pinned down in an office because of staffing and funding shortages.

"Fon Du Lac area transit used to have three employees. We are now down to one and three-quarters. We operate from 5:00 a.m. to 10:00 p.m., and we've taken the position that we will shut down administration before we shut down service on the street.

"Fon Du Lac Area Transit is a section 18 funded public transit system for the not-so-large community of about 40,000. It operates six city route buses, some school services, specialized para-transit services for the elderly and disabled, and a complementary shared-ride taxi system for individuals who do not have access to fixed-route bus service.

"We'll carry about 400,000 customer trips in 1996. About 40 percent of these are work commuters, 15 percent shoppers, 10 percent medical trips, and the remainder for such trips as school, social, and personal purposes. Of the public transit riders, 67 percent are not licensed to drive in our community, and 83 percent have incomes under $20,000.

"In short, they are very poor people without cars. Thus, public transit is a lifeline to their lives. Public transit is a critical link between employees and jobs, merchants and customers, seniors and disabled and health, and freedom of access generally.

"In 1987, Federal assistance covered 42 percent of our budget. Today it is 26 percent and dropping fast. In addition to Federal funding reductions, the State of Wisconsin's support has also dropped. The impact of these reductions are hitting hard, with harsh service reductions and fare increases.

"We are at the end of our rope. The transit agency is assembling a financial contingency plan to rank order services, with the last choice to provide only disabled services before we go out of business."

"My conclusion, Mr. Chairman, is a short story. Recently I—" and I'm still reading from Allen Mondel's—"I recently served on the State of Wisconsin's Work Not Welfare Committee in which Fon Du Lac County was a test county. Two huge problems were encountered with our people in getting people off of welfare and into productive employment: affordable day care and transportation.

"Public transportation serves a critical link not only to work, but also to day care. Cut public transit any further and we are out of business, and just maybe, I say maybe, it's already too late.

"I'm asking not only to maintain critical transit operating and capital support, but to increase Federal public transit support. It's an economic public wellness issue."

I thank you, Mr. Chairman. I'd be delighted for you to hear from the rest of our panel.

Mr. PETRI. Thank you. And thank you for bringing that message from Fon Du Lac.

Which of you would like to proceed? Ms. Kopka?

Ms. KOPKE. Mr. Chairman, my name is Taunya Kopka. My organization, Community Resource Group, is a nonprofit which provides public works management and consulting services for small cities and rural areas throughout the south.

I have been responsible for community transportation services since 1986. The Ozark Regional Transit System has been providing rural transportation in four northwest Arkansas counties since 1975. It has provided urban transit service in the Fayetteville/ Springdale area since 1992. And, in addition, my organization just two weeks ago initiated public transit service for the city of Fort Smith, Arkansas, which is the second largest urban area in our State. So I'm testifying from the perspective of both a rural and a small urban transit operator.

Ozark operates 32 small buses and vans with over 50 employees in an area with a population of about a quarter of a million people, and we provide about 280,000 rides a year. I guess you might say we're not big.

Fort Smith public transit began service with six mini-buses and one rubber-tired trolley bus, and we expect that Fort Smith ridership might be about 60,000 passengers the first year.

Most of our passengers are people with disabilities, senior citizens, and service or factory workers. We're supported by both the section 18 and section 9 Federal transit programs.

Our organization operates mostly zone-assigned demand/response transit rather than fixed route service. That means that most of our passengers are picked up at home, but that other people who live in the same neighborhood are picked up at the same time. It isn't like a taxi service.

I have a couple of charts that I've included in my written testimony, and they show that the single largest purpose for riding our service is to get to work, and that the largest single reason for needing transportation is a disability.

I also have included in my testimony some pictures of some of the people with some little captions explaining why these people are using our transportation service. I hope you might have time to look at it.

Our big story is we don't have enough buses and we don't have enough money to operate them. The public cost of community transportation can save public funds elsewhere.

I wanted to say that the part of my job that I really hate is having to tell someone that we can't give them a ride, like the family with a daughter in need of dialysis from Bella Viste, because I know what the lack of transportation will very likely mean.

I hope that you will carefully consider the effect of community transportation priorities on people in small towns and rural areas.

Community-wide planning has moved into full swing in our area because we are struggling to cope with rising population. We are starting to have congested streets and new housing developments, and just general pressure on our public services and infrastructure.

Every planning process, whether it is the Rogers 2000 project sponsored by the Chamber of Commerce, or the 2020 plan completed by the Regional Planning Commission, has called for expanded community transportation. We hope the priorities in Washington will be the same.

Our experience is that Federal transit dollars seem targeted for the largest cities, regions which have already experienced growth and development, while we have employers who need workers and workers who need jobs but have no transportation. The formula for distribution of funds seems to us to favor historical transportation ridership data and old population numbers.

Efforts to hold other communities harmless have meant that our region is forced to do without ths financial advantage othere have had.

Economic success should, we think, be rewarded hy Federal transit priorities instead of penalized.

Also because so many of the large cities havs dedicated local tax sources, they are often content to use Federal transportation doliars for capital projects. Keep in mind I'm generalizing here ahout something that I—whsn I talk to large city transit operatore, they don't seem to bs as afraid of the shrinking operating caps ths way I am.

We fear that ths fact that capital projects mean smaller short-term outlays, combined with the fact that soms of the larger cities seem to be happy to make that kind of trade-off, is going to drive appropriations and might drive the reauthorization, as well.

Rural and small urban operators, on the othsr hand, don't usually have dedicated tax sources. In northwest Arkansas, whsre we operate, there are 32 local government units involved in funding my service. Being properly accountable to 32 local government units is a very time-consuming, difficult task. The amount of total local government funding is small. Right now it's growing, but lt's fairly small, and so our need for opsrating funds is at least as great as our need for capital funds—perhaps even greater, depending on ths funding levels.

I guess I would say that if FTA's going to limit our systems to a small percentage of overali appropriations, then why not let us decide how to use those. Even if outlays have bscome a critical consideration, our systems are shut out of most of the funding anyway, so how much of a difference can it maks how fast we spend it?

But being able to spend the money the way we need it would maks a big difference to us. It might even keep the doors open.

Mr. PETRI. Thank you.

Ms. KOPKE. Thank you for the opportunity.

Mr. PETRI. Mr. Boylan?

Mr. BOYLAN. Mr. Chairman, Mr. Rahall, my name is Robert Boylan. I'm the vice president of West Virginia Pubiic Transit Association, and also the general manager of the Central West Virginia Transit Authority section 18 operating property located in Clarksburg, West Virginia.

I'm pleased to join CTAA, Mr. Raphael, Ms. Kopks in sharing with you some of the concerns and experiences of not only the transit community whlch I represent, but also the hundreds of small urban and rural transit authorities across the United States.

Mr. Chairman, the transit community ie quite aware of ths competition for Federal funding in these times of deficit reduction. The battles of the past years have taken their toll on small urban and rural transit providers, and in many cases the communities and the translt infrastructures have suffered.

Many implementatlons of the past, such as the ADA, FTA's drug and alcohol testing, ICC lnsurance requirement, age of vehicle fleet and facilitles, and an increase in demand for services as a direct result of these Federal deficlt reduction policies and decisions have challenged many of our providers to make difficult dscisions between infrastructure needs and the level of services that we can provide.

Mr. Chairman, I congratulate you and your committee, on behalf of all small urban and rural public transit agenciea, for undsrtaking thess hearings and for your invitation to address this committee. We hope to provide evidence that the current ISTEA legislation is providing investment into public transportation, also is providing invaluable investment into local communitiea and quality of life throughout rural America.

While the current 1STEA legislation has provided a growth in rural transit network in America, it needs to be emphasized that section 5311 funding is the lifsblood of small urban and rural transit, not only in West Virginia but across rural Amsrica. Ths current year's Department of Transportation appropriation bill contains 16.3 percent reduction in section 18 funding. We feel that this trend cannot continus if there is to be quality rural public transportation in America.

1n Wsst Virginia there are nine section 5311 properties that serve 21 counties, only 40 percent of the counties in West Virginia, that depend on Federal operating funds to ksep the vehicles rolling.

It is important to keep in mind that the quality of transit service you are able to maintain strongly affects ths investment that you can return to your respective communities. Small urban and rural transit systems depend on Federal and State funding for this investment into these communities.

As stated in a report by CTAA in December of 1995 titled, "Transportation, Rural Revitalization," as small-town economiss shrink, there is a growing recognition that public transportation in rural communities is an economic stimulator and a crucial partner in rural economic development, and that rural transportation services provide the same—and I'd like to emphasize the word "same"—economic benefits as their urban counterparts do.

We anticipate the funding levels for public mass transit again will be evaluated with great detail to justify Federal budget expenditures.

In hopes that a more factual picture of integration of public mass transit has on the overall social needs of rural America, 1 would like to submit the you some transit facts of the Central West Virginia Transit Authority. It is our belief that these facts are not only typical of public mass transit in West Virginia, but across rural America.

Mr. Chairman, 83 percent of the transit riders in rural and small transit systems have no othsr alternate means of transportation.

Of these riders, 82 percent are using transportation services for work, social services, medical appointments, or school and training activities. Only 18 percent of rural transit users are using this system to go to the malls, shopping, or recreational activities.

Of our transit users, 47 percent frequent our service five times weekly, and another 35 percent frequent them at least three times per week.

Of our transit riders, 61 percent are in the age group of 25 to 60 yeare of age, and another 27 percent are over 67 yeare old.

Of the transit riders, 97 percent among the rural transit and small urban have a yearly income of less than $25,000 a year, of which 62 percent of these people make less than $10,000 per year.

It is evident that mobility is important for economic and personal growth, and that public mass transit in rural America prevents isolation.

Mr. Chairman, it is our belief that, from reviewing the facts above, thet the tough decisions and policies, when they are made on welfare to work and health care reform, that a strong infrastructure in small urban and rural transit programs can be crucial and a valuable asset to the success of these programs.

Mr. Chairman, as you can also see from the stated transit facts, section 18 funding programs are the means for economic and personal growth for many citizens in rural West Virginia, as well as rural America.

Mr. Chairman, the West Virginia Public Transit Association agrees with the proposed Community Transit Association program of blending the best of section 18 into the section 9 funding programs, but it also needs to be stated that for small urban properties to exist, that section 9 formula funding needs must be kept intact.

The ability to allow small urban systems the option of using their limited allocations for either operating or capital expenditures would allow local decision-makers the ability to maximize the resources in areas of greatest needs.

The planning programs required for the annual transportation improvemant program and the State transportation improvement programs are cumbersome for small urban transit programs.

Section 5307 apportionments should be autometically programmed for capital or operating at the MPO level. The section 5307 formula program should be handled as a block grant, as originally intended, without a requirement to specify the capital items to be purchased.

Mr. PETRI. Your 5 minutes has expired.

Mr. BOYLAN. I'm sorry.

Mr. PETRI. I appreciate—your full statement is in the record, and I appreciata your presenting it to us.

Mr. Rahall, do you have any questions?

Mr. RAHALL. Thank you, Mr. Chairman.

I thank the panel for their testimony.

Mr. Boylan, let me ask you a question if I might about your local financing. It seems to me that those who are questioning the continued Federal role in assisting mass transit in this country are only in that position if the local transit authorities are failing to attract local support for their operations. Would you comment on that and what type of local support do you have?

Mr. BOYLAN. Mr. Rahall, we feel that rural and small urban properties do the job thet they are selected to do, and that is very evident in the fact thet in Clarksburg, West Virginia, we have a renewable levy for mass transit only every 8 years. The taxpayers in Harrison County, as long as—have approved this levy at an overwhelming rata of 80 to 82 percent every year thet they are willing to tax themselves to provide necessary funds.

This is also avident tbat in Wast Virginia, in tbe areas of Huntington, Charleston, tbey havs also just passed overwbelmingly voter approval rates of about 80 percsnt to support mass transit.

Mr. RAHALL. That's pretty larga percentages of support. So ths public support is thsre in Clarksburg, and you mentioned Huntington, as well?

Mr. BOYLAN. Yss. Basically to all the major cities in West Virginia.

Mr. RAHALL. Right.

Just one final question: who is your campaign manager? I'd like to talk to him to get over 80 percent of the vote.

[Laughter.]

Mr. RAHALL. Mr. Raphael, in your statement you spoks of ths price of isolation, and I know full wsll what you're talking about. Tha Appalachian Regional Commission, as you know, was estabiisbed in part to de-isolate part of tha country. Ona of ths means that the ARC achieved—used to achieve this progress, of course, was through the road program.

Mr. RAPHAEL. Right.

Mr. RAHALL. Today you're seeking to furthsr address ths isolation of rural areas by proposing a mobility enhancement program.

Mr. RAPHAEL. Right.

Mr. RAHALL. Could you elaborate just a bit on that, please?

Mr. RAPHAEL. Thank you. Wa are trying to focus attention on tha prica and the cost and ths impact on communities and individuals on isolation.

Our senss is that in ISTEA, for exampla, a number of national intereste and national prioritias are reflected in tbe fact that tbe surface transportation program, clean air and congestion, for example, are highiighted through ths CMAC program.

Our sensa is that isolation and tha lack of mobility and the costs associated with it similarly should bs built into ISTEA as a national goal and national objectivs.

In addition to sort of pointing generally to a reduction in isolation as a goal, we ought to have a special funding program, which we think could be created within ISTEA, and direct the Congress' and national attention to this very serious problem that affects nearly a third of our sociaty, if you look at the combined numbers of older Amsricans and people with disabilities and low-income people who can't afford to operate tbeir own cars.

Mr. RAHALL. Finally, let me ask you about eliminating the statutory cap on operating assistance as part of your proposed by transportation assistance program. I understand you're for eliminating that cap?

Mr. RAPHAEL. Yes, sir. You'vs asked that all morning here, and I want to give you a direct "yes, sir" on that.

Mr. RAHALL. Okay.

Mr. RAPHAEL. In fact, this subcommittes adopted in amendmante to ISTEA 2 years ago in 1994 the elimination of tbe cap as it affected smallar urban systems—those under, I think, with your leaderehip, thosa undar 200,000—and it was very much appreciated. Unfortunately, the Senate did not adopt ISTEA amendments that yaar.

Mr. RAHALL. Yes, but my real question to you is: would there be any winners and losers under such an approach whereby the section 18 and the smaller urban section 9 programs are combined?

Mr. RAPHAEL. Currently the section 18 program is flexible. There is not a cap on section 18. The cap affects all of urban or section 9 systems.

Our sense—and the appropriations process last year seems to have borne that out—is that there is a recognition that the greater dependence that the smaller systems have on operating assistance to meet ADA requirements, to meet a whole variety of requirements, means that they need access to those funds.

Consequently, this year in the appropriations bill the cap was eliminated or modified for the smaller urbans and retained for the others.

There is not enough money spent in all of the rural and small urban systems to have an impact on—a serious impact on outlays. The operating assistance problem, the cap on operating assistance for the smaller areas, really is not a budgetary problem. They are simply lumped in there in an unthinking way on the assumption that all urban systems basically have the same—may have the same size program.

Mr. RAHALL. Thank you. Thank you, Mr. Chairman.

Mr. PETRI. Thank you. Thank you all for coming.

Our last but certainly not least panel is comprised of: Mr. William Volk, who is the managing director of Champaign-Urbana Mass Transit District, who is appearing on behalf of Illinois Public Transit Association; and Mr. I. Bernard Jacobson, general manager of the North Ferry Company, Shelter Heights, New York, on behalf of the Passenger Vessel Association.

Mr. Volk, your representative, our colleague, Tom Ewing, asks that I apologize for his not being here. Transit doesn't always work as well as we'd like, and he is, I guess, fogged in at O'Hare. He wanted very much to be here to introduce you.

I have a statement that he did prepare, which will be made a part of the record, talking about your innovative efficiency tier funding proposal and a little bit of background about your operation in Champaign-Urbana.

Mr. VOLK. Thank you.

[The prepared statement of Mr. Ewing follows:]

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15TH DISTRICT, ILLINOIS

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Remarks of
THE HONORABLE THOMAS W. EWING
Before the
Subcommittee on Surface Transportation
Tuesday, June 18, 1996

Mr. Chairman:

I am here today to welcome Mr. William Volk, Managing Director, of the Champaign-Urbana Mass Transit District, and to call the subcommittee's attention to his innovative "efficiency tier" mass transit funding formula proposal. Mr. Volk operates the largest and fastest-growing mass transit system in my district. Champaign-Urbana MTD is well received and supported by the Champaign-Urbana community, and it provides bus service for many students at the University of Illinois.

Mr. Volk's proposed transit formula adjustment would reward smaller transit systems in cities with population between 50,000 and 200,000 whose ridership exceeds the average passengers per mile and/or passengers per hour figures for mass transit systems in cities with population over 200,000. Champaign-Urbana MTD is one of the exceptionally successful mass transit systems that exceeds the average levels for larger transit systems in both categories. Thirty-two other transit systems including Springfield, Illinois, Annapolis, Maryland, and State College, Pennsylvania, exceed either or both performance standards.

Mr. Chairman, I will leave the detailed explanation of the proposed formula change to Mr. Volk, but I want to offer my assistance to you, and the other members of the subcommittee, to help work out an equitable formula change that will benefit transit systems like Champaign-Urbana MTD that have *earned* extra federal assistance based upon their widespread public acceptance and participation.

Again, thank you for your interest in Mr. Volk's testimony, Mr. Chairman.

Mr. PETRI. Again, welcome, and we look forward to your testimony and that of Mr. Jecobson. Would you care to proceed?

TESTIMONY OF WILLIAM L. VOLK, MANAGING DIRECTOR, CHAMPAIGN-URBANA MASS TRANSIT DISTRICT; BERNARD JACOBSON , GENERAL MANAGER, NORTH FERRY COMPANY, SHELTER HEIGHTS, NY, ON BEHALF OF PASSENGER VESSEL ASSOCIATION

Mr. VOLK. Good afternoon, Mr. Chairman, Mr. Rahall, and members of the subcommittee. Again, my name is William Voik, and I'm the maneging director of the Champaign-Urbana Mass Transit District in Illinois. The district is e system of 80 vehicies serving an urban aree of 111,000 people.

I hope to accomplish two things in my testimony todey. The first is to broedly comment and support reeuthorization of ISTEA; secondiy, I'll esk for your support to expiore e specific change in ISTEA thet wouid reward transit system efficiency.

Federal involvement in the maintenance of transit throughout the Netion has been critical to its survival. ISTEA wes a huge step in the right direction in terms of flexibility and intermodalism. These concepts should he maintained and strengthened in its successor.

Continued funding for transit is essential if the United States is ever going to echieve some senss of balance in its transportetion system. The over-reliance on the automobile in our cities is e netional probiem requiring a national solution.

Transit funding for fiscal year 1998 wes the same as it wes in fiscal year 1983. Clearly, the increese in the deficit did not occur as a result of excessive spending in the transit aree.

The Nation can afford transit, but it cannot afford the ever-increasing negative impect of our automobile-based culture. I urge you to continue and strengthen the concepta contained in ISTEA es you deliberete its reauthorization.

The specific area of interest thet I heve is in the formula distribution of funds in areas between 50,000 and 200,000 in populetion. The current bus formula funding distribution is bassd on the essumption thet transit intensity and needs increase with city size. Some consideration of intensity is given in the inclusion of vehicle miles in the formula for those cities over 200,000, but the formula for cities between 50,000 and 200,000 is solely besed on population and populetion density.

There are, however, a number of instances where transit intensity is greeter in urbanlzed areas under 200,000, thereby creating a large unmet capital need.

In the fiscal year 1993 section 15 reporting year, the last one that we heve statistics for, there were 19 systems in the urbanized areas between 50,000 and 200,000 whose passenger per mile and passenger per hour rates exceeded the average for those systems between 200,000 and 1 million. Another 14 systems in the smaller areas exceeded the average of the larger areas ln either one or the other performance measures.

In the specific case of Champaign-Urbane, if I can use thet as an example, our district's passenger per mile and passenger per hour rates exceeded the average of all bus systems between

200,000 and 1 million and the average of all bus systems ovsr 1 million, yet whsn it comes to funding, Champaign-Urbsna receives far less support than systems of similar vehicle size in larger areas.

I took six selected cities bstween 200,000 and 1 million operating fewer vehicls miles in fiscal year 1993 than Champaign-Urbana. They recsived an avsrags of $2.4 million in Federal formule assistance in fiscal yeer 1996, while Champaign-Urbana only received $1.1 million. This is similar to what occurs in the other 32 cities that are listed in my written stetement whose efficiency in transporting passengers is higher than those in larger areas.

I would respectfully ask that, as you continue to liberate reauthorizing ISTEA, that you consider the concepts of rewarding this type of efficiency with additional capital funding for those smaller systems whose performance and intensity exceed systems in much larger urbanized arees.

In closing, I would thank the chairman, Mr. Rahall, and members of the subcommittee for their continued interest in the program. I would be happy to answer any questions from the members of the subcommittee.

Mr. PETRI. Thank you very much.

Mr. Jacobson?

Mr. JACOBSON. Mr. Chalrman, my name is I. Bsrnard Jacobson. I'm general manager of the North Ferry Company, which servss Shelter Island and the north fork of the eastern end of Long Island, New York.

I'm pleased to bs here today representing not just my own company but also the Passenger Vessel Association, and particularly ite Ferry Council, which I Chair.

Founded in 1971, the Passenger Vessel Association is a national trade association representing ths owners, operators, and suppliers of U.S.-flagged passengsr vessels. Members of our 500-membsr association operate dinner and excursion boate, ovsrnight cruise vessels, private charter yachts, and gaming vessels, as well as the cer and passenger ferries, which I am perticularly pleased to bs speaking on behalf of today.

Mr. Chairman, I would requsst at this time thet my full statement be included in the hearing, and I will proceed to summarize it.

Mr. PETRI. Without objection, it will be.

Mr. JACOBSON. Mr. Chairman, the Nation needs ferries. Ferries are a critical component of public transportation in many American communities. Both publicly-owned and private fsrries provide vital intermodal services by carrying passengsrs, automobiles, busss, and trucks in locations where heavy infrastructure alternativss are insufficient or impractical.

Often ferries serve as the virtual lifeline for island communities. In other cases, peopls who live far from the nearest ferry may use them as part of their journey to work, resort, recreation, or natural arees such as barrier islands.

At a time when highway and rail systems are facing unprecedented demands, when growing populations and a growing desire and outright need for mobility are strengthening ths capacity of our existing transportation system, and when budget constraints cballenge both, ferries are positioned to become an evermore important and popular mode for the traveling public.

As such, ferries should be recognized as part of the national transportation network and be included in the national transportation system.

Mr. Cbairman, the Nation also needs private ferries. A study for the Federal Transit Administration identified 72 publicly-owned ferry companies serving 128 strategically-located routes, as well as 96 private companies serving 134 more routes.

In other words, while rsecognizing that tbe largest ferry systems are State-owned, half of all ferry services in the U.S. today are privately-owned. In order to expand private investments in ferry routes, transportation planners need to recognize and encourage these operations, aggressively incorporating private ferry service into regional transportation plans wbere such service is viable.

Private control of publicly-funded vessels and terminals through long-term leases or other mechanisms should be encouraged. As part of the ISTEA reauthorization, transportation planners sbould be encouraged by Congress to stretch constrained budgete by utilizing the resources of private operators, by entering joint ventures with private operators, or by contracting out routes and services that might otherwise be served by publicly-owned ferries.

Such a policy is consistent with the privatization efforts underway throughout the Government, affecting many services and programs.

Ferry operators are rsady and willing to step forward to play an increased role in the country's transportation infrastructure. An important step towards this end would be the adoption by Congress, as part of the legislation reauthorizing ISTEA, of a policy statement affirming the important role of ferries in the national transportation system of the future.

The statement should acknowledge that ferries are an integral part of our Nation's system of transportation. As such, public and private ferry services should have access to funding on an equitable basis witb other modes. When new services or capital expenditures are considered, water transportation alternatives, where available, should be aggressively considered.

Why ferries? Because ferries do not requirs the construction of costly infrastructure such as roads, guideways, bridges, or tunnels, thereby reducing environmental impacts, difficulties in site selection, capital investment size, and time needed for start-up.

Ferries are flexible because vessels in some loading facilities may be shifted to new locations due to changes in need, tbereby not committing investments to specific locations for long terms.

Ferries are reducing single occupancy vehicle travel and reducing traffic congestion, air pollution, and energy use. Some are relieving overcrowded rail and bus corridors.

Private funding for vessels in terminals, as well as for oporations, can reduce the need for public investment and management. Ferries serve rejuvenated waterfront development locations that land modes often serve inadequately. Ferries are avallable for emergency relocation and use in the event of disasters affecting other modes, such as bridge and tunnel closings, or during sbort-term disruptions.

In summary, Mr. Chairman, ferries are an important and unique component of today's transportation system. A broad basis for public financial support and recognition, as well as a national ferry policy, are needed so that economic, safety, and efficiency issues may be addressed in a coordinated manner by public and private organizations. These improvements will not only help facilitate ferry service, but will better integrate ferry operations with other modes of transportation and improve the overall mobility of people nationwide.

Thank you.

Mr. PETRI. Thank you.

Mr. Rahall?

Mr. RAHALL. No questions, Mr. Chairman.

Mr. PETRI. I appreciate your testimony. I happen to represent a District that is linked to Michigan by the "Badger," one of three ferries that was purchased by a private individual in Ludington. I think the railroads had operated a ferry service for a number of years. It appears to be quite successful.

Mr. JACOBSON. Yes. It's a member of our organization.

Mr. PETRI. In our region—and we're hoping he expands. I think there is some possibility. I know he has been considering it.

In our region we used to be served by, I guess in the summer, especially, wonderful passenger ship or ferry service that would go from Cleveland and Detroit and Chicago up to Travere City all through the summer, and out here I've learned, reading about the life and times of Louis Brandeis, there used to be a wonderful overnight service from Boston to Manhattan. You'd get on in downtown Boston, have dinner, and go to bed, and get up in the morning and do your business in New York, and then take the boat back the next day.

It seems that some things haven't gotten better in this world; they've become a little more hectic and less civilized, I guess.

Mr. JACOBSON. Yes.

Mr. PETRI. Do you sense a possibility for growth in the ferry business in recreating some of these sorts of services, or are planes and cars going to continue increasing their market share?

Mr. JACOBSON. Well, there is growth in the cruising sector or the excursion sector of our industry, which I would say the latter service that you mention falls within, but the real growth in ferries tends to be in the much shorter haul, and generally in urban areas. We see a big boom right now.

The service that I represent, which is very similar to the Washington Island service in your State, serving a remote community, that's been there for many years—Washington Island. So has the one on Shelter Island. But where we see major growth is in metropolitan areas. In New York there are all sorts of services that are coming in that are relieving the congestion in the highways and also in the rail systems, bringing commuters into the city, and that's a major growth area.

Mr. PETRI. There seems to be renewed interest. I think in London they are talking about using the Thames for much more mass transit because the rest of the city is kind of full, I guess.

Mr. JACOBSON. They have done that, though that's one area, when I was aware of it a number of years ago, where it required some extensive subsidy, operating subsidy to operate it. Most of the ferries that we find—where there is money needed, it's the start-up, but we tend to operate on our rates, which is a unique part of the transit industry.

Mr. PETRI. Yes. Well, we thank you both for your testimony, and we look forward to getting your continuing input as we move forward with reauthorization of ISTEA.

Thank you very much.

With that, this hearing is adjourned.

[Whereupon, at 1:00 p.m., the subcommittee was adjourned, to reconvene at the call of the Chair.]

STATEMENT OF ROBERT BOYLAN

GENERAL MANAGER

Central West Virginie Trensit Authority
Clarksburg, West Virginia

on behelf of the

Community Transportation Association of Americe (CTAA)

Before the

SURFACE TRANSPORTATION SUBCOMMITTEE

of the

COMMITTEE ON TRANSPORTATION AND INFRASTRUCTURE

U.S. HOUSE OF REPRESENTATIVES

June 18, 1996

Statement of Robert Boylan
Generel Manager
Cantral West Virginia Trsnsit Authority
Clarksburg, West Virginie

Before the

SURFACE TRANSPORTATION SUBCOMMITTEE
of the
COMMITTEE ON TRANSPORTATION AND INFRASTRUCTURE
U.S. NOUSE OF PEPRESENTATIVES

Mr. Chairman, members of the Committee, My name is Robert Boylan. I am Vice-President of the West Virginie Public Transit Association and the General Manager of The Central Nest Virginia Transit Authority, a Section 18 operating property located in Clarksburg, West Virginia.

I am pleased to join CTAA, Mr. Rapheal, and Ms. Kopke in sharing with you the concerns and experiences of not only the transit community that I represent in West Virginia, but also the hundreds of small urban and rural transit systems across this country, as we embark on these important hearings concerning the reauthorization of ISTEA.

Mr. Chsirman, the trensit community is quite aware of the competition for federel funding in these times of deficit reduction. The battlas of the past years have taken their toll on smell urben and rural transit providers, and in many ceses the communitias snd the transit infrastructure have suffered. Many implementations, such as the 1) Americen's with Disabilities Act: 2) FTA's Drug and Alcohol Testing Reguletions; 3) ICC Insurence Requirements; 4) en aging vehicle fleet snd facilities; 5) an increesed demand for services, es e direct result of the federal deficit reduction policies end decisions, heve challenged many providers to make difficult decisions between infrastructure needs and level of servicas.

Mr. Chairman, I congratulete you snd your Committee on behalf of all Small Urban end Rural Public Trensportetion Agencies for underteking these hearings and for your invitetion to address this committee. We hopa to provide evidence that the current ISTEA legislation in providing investment into Public Transportetion also ie providing invaluable investment into local communities and quality of life throughout rurel Americe.

Protection of Operating Funding for Section 18 Programs (Section 5311)

While the current ISTEA legisletion has provided a growth in the rural transit natwork in America, it needs to be emphssized that **Section 5311 Funding is the Lifeblood** of public trensit in West Virginie, as well as in sll rural America. Ths current years USDOT Appropriation 8ill contained a 16.3% rsduction in Section 18 funding. This trend cannot continue if there is to be quality rural public transportation in America. In West Virginia, there are nine 8ection 5311 properties that serve 21 Counties (40%) that depend on Federel operating funde to keep the vehicles rolling. It is important to keep in mind thet the quality of trensit service you are able to maintein strongly effects the investment that you return to your reepective communities. 8mall urban end rurel systems depend on Federel and State funding for this investment into their respective communities.

Rural Communities Rely on Public Transportation

As eteted in e report by CTAA (Community Transportation Associetion of America) in December 1995, titled Transportation and Rural Revitalization, "as small-town aconomies shrink, there is e growing recognition that public trensportation in rural communities is an economic stimuletor end a cruciel pertner in rurel economic development, and thet rural transportation services provide much **the same** economic benefits thst their urban counterpsrts do."

We anticipate that the funding levels for Public Mass Transit will again be evaluated with great deteil to justify federal budget expenditures. In hopes that e more fsctual picture of the integretion that Public Mass Trsnsit hss on the overall Social needs of rural America I would like to eubmit to you some transit facts of The Central West Virginia Transit Authority. It is our belisf that these fects are not only typical of Public Mass Transit in rural West Virginia but also rural Americe.

Mr. Chairman, 83% of rural transit riders have no alternate means of transportation. 82% of thasa riders are using trensportetion services for work, eociel ssrvices, medical appointments or school/training ectivities. Only 18% of rural trensit users are ueing the services for shopping or recreation. 47% of rurel transit users frequent our servicee 5 times per week snd another 35% frequent our service at least three times per week. 61% of rural traneit riders are in an age group of 25-60 yeare of age and another 27% is over 60 years of aga. 97% of the transit riders are in an income group of less than $25,000 per year, of which 62% is in an income group of less than $10,000 per year. It is evident that mobility is important for aconomic and pereonal growth end that Public Mass Transit in rural America prevante isolation.

Mr. Chairman, it is our belief from reviewing the facts above that when the tough decisions and policies are made on "Welfare to Work" and "Health Care Reform" that a strong infrastructure in small urban and rural transit can be a crucial and valuable asset to the success of these programs.

Mr. Chairman, as you can also see from the stated transit facts, Section 18 funding programs are the means for economic and personal growth for many citizens of rural America, however, as in West Virginia, much of rural America still has no existing service.

Flexibility of Section 9 (5307) Funds for Small Urban Systems under 200,000 in Population.

Mr. Chairman, The West Virginia Public Transit Association agrees with the proposed Community Transportation Assistance Program of blending the best of the Section 18 flexibility into the Section 9 funding programs. But it also needs to be stated that for Small Urban properties to exist that Section 9 formula funding needs to continue. The ability to allow small urban systems the option of using their limited allocations for either operating or capital expenditures would allow local decisions makers the ability to maximize their resources in areas of greatest needs.

The planning procedures required for the annual Transportation Improvement Program and the State Transportation Improvement Program are cumbersome for small urban operators. Section 5307 apportionments should be automatically programmed for "Capital or Operating" at the MPO level. The Section 5307 Formula Program should be handled as a Block Grant as was originally intended without a requirement to specify the capital items to be purchased.

Mr. Chairman, the current "cap" on operating assistance has an unfair impact on small urban public transit systems in West Virginia and throughout America because if fails to recognize the relative dependence of different sized transit agencies on federal assistance. By comparison, the smaller urban and rural transit systems are at least five to seven times more dependent on federal funding than the larger transit systems.

The removal of the current cap on smaller urbanized areas and the blending in of the flexibility of Section 18 formula funding would have minimal effect of federal funding outlays. It would also provide an efficient tool in managing the day to day needs of the small urban transit systems.

REPEAL OF SECTION 18(i) INTERCITY BUS TRANSPORTATION

Mr Chairman, since its inception only a portion of the funds earmarked for Section (18i) projects have been used by states. Under this program, each state was required to set aside 15% of available rural transit assistance funds exclusively for intercity bus activities, unless the governor certified that intercity bus needs of the state were being adequately met. The majority of these funds remain idle and unused even though rural transit needs in West Virginia and across America have grown significantly.

It is the belief of the West Virginia Public Transit Association that Section 18(i) should be repealed entirely or the program become discretionary rather than mandatory. This would allow for a Block Grant concept of funding for flexibility and efficient use of all Section 18 funds for the respective states to best address and best determine the use of these funds to meet the growing transit demands.

RELIEF IN ICC INSURANCE REGULATIONS

Due to the closure and consolidation of small community health care, educational and related service facilities, many small urban and rural properties now have to operate in environments in which the nearest regional health, medical or educational facilities are across state boundaries. This is true of several small urban and rural properties in West Virginia and is typical of small urban and rural properties across America. Due to the Interstate Commerce Commission requirement that $5 million in liability coverage be carried for vehicles that travel across state boundaries, many small urban and rural properties have seen insurance operating costs nearly double.

We again would like to take this opportunity to state that this requirement, born under the Bus Regulatory Act of 1982 (BRRA) is unnecessary and goes beyond the intent of BRRA, which exempts public agencies and units of local governments. It is clear that Congress intended the BRRA to apply to commercial bus transportation engaged in interstate commerce and that Congressional concern was primarily for the safety of commercial vehicles.

However, the minimum insurance requirements established by the ICC have extended to all public transit systems. As a result, many small urban and rural transit systems have been forced to cease travel across state boundaries due to the inability to gain the necessary additional coverage or inability to meet the excessive costs of such insurance. This requirement inhibits many citizens in small urban and rural communities quality transportation and access to needed services.

It ie ths desire of traneportation providers funded under Section 9, 16 or 18 of the Federal Transit Act to be exempt from thie requirement.

RELIEF FROM CHARTER REGULATIONS FOR SMALL URBAN AND RURAL SYSTEMS

Ae stated in previoue teetimony in 1994, policiee prohibit the use of FTA assietance to carry out sven incidental charter operatione. Unlike major transit eyetems, located in market areae that are served by numeroue private carriere, many emall urban and rural transit syetems operate in environments free of competition but are etill held captive to these regulations. A direct result ie that many church groups, school children and other civic and eocial organizatione are being denied eervice.

For example, the transit eyeteme in Charleeton, West Virginia and Huntingcon, Weet Virginia operate vintage trolley streetcars that if a private tour operator in Virginia eays that they are a "willing and able" provider cannot be chartered for local evente or by local citizens for wedding receptione, company outinge, etc.

Traneit syetems in Weet Virginie and acroee rural America do not went to compete with private enterprise. By granting emall urban and rural eyetems relief from this regulation, and allowing incidental charter servicee in a 50 to 75 mile eervice area, the eystems could better serve their reepectivs communities and generate additional revenuee without harming local private carriers.

CONCLUSION

Mr. Chairman, thie concludes my testimony. We appreciate your efforts and cooperation for continued maximum funding for Public Mase Traneit eo that we cen continue to provide **SAFE, QUALITY** traneportation alternativee for **ECONOMIC AND PERSONAL GROWTH.** We would welcome your support for the recommendatione that we have brought forth today, and I will be glad to try to answer any questione from members of the subcommittee.

American Association of State Highway and Transportation Officials

Wm. G. Burnett, P.E., President
Executive Director
Texas Department of Transportation

Francis B. Francois
Executive Director

STATEMENT BEFORE THE

HOUSE SUBCOMMITTEE ON SURFACE TRANSPORTATION

Relating to

ISTEA REAUTHORIZATION
MAINTAINING ADEQUATE INFRASTRUCTURE:

FEDERAL TRANSIT GRANT PROGRAMS

By

John B. Daly
Chairman, Standing Committee on Public Transportation
American Association of State
Highway and Transportation Officials

and

Commissioner
New York Department of Transportation

June 18, 1996

Founded in 1914, AASHTO represents the departments concerned with transportation in the fifty States, the District of Columbia and Puerto Rico. Its mission is a transportation system for the nation that balances mobility, economic prosperity, safety and the environment. AASHTO is the only national public sector association that represents all transportation modes - air, highways, public transportation, rail and water - and it works to foster the development, operation and maintenance of an integrated national transportation system. The active members of AASHTO are the duly constituted heads and other chief directing officials of the member transportation and highway agencies.

Mr. Chairman, my name is John B. Daly. I am the Chairman of the Standing Committee on Public Transportation for the American Association of State Highway and Transportation Officials (AASHTO), and Commissioner of the New York Department of Transportation.

On behalf of AASHTO, we are pleased to accept your invitation to testify on issues related to the federal transit grant programs in the context of the ISTEA reauthorization activities. The material that we are presenting is based on the "AASHTO Transportation Policy Book" dated June, 1996, a copy of which is being provided to the Subcommittee; and the AASHTO reauthorization documents.

To begin with, let me emphasize that AASHTO strongly encourages the federal government to continue to carry out its long-standing policy of a federal, state and local partnership with respect to public transportation financing. Continuing this policy requires federal program funding at current or expanded levels, and the ability to continue to utilize federal funding for operations.

With federal funding for highways and transit programs about to expire, Congress must take steps to ensure that the transportation system will continue to provide for personal mobility, economic development, international competitiveness, and national defense.

Our large cities cannot function in a global economy without adequately financed and efficient public transit systems. To remain competitive, all of the world's major centers of commerce and industry are investing in new and improved transit systems.

In assessing future needs for the various modes of transportation as part of its reauthorization activities, AASHTO estimates that the nation's transit's systems will require an annual capital investment of $7.9 billion to maintain existing conditions and service levels and to complete service expansion already underway. Improvements to the system to meet expected increases in passenger demand would require over $14 billion annually in capital funding. Currently, only $5.4 billion in capitol funding is invested by all levels of government. I will discuss more about AASHTO's estimates after I first provide some background regarding AASHTO's reauthorization activities over the past two years. Again, AASHTO urges increased funding for highways and transit, and that the funding be made more predictable.

In November, 1994 AASHTO organized its Reauthorization Steering Committee to look at a range of issues related to ISTEA and the reauthorization of the nation's surface transportation programs. The Steering Committee divided its work into the following major topic areas:

1. Support passage of the National Highway System;
2. Examine Federal/State/Local Relationships for transportation;
3. Examine and identify funding levels for transportation;
4. Identify and examine unfunded mandates and regulations;

5. Update the 1988 AASHTO report "The Bottom Line - A Summary of Surface Transportation Investment Requirements - 1988-2020";
6. Identify and examine planning issues that should be addressed;
7. Review and analyze environmental issues impacting transportation;
8. Examine international and national economic issues and their relationship to transportation;
9. Research and Technology issues involving the future of transportation;
10. Review the ISTEA and develop any proposed changes; and
11. Develop an AASHTO Outreach Program for Reauthorization.

AASHTO has completed work on the major component documents for its reauthorization efforts, which include the following documents. Again, all of the documents are AASHTO policy, having been approved by at least two-thirds of our 52 member departments. These documents include:

1. Transportation for a Competitive America
2. The Bottom Line, Transportation Investment Needs 1998-2002
3. Federalism and Reauthorization
4. Issues in Transportation Planning and Recommendations
5. Environmental Issues and Transportation
6. Innovation for Transportation
7. Alternative Financing Proposals

We have already provided your staff with copies of documents 3 through 7. Documents 1 and 2 are now being edited and printed, and will be available in a few weeks. At that time we will provide you with copies. We have attached an excerpt from the "Bottom Line" report for your information.

Throughout its reauthorization work, AASHTO has emphasized the importance of the transportation system in meeting a variety of the public's needs related to the economy, travel, and the many activities that make up the lives of most Americans. The transportation system, however, is starting to deteriorate. Transportation agencies nationwide are losing their ability to keep pace with the system's critical maintenance and reconstruction needs, and every year they fall further behind.

AASHTO's reauthorization reports provide four key recommendations:

1. The maintenance needs of the nations's highways and transit systems outstrip the funds currently available. The 4.3 cents per gallon in user taxes collected from motorists should be deposited in the Highway Trust Fund and be spent on our highway and transit systems, rather than being deposited in the General Fund.

2. State and local governments should be given more flexibility in determining how, when, and where transportation resources are spent, to maximize the benefit to mobility, safety, and the environment.

3. Many of the key concepts of ISTEA, such as state and local cooperation, intermodal planning, and public participation, should be retained.

4. Burdensome and unnecessary provisions imposed by ISTEA and earlier laws should be eliminated or reduced. The National Highway System Designation Act was a first, and major, step in this direction.

AASHTO's reauthorization reports recognize public transportation facilities and services as one of the major transportation systems of national significance. Each weekday, more than 6.8 million commuters use some form of transit, eliminating the need for more than 1,000 lanes of urban highways. Millions more Americans use transit to get to school, the doctor's office, social services, recreational facilities, and other facilities in the nation's urban, suburban, and rural areas.

Public transportation involves a wide range of services, including local buses, subways, commuter rail, on-demand services for elderly travelers and others with special needs, and commuter vans provided by over 500 urban transit systems and approximately 5,000 rural and specialized systems. Transit systems have made significant strides to meet many federal requirements, such as the Americans with Disabilities Act. Yet, federal aid for transit service has generally declined from the levels provided in the early 1980's. The U.S. DOT report titled "1995 Status of the Nation's Surface Transportation System: Condition and Performance" indicates that although investments have allowed transit systems to keep their vehicles running, they lack funds to replace vehicles and facilities at the end of their useful life. The average age of every category of bus and rail vehicle exceeds the industry optimum level, and a significant backlog of overage vehicles exists. Some metropolitan areas have invested in constructing new transit facilities, but the older, heavily utilized rail transit systems face growing needs for modernization. The rails themselves are usually in good condition, but aging elevated structures, outdated signal systems and power facilities, and passenger stations all need improvement.

Continuing investments must be made to maintain the safe operation of transit vehicles and facilities. Transit services need to be expanded to meet the federally legislated requirements of the Americans with Disabilities Act and to assist urban areas in meeting clean air goals. Ever-increasing traffic congestion, coupled with the inability to add highway lanes in many major metropolitan areas, leads to a demand for additional transit capacity.

In developing its "Bottom Line" report on transportation investment needs, AASHTO used as a source document the above cited U.S. Department of Transportation report "1995 Status of the Nation's Surface Transportation System: Condition and Performance." As stated above, this report indicates that significant investment is needed to maintain and improve the nation's transit system.

State and local governments have already borne much of the cost to maintain transit condition and performance, at a time when federal transit requirements have increased and balances in the Mass Transit Account of the Highway Trust Fund have grown. The states are now reaching their limit. As shown in the attached graph, overall transit expenditures in constant 1994 dollars have increased from 10.0 billion in 1980 to $15.4 billion in 1994.

However, this increase is entirely the result of a 270 percent increase in state and local transit funding to $12.1 billion, as federal transit expenditures over this period declined 40 percent in constant dollars, to a level of $3.3 billion. The most recent AASHTO "Survey of State Involvement in Public Transportation" indicates that state governments provided $4.9 billion to fund public transportation in FY 1994, compared to $4.5 billion provided by the federal government for that time period.

Unless the federal government increases its contribution for transit operating costs by 2002, transit fares in many places may have to double. If the nation fails to adequately invest in transit, service will deteriorate, leaving many people without access to jobs, health care, education, and social services. Larger metropolitan areas would experience increased traffic congestion, with negative impacts on local economies.

Not only is it important that adequate authorizations for public transportation be provided, but also that these authorizations be fully funded each year. One of the disappointments of ISTEA has been that it promised higher funding levels for both highway and transit programs, but these programs were not fully funded during each year of the ISTEA legislation.

AASHTO supports reauthorization of the Transit Cooperative Research Program (TCRP) because it has been a highly successful program to date. States should be represented on the TCRP Board, with state representatives selected by AASHTO. This program, established under ISTEA, has produced several significant reports of use to transit officials and other decision makers, and is an important component of ISTEA that should be retained in the reauthorization.

Another key research and technology transfer component of ISTEA is the Intelligent Transportation Systems (ITS) effort. AASHTO believes that the Congress and the Administration should continue to support the ITS effort because of its significant potential benefits to our nation's highway and public transportation systems. The ITS program is examining a whole range of programs of significance to the nation's public transportation systems, including better ways to provide traveler information, to collect fares in ways that will allow improved transit operations, and to provide vehicle locator systems. In addition, there are other highway-oriented ITS research and deployment systems that will improve the efficiency of operation of transit vehicles on the highway system.

With regard to ISTEA planning funds, AASHTO recommends the single administration of the FHWA "PL" and FTA "Section 8 and 26" transportation planning programs by combining the programs. Combining these two programs would save in administration costs and paperwork, and would allow greater flexibility in the use of the funds resulting in the best use and greater public benefit.

With regard to U.S. DOT field offices, AASHTO recommends that a state-by-state presence be maintained and that these field offices should provide a single point of contact for all transportation modes. It is important that state offices be retained; they are the key to a successful federal/state/local partnership. State offices should have more power to act on their own, independent of Headquarters. They should have multi-modal authority. To provide timely and valuable assistance to the states, these offices must be well-staffed.

AASHTO supports the language included in the recent NHS legislation that makes the management systems, including the public transportation system optional. AASHTO believes that the management systems should remain optional in the reauthorization.

AASHTO urges the deletion from the law of the following public transportation sanctions included in ISTEA:

1. Repeal 49 USC 18(i) that requires that 15 percent of a state's rural public transportation funding be set aside for intercity bus service. Many states have significant rural transit needs, and need the flexibility to decide how to best spend these limited rural transit funds.

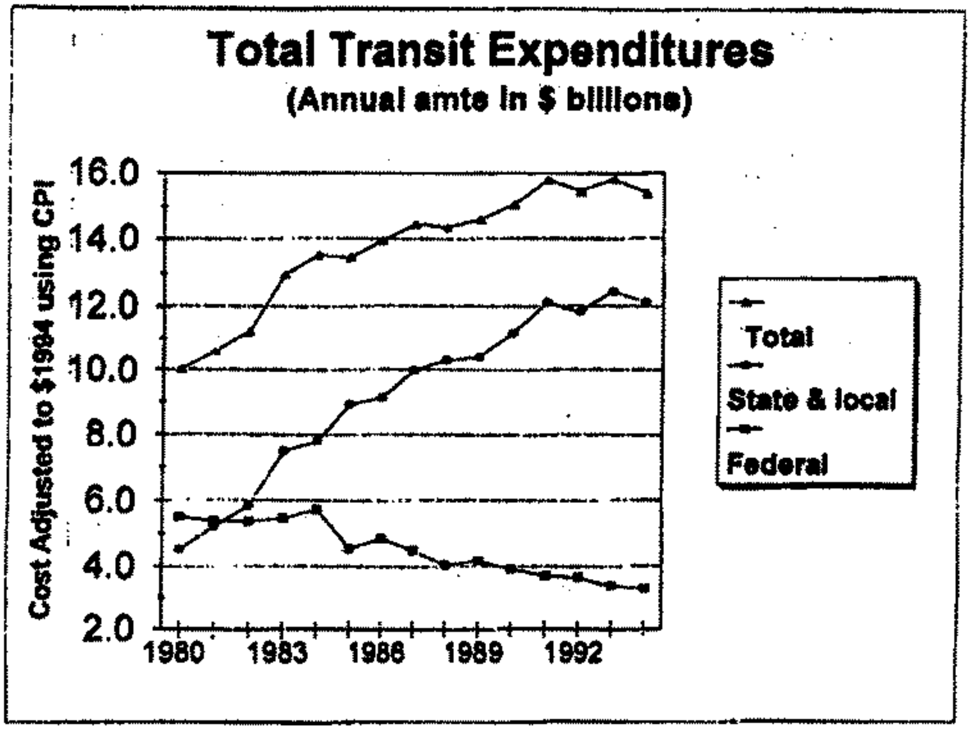
2. Repeal Section 9(k) (2) of the Federal Transit Act that limits the amount of funds available for operating assistance. Otherwise the flexibility provisions of ISTEA become severely limited.

3. Repeal Section 9(j)(1) of the Federal Transit Act which establishes a 1/2 of one percent threshold of the current fair market value of rolling stock for associated capital maintenance items which are eligible for 80 percent federal share funding.

4. Repeal the 23 CFR 450.318 requirement for Major Investment Studies (MIS), and use existing long-range planning activities and the NEPA processes to meet the intent of the MIS.

We look forward to working with the Committee to discuss these issues and stand ready to provide information which would be of assistance to the Committee as it moves forward in the legislative process. Executive Director Francis B. Francois and the AASHTO Staff are available to respond to any further requests from the Committee.

Mr. Chairman, this concludes our remarks. Thank you for the invitation to present our views, and we will be pleased to respond to questions now, or in writing later.


Total Transit Expenditures
(Annual amts in $ billions)
Cost Adjusted to $1994 using CPI
16.0
14.0
12.0
10.0
8.0
6.0
4.0
2.0
1980
1983
1986
1989
1992
Total
State & local
Federal

Excerpts From:

THE BOTTOM-LINE

Transportation Investment Needs - 1998-2002

As approved by the AASHTO Board of Directors
on April 22, 1996

The American Association of State Highway and Transportation Officials
444 North Capitol Street, Suite 249
Washington, D.C. 20001

PREFACE

The future of our national transportation system is at a critical juncture.

Use of our maturing transportation system has never been greater, and continued growth in demand is a certainty. Failing to accommodate that demand will threaten our ability to compete in the international marketplace and damage our nation, jeopardizing jobs, economic stability and quality of life.

Congress has entered a glide-path for achieving a balanced budget by the year 2002 and, as a result, has placed all federal-aid programs in intense competition for dwindling resources and has proposed progressing reductions in total federal transportation funding.

Against that backdrop of change and uncertainty, the Intermodal Surface Transportation Efficiency Act will expire in 1997 -- leaving Congress to address the who, what, when, where and even why of federal involvement in transportation.

Looking toward the development of the next federal surface transportation legislation, the AASHTO Board of Directors in November, 1994 began the development of its recommendations on future programs.

This report is a key component of that work, an assessment of the total investment needs for all modes of surface transportation in the public sector.

This report is intended to serve as a "bottom line" assessment of investment needed to meet the competitive demands of the next century. It estimates investment needs for all modes of transport in the public sector and represents the best available federal, state and local analyses. The report relies on the data presented in the 1995 report to Congress by the U.S. Department of Transportation titled *The Status of the Nation's Surface Transportation System: Condition and Performance.*

The first section of this report addresses the main surface transportation needs areas -- highways, bridges, and transit. A separate section discusses other surface modal sectors such as intercity rail passenger services, as well as non-surface modal sectors including waterborne and air travel needs.

The highway, bridge and transit estimates are AASHTO's estimates of national investment needs. The estimates for the other modal areas -- intercity rail, water and air -- are to establish a context for the national surfare investment needs, provide a sense of the scale and to develop a base of discussion for upcoming legislation.

These studies reflect public sector needs only. No estimates of private sector requirements are included. The central elements in public investment, of course, are the rights-of-way over which both private and public fleets operate. This includes highways of all kinds (excluding only private roadways), transit rights-of-way, waterway facilities and airways. Excluded are all rail rights-of-way of America's private railroads and the pipeline system and associated facilities of the private pipeline industry.

Key Findings

- Transportation infrastructure is the engine which powers our economy, employing 12 million persons, consuming one of every five dollars of total household spending, and accounts for 11 percent of the nation's economic activity. Improvements in transportation efficiency and productivity are essential to a competitive economy.

- America's transportation system leads the industrialized world, with nearly four million miles of highways and roads, 109,000 miles of rail, 3,600 airports, 508 urban transit systems, 3,700 commercial water ports, and 200,000 miles of pipelines.

- Transportatico investment works! Increased federal, state and local highway investments in the past decade have produced faster, safer, more efficient and more comfortable commercial and personal travel. Private and public investments by rail, trucking and logistics firms have reduced freight transport costs in a growing intermodal network. Though not cheap, the return on transportation investment is dramatic, paying off more than two to one in economic benefits.

- While past investment has stabilized highway deterioration, unless future investment levels are maintained and expanded, the highway system will soon return to the woeful conditions of the late 1970's and 80's. Congestion will worsen on "saturated" highways; many miles of highways will slide into "poor" pavement conditions; and the thousands of 50's and 60's built bridges approaching the end of their useful lives will go unrepaired or replaced.

- The passage of ISTEA promised a significant federal reinvestment in transit infrastructure, which has not been fully realized. State and local governments have born the cost of maintaining transit conditions and performance, at a time when federal mandates have increased and the balance of the Mass Transit Account has grown. Increased investment in public transportation is essential to provide the balanced transportation necessary for the nation's economy and mobility.

Highways

- Congestion damages air quality, increases travel times, and costs an estimated $43 billion annually in delays in the country's 50 largest urban areas.

- To maintain today's pavement qnality, 100,000 miles of highways must be renewed every year.

- While significant progress has been made in improving bridge conditions, over 13,000 bridges on the Interstate, 36,000 on other arterials, and over 45, 000 on the collector system are in deficient condition.

- The U.S. Department of Transportation, in its 1995 assessment, reports that while highway conditions have improved in the last decade, a bigger highway investment challenge is on the horizon.

- To address the nation's overall highway needs from 1998-2002, the following funding is needed (in 1993 dollars):

Maintain Current Physical Condition	$148.5 billion
Maintain Current Capacity Performance	$115.2 billion
Total to Maintain Current Conditions	$263.7 billion

Improve Current Physical Condition	$69.5 billion
Improve Current Capacity Performance	$24.3 billion
Total to Improve Current Conditions	$93.8 billion

Combined Total All Needs	$357.5 billion

- Resources are available to make the investment needed to maintain our current highway system, if we so choose.

Continue Present Levels of State/Local Funding	$115 billion
Continue ISTEA Levels of Federal Funding	<u>$95 billion</u>
Total program level possible:	$210 billion
Options:	
Increase Federal funding by using the full resources of the Highway Trust Fund	<u>$120 billion</u>
Total program level possible:	$235 billion
Increase Federal funding by transferring to the Highway Trust Fund the 4.3 cent federal fuel tax now being used for general purposes	<u>$155 billion</u>
Total program level possible:	$270 billion

- Only if state and local funding is continued, the balance of the Highway Trust Fund is fully used, and the 4.3 cent per gallon federal motor fuel tax now supporting general federal programs is placed in the Highway Trust Fund and fully deployed, will resources be sufficient to maintain current highway conditions.
- Any reduction from this basic funding level will result in deteriorating highway conditions and untold costs to the long-range future of the American economy.
- Highway user fees should be used for transportation purposes, not siphoned off for other general fund uses.

Transit

- Unlike highway investments, the increase in transit capital investment of the past decade has been provided entirely by state and local govemments. While vehicle conditions have been maintaiued, the backlog of overage vehicles and other infrastructure needs has grown, while the balance in the Mass Transit Account has accumulated.
- The U.S. Department of Transportation, and an independent analysis by AASHTO demonstrate the magnitude of today's transit needs:
    - In the past decade, 3,000 additional bus and rail vehicles have passed their useful life, but remain in service;
    - To maintain 1993 physical conditions, replacement of 13,800 buses and 505 rail cars is needed annually, at a cost of $2.7 billion. Another $2.0 billion is needed annually in infrastructure construction and repair.
    - To maintain current performance, $2.9 billion annual additional investment is needed for additional vehicles and for new or planned fixed guideway systems.
    - To eliminate the backlog of physical improvement needs, meed federal guidelines, and bring transit facilities in good repair, an additional $2 billion is needed annually.
    - To improve performance and serve under-served areas, an annual increased investment of $3.0 billion to $4.5 billion is needed.

- Assuming that the successor to ISTEA will be a five-year authorization for federal transit programs, the following are average investment requirements that would be necessary to address national transit infrastructura needs over the 1998 to 2002 period, in 1993 dollars:

Maintain Current Physical Condition	$25.2 billion
Maintain Current Performance	$14.4 billion
Total to Maintain Current Conditions	$39.5 billion

Improve Current Physical Condition	$10.5 billion
Improve Current Performance	$22.5 billion
Total to Improve Current Performance	$33.0 billion

Combined Total of All Needs	$72.5 billion

- Again, resources can be made available to begin to meet the nation's transit investment needs.

Continue Present Levels of State/Local Funding	$14.5 billion
Continue ISTEA Levels of Federal Funding	$12.5 billion
Total program level possible:	$27.0 billion

Options:

Increase Federal funding by using the full resources of the Highway Trust Fund	$24.5 billion
Total program level possible:	$39.0 billion
Increase Federal funding by transferring to the Highway Trust Fund the 4.3 cent federal fuel tax now being used for general purposes	$31.0 billion
Total program level possible:	$45.5 billion

- Continued state and local funding, full use of Mass Transit Account funds, and the use of 20 percent of the revenues of the 4.3 cent fuel tax will allow the nation's transit systems to maintain current condition and performance, and to address half of the $10.5 billion backlog of unmet physical needs.

- Continued federal support for transit is essential. Recent cuts in transit operating assistance (44 percent reduction in 1996, from $710 million to $400 million) have undermined the ability transit agencies to make needed capital improvements, shifting a financial burden to the state and local level.

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TESTIMONY

Louis J. Gambaccini
General Manager
Southeastern Pennsylvania Transportation Authority (SEPTA)
Before the Subcommittee on Surface Transportation
House Committee on Transportation and Infrastructure

June 18, 1996

Mr. Chairman, members of the subcommittee, thank you for the opportunity to appear here today in defense of a balanced, intermodal and truly national transportation system. I serve as general manager of one of the nation's largest and oldest mass transit properties.

In the City of Philadelphia and its surrounding suburban communities, the system I manage, SEPTA, receives broad bi-partisan political support. That is not to say that we don't have our problems or differences of opinion, but it is to say that people across the political spectrum agree that public transit is part of the fabric of our economic, social and cultural lives.

38% of the people who live in Philadelphia do not own an automobile. When they go to the doctor, go to school, go shopping or go to work, they take public transportation. Those who live in our suburban communities use transit every day to get to work. Philadelphia without public transit would be a city which literally would not work.

Public transit in Philadelphia, as elsewhere, is an essential part, but nonetheless only part, of our transportation network. I did not come here today to boost the interest of mass transit at the expense of highways or other modes of transportation. In the face of shrinking federal investments, it is natural for us to come here and express a prudent concern about the future of federal support. But, to the extent that that concern comes out sounding like we are playing beggar thy neighbor, perhaps it is ultimately self-defeating.

People and goods move in, out and around the Philadelphia region by all modes of transport. Many use our airport, but they have to get to the airport by auto or train. Many use our port, but trucks and trains need access to our port. You can be riding a SEPTA train in Philadelphia while observing those moving around Philadelphia on Interstate 95.

When one part of our system breaks down, it has vast implications for the other parts. We see this most starkly during times of crisis. Last winter was tough on everyone, but it was particularly tough on those who rely on our roadways. When our roadways could not work due to the weather, SEPTA's regional rail, subway and elevated trains kept right on trucking and, quite literally, kept our region at work.

In addition to the weather, on March 13, 1996, I-95 was closed due to a fire and, once again, public transit came to the rescue.

I've heard it said far more than once that there is no national interest in mass transit and, presumably, that there should be no national investment. I wonder if the people who say such things have thought about what it would be like to travel between Washington and Boston if there were no mass transit or intercity passenger rail service in Washington, Baltimore, Philadelphia, New Jersey, New York and Boston. I would submit to you that the trip would take a lot longer that it does today.

Safe, reliable and efficient mass transit service relieves vast amounts of pressure from our regional roadway system and makes an intermodal system work. To say that there is no national interest in mass transit is tantamount to saying that the federal government has no interest in the economies of our major cities and the people who live in them and around them and that there is no national concern for the efficient movement of goods into, out of and around major centers of employment, commerce and trade.

I've spent 40 years in the transportation business, most of it in points along the Northeast Corridor. I have managed policies and projects impacting highways, bridges, airports, ports, subways, buses and commuter trains. I know the network, and I know it is interconnected. It would be foolish for anyone to suggest that the federal government could or should withdraw its interest from the interstate highway system serving the Northeast Corridor. It is equally foolish to suggest that a federal abandonment of mass transit is possible or in any way reasonable.

At SEPTA, we are struggling to close a $75 million budget gap. We are looking at painful alternatives. All the painless alternatives have long since been exhausted. It appears at this juncture that this year we will not see a repeat of last year's $600 million cut in federal mass transit capital and operating assistance. Nonetheless, we are closely watching the federal funding arrow and we do not see it pointing up.

The reauthorization of ISTEA in 1997 is absolutely critical for mass transit. The fundamental principles of ISTEA were sound; in fact, they were a welcome departure from what preceded them. Not all of the promises of ISTEA have been kept, largely as a function of the failure to fully fund those promises. ISTEA has its imperfections, but the basic philosophy of allowing local decisions to be made locally while involving a far broader array of stakeholders than were involved prior to 1991 is sound and should be perfected but not fundamentally a'tered.

Critical to systems like SEPTA is the retention of a commitment to the older transit systems in our major urban areas. These systems, unlike those built since the creation of the Federal Transit Administration and its predecessors - in other words those built without benefit of federal assistance - continue to play catch up with the disinvestment which preceded their takeover by public authorities.

Recently, a couple of members of the staff of this subcommittee had a chance to see first hand the rehabilitation job we are doing on our rail system. They saw what we have accomplished with the assistance of the rail modernization program and also what we have yet to do. The retention of a predictable formula allocation of federal rail modernization funds is critical to SEPTA's ultimate success.

Mr. Chairman, what our nation needs is a balanced transportation network with efficient interconnections between all modes. Highways are surely a big part of that network and so is mass transit. Fully realizing the promises of ISTEA will enhance balance in the system. Retaining a reasonable ratio of federal highway to transit investment is essential. Fundamentally, delivering resources to localities and perfecting the process by which local needs are derived locally should be the mission of the next ISTEA bill.

Thank you for the opportunity to testify and I look forward to your questions.

MAKING A DIFFERENCE FOR 50 YEARS
PVA
PARALYZED VETERANS OF AMERICA
1996

STATEMENT OF

ROBERT N. HERMAN
ADVOCACY ATTORNEY

PARALYZEO VETERANS OF AMERICA

BEFORE THE

SUBCOMMITTEE ON
SURFACE TRANSPORTATION

OF THE HOUSE COMMITTEE ON
TRANSPORTATION ANO INFRASTRUCTURE

CONCERNING

REAUTHORIZATION OF THE

INTERMOOAL BURFACE TRANSPORTATION
ANO EFFICIENCY ACT

JUNE 18, 1996

Chairman Patri, Ranking Minority Member Rahall and Members of the House Subcommittee on Surface Trensportation, Paralyzed Veterans of America (PVA) is honored to be here today to present our views on the reauthorization of the Intermodal Surface Transportation and Efficiency Act (ISTEA). PVA's members are all veterans of this nation's armed forces with spinal cord injury or disease, the vast majority of whom use wheelchairs for mobility. For our members and other people with disabilities, an accessible and efficient public transit system is critical to the ability to participate in community, civic and social activities.

37-734

PVA recognizes that all of the purposes of ISTEA must be achieved. One of the stated purposes is mobility for individuals with disabilities. As this Subcommittee prepares to deal with this reauthorization, we urge you to keep in mind that people with disabilities want access to the same system as the general public. People with disabilities worked for many years for access to mass transportation. Since passage of the Americans with Disabilities, we have greater access than ever before. But access absolutely reflects the quality of the system. Strong public transit systems mean improved access; weak systems have inferior access. Public transportation must be efficient, economical and convenient for all citizens, and accessibility must be an integral component. ISTEA is key to enabling transit agencies to provide that quality service.

PVA urges this Subcommittee to continue on the course set by the 1991 enactment of ISTEA. The flexible funding provisions are critical to its successful implementation. For instance, funds from the Surface Transportation Program may be used for public transit projects, as determined by the local planning process and with input from local users. This flexible use of funds from a variety of sources is essential to achieve the stated goal of improving the welfare and vitality of American society.

PVA also requests that you consider providing further flexibility within existing mass transportation funding programs. Transit operators should be afforded the flexibility to use capital project funding if necessary to meet transportation needs that have traditionally been funded through operating assistance funds, for instance, costs associated with the provision of paratransit services.

As public transit agencies fully implement the Americans with Disabilities Act, they have encountered a problem that had been anticipated during passage of the Act. Human service agencies that provida non-emergency transportation to their clients, a.g., Medicaid trips, have turned to local trensit providere to now transport many clients who may be eligible for ADA paretransit services. The funds that previously had been used by tha human service agency are rarely transmitted to tha public transit provider. Tha funds have not followed the client aven though tha demand for this type of paratrensit service has increased. PVA asks that, in this reauthorization process, Congress stipulates that agencies that receive funding from any federal source for non-emergency transportation participata in the cooperative transportation planning process and the design and dalivery of paratransit services. In this mannar, transportation services necessary to meny people with disabilities can be provided in an efficient and fiscally responsible manner.

We further urge this subcommittee to authorize the highest possible funding levels for formula and discretionary grant programs. While funding commitments among transportation modes must be balanced, mass transportation is of particuler importance to people with disabilities. Sufficient funding la, of course, crucial to "anable mass transportation aystems to continue providing vital transportation service." Funding decisions must take into account the transit needs of people in urban, small urban, and rural araas, and be authorized accordingly. Fedarel legislation was necessary to establish tha right of people with disabilities, particularly those who use wheelchaira, to use public transit. Do not maka that right meaningless by failing to provida funding sufficient to enable transit systems to provida affordable, efficient, convenient and accessible service to all citizens.

Balance must also be maintained in tha fedaral share contributed for transportation programs. Tha 80% shara for mass transportation capital projects and the 90% fedaral shara for capital investmants for accessibility featuras must be praserved.

Finally, PVA requests that this Subcommittee continue to support Project ACTION. Project ACTION, operated through the National Eastar Seal Society, has become an invaluable resource to both transit operators and tha disability community. Its ability to provida technical assistance, fund joint efforts to increase accessibility of public transit, and act as a resource to all involved in accessible transportation is uniqua. Project ACTION's work is even more important as the data for full implementation of the ADA transportation provisions neara. We ask that you recognize the essential work that this national progrem performs by reauthorizing it in ISTEA.

Mr. Chairman, we thank you for this opportunity to provida PVA's views on your futura effort regarding ISTEA. The work you do on this raauthorization will have long ranging effects on our members and other people with disabilities. Public transit systems must provide efficient service to all Americans and integrate people with disabilities into those systems. By reauthorizing a strong ISTEA, you assist those transit systems to achieve that goal and have the additional benefit of improving the mobility of people with disabilities. PVA looks forward to continuing to work with you and your steff in this process.

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Testimony of the Passenger Vessel Association

Subcommittee on Surface Transportation
Committee on Transportation and Infrastructure

U.S. House of Representatives

June 18, 1996

"ISTEA: Maintaining Adequate Infrastructure"
The Important Transportation Role of American Ferries

Passenger Vessel Association

Executive Summary

As part of the legislation reauthorizing the Intermodal Surface Transportation Efficiency Act (ISTEA), the Passenger Vessel Association urges that Congress adopt a policy statement affirming that ferries are an integral part of our nation's system of transportation, especially in corridors where fixed alternatives are not feasible or are overcrowded, and encouraging transportation planners at the federal, state and local levels to recognize, encourage and utilize ferry operations where such service is viable.

Toward this end, Congress should:

*** direct transportation planners to incorporate ferry service, including private ferry service, into regional transportation plans where such service is viable;**

*** encourage Metropolitan Planning Organizations to encourage private ferry applicants to work with public sponsors to access ISTEA funding and support;**

*** encourage private control of publicly funded vessels and terminals through long-term leases or other mechanisms;**

*** encourage public entities to utilize the resources of private ferry operators by entering joint ventures with private operators or by contracting out routes and services that might otherwise be served by publicly owned ferries;**

*** permit a flexible application process for ferry applicants for ISTEA funding that recognizes that ferry service can be implemented quickly and the application process should be commenserately responsive.**

Mr. Chairman. My name is I. Bernard Jacobson. I am General Manager of the North Ferry Company which serves Shelter Island and the north fork of the eastern end of Long Island, New York. I am pleased to be here today representing not just my own company, but also the Passenger Vessel Association, and particularly its Ferry Council, which I chair. Founded in 1971, the Passenger Vessel Association is a national trade association representing the owners, operators and suppliers of U.S. flag passenger vessels. Members of our 500 member association operate dinner and excursion boats, overnight cruise vessels, private charter yachts, and gaming vessels as well as the car and passenger ferries which I am particularly pleased to be speaking on behalf of today.

We appreciate this opportunity to share our views on the state of the ferry transportation system in the United States, its role in the transportation infrastructure of many communities and its requirements if it is to expand into the future and address what many transportation planners now see as an overlooked opportunity to make the most of nature's own highways.

The Nation Needs Ferries

Ferries are a critical component of public transportation in many American communities. Both publicly-owned and private ferries provide vital intermodal services by carrying passengers, automobiles, buses, and trucks in locations where heavy infrastructure alternatives are insufficient or impractical. Often ferries serve as the virtual lifeline for island communities. In other cases, people who live far from the nearest ferry may use them as part of their journey to work, resort, recreation, and natural areas such as barrier islands.

Ferries often provide relief to other transport modes that are facing severe capacity constraints. For example, ferry services on the Hudson River are peak period load sharers for overcrowded bridges and tunnels between Manhattan and other points in the New York metropolitan area. On San Francisco Bay, ferries divert peak travel congestion from overburdened bridges. In the State of Washington, ferries bring thousands of people to their daily jobs from homes on the Olympic Peninsula and the islands dotting Puget Sound. In this manner, ferries complement rather than compete with other transportatioo modes, even those which run parallel.

At a time when highway and rail systems are facing unprecedented demands, when growing populations and a growing desire and outright need for mobility are straining the capacity of our existing transportation system, and when budget constraints challenge both, ferries are positioned to become an ever more important and popular mode for the traveling public. As such, ferries should be recognized as part of the national transportation network. They should be included in the National Transportation System. They should be more visible in

Metropolitan Planning Organization (MPO) activities. And, they must be part of a flexible funding strategy which is regionally based, and recognizes the important service provided by both public and private systems.

Innovative Water Transportation Planning - Public and Private

Recent studies have identified key trends in newer ferry systems that will influence choices made in start-up or expanding ferry services, as well as modal choices made by travelers and cargo shippers. Joint efforts by private operators and local governments have resulted in highly successful innovations by ferry operators in many urban areas. Local governments have assisted with market analyses, intermodal planning, and grantsmanship to encourage private sector initiatives that would have failed without public cooperation. The result can relieve public pressure for expansion of less efficient publicly-owned land-based transit modes. The successful Hoboken (NJ)- Battery Park City (NY) trans-Hudson ferry exemplifies an ideal partnership of public (Port Authority of NY & NJ) and private (New York Waterway) interests. The Hoboken ferry was created as an integral elemant of trans-Hudson vehicle and rail transit river crossings. Most importantly, its success as a self supporting enterprise has spurred similar ventures elsewhere in the New York /New Jersey area.

Increasing Roles of Recreation and Tourism

Riding ferries is a consistently appealing and popular form of travel. The public demonstrates that riding boats is inherently enjoyable, even when going to work. Ferry systems that were designed principally for peak period use are now expanding into off-peak seasons and times of operation. Adapting schedules to accommodate and attract recreational and tourism users has increased revenues that are essential to maintain year-round daily service. This is particularly useful for publicly-owned commuter services that might otherwise require subsidias.

New Ferry Systems Are Tailored to Specific Local Conditions

New systems are designed for two types of local conditions: environmental and market. The environmental factors affecting vessel and terminal design are climate, navigational requirements, and waterway conditions. These include rainfall, winds, air temperature, tides, currents, waves, water depths, obstructions, and other traffic - both afloat and ashore. Market demand factors can be met by varying design and operating characteristics of the route such as speed, time between trips, operating hours, intermodal schedule coordination, capacity, comfort, weather protection, reliability, and fare structure.

The Role for Public Support of Ferry Services

The Intermodal Surface Transportation Efficiency Act (ISTEA) funding has been a very successful means to provide public financial encouragement to ferry systems. Secretary of Transportation Pena has reported that in FY 1996 $14.9 million was allocated in ISTEA funds for ferries in 17 states. ISTEA has been the seed for establishing new waterborne services and improving existing routes used to move people and freight throughout the country. These funds have been made available to public and private entities through partnerships with state Departments of Transportation, planning organizations, port authorities, and local governments.

First Six Years of ISTEA

Federal Highway Administration programs, sucb as discretionary ferry funding, have been used for the construction of ferry boats and terminal facilities that are owned and operated by public entities or operated by private companies. While many successful projects have been completed, we question the wisdom of ISTEA grants for the restoration and refurbishment of museum vessels which may never get underway or which, if they do commence waterboroe operations, compete with newer vessels built to meet a specific transportation need.

The Surface Transportation Program (STP) and the Congestion Mitigation Air Quality (CMAQ) programs are locally flexible in that they have been used to fund ferries that carry passengers only or those that carry motor vehicles as well as passengera. In the first instance, ferries act as a key element in the total transit link. In the latter case, these vehicle transporters act as an extension of the highway system. As explained below, ferries provide transportation functions that can be classified as essential, complementary, or optional -- according to the areas served and alternative transportation modes available.

Federal Transit Administration programs, such as in Sections 3 and 9, also been used by public and private ferry operators for capital investments as well as for planning and operating expenditures. With both agencies' programs, there is active involvement by public agency plannera and budgeteers.

The Nation Needs Private Ferries

A recent study for the Federal Transit Administration identified 72 publicly-owned ferry companies in domestic U.S. service serving 128 strategically located routes, as well as 96 private companies serving 134 more routes. In other words, substantially more than half of all ferry operations in the U.S. today are privately owned. In order to expand private investments in ferry routes, transportation planners need to recognize and encourage these operatioas, aggressively incorporating private ferry servlce into regional transportation plans where such service is viable. For example, consideration should be given to allowing private sector set-aside options for local decision makers for assisting service start-ups or expansions. Private applicants with a public sector sponsor might be allowed greater access to a MPO's planning process.

Private control of publicly funded vessels and terminals through long term leases or other mechanisms should be encouraged. As part of the ISTEA reauthorization, transportation planners should be encouraged by Congress to stretch constrained budgets by utilizing the resources of private operators, by entering joint ventures with private operators or by contracting out routes and services that might otherwise be served by publicly owned ferries. Such a policy is consistent with the privatization efforts underway throughout the government, affecting many services and programs. In addition, lengthy and inflexible application processes should be reviewed in recognition that ferry services can be implemented quickly and the public sector should act at the same pace.

Need for a National Ferry Policy

Private ferry operators are ready and willing to step forward to play an increased role in the country's transportation infrastructure. An important first step toward this end would be the adoption by Congress, es part of the legislation reauthorizing ISTEA, of a policy statement affirming the important role of ferries in the national transportation system of the future. This national policy statement would acknowledge that land-based passenger systems are facing unprecedented demands. Growing populations and growing desires for mobility are straining the capacity of our existing transportation system. Budgetary restrictions require our nation to satisfy travel demands with careful planning. Since ferries are an increasing important component of the transportation system, they should be included in national transportation planning efforts.

The development and acceptance of a national ferry policy would raise the visibility of ferries and help insure that the role of ferries is understood and included in the process by transportation planners and government officials. Currently, any ferry policies which may exist have been developed on an ad-hoc basis by state and local jurisdictions to meet specific service needs. These jurisdictions are widely separated by geography and lines of anthority. A national policy statement will help break down such barriers.

The following six objectives are proposed for a national ferry policy:

- Declaration that ferries are an integral part of the national transportation system;
- Recognition of ferry industry's responsiveness to market demands;
- Encouragement for efficient use of ferries as a transportation resource;
- Classification of ferry services by transportation function;
- Maintenance of safety;
- Coordination of research.

Declaration

Ferries are an integral part of our nation's system of transportation, especially in corridors where fixed alternatives are not feasible or are overcrowded. As such, public and private ferry services should have access to funding on an equitable basis with other modes. When new services or capital expenditures are considered, water transportation alternatives where available should be considered.

Market Demand for Services

Ferries have unusual flexibility to satisfy rapidly changing demands for service. Needs can be met by varying vessel and terminal designs as well as characteristics of the route such as speed, time between trips, operating hours/days/seasons, intermodal schedule coordination, capacity, comfort, weather protection, reliability, and fare structure.

Efficiency

Ferries provide efficient transportation alternatives in many situations. in some cases, ferries may be the only reasonable choice. Ferry operations are advantageous for the following reasons:

- Ferries do not require the construction of costly infrastructure such as roads, guideways, bridges, or tunnels - thereby reducing environmental impacts, difficulties in site selection, capital investment, and time needed for startup;

- Ferries are flexible because vessels and some loading facilities may be shifted to new locations due to changes in need - thereby not committing investments to specific locations for long terms;

- Ferries are reducing single-occupancy vehicle travel and reducing traffic congestion, air pollution, and energy use. Some are relieving overcrowded rail and bus corridors;

- Private funding for vessels and terminals, as well as for operations, can reduce the need for public investment and management;

- Ferries serve rejuvenated waterfront development locations that land modes often serve inadequately;

- Ferrias are available for emergency relocation and use in the event of disasters affecting other modes such as bridge and tunnel closings or during momentary disruptions.

It is particularly important to develop efficient intermodal connections at ferry terminals to maximize the use of the passenger-carrying capacity of the vessels.

Transportation Functions

Ferries can be classified according to the basic transportation function they perform. By considering the areas served and the alternative transportation modes available, the role of a ferry route in a regional transportation network can be classified as essential, complementary, or optional. They also provide an overlay of recreational service.

An essential ferry route provides year-round service to islands or other water-isolated locations which can not be reached by road, bridge, or tunnel. They are often publicly operated and supported by state or municipal governments as integral components of their transportation networks. These ferries serve as marine highways to offshore communities and provide passenger, vehicle, and freight transfer.

A complementary ferry route provides substantially shorter time and distance trips than alternative highways, bridges, tunnels, or railroads. They are load sharers during congested peak travel periods. They generally operate year-round and are often used for daily commuting. They are more likely to be privately operated and are closely tied to serving traffic demand patterns.

An optional ferry route is parallel to land-based alternatives but offers one or more benefits such as trip time, cost, amenity, or reliability. Many are publicly owned or subsidized in order to relieve pressure on overland commuter mutes.

Safety

Requlrements for safety should be paramount in the national policy. While the U.S. Coast Guard has successfully filled this role, a review of the special needs of ferry operations is needed.

Research

Since ferry operations nationwide are challenged with similar problems such as intermodal connectivity, common interest in such research topics justifies national interest and support. In addition, a means to exchange solutions to local problems needs to be developed. The new Transportation Research Board ferry transit committee could provide a forum for this exchange.

Summary

Ferries are an important and unique component of today's transportation system. A broader basis for public financial support and recognition, as well as a national ferry policy are needed so that economic, safety, and efficiency issues may be addressed in a coordinated manner by puhlic and private organizations. These improvements will not only help facilitate ferry service, but will better integrato ferry operations with other modes of transportation and improve the overall mohility of people and freight.

TESTIMONY OF MR. AL KERTH - EXECUTIVE SECRETARY

ST. LOUIS CIVIC PROGRESS, INC.

SUBCOMMITTEE ON SURFACE TRANSPORTATION

PUBLIC WORKS ANO INFRASTRUCTURE COMMITTEE

U.S. HOUSE OF REPRESENTATIVES

TUESDAY JUNE 18, 1996

Mr. Chairman my name is Al Kerth and I am Executive Secretary of Civic Progress, a group of St. Louis based companies including Anheuser-Busch, General American Life, McDonnell Douglas, Monsanto, TWA, and twenty-two other companies which recently endorsed an effort called the Livable Communities Campaign.

The Livable Communities Campaign is a national coalition of business and civic leaders who are dedicated to sound community planning and effective transportation policies. Its members believe our economic future and quality-of-life depend on sustainable growth and the efficient movement of people and products.

This national strategy involves the principals of local control and flexibility embodied in ISTEA. A primary goal of The Livable Communities Campaign is the reauthorization by Congress of ISTEA in a manner that ensures adequate funding levels for new rail starts and bus expansion, preserves the involvement of local officials in transportation decision making, and increases economic activity.

As we approach the 21st Century, many communities in the United States are at a crossroad. They are poised for new growth but restrained by poor infrastructure and inadequate funding. Areas that are flourishing have used coordinated transportation policies to produce more livable communities -- where economic activity booms. ISTEA has promoted and supported such sustainable growth and its flexible funding program and CMAQ (Congestion Mitigation Air Quality) and emphasis on multi modal and inter-modal programs, have proven to be important tools that must be retained in the NEXTEA.

The tremendous success of our own St. Louis Metro Link light rail which is averaging 40,000 daily riders, way above the 13,000 originally projected, has been a major beneficiary of these ISTEA features. These 40,000 riders are helping greatly to reduce congestion on our highways and contribute to lowering air pollution. This is especially important since it appears likely that St. Louis will become a "serious non-attainment area" this summer. The members of Civic Progress are determined to promote the expansion of Metro Link and to continue the public-private partnership it has forged in the St. Louis community.

We have been asked by many why our ridership is so much higher than projected. There are in my opinion many reasons, some of which include the fact that Metro Link provides a quick, inexpensive form of transportation connecting numerous work centers, cultural centers, tourists attractions and transportation centers. White and blue collar workers alike have found Metro Link surprisingly convenient and therefore are using it in far higher numbers than we ever hoped. Many business executives, for example, put a half day in at work leaving their car downtown at the office taking Metro Link to the airport for a business trip. Since Metro Link ties together three college campuses, students are also heavy users. Likewise tourists make heavy use of Metro Link since h links together so many tourist sites, for example Union Station, Jefferson Memorial, the Art Museum and the Zoo, all three major sports complexes, as well as the Gateway Arch and the Covention Center.

The pro-active local role being taken by the 27 Civic Progress member companies in promoting the expansion of Metro Link and in advancing the agenda of the Livable Communities Campaign, is directly tied to the re-authorization of ISTEA. This is one of the reasons the Livable Communities Campaign is strongly supporting the New Start Working Group which organized todays testimony. h is critical that tha Congress provide authorization and funding for an aggressive new rail start program.

Specifically, as evidenced by the success of Metro Link, new rail starts serve as magnets for economic investment and are uniquely capable of transporting the volumes of people necessary to make those investments viable. Kiel Center, the new Blues Hockey arena, is located on the Metro Link line. The location of the new TWA dome, home of the Rams, was partly chosen due to its proximity to two Metro Link stops. Metro Link and our carefully integrated bus system transport at least twenty-five percent of the fans to baseball Cardinal games as well as Blues Hockey and St. Louis Rams football games.

Each weekend Metro Link transports thousands of tourists to the Jefferson National Expansion Memorial (Gateway Arch) and our many riverfront attractions. During last July 4th, Metro Link carried over three million passengers over the three day celebration.

The economic vitality of our urban cores is directly tied to a good transportation system. A major factor in TWA's decision to locate its headquarters in downtown St. Louis was the 25 minute $1.00 dollar no hassle ride its employees and executives could take to Lambert Airport.

Our local chamber of commerce, the RCGA, informs me that when they pitch St. Louis to companies looking to expand or re-locate, our transportation system is always a major selling point.

In concluding Mr. Chairman, I am pleased to join my other colleagues here this morning in endorsing the basic principals for the re-authorization of ISTEA we have collectively outlined and would be pleased to respond to any questions committee members may have.

STATEMENT BY

TAUNYA KOPKE, DIRECTOR
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BEFORE THE
SUBCOMMITTEE ON SURFACE TRANSPORTATION

HEARING ON
ISTEA REAUTHORIZATION
MAINTAINING ADEQUATE INFRASTRUCTURE:
FEDERAL TRANSIT GRANT PROGRAMS

TUESDAY, JUNE 18, 1996
9:30 A.M.
2167 RAYBURN HOUSE OFFICE BUILDING

STATEMENT ON ISTEA REAUTHORIZATION

Mr. Chairman, Members of the Subcommittee, my name is Taunya Kopke. My organization, Community Resource Group, Inc., is a non-profit which provides public works management and consulting services for small cities and rural areas throughout the south.

I have been responsible for community transportation services since 1986. The Ozark Regional Transit (Ozark) system has been providing rural transportation in four northwest Arkansas counties since 1975. It has provided urban transit service in the Fayetteville/Springdale area since 1992. In addition, my organization just two weeks ago initiated public transit service for the City of Fort Smith, Arkansas, the second largest small urban area in our state. I am thus testifying from the perspective of a rural and small urban transit operator.

Ozark operates 32 small buses and vans with over 50 employees in an area with a population of approximately 250,000. Ozark provides about 280,000 rides a year.

Fort Smith Public Transit (FSPT) began service with 6 mini-buses and one replica rubber-tired trolley bus. We expect Fort Smith ridership to be about 60,000 the first year.

COMMUNITY TRANSPORTATION IN NW ARKANSAS

Most of our passengers are persons with disabilities, senior citizens, and service or factory workers. Ozark and FSPT are supported by the Section 18 and Section 9 Federal Transit Administration programs which, as you know, provide public transit assistance for rural areas with fewer than 50,000 people and for urbanized areas with fewer than 200,000. Rural and small urban communities also benefit from the Rural Transit Assistance Program (RTAP), which provides training and technical assistance.

Our organization operates mostly zone-assigned demand-response transportation, rather than fixed route service. This means that most of our passengers are picked up at home, but that others in the neighborhood are picked up at the same time—it isn't like a taxi. We are about to add bus stops to demand-response zone assignments in Fort Smith. If it works there, it may prove to be an alternative for other cities as well, particularly Fayetteville, Springdale, Rogers, and Bentonville.

I have two charts to share with you—they show that the largest single purpose for riding our service is work, and that the largest single reason for needing transportation is a disability.

We try to provide a very personal service, especially for elders—we do as much as we can to help passengers keep riding, to stay independent. We carry packages, call people ahead, and provide help from the door of the bus when needed.

I also have with me some photographs of people who've used our community transportation service. Captions for the photos I'll show you are included at the end of my written testimony.

I also could not speak before you today without sharing the words of at least one passenger. We get lots of notes—one elderly woman wrote, "Just a note of thanks for the bus and everyone that makes it possible for folks like me to be fairly independent of our family. I really appreciate the bus and all who work there. Your patience and thoughtfulness and honest consideration for the welfare of all who ride the bus is really appreciated. I hear good things every time I ride from the others who ride. We are all very grateful to you, God Bless all of you."

In her words, we can see that the benefits of rural and small urban community transportation are just what you would expect to see in a big city - people have access to goods and services, loneliness is alleviated by opportunities to interact with others, independence makes it possible to avoid moving into an institution, people have a chance to take care of themselves.

Employers in Northwest Arkansas will tell you that continued economic growth in our region will occur only to the extent that workers may be found to take the jobs available, and that many available workers have no transportation of their own. It is just in areas of low unemployment, like ours, where community transportation means the difference for many businesses, because they come to depend on workers who may not have reliable cars of their own.

We don't have enough buses. We don't have enough money to operate them. The public cost of community transportation can save public funds elsewhere. I'll tell you that the part of my job that I hate is having to tell someone we can't give them a ride—like the family with a daughter in need of dialysis from Bella Vista—because I know what the lack of transportation will very likely mean. The federal government needs to carefully consider the effect of community transportation priorities on people in small towns and rural areas.

IS COMMUNITY TRANSPORTATION A PRIORITY IN WASHINGTON?

Community-wide planning has moved into full swing in our communities, as we struggle to cope with rising population, congested streets, new housing developments springing up everywhere, and just general pressure on our public services and infrastructure. Every planning process, whether it is the Rogers 2000 project sponsored by the Chamber of Commerce, or the 2020 plan completed recently by the NW Arkansas Regional Planning Commission has called for expanded community transportation.

We hope the priorities in Washington will be the same. Will our tax dollars be diverted to projects important to other regions? Or will federal priorities take our community transportation needs into account too?

ESTABLISHED TRANSIT SYSTEMS ARE CONSIDERED FIRST

Federal transit dollars are targeted for the largest cities, regions which have already experienced growth and development—many which advertise for riders while our region has lots of riders but not enough buses. While we have employers who need workers, and workers who need jobs but have no transportation, the formula for distribution of funds favors historical transportation ridership data and old population numbers. Efforts to hold other communities harmless have meant that our region is forced to do without the financial advantage others have had. Economic success should, we think, be rewarded by federal transit priorities instead of penalized.

WE CAN'T USE FUNDS THE WAY WE NEED TO

Because so many of the large cities have dedicated local tax sources, they are often content to use federal transportation dollars for capital projects. When I talk to larger city transit operators, they don't fear shrinking operating caps the way I do. I understand that many of them have been trading operating funds for capital funds for years anyway. So, naturally we fear that the fact that capital projects mean fewer short-term outlays, combined with the willingness of large cities to use funds that way, is driving the appropriations for transit. If so, will it drive ISTEA too?

Rural and small urban operators usually don't have dedicated tax sources. Transit in Northwest Arkansas is financed by 32 local governments—voluntarily providing such funds. The amount of local government funding is relatively small—only about $150,000 last year.

So, our need for operating funds is at least as great as our need for capital funds—perhaps greater, depending upon funding levels.

If FTA is going to limit our systems to such a small percentage of overall appropriations, then why not let us decide how to use them. Even if outlays have become a critical consideration, our systems are shut out of most of the funding anyway, so it won't make much difference how fast we spend it. But, being able to spend the money the way we need to would make a big difference to us—might keep the doors open!

DISCRETIONARY GRANTS ARE TOUGH TO MATCH

The discretionary program is wonderful. Our system has 13 buses built in 1992 and 1993 because of a Section 3 grant to Arkansas, for replacement vehicles. Those buses meant the world to our passengers—we had decent air conditioning for the first time—which for elders is a life-saver. The new buses didn't rattle constantly. They didn't leak!

We need to replace many of those mini-buses in the next year. It will be a struggle to get grant funds approved for rural and small urban projects, and when we do get them, the matching requirement will be very large, $100,000 or so. Discretionary grants would work better for rural and small urban systems if they were easier to come by and if the matching requirement were reduced.

EXPAND TECHNICAL ASSISTANCE

Our systems have used the RTAP program, both at the state level and at the national level, many times. I used it two years ago to write a feasibility analysis that resulted in a new facility for Ozark. That facility now provides maintenance service for nearly every human service agency vehicle in a four-county region, in addition to public transit vehicles. We have used RTAP for training drivers and for finding our way through the maize of drug testing. Now, Community Transportation Association of America (CTAA) has put up a site on the World Wide Web, which makes documents available with just a phone call, and provides link information to a world of information about transit. This kind of work should definitely be supported and expanded—it has deeply affected the quality of our service for the better.

RETAIN OPERATING FUNDS FOR RURAL AND SMALL URBAN SYSTEMS

Finally, I could not come here today without appealing to you to keep the operating support in the program for rural and small urban systems. Almost all rural and small urban systems exist to provide transportation for people who need it. They typically serve a region which spans dozens of small cities—sometimes more than one state. It is much more difficult to locally subsidize such systems than it is to fund the typical large city transit entity replete with taxing authority. It is a struggle characterized by incrementalism. The importance of a federal role goes beyond simple convenience. It is critical.

A PLEA

I urge the Subcommittee to seek a higher priority for rural and small urban federal transit investment, a more workable approach to formulas and discretionary funding allocations, and a recognition that rural and small urban transportation systems work, and continue to need federal assistance.

I would only add to my comments that my organization is an active member of the CTAA. That organization has developed specific recommendations pertaining to the reauthorization. I would ask you to give them consideration.

Thank you for this opportunity to express my views. I will be happy to try to respond to any questions you might have.

PHOTOGRAPH CAPTIONS

Photo #1: Courage and Persistence.

Lonnie Thompson of Springdale, Arkansas has plenty of both. He lives in a house he's buying with a friend and works in a sheltered workshop for developmentally challenged adults. Despite being wheelchair bound, he's not complaining. Recently, he underwent a kidney transplant, and was fitted for an artificial leg. See, things are getting better. Lonnie Thompson is working hard to make it on his own. To walk again.

And the people of Ozark Regional Transit are working hard to make sure he can get where he needs to go. Work. Shopping. Kidney Dialysis. Wherever. This year we'll travel 700,000 miles and provide over 280,000 rides for the people of northwest Arkansas.

Including people of courage. Like Lonnie Thompson

* * * * *

Photo #2: Transit Rider Mary Hanley with Maybelle, Alicia, and William, Springdale, Arkansas

Without Ozark Transit, we couldn't hardly make it. It's more than just a bus . . . the drivers take real good care of the old folks and the kids. You ought to see William every morning watching for the bus that takes him and his sister to school at the Richardson Center!

* * * * *

Photo #3: Gladys Ewing - Retired nurse and transit rider, Springdale, Arkansas

Gladys Ewing has been riding Ozark Regional Transit for over 10 years. Ever since she retired from nursing and sold her car. At 93, Gladys is following the current health care debate with a good bit of interest. She knows that universal health care won't make much difference to rural folks, if they can't get to the doctor's office.

To make universal health care work for rural America more rural public transportation will be needed. Ozark Regional Transit is working with other rural transit systems to increase funding for rural public transportation nationwide. Meanwhile, we're going to keep taking Gladys and her neighbors to the doctor and wherever else they need to go. . . just like we always have, for over 14 years.

* * * * *

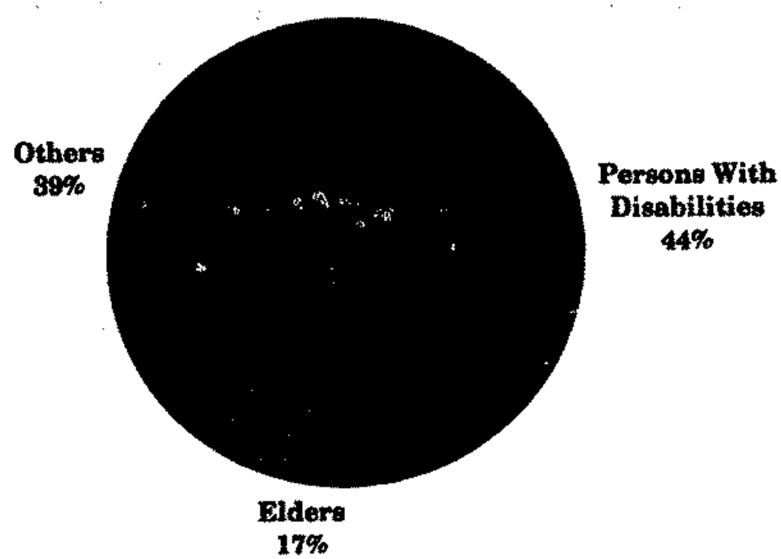
Photo #4: Viola Bell and Dixie Couch

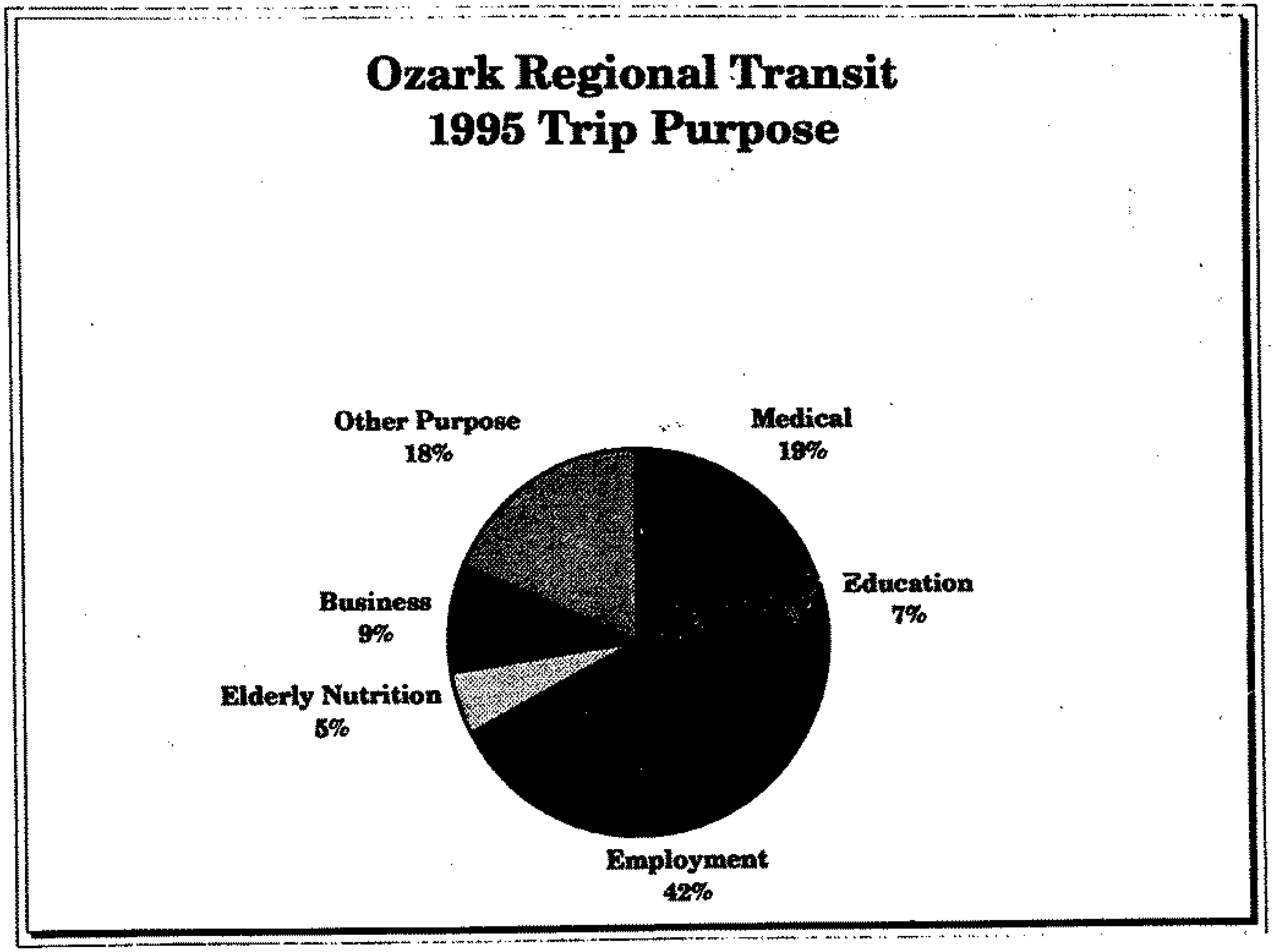
Some of us still drive. But about once a week a group of us from Elkins gets together and rides Ozark Transit to Fayetteville to go shopping. We laugh and talk and carry on something awful.

The drivers call us the Elkins bunch! We do have a good time. A good time. Friendly service. Freedom and independence. . . . affordable fares.

This is community transportation at its best. Around here, we call it Ozark Regional Transit.

Ozark Regional Transit
1995 Passenger Classification




Ozark Regional Transit
1995 Trip Purpose
Other Purpose
18%
Medical
19%
Education
7%
Business
9%
Elderly Nutrition
5%
Employment
42%

Gladys Ewing - Retired nurse and transit rider, Springdale, Arkansas

I'm 93. I sold my car in 1983, and I've been riding Ozark Transit ever since. It's a Godsend for a lot of us older folks.

Transit rider Mary Hanley with Maybelle, Alicia, and William, Springdale, Arkansas

Without Ozark Transit, we couldn't hardly make it. It's more than just a bus . . . the drivers take real good care of the old folks and the kids. You ought to see William every morning watching for the bus that takes him and his sister to school at the Richardson Center.'

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Courage and Persistence. Lonnie Thompson of Springdale, Arkansas has plenty of both. He lives in a house he's buying with a friend and works in a sheltered workshop for developmentally challenged adults. Despite being wheelchair bound, he's not complaining. Recently, he underwent a kidney transplant, and was fitted for an artificial leg.
See things <u>are</u> getting better.
Lonnie Thompson is working hard to make it on his own. To walk again. And the people of Ozark Regional Transit are working hard to make sure he can get where he needs to go. Work. Shopping. Kidney Dialysis. Wherever.

This year we'll travel 700,000 miles and provide over 250,000 rides for the people of NW Arkansas. Including people of courage. Like Lonnie Thompson.

TESTIMONY OF

JIM LA SALA, INTERNATIONAL PRESIDENT

THE AMALGAMATED TRANSIT UNION

BEFORE THE

HOUSE

TRANSPORTATION AND INFRASTRUCTURE COMMITTEE,

SUBCOMMITTEE ON SURFACE TRANSPORTATION

JUNE 18, 1996

Good morning Mr. Chairman and members of the Committee. My name is Jim La Sala. I am the International President of the Amalgamated Transit Union (ATU), which represents more than 150,000 transit workers throughout the United States and Canada. On behalf of the ATU and myself, I would like to thank you for the opportunity to appear before you today regarding the reauthorization of the Intermodal Surface Transportation Efficiency Act or ISTEA. Reauthorizing this legislation will go a long way toward defining the direction of our nation's transportation systems and, indeed, its economy as a whole as we move into the twenty-first century. The ATU looks forward to working with you throughout the reauthorization process, in much the same way as we have worked with the Committee over the last thirty years.

Today, I would like to outline the issues that the ATU believes should be at the heart of this reauthorization debate, many of which are outlined in resolutions passed by the membership of the ATU at its International Convention last year and in resolutions adopted by the Transportation Trades Department of the AFL-CIO and its affiliates, which have been appended to this testimony. Moreover, the ATU shares the views of Transportation Secretary Pena and the American Public Transit Association that reauthorization efforts should focus on maximizing funding for the programs authorized in ISTEA, maintaining and improving safety standards, and retaining local flexibility in transportation planning and decisionmaking.

In 1991, the 102nd Congress passed this landmark legislation, which emphasized the use of coordinated intermodal transportation planning and unprecedented input from local communities and service providers. These facets of ISTEA -- along with its creation of a secure funding source through the Mass Transit Account of the Highway Trust Fund -- have served as the foundation for a federal transportation policy that is both rational and fiscally stable, while at the same time being responsiva to the unique transportation needs of this nation's varied communitias.

Mass transit has become a crucial component in meeting the transportation needs of the nation's urban, suburban and, incraasingly, its rural dwellers. In an economic age where the phrase "time is money" has taken on graater significance, mass transit's rola in reducing traffic congestion has played, and will continue to play, a major rola in reducing the millions of hours of potentially productive time lost evary day to the American economy because of such congestion. The resultant increase in productivity constitutas a substantial return on federal invastment in the nation's transit systems. At a time when increased emphasis has been placed on moving people from government support into the privata market, federal investment in mass transit once again plays an important rola. It is neither feasible nor fair to require lower income Americans to taka and maintain jobs that can only be reached by automobile or other prohibitivaly priced transportation is. Mass transit also plays a crucial role in enabling both alderly and mobility impaired Americans to continue participating and contributing to the economic and social lifa of their communities.

Meeting these important transportation needs requires informed decisionmaking, the best source of which are the local governments and the community groups that directly participate in and benefit from the providing of transportation services. To this end, the Metropolitan Planning Organizations or MPOs established in ISTEA have served as a fine vehicle for returning much of this decisionmaking back to local communities and local government. Through the MPO process, ISTEA has succeeded in drawing a careful and necessary balance between the need for increased flexibility and local input on transportation issues on the one hand, and the need for accountability in using federal money -- which is all too often absent in proposed block grant programs -- on the other. The use of MPOs has not only increased the role of local governments in deciding transportation priorities, but has increased the input of groups outside the governmental sphere, including the business community, labor organizations, organizations serving the elderly, disabled and poor, environmental groups, and others. We know from our own experiences in working with various MPOs that the program as a whole benefits from the unique perspectives and expertise provided by such varied organizations.

Based upon our experiences working under ISTEA over the past four years, we believe that the following basic principles should underlie the work of this committee as it reauthorizes ISTEA:

1. ISTEA has been a very successful transportation program, the gains of which should be built upon through reauthorization, not broken down;

2. the MPO concept upon which ISTEA's planning is based should be retained, and transit labor, along with industry representatives should be afforded a representational role on those MPOs;

3. ways should be found to increase funding for transit, rail and Amtrak under ISTEA and new and innovative funding sources should be sought out -- for example, converting to transportation needs the current 4.3 cent gas tax which is currently

dedicated for deficit reduction;

4. existing labor protections such as Section 13(c) and Davis-Bacon must be retained through the reauthorization process;

5. because localities should be held accountable for the federal transit money they receive, the concept of block granting transportation funds should be rejected;

6. operating assistance for transit should be increased;

7. efforts to impose a federal mandate to privatize transit services should be rejected;

8. the reauthorized ISTEA should continue to provide support for labor-management cooperation programs which have improved the efficiency of the nation's transit systems; and

9. full funding should be provided through ISTEA to meet the various federal mandates, such as drug and alcohol testing requirements and transit's responsibilities regarding the Americans With Disabilities Act.

Before closing, I want to return to the issue of privatization in the transit industry, which in the past has received much attention both before this committee and in various communities throughout the United States. As we have stated in the past before this Committee, it is our view that decisions with respect to the choices of public or private transit providers are best left to state and local communities to decide in their best interests. Further experience has shown that expected savings from forced privatization have not materialized and, in fact, the opposite is true. A recent analysis by Professor Elliot Sclar of Columbia University, which examined the privatization experiment in Denver where over twenty percent of its transit services have been privatized, disclosed that cost increases -- not cost savings -- have resulted from that experiment. Indeed, the private sector transit costs have increased at a rate of two to three times that of the public sector. If and when issues on this subject again come before this committee, we would like an opportunity to provide additional information on this matter.

Finally, as this committee well knows, transit labor has been a strong partner working with the Congress, the Federal government, and various states and local communities in not only developing, but implementing national transportation policy. This partnership has allowed for innovation, productivity improvements, and the introduction of ever-changing technological changes to our nation's transit systems, both large and small. Since we last appeared before this committee, the ATU has launched a national labor-management partnership program with our employer counterparts in both the private and public sector. Funded in part by a Federal Transit Administration grant, these activities have been designed to improve communication within the workplace, reduce conflict and, most importantly, allow for our nation's transit systems to capture and implement the best ideas of both transit labor and management to assure that our systems are the safest and most efficient in the world. I would specifically highlight the recent labor-management partnership agreement reached several weeks ago, involving the Bay Area Rapid Transit system and its union. As the former manager of that system, Richard White, travels east to head the Washington Metropolitan Area Transit Authority, the innovations developed in San Francisco and in labor-management cooperation programs in many other cities will benefit us all. Here, too, we would be pleased to provide the committee with information regarding these innovative programs.

In closing, the ATU looks forward to working with the committee to assist in your efforts to reauthorize this important piece of legislation. Once again, I would like to thank you Mr. Chairman and the rest of the committee for this opportunity to appear here today.

I would be happy to answer any questions you might have.

GENERAL RESOLUTIONS SUBMITTED TO THE 51ST CONVENTION OF THE AMALGAMATED TRANSIT UNION LAS VEGAS, NEVADA - SEPTEMBER 18-22, 1995

RESOLUTION A

Submitted by Amalgamated Transit Union

Mass Transit Policy

WHEREAS, a strong, dynamic and well-funded federal mass transportation program, operated in partnership with federal, provincial, state and local governments is essential to advancing our economic growth and prosperity, to improving air quality, and to providing mobility for all citizens; and

WHEREAS, effective mass transportation services enable our nations to respond to growing traffic congestion and energy conservation problems, while expanded investment in our transportation infrastructure provides the underpinning for increased industrial competitiveness and improving our urban, suburban and rural areas responses to social and other related concerns; and

WHEREAS, in 1991 the U.S. Congress enacted the historic Intermodal Surface Transportation Efficiency Act (ISTEA) which authorized significant increases for public mass transportation programs totaling $32 billion over six years, including noteworthy increases in federal operating assistance subsidies; placed limitations on the U.S. Department of Transportation's adverse transit privatization policies; afforded new flexibility for state and local governments to transfer funds among their highway and transit programs to satisfy local transportation needs; and retained our vital Section 13(c) collective bargaining and job right guarantees; and

WHEREAS, we remain opposed to transit policies advocating the splintering of transit systems through the subcontracting of work, including those requiring the periodic rebidding of transit services, which cause the transfer of jobs and services from unionized to non-union companies paying lower wages and offering fewer, if any, benefits, thereby undercutting the living standards and economic security of thousands of ATU members and other organized transit workers throughout the industry; and

WHEREAS, sound national transportation policies should have as their goals the increase of transit ridership by at least 50 percent, the maintenance of fares at reasonable levels and the provision of a safe, efficient, and reliable means of mobility for the millions of individuals dependent upon public mass transportation;

THEREFORE, BE IT RESOLVED, that the ATU pursue all necessary legislative and political efforts to ensure that the U.S. Congress provides mass transit funding up to the maximum levels authorized under the ISTEA legislation; and

FURTHER, BE IT RESOLVED, that the ATU urge the federal, provincial, state and local governments, the Parliament and the U.S. Congress to reject proposals to cut or eliminate transit funding, especially operating assistance; and

FURTHER, BE IT RESOLVED, that the ATU develop proposals for and advocate increases in existing federal highway user fees, including federal gasoline taxes, to increase funding for public mass transportation; and

FURTHER, BE IT RESOLVED, that the ATU expand its existing Transit Advocacy Program to ensure the timely passage of multi-year transit legislation extending the policy features and funding levels contained in the 1991 ISTEA.

RESOLUTION B

Submitted by Amalgamated Transit Union

Maintaining Mass Transit Employee Protections

WHEREAS, since 1964 the U.S. Congress has recognized the importance of including transit employee protections as an integral part of the federal mass transit investment programs in the United States; and

WHEREAS, these Section 13(c) transit employee protection provisions, providing critical collective bargaining and job protection guarantees, have been included in every highway and mass transit legislation enacted since 1964, including the 1991 Intermodal Surface Transportation Efficiency Act (ISTEA); and

WHEREAS, an orchestrated effort has emerged to repeal or undermine the substantive protections traditionally provided in the Section 13(c) program, especially protection in situations where bargaining unit work may be contracted out or affected by a change in transit provider; and

WHEREAS, this anti-Section 13(c) campaign has resulted in heightened congressional focus on the program, including efforts to repeal or substantially weaken the protections; and

WHEREAS, in concert with other affiliated unions, the AFL-CIO and our congressional allies, the ATU has recently been successful in thwarting efforts to repeal this program as part of the Fiscal Year 1996 transportation appropriations legislation and earlier mitigated criticism of the Department of Labor's administration of the program in the committee report accompanying the FY95 transportation appropriation legislation;

THEREFORE, BE IT RESOLVED, that all ATU local unions, state conference boards and councils pursue all necessary political and legislative efforts to maintain congressional support for preserving the Section 13(c) guarantees in all applicable federal transportation legislation; and

FURTHER, BE IT RESOLVED, that ATU work with the AFL-CIO, its Transportation Trades Department and other unions to evaluate and respond to any proposed legislative or administrative changes in the 13(c) program to ensure that our rights are retained and the substantive protections preserved.

RESOLUTION C
Submitted by Amalgamated Transit Union
Dedicated State Transit Revenues

WHEREAS, publicly owned urban mass transit systems promote mobility, increase economic development, improve air quality and help conserve our natural resources; and

WHERFAS, transit services for the general public, including workers, the elderly, the disabled, the poor and the young, are best provided by publicly controlled and integrated area-wide transit systems; and

WHEREAS, federal support for transit in both the U.S. and Canada is diminishing; and

WHEREAS, additional sources of provincial, state and local funding are essential to the provision of efficient and effective urban mass transit services; and

WHEREAS, an urgent need exists to generate continued community demand for increased transit funding and improved transit services;

THEREFORE, BE IT RESOLVED, that the ATU promote state, provincial and local legislative initiatives to generate wide-spread public support for transit and the development of increased dedicated revenue sources for the provision of public mass transit services.

RESOLUTION D
Submitted by Amalgamated Transit Union
Union/Management Cooperation Programs

WHEREAS, the ATU recognizes that improved communication and training on conflict resolution and proper implementation of union/management cooperation programs can play a significant role in improving workplace conditions, productivity and customer satisfaction; and

WHEREAS, the ATU has been a leader in seeking innovative solutions to the problems facing transit workers and the industry; and

WHEREAS, the ATU conducted an initial round of training seminars in 1994 and invited management to join our locals in addressing the issues surrounding union/management cooperation in the transit industry; and

WHEREAS, the ATU conducted a joint national conference on union/ management cooperation in 1995 which included top transit managers and union officials from across the U.S. and Canada in an attempt to educate both union and management representatives as to the advantages of these programs;

THEREFORE, BE IT RESOLVED, that the ATU foster and support innovative approaches to union/management relations that are committed to quality service delivery, job security, joint decision making, worker empowerment and in-house performance of traditional public transit work; and

FURTHER, BE IT RESOLVED, that the ATU only support such programs that involve union participation on an equal basis with management, that recognize the collective bargaining process as the primary mechanism for addressing the needs of members and that provide the necessary investment of time and funds for training members to participate as equals; and

FURTHER, BE IT RESOLVED, that the International assist and work with our locals in the provision and exchange of the information and resources necessary to develop structures, including various forms of union/management cooperative efforts, designed to maximize the skills and knowledge of our ATU members.

FURTHER, BE IT RESOLVED, that each ATU local union and joint conference board commit itself and its membership to the development and pursuit of meaningful organizing lesds on an on-going basis and increase efforts to identify, train and utilize volunteer organizers interested in bringing the benefits of ATU membership to those who are without or have been denied union representation:

FURTHER, BE IT RESOLVED, that the ATU and the delegates gathered at its Fifty-First Convention congratulate the leaders of those newly-organized local unions who are represented here for the first time and acknowledge the courage and commitment of those workers who have over the course of this past convention cycle bravely worked to organize their workplace.

RESOLUTION F
Submitted by Amalgamated Transit Union
Privatization

WHEREAS, many provincial and state legislatures in Canada and the United States are continuing to explore and implement policies and programs to subcontract public mass transit operations: and

WHEREAS, certain segments of the transit industry are pressuring city governments and transit systems to increase the level of privatization of existing public mass transportation services; and

WHEREAS, these anti-labor and subcontracting policies place in jeopardy the jobs and livelihoods of thousands of ATU members; and

WHEREAS, these privatization initiatives would undermine and fragment regional transit services, the arrangement best suited to providing high quality, safe and effective service while meeting the public's broad-based community transit needs; and

WHEREAS, these policies advocate the use of private operators paying cut-rate wages and benefits to their employees under the misguided belief that such operators can produce long-term savings while maintaining reasonable service; and

WHEREAS, the alleged cost savings from privatization are overstated, and often non-existent, when the full cost of service is taken into account, including the continuation of high quality maintenance, safety and service standards, contract administration and other overhead costs; and

WHEREAS, studies analyzing the privatization experiences throughout Canada as well as in Boston, Denver, Miami, New Orleans, and West Palm Beach have demonstrated that the use of private firms to deliver public transit services often results in higher costs and reduced quality and efficiency of services, along with inadequate public control mechanisms and complaint response systems: and

WHEREAS, historically the private sector has failed in its mission to provide long-term, quality service:

THEREFORE, BE IT RESOLVED, that the ATU oppose transit industry and government policies favoring the forced privatization of public mass transit services: and

FURTHER, BE IT RESOLVED, that the ATU support the negotiation of collective bargaining provisions limiting the right of transit agencies to contract work to private non-union operators in a manner which causes job losses or otherwise interferes with existing collective bargaining rights and obligations: and

FURTHER, BE IT RESOLVED, that ATU local unions work with their local transit planning and policymakers to ensure that decisions involving the integration of private operators and the provisions of public transit services are designed to meet local transit needs in a manner which protects our members' jobs and collective bargaining rights: and

FURTHER, BE IT RESOLVED, that the ATU continue to support appropriate studies, research activities, legislative and political efforts involving all locals to assure that they are provided with the necessary information and tools to combat federal, state and provincial initiatives to privatize, or to competitively bid public transit services: and

FURTHER, BE IT RESOLVED, that ATU locals, state and regional conference boards and the Canadian Council work with the International Union to develop the necessary information, tactics, publicity campaigns, lobbying, educational activities, coalitions and legislation to use in opposition to privatization and/or competitive bidding proposals involving public transit services.

RESOLUTION G
Submitted by Amalgamated Transit Union
Transit Health and Safety

WHEREAS, evidence continues to demonstrate that those employed in the transit industry face a number of occupational health and safety hazards, including assaults, asbestos, and the diseases associated with occupational stress, including heart disease, high blood pressure (hypertension), increased cholesterol and diabetes: and

WHEREAS, the health and safety of transit workers have a direct impact on the safety of the public, including passengers, pedestrians and other vehicle drivers; and

WHEREAS, the labour movement in Canada has successfully lobbied for laws protecting public employees, including "right-to-know" and "right-to-act" legislation, as well as statutes mandating union-management safety committees; and

WHEREAS, in the United States, the Occupational Safety and Health Act (OSHA) of 1970 does not provide for mandatory coverage of public employees, including transit workers, and only half the states have enacted their own laws to provide protection at least as effective as OSHA coverage;

THEREFORE, BE IT RESOLVED, that the issues of transit health and safety remain a primary concern for the ATU and that the necessary resources be directed toward developing and implementing an on-going comprehensive program to improve the health and safety of transit workers; and

FURTHER, BE IT RESOLVED, that the ATU reaffirm its belief that public employees in the U.S. can no longer be treated as second class citizens regarding health and safety protection, and that the ATU urge the U. S. Congress to pass a comprehensive Occupational Safety and Health Reform Act which would provide public employees with the same legal rights to occupational health and safety as those guaranteed to employees in the private sector and, in Canada, to all workers; and

FURTHER, BE IT RESOLVED, that the ATU seek legislation modeled on Canadian law, which gives workers and unions the "Right to Act" on information to correct job hazards and requires employers to have a work site safety and health program and a safety and health committee with equal union participation; and

FURTHER, BE IT RESOLVED, that the ATU support the need for increased funding in Canada and the U.S. to conduct further research and training to educate workers about the risk and control of assaults and other violence at work; and

FURTHER, BE IT RESOLVED, that the ATU consider the reduction of occupational stress as a high priority in both collective bargaining and legislative activities, and to lobby state and provincial governments to fully compensate occupational illnesses associated with job stress.

RESOLUTION NO. 5

Strangling America's Transit Systems

SUBMITTED BY:
Amalgamated Transit Union and
Transport Workers Union of America

In the 1990s, at a time when our cities are struggling to meet the community needs of their residents, mass transit offers meaningful solutions to gridlock, decaying infrastructure and the structural changes in commuting patterns that are taking hold of major metropolitan areas across the United States. Mass transit operators and workers provide a vital service to every community, large and small, throughout the country. Investment in transit systems has always been linked to economic expansion, new business enterprises and the creation of well-paying jobs.

Unfortunately, fulfillment of the government's vision, which gave rise to the Federal transit investment program many decades ago, will evade our nation's cities with deep and unwise cuts enacted this year by Congress and that have been proposed for the next several years. The assault on mass transit began in May 1995, when the House Budget Resolution, under the leadership of Chairman John Kasich (R-OH), called for a five-year phase-out of Federal transit operating assistance and vital capital expenditures, allowed no new funding for New Starts and fixed guideway capital grants, and proposed adverse changes in the Federal matching rate.

Following that directive, both the House and Senate completed action on FY96 spending bills for transportation that damage transit systems, riders and thousands of workers. The Senate bill provides $4 billion for transit, $86 million more than the House-passed bill, but $535.1 million less than the FY95 total of $4.6 billion — an 11.6 percent cut.

Section 1003(c) of the Intermodal Surface Transportation Efficiency Act of 1991 (ISTEA) established a cap on total highway authorizations for FY92 through FY96. The Federal Highway Administration (FHWA) estimates that spending will exceed the cap by $4.2 billion in FY96. As a result, some are seeking greater flexibility with their transportation funds, which potentially undermines the intention of ISTEA to establish national transportation investment priorities. Transportation labor believes that any solution to this problem should not undermine the comprehensive planning provisions encompassed in ISTEA empowering local metropolitan planning organizations to establish priorities for and fund the transportation projects in their communities. To the extent that any proposals harm a specific modal spending priority such as mass transit, TTD will insist on a level playing field for all competing modes. It will also be important to guard against decentralizing Federal decision-making at the expense of workers' rights such as the Section 13(c) employee protection program.

The proposed cuts in operating assistance would have a devastating effect on transit services and transit users, particularly the working poor, the disabled, elderly and young people in less populated areas. No less than 45 smaller transit systems could face shutdown because of the drastic cuts in Federal assistance. Overall, the $310 million cut could result in the layoff of more than 20,000 workers.

While some transit systems would be able to make up for the shortfall with additional state assistance or modest fare increases, many cities face massive service reductions or outright default. Examples of areas hardest hit by the cuts include Oklahoma City, OK; Youngstown and Canton, Ohio; Wichita, KS; Jackson and Tuscaloosa, MS; Fayetteville and Greensboro, NC; Lexington, KY; Evansville, IN; Amarillo, TX; Lincoln, NE; Fargo, ND; and Billings, MT. In Alabama, pressure from already enacted reductions in Federal assistance has caused major layoffs in Birmingham and the outright shutdown of service in Mobile. Unfortunately, this is just the beginning of the demise of mass transit systems if this investment trend is not reversed.

The American Public Transit Association predicts that if proposed cuts are implemented in urban areas with populations between 200,000 and 500,000, fares will see an average increase of 44 percent. Urban areas with populations under 200,000 will see fare increases averaging 73.3 percent. It is clear that for some cities the cut in Federal assistance will make it almost impossible to maintain decent and affordable services.

If these drastic cuts are adopted transit employees in both urban and rural areas will lose their jobs; service will be slashed, denying the traveling public access to what, for many, is their only means of transportation; and fare increases will be substantial, placing a significant burden on those in our society unable to take on additional transportation costs.

THEREFORE, BE IT RESOLVED:

- That TTD and its affiliates will condemn in the strongest of terms efforts in future transportation appropriations bills to carry out the spending blueprint of the House and Senate Budget Committees, which called for the phase-out of mass transit operating assistance;
- That transportation labor will support transit unions in their ongoing efforts to maintain a Federal transportation investment program that does not place a disproportionate share of the burden of funding cuts on the transit industry, its riders, and employees; and
- That TTD will continue to work with other like-minded groups concerned about the effects mass transit cuts will have on transit systems, local economies, communities and riders, jobs, and the environment.

ADOPTED SEPTEMBER 27-28, 1995
CONVENTION, TRANSPORTATION TRADES DEPARTMENT, AFL-CIO

RESOLUTION NO. 6

Stopping Assaults on Section 13(c) Collective Bargaining Rights

SUBMITTED BY:
Amalgamated Transit Union and Transport Workers Union of America

Section 13(c) of the Federal Transit Act has come under attack from many in Congress who would see the program abolished and the collective bargaining rights of transit workers threatened or outright destroyed.

The 13(c) program, embodied in Federal transit law since 1964, guarantees that existing collective bargaining rights and long-standing employee protective arrangements are in place before Federal transit grants are disbursed. This creates insurance that our country's more than 200,000 urban, rural, and suburban transit employees are not negatively affected when Federal dollars are invested to operate, capitalize or otherwise change or expand local transit systems.

Since its inception, the 13(c) program has been remarkably successful, providing considerable benefit at virtually no cost. Over three decades, employee claims have been negligible while more than $70 billion in Federal grants has been distributed.

Among the benefits of 13(c) have been its positive role in managing growth and restructuring in the rapidly changing transit industry in a way that has included the fair treatment of employees affected by Federal transit investment policy. This strong component of the program has helped workers and transit systems introduce new services, expand from bus to light rail, and otherwise lead the industry in an unprecedented period of growth. All this occurred while at the same time safeguarding employees' existing rights, including collective bargaining.

Those who now seek to destroy the 13(c) program ignore the transit industry's history. In 1964, when the Federal Transit Act was enacted, private bus systems nationwide were on the brink of insolvency, inspiring massive Federal investment to ensure the continuation of vital transit services. That important government investment included a clear statement of policy by a bipartisan Congress to ensure that as Federal transit policy was enacted and implemented, local transit employees would not see their rights or jobs harmed.

The core complaint against the 13(c) program by certain elements of the transit industry is the need to minimize delay in the release of grants. While transportation labor believes the 13(c) program has served the industry and its employees well, it is clear that sensible procedural reforms would improve the administration of this worker program.

The Department of Labor recently issued proposed changes to streamline 13(c) grant certification, including a requirement that all grants receive certification within 60 days. Additionally, proposed changes would apply "model" labor arrangements wherever appropriate, thereby greatly increasing the speed of grant certification.

Transportation labor condemns recent efforts led by the House Subcommittee on Transportation Appropriations to repeal this program, and stands on guard against further attacks from that or any other congressional committee to substantively weaken the 13(c) program. In 1996 efforts will begin to reauthorize the Intermodal Surface Transportation Efficiency Act (ISTEA) of 1991. Transportation labor will predicate its support for this legislation upon the inclusion of 13(c) and other employee protections in that legislation.

THEREFORE, BE IT RESOLVED:

- That TTD and its affiliates will continue to vigorously oppose legislation that threatens the 13(c) program, and will take appropriate action to defeat such legislative efforts;
- That TTD will closely monitor 13(c) reform proposals to ensure that employee collective bargaining rights remain fully intact and that longstanding protective arrangements are not altered or undermined; and
- That TTD will demand full retention of 13(c) and similar labor protections in upcoming major transportation legislation.

ADOPTED SEPTEMBER 27-28, 1995 CONVENTION, TRANSPORTATION TRADES DEPARTMENT, AFL-CIO

RESOLUTION NO. 11

Guarding Against Federal Privatization Mandates

SUBMITTED BY:
Amalgamated Transit Union and American Federation of State, County and Municipal Employees

Across the nation, both public and private transit service providers comprise the nation's transit network in cities large and small, urban, suburban and rural. Throughout the Federal transit program's 30-year history, it has been the view of transportation unions and many like-minded organizations that decisions regarding public versus private operation of transit service should be left to local and state decision-makers.

The landmark Intermodal Surface Transportation Efficiency Act of 1991 (ISTEA) embodied this same view in language contained in Section 5305(a)(3), stating that the transportation secretary could not withhold the Department of Transportation's certification of submitted transit plans and programs based upon the disposition of local planning organizations on issues surrounding private enterprise participation, as encouraged in Section 5306(a) of ISTEA.

By enacting the private enterprise participation measure, Congress affirmed its support for the private sector's role in delivering transit services, but reserved decision-making to those best equipped to determine the needs of their cities: state and local authorities and their planning organizations. Congress made it clear that Federal privatization mandates, regulations, guidelines or other intrusive directives — pro or con — were not necessary.

In response to Congress' desire to lift unnecessary Federal rules governing operating choices, in April 1994 the Federal Transit Administration (FTA) revoked "privatization requirements" embodied in two agency circulars issued in 1984 and 1986, respectively. In doing so, the FTA reflected clear Congressional intent to rely on local decision-making, and otherwise eliminated unnecessary and burdensome mandates that existed during the 1980s. The FTA adopted a balanced policy that deferred to local transportation planners on questions such as public versus private operation of transit service.

Despite the balance achieved in ISTEA and subsequently affirmed in the FTA regulatory initiative in 1994, some in Congress want to tamper with the policy and return to the days of excessive Federal intrusion into local decision-making. Transportation labor is aware of no circumstance where the rights of local planners to consider private-sector participation in their transit service plans have been undermined by the present policies. Quite the contrary: today transit agencies and their local planning organizations retain the freedom to make the most appropriate choices to ensure improved transit services in their communities.

TTD strongly urges Congress to refrain from exerting undue influence on local transit planners. The FTA has wisely concluded that the premise upon which the Reagan-Bush privatization policy was founded was contrary to the best interests of transit systems, commuters, employees, and taxpayers. Under the present policy regime, the Clinton Administration has disposed of rules that imposed burdensome and costly administrative requirements and denied communities their rightful authority to make operating decisions in consultation with local leaders, riders, businesses and employees.

However, the threat remains — and efforts are underway to unnecessarily force privatization of local transit systems. Transportation labor is committed to preserving the current Federal transit program rules governing privatization. They are founded on sound policy principles that draw on the expertise of local decision-makers while preserving the Federal government's role in establishing transit investment priorities.

THEREFORE, BE IT RESOLVED:

- That TTD commends President Clinton and the Federal Transit Administration for their commitment to balanced transit privatization policies that recognize the role of local transportation planners in making decisions concerning the participation of the private sector; and
- That transportation labor will not relent in its opposition to legislative or regulatory measures that would undo current FTA privatization policies by imposing unwise Federal mandates that force privatization decisions on local authorities who are better-suited to make such crucial decisions in the best interests of local communities.

ADOPTED SEPTEMBER 27-28, 1995
CONVENTION, TRANSPORTATION TRADES DEPARTMENT, AFL-CIO

STATEMENT OF GORDON J. LINTON

ADMINISTRATOR, FEDERAL TRANSIT ADMINISTRATION
DEPARTMENT OF TRANSPORTATION

BEFORE THE SUBCOMMITTEE ON SURFACE TRANSPORTATION
COMMITTEE ON TRANSPORTATION AND INFRASTRUCTURE
UNITED STATES HOUSE OF REPRESENTATIVES

TUESDAY, JUNE 18, 1996

Mr. Chairman and distinguished Members of the Subcommittee, I am pleased to have the opportunity to appear before you today to talk about the status of the Federal transit programs funded under the Intermodal Surface Transportation Efficiency Act of 1991 (ISTEA), to tell you how these programs are working, and to identify areas where we can make improvements to better deliver limited Federal dollars to support our Nation's transit infrastructure needs.

BENEFITS OF TRANSIT

As Secretary Peña testified before this Subcommittee on May 2, 1996, ISTEA has led to dramatic improvements in the way our Nation plans and builds our great transportation systems. The improvements in public transit have contributed to our Nation's economic well-being and mobility in many ways.

First, we have seen a significant increase in investment in transit infrastructure and equipment. Federal transit funds support both the maintenance of existing systems and the construction of select new systems. These investments have helped to ensure mobility of all segments of our population -- elderly and young, rich and poor, drivers and non-drivers, the able-bodied and those with disabilities, in urban and rural areas -- to access jobs, medical services, schools, shopping, and other essential services. We have done much, but we have much more yet to do.

Transit is vital to America's marketplaces -- cities where American products and jobs compete in the global economic market. Transit and other congestion mitigation practices benefit interstate commerce by assuring that inter-city freight, for example, can travel through urbanized areas with less delay.

Transit creates low-cost access to jobs, health care, and other essential services, saving tax dollars and promoting economic opportunity for the 80 million Americans who do not drive because they are too young, too old, disabled, or cannot afford a car. This means that for millions of Americans in rural areas public transit is a lifeline. The enhanced mobility for those without a car yields tremendous benefits in reduced social services costs. In addition to these 80 million users who depend on public transit services, many more choose transit as a convenient, time-saving mode of transportation.

Transit connects people with their neighborhoods and creates more livable communities. Low-cost and readily available public transit can result in reduced commuting time, convenient access to stores and services, cleaner air, and a better quality of life. Middle class households located near rail transit save an average of about $250 per month in auto costs as compared to a typical suburban household. With an estimated 5,000 households within one-half mile of each of the nation's 1,375 rapid and light rail transit stations, this amounts to a total national transportation cost savings of $20 billion per year.

Used in concert with other congestion management techniques, transit is key to reducing congestion. Americans lose more than 1.6 million hours a day stuck in traffic. Strategic investments can lower the cost of highway congestion.

The Federal Role

The planning process implemented under ISTEA now involves transportation planners and decisionmakers at the state and local levels. They use a multimodal approach to prioritize their transportation needs and to fund those projects that best meet locally determined goals and objectives for mobility, economic opportunity, and environmental quality. We have heard from many representatives in the transportation community that this process is working well. It should be maintained and strengthened.

With limited Federal dollars available for all discretionary programs, we have encouraged creative solutions to develop innovative finance opportunities and to reduce red tape for all of our grantees. The Federal Transit Administration (FTA) has streamlined the grant process with electronic on-line applications. We have an FTA "home page" on the Internet that offers much valuable information about transit grants, formula apportionments, and technical assistance -- all reachable with a few simple computer keystrokes.

We are working with the Department to promote innovative financing initiatives to help state and local governments identify opportunities to leverage the use of their Federal transit funds. Projects funded to date through FTA's Innovative Financing Initiative have leveraged 2.5 times the Federal investment, showing that the private sector -- investors, developers, and the private capital markets -- provides an important source of revenue for improved public transportation. These financing initiatives include leasing transit vehicles, pooled purchases, state revolving loan funds, and soon State Infrastructure Banks as recently enacted on a pilot basis in the National Highway System Designation Act of 1995 (NHS).

We are especially interested in promoting the joint public-private development of transit facilities. In fact, our Livable Communities Initiative promotes and facilitates the development of residential neighborhoods and commercial activities all within walking distance of transit. We have found many benefits that flow from Livable Communities -- more socially cohesive communities, reduced commuting time, convenient access to stores and services, fewer vehicle miles traveled which translates into reduced air pollution, and a better quality of life.

We are funding research into innovative technology to move our transit systems into the twenty-first century, and to develop safer and more cost effective transit systems. For example, transit agencies are already using Advanced Public Transportation Systems (APTS) to track bus locations and collect fares electronically, which gives transit riders more reliable service and reduces operating costs. APTS can provide more accurate, real-time information on bus schedules and routes, allowing passengers to plan their trips with minimal delay. In partnership with the transit industry, FTA is also developing the Advanced Transit Technology Bus (ATTB), a project that will shave over 10,000 pounds off a typical 30,000 pound bus. This weight reduction will yield savings in lower fuel and brake costs as well as less road damage. This is an exciting milestone in bus technology. And we expect to see the ATTB in full operation in 1997.

At the same time, public transit contributes to our quality of life by mitigating traffic congestion and environmental pollution. Public transit in all areas of the country is an important intermodal link in ensuring that our transportation network operates smoothly, productively, and efficiently.

We want to build on these achievements as we move toward the reauthorization of ISTEA. The challenges that we face -- in economic growth and productivity, mobility, environmental concerns, and safety -- require a strong Federal transit role, in partnership with all levels of government and the private sector.

TRANSIT PROGRAM OVERVIEW

FTA provides financial assistance nationwide through a variety of capital discretionary and formula programs, operating assistance, planning and research, and technical assistance programs. FTA provides funds to transit operators, state and local governments and other recipients to construct facilities, purchase equipment, improve technology and service techniques, and support regionwide transportation planning. FTA is also committed to funding programs that meet the special mobility needs of the elderly, people with disabilities, and socially and economically disadvantaged individuals.

FEDERAL TRANSIT FORMULA AND DISCRETIONARY BUS PROGRAMS

Transit Infrastructure Condition and Needs

The Federal formula programs provide funds for both capital and operating expenses to 396 urbanized areas in the country. Through the formula programs, Federal transit dollars reach transit agencies, both public and private providers of all types, in every region of the country -- from the urban rapid transit Bay Area Rapid Transit (BART) system in San Francisco, to the commuter MARC line in Maryland between Baltimore and Washington, D.C., to bus systems serving rural communities in West Virginia, Wisconsin, Ohio, Pennsylvania, and Minnesota and in widely-separated urban centers like Philadelphia, El Paso, New York, Los Angeles, Cleveland, Albuquerque, New Orleans, and Cedar Rapids.

These programs are the core of the Federal transit program -- serving 500 bus systems, 14 rapid rail systems, 9 commuter rail systems, and 17 light rail systems, along with about 4,400 urban and rural systems meeting the needs of the elderly and disabled, and another 1,200 transit systems in rural areas. All of these systems receive Federal funding support that helps 275,000 public transit employees keep 124,600 vehicles on the road. There is no question that these widely varied public transit systems are an essential lifeline that relieves congestion in heavily urbanized areas, helps to improve environmental quality, and carries people of all ages and needs to essential jobs and services.

The Department recently transmitted the 1995 Condition and Performance Report to Congress. It reviews the condition of the nation's surface transportation systems, including transit facilities and equipment, and it establishes the investment levels necessary to maintain and improve transportation in this country. While we have accomplished much in the past five years since ISTEA, this report shows that we have to do more to improve our transit infrastructure.

In 1995, investment in transit capital totaled nearly $6 billion -- enough to maintain current conditions and add service to partially absorb increased transit travel demand. Maintaining the nation's transit facilities and equipment in their current state of repair to meet projected increases in travel demand requires all levels of government to invest a total of $7.9 billion each year over the next 20 years. To improve transit above its current quality of service will require an annual investment of $12.9 billion. Expenditure by all levels of government of $12.9 billion would eliminate the current backlog of unmet investment needs, and the nation's bus and rail vehicles would be modernized and rehabilitated.

The Urbanized, Rural, and Elderly and Disabled Formula Programs

Formula grants can be used for all transit purposes -- bus and railcar purchases, facility repair and construction, and operating costs. These formula programs are the urbanized area program, the nonurbanized area program, the elderly and persons with disabilities program, and the fixed guideway modernization program. Together, these programs allow transit authorities to prioritize and target funds to meet important local needs. They are also the primary source of funds used by transit authorities to meet the compliance costs of the Americans with Disabilities Act, the Clean Air Act amendments, and Drug and Alcohol testing requirements.

The urbanized area program section 5307 funds are apportioned by statutory formula directly to urbanized areas with populations of 200,000 or more and, for urbanized areas with 50,000 to 200,000 population, directly to the Governors to provide capital, operating, and planning assistance in urbanized areas.

The Elderly and Persons with Disabilities program section 5310 funds are apportioned by statutory formula to the Governors. This capital assistance program is directed primarily to private non-profit organizations that provide transportation service for the elderly and persons with disabilities. Public bodies that coordinate services for the elderly and persons with disabilities may also receive these funds under certain circumstances. In fiscal year 1995, this program provided funds to purchase 1783 vehicles among 1,371 operators.

The nonurbanized area formula program section 5311 funds are apportioned by statutory formula to the Governors for capital and operating assistance in nonurbanized areas, defined as areas with less than 50,000 population. Fifteen percent of a state's annual apportionment must be set aside for intercity bus transportation, unless the Governor certifies to the Secretary that the state's intercity bus needs are being adequately met. Another 15 percent of each state's apportionment is used for administration of this program, planning, and technical assistance. The state also receives an annual allocation of funds through the Rural Transit Assistanca Program (RTAP). RTAP funds are used by the statea to undertake research, training, technical assistance, and other support services to meet the needs of rural transit operators.

Each year the funds for these programs support the purchase of about 5,400 urban buses and paratransit vans, and the maintenance of the nation's 523 urban bus facilities. Also, through these programs, moro than 800 vehicles, mostly vans and small buses, are purchased, supporting the operations of approximately 1,200 rural transit providers.

Transit in rural America improved dramatically with increased funding through ISTEA. Rural transit carries riders a billion miles each year, ensuring that people can get to job training programs, while the elderly and disabled rural residents can find relative independence through less expensive door to door transit service. Ninety million rural Americans now have better access to medical caro, shopping, and jobs. And with a recent statutory change to the interstate transportation requirements, transit agencies particularly in rural areas can moro easily provide cross-state transit service to access medical facilities, jobs, and other services and intermodal connections in communities that are closer than those available in-state.

Fixed Guideway Modernization Formula Program

The Fixed Guideway Medernization program is designed primarily to assist urbanized areas with existing rail transit systems to maintain these systems in an acceptable state of repair. Federal funding and local match support replacement and rehabilitation of the existing rail fleet and rostoration of rail facilities such as stations, track, and yards and shops. Nationally, there are 7,439 miles of track, 2,271 stations, and 119 rail maintenance facilities. About 73 percent of elevated structure, 41 percent of third rail, and 48 percent of maintenance facilities are currently in less than good condition and require major investment. In addition to rail systems, other systems like busways and ferry service are eligible for funding under this program.

The multi-year effort to rehabilitate the Frankford Elevated rapid transit facility in Northeast Philadelphia is a prime example of the successful application of fixed guideway funding to bring a deteriorated structure to an acceptable condition and to significantly extend its useful life. The San Francisco Municipal Railway, in operation since 1912, is another example of the targeting of fixed guideway funds, again with a phased multi-year program, to upgrade existing light rail servicos through the purchase of new rolling stock and renewal of track, power, and signal systems. Caltrain, a commuter rail system serving San Francisco and communities south to San Jose and beyond, has enjoyed significant modernization through the use of fixed guideway modernization funds. These funds assisted in the purchase of new bi-level coaches and rehabilitation of the railroad right-of-way.

The Fixed Guideway Modernization category uses an innovative formula that dispenses funds to eleven specified urbanized areas on a 4-level tiered basis, adjusted according to the level of funding appropriated. This tiered approach ensures that funds are targeted first to those urbanized areas with the oldest systems, and then to the newer systems -- those systems that are at least seven years old -- which receive funds only if certain funding thresholds are exceeded. This method of funds delivery has worked extremely well for these systems. It has resulted in older rail systems receiving specifically-targeted resources that translate into higher quality, reliable, safe, and attractive service to urban passengers.

The Bus Programs

Capital funds in both the formula grants and discretionary bus programs are being used to replace and expand the nation's fleet of buses and to expand bus maintenanco and facilities. Total capital bus funding supports the annual purchase of about 5,400 urban buses and paratransit vans, 600 buses for rural transit systems, and 2,000 buses for special services for elderly and disabled persons. Yet these new vehicles do not meet the annual replacement needs to maintain the current average fleet conditions. Moreover, 12,800 urban buses and paratransit vehicles, 4,700 rural buses and 11,200 buses for special services are in service past the end of their useful lives. Nationally, there are about 523 urban bus facilities, of which about 32 percent are in fair or poor condition.

The formula grants program is intended to cover routine bus needs, reserving the discretionary bus funding in section 5309 for extraordinary bus needs, such as the deployment of an Advanced Technology Transit Bus, the construction of large facilities, and major bus purchases. Yet we have found that the bus discretionary activity has tended to have a relatively large carryover of funds due to premature earmarking and delayed applications.

Based on our experience in managing these two bus programs, we need to find ways to ensure that capital bus funds are made more readily available for obligation when they are needed.

OPERATING ASSISTANCE

A portion of the formula funds can be used for operating assistance. In fiscal year 1996, operating assistance was capped at $400 million for urbanized areas.

Congress last year acted to limit the reduction in operating assistance for small urban areas, those with populations between 50,000 and 200,000, to 75 percent of the level they received in the prior year, fiscal year 1995. This year, we submitted a budget request to increase funding for operating assistance by $100 million, to $500 million, and to continue the "hold harmless" provision for small urbanized areas. We believe that this level is a prudent and adequate minimum level of operating support for transit agencies.

Without this "hold harmless" provision, the small urbanized areas would face further cuts in operating assistance, even with $500 million in operating assistance. These areas rely to a proportionately greater extent on Federal operating assistance, and they need assurances that they will not face further reductions. If operating assistance was set at $500 million, and the regular apportionment formula was applied, the small urbanized areas would receive $5.6 million less than what they received last year.

We understand that there are those in Congress who would like to further reduce reliance on operating assistance. Yet we have seen transit agencies all around the country institute fare increases and service reductions as an immediate response to reductions in last year's appropriations -- actions which undercut ridership and lead to yet lower revenues. For example, in Pennsylvania, Harrisburg's Capital Area Transit system's board of directors conveaed a special meeting just two weeks after the fiscal year 1996 DOT appropriations act was signed. They bad to deal with the 48 percent reduction in Federal operating assistant that left a half-million dollar hole in their annual budget. The board raised bus fares 22 percent effective January 1, 1996.

In Alabama, when the Montgomery Area Transit System (MATS) confronted a $427,961 shortfall in Federal operating assistance late in 1995, the bus system's board took prompt action, using over $200,000 from the city maintenance department for one-time emergency funding. Even with these short-term funds, the MATS board had to cut back further: no more mid-day bus service, only two operating routes on Saturdays, and 23 jobs eliminated. At the same time, passenger fares increased 50 cents to $1.50, and student fares rose a quarter, from 50 cents to 75 cents. A two-wage earning family commuting by bus could pay an additional $500 per year for trips to work.

While reduced Federal transit operating assistance has challenged systems across the country, we are working to mitigate the impact of these cuts. We believe that the capitalization of bus overhauls amendment adopted in the DOT Appropriations Act of 1996 will now offer transit operators some relief from operating assistance reductions. Effective April 1, 1996, transit operators can classify as capital assistanco for bus overhauls an amount up to 20 percent of their vehicle maintenance costs. We expect that transit agencies will use this increased flexibility to significant advantage.

Finally, we have promoted innovative financing techniques such as cross-border leases, pooled purchases, and soon infrastructure banks that stretch available dollars. To date, the Secretary has given approval to eight states to establish State Infrastructure Banks as part of the pilot program enacted in the NHS bill, with another two states to be announced within the next two weeks. Seven of the eight states will establish dual transit and highway accounts. The Administration has proposed in its fiscal year 1997 budget $250 million to capitalize the SIBs, in order to accelerate the development of this important pilot program.

Innovatively financed projects involve many techniques, including leasing transit vehicles which can be more cost effective than a direct purchase; joint development transit facilities which can create a revenue stream for the transit operator, multiply the commercial activity near transit hubs, and bolster the economic well-being of communities; and state revolving loan funds to facilitate a state vehicle purchase and leasing program, decreasing transportation providers' capital costs through pooled purchases and vehicle leasing. We have found that such innovative approaches provide an important source of capital for improved public transportation.

THE AMERICANS WITH DISABILITIES ACT

Enactment of the Americans with Disabilities Act of 1990 (ADA) with strong bipartisan support ensured that equal access to public transportation is a fundamental civil right. For many persons with disabilities, accessible public transportation is a lifeline to employment and independent living. Transit agencies have worked diligently to implement ADA accessibility requirements over the past five years. ADA implementation by transit agencies has been funded primarily through the FTA formula capital and operating assistance programs. We believe that the transit industry has demonstrated a solid record of accomplishment in complying with the ADA. The phase-in of accessible service appears to be on target at over 600 public transit authorities and about 700 key rail stations.

Our estimate of the total recurring cost of ADA compliance is $932 million each year for the 1995-2002 period. This estimate is based on the plan submissions of the transit systems and represents about 4 percent of all public transit costs -- Federal, state, and local combined. About 30 percent of the $932 million or $279 million goes toward the capital costs of implementing ADA with the rest going to operating costs. These capital costs include adding lifts to buses, installing elevators and raising platforms at key rail stations, and purchasing smaller vehicles to provide specialized paratransit service. The majority of ADA paratransit costs, about 85 percent, are operating costs. The reduction in the Federal transit operating assistance level below the President's request has meant that less Federal money is available to help offset these significant ADA paratransit costs. In this situation, we expect that many transit systems will elect to ask for temporary time extensions, based on undue financial burden, to delay full implementation of the ADA paratransit service requirements beyond the January 1997 deadline.

PLANNING

Since the passage of ISTEA in 1991, we have witnessed a significant reinvention in how states and metropolitan areas plan, finance, and manage their transportation systems and facilities. The Act's emphasis on economic efficiency, concern for the environment, and equitable delivery of transportation services has required that States and metropolitan areas take a *multimodal* approach to systems planning. This approach facilitates the consideration of a wide range of modal alternatives to address transportation problems, encourages innovation in project planning, and requires the active participation of the public in transportation planning activities.

The multimodal planning approach implemented in ISTEA has brought new partners into the surface transportation discussion. By integrating planning for all modes of transportation -- highways, public transportation, bicycle and pedestrian facilities -- planners and decisionmakers now prioritize their transportation needs and identify the most appropriate solutions. At the same time, they are challenged to develnp new and innovative solutions to transportation problems, and to creatively address the twin problems of congestion and environmental quality. From a national perspective, we envision developing an interconnected, "seamless" transportation system so that we as a Nation can more efficiently and effectively move people and goods both within a city and from coast to coast as well as across international borders.

One very significant ISTEA tool used successfully by transportation planners and local decisionmakers is the flexible funding programs. Through the planning process, ISTEA has empowered state and local decisionmakers with greater discretion to decide how best to spend Federal transportation dollars. Funds from ISTEA's Surface Transportation Program (STP) and the Congestion Mitigation and Air Quality Improvement Program (CMAQ), along with transit's urbanized area formula funds, can be "flexed" at local option to meet urgent local and regional project priorities. Through these funding programs, there is enhanced flexibility to fund important transportation initiatives that best meet locally determined goals and objectives for mobility, economic opportunity, and environmental quality.

These programs have been tremendously successful. Total annual locally flexed funds have increased from $304 million in fiscal year 1992 to $802 million in fiscal year 1995. You have heard from many groups -- including local and state transportation officials, former Federal transportation officials, and a variety of transportation association representatives -- all of

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whom point to ISTEA's flexibility provisions as a major benefit that we must retain and build on in the next authorization.

NEW STARTS

Federal capital funds under FTA's New Starts program are used for major capital investment projects -- subways, extension of rapid rail, busways, light rail, commuter rail systems, and Bus/HOV ways across the country -- that typically cost $100 million or more. In exchange for FTA's commitment to provide Federal funding, incrementally, over a multiyear construction schedule, the grantee commits to completing its project on time, within budget, and in compliance with all applicable Federal requirements, and to bear any cost overruns that might occur on that project.

The Full Funding Grant Agreement (FFGA) is a special grant agreement that FTA uses for these major capital projects. An FFGA establishes a firm date for project completion; provides a mechanism for obligating outyear funds; leads to the development of highly accurate cost estimates; and permits tha use of state and local funding for start-up project activities without jeopardizing future Federal funding. The issuance of an FFGA is the culmination of the New Starts project evaluation process. However, projects under FFGA are continually monitored as part of the regular FTA program management activities.

Major transportation investments embodied in the New Starts program begin with local decisionmaking through the MPO planning process. Where Federal funds are likely to be part of a major transportation investment, the local planning process must include a Major Investment Study (MIS) designed to evaluate alternative investments or strategies in meeting local, state, and national goals and objectives. The MIS concludes with the selection, by the MPO as part of the planning process, of one or more preferred projects and a funding strategy.

ISTEA authorized $5 billion for the New Starts program over the 6-year authorization period, yet the legislation contained project-specific earmarks totaling $6 billion. Moreover, since fiscal year 1992, the Department of Transportation appropriations acts have included funding for fourteen projects not authorized by ISTEA. Each of the projects -- including those earmarked in law -- must meet statutory criteria for project approval by FTA as found in section 5309(e)(2)-(7). These criteria include completion of the MIS, a comprehensive review of the project's mobility improvements, environmental impacts, cost effectiveness, operating efficiencies, and the degree of local financial commitment. Land use policies and such factors as congestion relief, air pollution, noise pollution, energy consumption, and the promotion of economic development are additional criteria applied to evaluate proposed projects.

On April 25, 1996, I reported to you about several of the proposed New Start projects for which we are seeking funding in this next fiscal year. FTA's annual report to Congress, now the section 5309(m) New Starts Funding Levels and Allocations Report, evaluates the New Starts projects in the pipeline. We will be providing this report to you shortly.

New Start projects that we are currently funding include: the MARTA North Line Extension in Atlanta; the Baltimore LRT extensions; the South Boston Piers Transit way; the Dallas South Oak Cliff LRT (for which funding will be completed this year); the Houston Regional Bus Plan; the Los Angeles Metro Rail Red Line; the Maryland MARC Commuter Rail improvements; the New Jersey/Urban Core Secaucus Transfer Station; the Pittsburgh Airport Busway (for which funding will be completed this year); the Portland, Oregon, Westside LRT; the Salt Lake City South LRT; San Juan's Tren Urbano (newly under FFGA); and the Denver Southwest Corridor LRT extension (also newly under FFGA). These are under FFGA and represent a total Federal investment of $5.2 billion. Upon completion, these projects will result in over 80 miles of new rail service which, together with substantial improvements in transit service, will provide about 150 million annual transit trips.

We also now have four projects proposed for FFGA -- San Francisco Area - BART Airport Extension; New Jersey Urban Core - Hudson/Bergen LRT; Sacramento LRT Extension; and St. Louis St. Clair MetroLink LRT Extension -- along with the San Jose Tasman project previously covered by a Letter of Intent. These four projects are expected to complete the project development process and become ready for final design and/or construction during calendar year 1996.

We believe that these projects represent a significant investment in the economic growth and infrastructure of our Nation's urban areas. As we have seen here in our Nation's capital, these investments provide multiple benefits -- in jobs, enhanced mobility, reduced congestion, improved environmental quality, commercial and residential development, intermodal connectors, tourism, quality of life -- and they surely re-vitalize and transform our great cities.

CONCLUSION

As we move toward reauthorization in this next year, we need to take stock of the benefits that public transit offers and build on the successes initiated by ISTEA. ISTEA's flexible funding and transportation planning provisions have empowered the states and metropolitan areas to decide transportation strategies that best serve their communities. While we recognize that ISTEA has brought significant transit investment, we are also aware that more investment from all sources will be required to improve the quality of service provided by public transit.

Our work is not done. Transit is an important link in both rural and urban areas to assure that the nation's transportation system functions efficiently. A strong Federal investment in buses, rail cars, stations and facilities, research, planning, and safety is critical to ensuring mobility and economic growth. An interconnected multimodal transportation system that will carry America well into the twenty-first century requires a strong Federal role in transit.

Mr. Chairman, that concludes my prepared statement. I would be happy to answer any questions you may have.

TESTIMONY

OF

VALERIE MANNING, PRESIDENT AND CEO

PHOENIX CHAMBER OF COMMERCE

BEFORE

THE SUBCOMMITTEE ON SURFACE TRANSPORTATION

COMMITTEE ON TRANSPORTATION AND INFRASTRUCTURE

U.S. HOUSE OF REPRESENTATIVES

WASHINGTON, D.C.

TUESDAY, JUNE 18, 1996

Mr. Chairman Petri, Congressman Rahall, and Members of the Subcommittee, I am Valerie Manning, President and CEO of the Phoenix Chamber of Commerce. Before I begin, I would like to thank you for this opportunity to present testimony on behalf of the City of Phoenix, its business leadership, and the 1.2 million citizens of Phoenix and 2.5 million residents of the Phoenix metropolitan area. I am also here on behalf of all high growth cities, congested communities, and as a representative of the New Starts Working Group.

As some of you may know, the City of Phoenix, and the surrounding metropolitan area, continues to undergo phenomenal growth. Between 1980 and 1990, the Phoenix population increased by 24.5%, the second highest growth rate of the 20 largest cities in the United States, from approximately 790,000 residents to 980,000. It is estimated that some 1000 people are moving into the metropolitan Phoenix region per week. By the year 2015, the metro Phoenix population is expected to reach 4 million people. As you can imagine, such growth, while benefitting both business and government alike, has not been without its consequences. This growth is placing a burden on our transportation infrastructure and challenging our communities to find innovative ways of addressing our transportation needs. We know from our neighbors in California that metropolitan areas there simply cannot build enough freeways to respond to this level of transportation demand. A balanced transportation system that includes mass transit as a major component is essential to successfully meet the transportation challenges we face.

The Phoenix Chamber of Commerce has taken a keen interest in the Valley of the Sun's transportation issues. We have set up a Valleywide Transit Task Force to study how transit issues affect the business community and its working environment. Our interest and position on transportation issues is further strengthened by a recent report by the Morrison Institute of Arizona State University commissioned by the Chamber, entitled *Transit in the Valley: Where Do We Go From Here?*. The study found that the Phoenix Metro area must do more than merely build freeways; it must build support for a range of transportation solutions. There are many transportation needs in the Valley. In order to meet the challenges that growth poses for the Valley's transportation system, the area's business community is supportive of local government efforts to find solutions to the problems.

Currently, the citizens of Phoenix and its neighboring communities are examining options for expanding the public transit system. In September, the residents of our neighboring city of Tempe will vote on a ½ cent sales tax to improve its bus system and explore possible rail line options. This ½ cent sales tax will raise $20 million annually for the City of Tempe. These monies will be dedicated solely to mass transit system improvements. The City of Phoenix also continues to aggressively support and look for ways to improve the transit system. Since 1985, Phoenix has steadily increased its general fund contribution to transit from $7.5 million annually to the current $24 million per year. Phoenix citizens are also exploring ways to improve our transit system. They are now engaged in focus groups and community meetings to discuss improvements and options. It is anticipated that in the fall of 1997, with the recommendations of business and community leaders, the citizens of

Phoenix will be asked to approve an additional $40 million a year to expand our mass transit system. If successful, this new infusion of $60 million per year from the Cities of Phoenix and Tempe will enable our communities to double the size of our bus systems and to begin a fixed guideway implementation.

As you all know, the cost of such a system is staggering. This major commitment of funds has already stretched local budgets and will not be enough to develop a system that will meet our travel needs and air quality standards. We can only do this with the support of the New Starts program. We are now engaged in discussions with officials of the FTA and have expressed a willingness to match federal assistance dollar for dollar with local funds: a 50/50 partnership with the federal government versus the traditional 80/20 partnership. We believe that this proposed commitment of local funds is consistent with your Subcommittee's philosophy and objectives. In light of the Federal budget deficit situation, we also recognize that we cannot rely on Federal Operating assistance alone, and are prepared to undertake the financial responsibility of paying for the operating and maintenance costs of this expanded system.

This is why continuation of the New Starts program is important. The funding need exists, especially in growing cities like Phoenix which are considering light rail and other alternative solutions to their transportation crises. In conversations with my counterparts in other sections of the country, especially growth cities, I can tell you that public transit *is* vital -- it impacts both economic development and quality of life, two very important ingredients for success anywhere.

You may ask why the federal government should be interested in these problems faced by local agencies nationwide. It is because cities like Phoenix are part of the national economy -- goods and services flow in and out of Phoenix to all the other cities and regions of this country. As the nstion grows more and interconnects more intensively, a better transportation system is an economic necessity.

As a representative of businesses and citizens of Phoenix, I feel that the continuation of the New Starts program is vital to cities like Phoenix because of the importance of mobility and quality of life in our communities. Our businesses and citizens are engaged in a daily struggle to meet both state and federal guidelines on travel reduction and air quality. Without improvement in the transit infrastructure, our competitive edge is weakened. This spring, the EPA downgraded the Phoenix aree from "moderate" to "serious" for particulates and has proposed a reclassification to "serious" for carbon monoxide es well and we are at risk of redesignation for ozone pollution over the next year. The state legislature is scheduled to go into special session this summer to develop additional air pollution control measures. In addition, the Governor's newly appointed Task Forces on ozone and transportation alternatives are committing long hours to research other programs that may be implemented to reduce air pollution. We support these efforts for cleaner air. We want to be a part of the solution. However, we understand that our ability to reduce air pollution is seriously limited by the capacity and status of the transit system. We are convinced that the New Starts program is an integral component in not only providing for future transportation needs, but for a better quality of life as well, and we urge you to continue it.

Mr Chairman, I want to thank you again for the opportunity to present testimony this morning.

TESTIMONY OF CHAIRMAN THOMAS J. McCRACKEN, Jr.

REGIONAL TRANSPORTATION AUTHORITY OF NORTHEASTERN ILLINOIS

BEFORE THE HOUSE SUBCOMMITTEE ON SURFACE TRANSPORTATION

JUNE 18, 1996

Mr. Chairman, Members of the Committee; thank you for allowing me this opportunity to testify. My name is Tom McCracken and I am the Chairman of the Regional Transportation Authority of Northeastern Illinois.

The RTA is the oversight authority for the Chicago Transit Authority, Metra Commuter Rail and Pace Suburban Bus. Our authority covers the six-county region surrounding the City of Chicago and collectively, the Service Boards provide more than 2 million rides per day.

As you prepare to rewrite the ISTEA, allow me to describe for you the RTA system with reference to its role in achieving the Act's federal objectives.

We are a transportation alternative for those who commute to work, school and other daily destinations. A majority of our ridership is daily commuters. A number of employers depend on transit to provide access to the best possible workforce in the area. Last year, CEOs from the Chicago area traveled with me to Washington to impress upon Congress the partnership we have with the business community. We are also an essential service. For many, there would be no job if transit could not provide the commute. As such, we become a necessary predicate in congressional efforts to revamp welfare and move people into the ranks of the employed.

In many metropolitan areas, including Chicago, transit is interstate in nature. In our area, we provide service to both Wisconsin and Indiana. New York MTA serves Connecticut and New Jersey. SEPTA in Philadelphia serves New Jersey. Here in Washington, METRO serves Virginia and Maryland, in addition to the District.

It is important to recognize that transit is a partner in the transportation system. Transit has a long-standing partnership with the federal government in ensuring the efficiency of an integrated and interdependent transportation network.

We are also in a partnership with the State of Illinois. Both the Governor, who this year co-chairs the National Governor's Association Transportation Committee, and our state Department of Transportation, have included the preservation of transit capital as one of their top priorities in this reauthorization process.

Let me give you an example of how important transit and our partnership with IDOT is on a daily basis. The Dan Ryan and Kennedy Expressways in Chicago have the highest traffic volumes of any of the region's highways, with average daily traffic over 200,000. Those highways are paralleled by two CTA rail lines that carry over 140,000 per day and two Metra commuter rail lines that carry over 72,000 per day. Without this partnership, expressway traffic in this corridor would nearly double – resulting in severe congestion and enormous loss in productivity. In addition, there would be an increase in air pollution and decrease in safety that would directly result from such an increase in vehicle travel. To put this in perspective, the FTA estimates that our region's infrastructure and service currently saves some $1.1 billion in economic production annually by reducing congestion.

In addition to those benefits, transit investment has demonstrated very direct and tangible economic impacts. According to a study by Cambridge Systematics, investing in Chicago's public transportation system offers one of the best economic returns in the nation for a public works project, at more than six dollars of economic impact for every dollar invested.

Under a scenario in which we simply maintain our system in a "state of good repair," over the next five years, business sales would increase by more than $1 billion; personal income would increase by $800 million; and employment would increase by more than 11,000. This and other studies demonstrated that a healthy transit system is not only important for the efficient operation of the nation's economy, but also stimulates additional economic growth.

In addition, we have found that transit is a major impetus for the development and redevelopment of areas across the metropolitan region. With the opening of the CTA Orange line, serving Chicago's Midway Airport, the southwest side of the city has experienced a renaissance in residential and commercial development with property values increasing by as much as 25 percent. Metra Commuter Rail's new Wisconsin Central line has won enthusiastic support and financing from municipal leaders and is attracting new development. And the CTA's reconstructed Green Line is expected to attract more business and create additional economic opportunities.

Not surprisingly, in the downtown central business district, transit commands a 75% market share. In fact, we are seeing more businesses in our region take advantage of these opportunities and the benefits that transit can give them and their employees by moving back downtown from the suburbs. Sara Lee Bakery and Benevia, the NutraSweet unit of Monsanto, have already moved to the city; and U.S. Robotics, the nation's largest manufacturer of computer modems is looking to make the move.

This is not to say we don't face significant challenges. In the last few decades, major industries and the population that supports them have moved to the nation's major metropolitan areas. With that growth has come increases in vehicle miles traveled and the congestion that accompanies it. FHWA projections of travel indicate substantial growth in vehicle travel into the next century. If not addressed, that congestion threatens economic productivity and has a direct impact on the price of goods and our competitive positions in the global economy.

This trend of urban congestion is of even greater concern given the fundamental changes in the economy. To be more competitive, "just-in-time" delivery and expedited delivery is now commonplace and must be accommodated by our transportation network. The challenge "just-in-time" delivery poses in metropolitan areas is particularly acute. Extended rush hours and traffic delays prevent companies from meeting the demands of "just-in-time" delivery -- and deprive the economy of the necessary efficiency.

The example of the Dan Ryan and Kennedy expressways I mentioned earlier illustrates the partnership role that transit plays in supporting that efficiency. Twelve percent of the traffic on those expressways is trucks. Increased congestion would delay the delivery of the goods they carry. Without transit, the competitive advantage of "just-in-time" delivery would be compromised.

Mr. Chairman, and members of the Committee; transportation has changed dramatically since 1980. As the Committee assesses these changes, it is important to recognize that transit has changed a great deal also. In the Chicago area, our annual operating budget of $1.2 billion is almost entirely supported by local resources. On the other hand, federal assistance is the linchpin of our capital program. We now receive approximately $200 million per year to maintain an asset base of some $18 billion. That assistance comes in the form of funding through the Section 3 Rail Modernization Program and the capital assistance provided under the Section 9 formula program. Obviously, that capital funding is absolutely essential to preserve this irreplaceable public -- and federal -- investment.

While the preservation of the federal transit capital investment and its contributions to our national competitiveness is important to all metropolitan areas -- be it Chicago, New York or Los Angeles -- the method of addressing our transportation problems is unique in each instance. ISTEA was a major turning point in the direction of our nation's transportation policy that responded to that fact.

ISTEA established a more equitable treatment of modes by the federal government and acknowledged the importance of transit as a partner in meeting our national interests. And it began to turn the programming reins back to local officials.

As this committee begins to look at the next reauthorization, I would respectfully suggest that it retain certain premises that have worked and contributed to its acceptance and success:

- The program structure, particularly in the transit program, should be preserved.
- In particular, the Rail Modernization program should be preserved.
- Funding and federal match levels should be equitable and reflect the partnership between modes.
- Metropolitan areas should retain the right to allocate federal funds between highway and transit projects.
- Eliminate costly and burdensome mandates and regulations to allow transit systems to become more cost efficient.

If I may, I would also like to address one specific issue.

As part of its Budget Resolution, the Senate passed a non-binding resolution that called for the diversion of one-half cent of gas tax revenue from the Mass Transit Account of the Highway Trust Fund to Amtrak.

Mr. Chairman, if this proposal is enacted into law it would have a devastating effect on the long term prospects of the transit program. It would jeopardize the necessary capital improvements we all so desperately need. And ultimately, it would seriously compromise the partnership role that transit plays in supporting the nation's economic efficiency.

Mr. Chairman, in closing I would again like to point out that transit has changed significantly in the last several years. Politically, it no longer has a monolithic constituency. In our area, transit funding, especially capital funding, is just as important to suburbanites as it is to the city. As its reach extends into outlying areas, transit has become interstate in nature and has become an integral part of a transportation network with wide support across the country.

As you continue to craft the reauthorization of the ISTEA, we look forward to working with you over the next year and hope to give you the benefit of our perspective and experience.

Thank you and I would be pleased to join with my colleagues on this panel in answering any questions for the Committee.

Testimony of Anton C. Nelessen,
President, A. Nelessen Associates, Princeton, New Jersey

Associate Professor, Urban Planning and Policy Development
Rutgers University, New Brunswick, New Jersey

"American Visions for Livable Communities:
What People Want!"

U.S. House of Representatives
Committee on Transportation and Infrastructure
Sub-Committee on Surface Transportation
June 18, 1996

INTRODUCTION

Good morning, my name is Anton C. Nelessen. I am an Associate Professor of Planning at Rutgers, the State University of New Jersey, and a private planning consultant in Princeton, New Jersey. I am here today to lend my voice to the support of the Section 3 Transit New Starts program, in the reauthorization effort. That will be my conclusion today, and let me briefly explain for you how I came to that view.

I conduct interactive community-based planning exercises as a consultant to municipal governments. Since 1984, I have conducted "Visual Preference Surveys, VPS's" in over 100 cities across the United States. Among the many cities that have participated have been Los Angeles, Portland, Oregon, Corpus Christi, Louisville, Arlington County, Virginia, Philadelphia, Santa Fe, and Wellington, Missouri, a suburb of St. Louis. Closer to Washington, we will be conducting a VPS in Baltimore in September, at the Reistarstown Road Metro station.

In short these surveys have been conducted in all sizes of cities. These surveys were attended by, and therefore reflect the personal views of over 350,000 citizens. In that sense, Mr. Chairman, I speak today less for Anton C. Nelessen, and more on behalf of those 350,000 Americans.

Explanation of VPS

First of all, just what is a Visual Preference Survey, or VPS, and how does it work? VPS is a visioning tool that I developed and have been using for the past twelve years to involve the public in decisions about their communities. It is essentially a controlled image presentation of community design alternatives along with an accurate questionnaire. During a VPS, viewers are asked to score their responses to each slide image using a scale of +10 to -10. They rely on their own personal judgments and preferences as they answer questions like Is this an image of something I like or dislike? Does it make me feel safe and secure? Is it appropriate for my community?

It takes a person about 2 seconds to come to a conclusion. Analysis of the survey responses have helped us define how Americans really feel about and respond to particular design features in communities. Positively scored images suggest the type of design enhancements that most Americans want. Negative images indicate what should be avoided. As a planning tool, VPS allows all members of society to be personally and directly involved in deciding the future of their communities as well as the design of particular projects.

One thing in this process I have found very interesting has been that without regard for income or education level, people often agree. Carpenters agree with CEO's. High school students agree with seniors.

Rail Transit Projects Create Livable Communities

As a member of this panel, I would like to encourage this committee to strongly support the New Starts program. How I came to be a rail transit supporter was wholly unintentional. My support grew out of findings taken in these VPS's. I focused people's perceptions of urban environments. Streets and transit are critical to the movement of people and goods and hence to our economic well being as a nation.

They are also our most important public spaces, instilling our primary sense of place. Too often, these facilities are designed for the vehicle and not the person; as a result, modern streets and transit can be perceived by people as negative places, detracting from the quality of human life. When this happens, communities are robbed of their human and physical capital. This represents an enormous social cost in terms of lost potential, depression, hopelessness, fear, and anger. The negative quality of these public places is part of dangerous downward cycle of decay that must be halted, remedied and reversed.

Through the VPS process, people are encouraged to take part in understanding their public spaces, and in signalling their local political leaders as to how it is they want their communities to grow. By involving people in this process and by believing and acting upon their vision, we also enhance the promise and spirit of democracy and help to remove the negative stigma often attached to "Big Government." What we are finding is that small investments in enhancing the physical environment will not only improve attitudes and usage of transit but, I am convinced, will also pay enormous dividends in terms of social and economic well being in communuties across America.

Let me also point out that these VPS's have not been "front-end loaded" to elicit a pro-transit, pro-rail response. But, interestingly, the overwhelming responses have been in favor of the type of human-scale communities well served by efficient rail transportation. People want cars, yes, but they want them in the form of a balanced transportation system. They also want attractive walkways for pedestrians, safe neighborhoods, and a sense of community. In short, citizens want balance.

And in most urban areas, somewhere along the line that balance has been lost. Poorly planned communities have resulted in more and more dependence on the single passenger vehicle to perform simple daily routines. Women, not surprisingly, are the biggest users of the single passenger car. Why? Errands. They are often the ones in families charged with child care deliveries, grocery shopping and the like. And in cases where those goods and services are not neatly situated near them, they must take to their cars. They have no choice.

And yet, time and again, what we have heard in these surveys is that people want and need a sense of community and of neighborhood. They want to return to the feeling, if not the actuality, of small town America. And that is how I have become such a large supporter of these urban rail projects. Because, when combined with the co-location of goods and services, rail transit goes a long way to helping to create a high quality of life, as defined by these surveyed individuals.

And transit lends balance to the urban transportation mix. It is the capacity safety valve that keeps us from having to build more and more highway lanes. We know that transit is the one mode that is immune to congestion. Rail transit actually thrives on congestion. And the many people rail carries back and forth make up an economic block of shoppers for goods and services. This makes co-location an easy economic choice for developers and retailers. Because, financially, it works!

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Another point. Having gotten into the subject further, I have discovered something called "travel time convergence." We have discovered that in congested areas, where highway lines are added and then transit is added, and so on, back and forth, people will move between the two according to perceived advantage. As highway lanes fill up, travel time extends. As transit service is added, headways decrease and travel times shorten.

Recommendations for Reauthorization

I am submitting for the record written testimony that goes into further detail regarding these VPS's. You will read how an analysis of hundreds of bus stops nationally suggests that the ideal facility should be designed as an exterior, urban room. You will learn of the importance of the pedestrian realm to communities. Of how we now are looking within a five minute walk of rail stations to see how the streets and walkways leading there "feel" to people. You will see how connecting the dots of city streets, transit, sidewalks and economic development results in more positive environments. It is my view that we need to listen to what people -- the "men, women and children on the street," if you will -- are telling us.

Briefly then, my recommendations to this committee would be that you fully support the expansion of urban transit rail projects in America's cities. That these projects be viewed in the context of the positive quality of life they create. That a strong Livable Community aspect to transit be retained. That the public process be enhanced, not just because it's politically correct, but rather because the public knows what they want. For these past twelve years, they've sure been telling me!

Thank you for your attention.

COMMUNITY TRANSPORTATION ASSOCIATION OF AMERICA

STATEMENT OF DAVID RAPHAEL
EXECUTIVE DIRECTOR

COMMUNITY TRANSPORTATION
ASSOCIATION OF AMERICA (CTAA)
Washington, DC

Before the

SURFACE TRANSPORTATION SUBCOMMITTEE

of the

COMMITTEE ON TRANSPORTATION and INFRASTRUCTURE

U.S. HOUSE OF REPRESENTATIVES

June 18, 1996

Statement of David Raphael
Executive Director
Community Transportation Association of America (CTAA)

Before the

SURFACE TRANSPORTATION SUBCOMMITTEE
of the
COMMITTEE ON TRANSPORTATION AND INFRASTRUCTURE
U.S. HOUSE OF REPRESENTATIVES

Mr. Chairman, members of the Committee, my name is David Raphael. I am the Executive Director of the Community Transportation Association of America (CTAA), a nonprofit membership organization that represents both the people who operate local community transportation agencies as well as the people who depend on community transportation as their lifeline to jobs and basic services such as health care. Our members include the managers of rural, smaller urban and specialized transit agencies throughout the country. CTAA is a national association and is based here in Washington.

Joining me at these hearings today is Taunya Kopke, the director of Community Transit Services for the Community Resource Group in Arkansas, and Robert Boylan, who is vice president of the West Virginia Public Transit Association. Both organizations are members of CTAA, as are over 1,000 other small transit systems and state transit associations across the country. I will comment briefly on the status of community transportation nationally, while Ms. Kopke and Mr. Boylan will share with yco their concerns and experiences from the perspective operators of small transit systems.

Mr. Chairman, we congratulate you and your Committee for undertaking these series of hearings in preparation for next year's reauthorization of federal transportation legislation, and appreciate your invitation to appear here today. It is important that you assess the nation's transportation needs and priorities and take a look at the effectiveness of current federal programs and assistance efforts. We are especially encouraged by today's hearings that focus on America's need for good, accessible and universally available public transportatico, and applaud your efforts to examine the adequacy of current ISTEA legislation. In addition, however, we urge you to beld a series of field hearings around the country so that more local officials, citizens and small transit agencies can directly participate in the reauthorization process.

A Needs-Based Approach to Setting Federal Transit Priorities

Mr. Chairman, while national transportation policies should serve the needs of all people, certain segments of our population today are more dependent on public transportation than others. These transit dependent persons include almost one-third of the nation's total population, made up of roughly equal numbers of older Americans, persons with disabilities and poor people. In addition, barely 50 percent of small town and rural residents today have access to any public transit, and where rural transit is available, service levels are grossly inadequate compared with needs and comparable services in larger communities.

The Community Transportation Association of America (CTAA) supports the extension and continuation of federal transportation legislation known as ISTEA. At the same time, however, we call for major overhaul and restructuring of our transit assistance programs — especially funding priorities. The following is a set of broad principles and recommendations that CTAA's Board of Directors has adopted for the reauthorization of ISTEA. These policy positions are intended to form the beginnings of a comprehensive national transportation policy, and, we believe, will result in a needs-based approach to transit policies:

- **Investment Levels** - Federal investment in public transit services should be restored to a level commensurate with the human, social and economic importance of those services;

- **Dedicated Funding** - Federal transit investment should be supported through a stable and dedicated national source of funding. A special Mobility Enhancement program should be established within ISTEA similar to the STP and CMAQ programs;
- **Bridging the Mobility Gap** - Congress should establish national mobility goals designed to eliminate barriers to mobility that are based on age, disability, income or geographic place of residence. An immediate "flonr" or minimum funding threshold should be established that will help raise transit service levels in all under-served communities;
- **Focus on Transit Dependent** - In a time of limited resources, the first priority must be to meet the needs of the transit dependent, those who lack adequate access to alternative means of mobility. Federal transit investments should be prioritized by targeting resources on the communities and people who need them most;
- **Flexibility for Smaller Operators** - Establish a unified community transportation assistance program for all communities under 200,000, and remove operating assistance caps in small urban areas.

Bridging the Mobility Gap

Federal policy should seek to close existing mobility gaps between young and old, between rich and poor, between the able-bodied and the disabled, and between metropolitan, suburban and rural areas. Minimum mobility thresholds should be established for both individuals and communities, with effective fedetal enforcement to ensure that national priorities am implemented.

Our nation's mobility has always been a critical element in our economic growth and productivity. Freedom of movement has been essential to our social development and evolution as a national society. At the personal level, mobility connects people to jobs, school, medical care, shopping, friends and extended family — to the rest of society.

- Mobility is an *economic necessity*, providing access to jobs, labor markets and onmmunity resources, and assuring that America has a mobile work force;
- Mobility is a fundamental *human right*, enabling individuals to lead active and productive lives and maintain their independence by participating in community and civic activities;
- Mobility is a *social benefit*, offering personal contact and communication between individuals, and contributing to the mental and physical health of the American people.

Most Americans today enjoy an extraordinarily high level of personal mobility — relying on their own resources to meet most of their travel needs, and benefiting from huge public investments in roads and highways. Historically, our national transportation policies have assumed and promoted widespread vehicle ownership. But many people have no choice in their transportation decisions. Either they are not licensed to drive, cannot afford a private automobile, or are unable to operate their own car. In addition to the nation's 10.6 million households with no private vehicle, millions of Americans — because of their age, disability or economic status — must rely on community transportation for their mobility needs.

The Price of Isolation

The price of isolation — both to society and the individual — is real and significant. Isolation results in higher medical and other social service costs, the premature institutionalization of older and disabled peoplo in our society, and loss in the productivity and earning capacity of millions of Americans. Isolation also significantly limits economic and social opportunities, and contributes to increased dependency of individuals by forcing idleness and limiting their access to jobs, education and basic services.

Proposal: *ISTEA established setaside programs to address congestion, air quality, highway safety and other national priorities. Overcoming isolation and enhancing individual mobility should receive similar attention through creation of a separate Mobility Enhancement Program. This national Mobility Initiative, which could be funded out of proceeds from existing federal gas taxes, would offer financial incentives to local communities seeking to assure access to jobs and basic community services, improve the accessibility of existing transit services and facilities, or improve the coordination of federal and state transportation programs.*

The Rural Transit Network

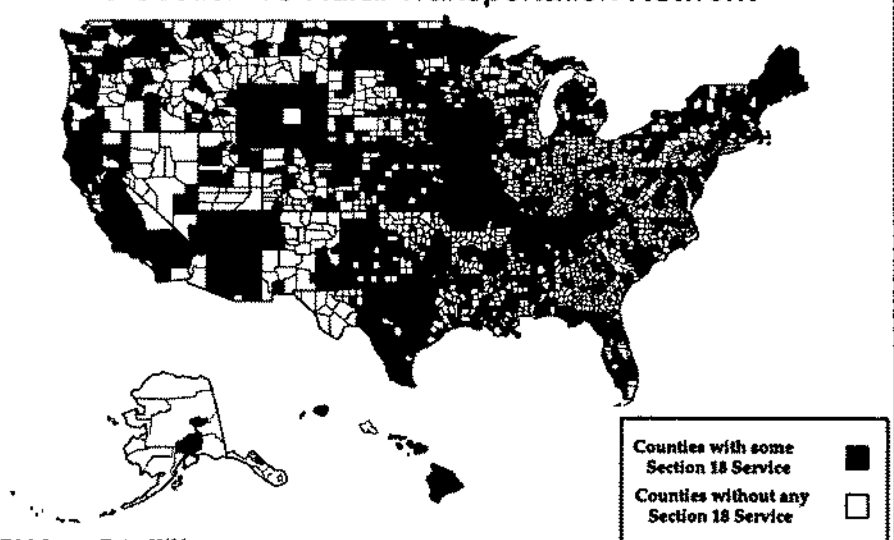
Services aimed at overcoming isolation in rural America are provided through a network of local agencies, funded under Section 18 of the Federal Transit Act. By law, 5.5% of federal transit formula assistance is setaside for communities of less than 50,000 in population.

The rural transit network that has evolved has grown significantly since the Section 18 program was established in 1978—including a 30% increase in just the last five years. Today, there are approximately 1,200 rural transit agencies operating under FTA's non-urban program. Collectively, they operate in almost 1,900 of the nation's 3,000 rural counties, serving a nonurbanized population of 53 million.

Section 18 is a successful federally-funded but state-administered program. At least half of the operating funds come from state or local sources. Federal assistance is distributed to states on the basis of the size of their rural populations. On a per capita basis, this amounted annually to roughly $1.50 per rural resident in FY'96. By contrasts, national transit spending was $16 per capita, or more than 10 times greater. Limited federal funding has resulted in a relatively large number of small providers, doing more with less, and operating on shoe-string budgets. The average rural transit system, for example, receives less than $150,000 in FTA assistance.

Where it exists, rural community transportation is a lifeline for rural people who need assistance in getting to work or to doctors and health care because they do not have access to a private automobile or taxi. However, four out of ten rural counties today do not receive any federal transit assistance.

The Section 18 Rural Transportation Network



Source: CTAA Survey Data, 11/94

Levels of Service

And now, Mr. Chairman, I'd like to discuss the relative levels of public transit service currently being provided in rural America. It's one of these situations where the glass is both half full and half empty at the same time.

For example, over 50 million rural residents today have access to at least some public transit service. Public transportation is now available in more than 1,900 non-metropolitan counties. That coverage represents a remarkable expansion of service in the 18 years since FTA's rural program was established. It is particularly significant in view of the limited funding resources that rural operators have had to work with and the numerous obstacles they have had to overcome.

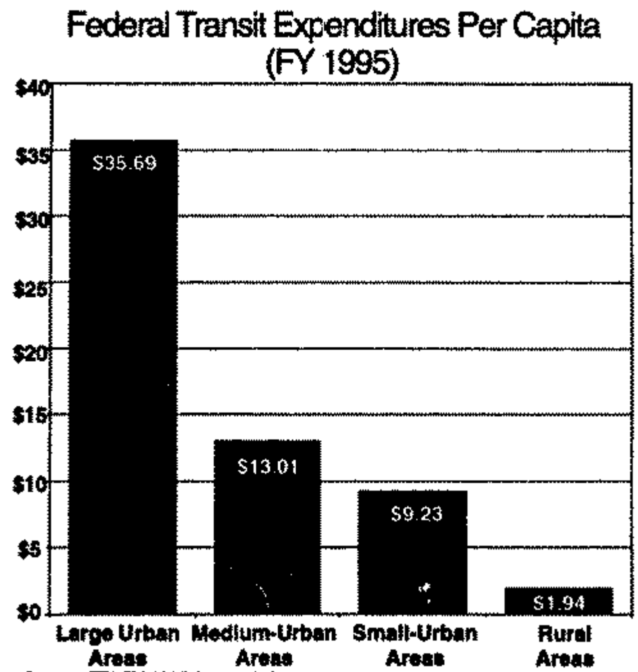
On the other hand, it remains true that almost half of rural Americans receive no federal transit assistance. Over 1,200 rural counties today remain completely unserved by public transit, an area that includes more than 35 million people, or roughly 40% of the nation's rural population. Another 30% live in areas where service is almost non-existent — amounting to less than two trips per capita, or 25 yearly trips per carless household. By comparison, it should be noted that the average urbanized area with a population of 1 million or more enjoys federally-assisted transit service at a level equivalent to more than 1,200 passenger trips each year per car-less household — almost 50 times the rural average.

This distorted pattern is, unfortunately, characteristic of much of the nation, and even worse in many rural states like West Virginia and Arkansas. Only 21 of West Virginia's 55 rural counties, roughly 40%, have *any public transit service* at all. More than 80% of the state's rural population lives in areas where transit service is not available or virtually non-existent. In Arkansas, public transit service is available in only 30% of the counties. Again, nearly 80% of the state's rural population has access to virtually no public transportation.

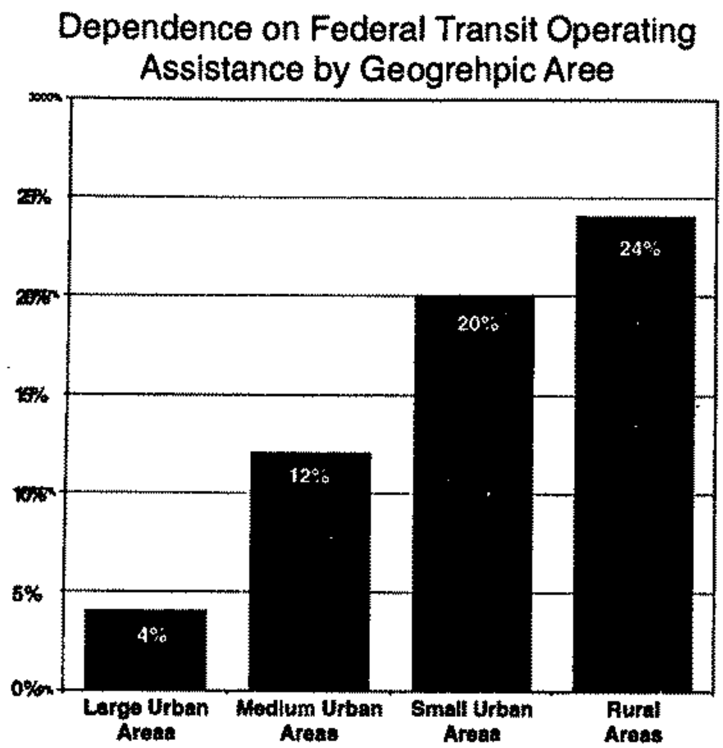
The paucity of funds is exacerbated by the fact that those who need transit service in rural and small urban areas are the most transit dependent. Thirteen percent of small urban transit riders are elderly, and more than 1/3 of the rural ridership is made up of older people who depend upon public transit services. By contrast, only 7% of public transit riders nationally are elderly. Furthermore, over 50% of the customers served by small urban and rural systems are poor, compared with 15% nationally.

Moving Toward Equity

Proposal: *Congress needs to establish national mobility goals and begin by setting a floor under current levels of transit services. FTA's funding formulas should assure minimum allocations for all smaller communities. Beginning in Fiscal 1997, the*



Source: FTA FY 1995 Appropriations



Source: FTA and CTAA data

per capita funding level in communities under 200,000 should be increased in stages to assure it reaches at least 50% of the national average.

Flexibility for Small Operators

The similarities between public transit systems in smaller cities and rural areas are striking. Ridership in both rural and small urban areas are geared toward the needs of the transit dependent. Both are almost exclusively bus systems, relying on relatively small fleets of small and medium-sized vehicles. Few operate rail services. For the most part, smaller transit systems complement rather than compete with private automobile travel. Relieving gridlock and congestion are not their primary issues, but transporting people to work who either don't drive or cannot afford a car of their own, and meeting the special mobility needs of the transportation disadvantaged are common concerns of both groups.

Although their services are extremely important to the transit dependent, smaller transit agencies receive relatively little national attention. For example, while small urban and rural transit systems account for more than 80% of the nation's 1,700 public transit systems, with combined service areas that include 116 million people — roughly half the total U.S. popolation — their funding represents less than 10% of the federal transit budget.

National policies are also inconsistent and uneven in dealing with transit in smaller communities. The rules change without regard to identified or actual needs. When it comes to implementing ADA and federal drug and alcohol testing requirements, for example, small urban and rural operators are lumped together. However, for most other purposes, the rules for the largest and the smallest urban transit systems are the same. A case in point is federal operating assistance.

Under existing law, transit agencies serving towns between 50,000 and 200,000 operate under the same restrictions as systems operating in our largest metropolitan areas. This one-size-fits-all approach overlooks the fact that the operations and services provided by many smaller transit systems more closely resemble those provided by rural operators than their larger urban counterparts.

Currently, all urban transit systems — regardless of size — are restricted in the amount of federal funds they can use for operating purposes. This so-called "cap" on federal operating assistance is applied to smaller urban transit systems, even though they are far more dependent upon federal funding. Rural communities, on the other hand, can use their federal transit funds flexibly to meet either capital or operating needs as local conditions dictate.

Unifying Smaller Transit Programs

Proposal: *Blend the best features of the existing Section 18 and small urban Section 9 programs into a single transit assistance program for all communities with populations of 200,000 or less, eliminating federal restrictions on use of operating assistance in all communities under 200,000 in population. The proposed **Community Transportation Assistance Program** would be designed to: 1) relieve unnecessary administrative and regulatory burdens from smaller transit systems; 2) provide maximum local flexibility in the use of federal funds to meet local transportation needs; and 3) retain provisions under current law that are beneficial to both small cities and rural communities under a consolidated program.*

Rural Transit Assistance Program (RTAP)

In 1986, Congress created Section 18(I), the Rural Transit Assistance Program (RTAP), to provide information, training and technical assistance to rural transit providers. It was recognized that a backup support program was needed for these rural operators. RTAP has been a highly successful program reflecting a partnership between the Federal Transit Administration (FTA) and the states. Eighty-five percent of RTAP funding is apportioned to the states along with their regular Section 18 allocation, and helps cover the costs of state-designed and administered training and assistance programs. The balance of the funding supports the national RTAP program, which operates a toll-free assistance hotline, a national transit information and resource center, a peer-to-peer technical assistance network, and develops training materials geared to the needs of rural operators.

Although the RTAP program is strongly supported, and has been universally acclaimed as a model federal assistance effort, its funding has been cut in recent years because of the ISTEA formula linking RTAP funding to a fixed percentage of the total FTA research and demonstrations program. And while the authors of ISTEA envisioned that RTAP would grow as the Section 18 program grew, in practice, this linkage has resulted in an actual decline in RTAP funding since 1991, even though the rural transportation network it supports has grown.

In contrast to the success of the RTAP program, no similar assistance is available to transit operators in smaller urban areas. These days, CTAA is increasingly being asked to provide hands-on assistance to smaller urban transit operators, in areas like marketing, developing accessible paratransit services, and coordinating operations with other federally-funded transport services. We think that this oversight in support mechanisms should be corrected when ISTEA is reauthorized next year.

Proposal: *Expand the existing RTAP program to include technical assistance and support to transit systems operating in smaller urban areas. Congress should provide a separate funding for the new **Smaller Community Assistance Program (SCAT)** by earmarking an amount equal to 3 percent of the formula grant funds allocated to rural and small urban areas.*

Conclusion

From a public policy point of view, we should take pride in the accomplishments of our public transportation program. But we should also be concerned that such a large portion of our population remains isolated and out of the economic and social mainstream simply because their individual mobility is limited and they reside in the wrong neighborhood or community.

Access to Health Care: The nation has embarked on a major effort to develop a universal health care system. However, for many Americans, the lack of access to doctors and medical facilities remains as great a barrier to good health as the lack of medical insurance. Quality health care requires that people not only be able to pay for needed medical services, but have the ability to get to them as well.

Access to Jobs: Similarly, reforming our nation's welfare system and improving economic opportunities for all will mean that transportation barriers also must be addressed. The lack of adequate and affordable transportation represents a major obstacle to fully mobilizing America's workforce, particularly for the unemployed and the majority of welfare recipients who do not own cars. Successful national employment strategies and welfare reform will depend not only on the availability of jobs, but also on access to them and/or employment training centers.

Mr. Chairman, this concludes my testimony. I wanted to thank you again for the invitation and opportunity to appear before you today. I would also be delighted to try to answer any questions that yon or other members of the Committee might have.

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Remarks of Marc V. Shaw, Executive Director
New York State Metropolitan Transportation Authority
before the
House Surface Transportation Subcommittee
on the Reauthorization of ISTEA
June 18, 1996

Good morning, Chairman Petri, members of the subcommittee, I am Marc Shaw, Executive Director of the New York State Metropolitan Transportation Authority. I'm very pleased to be here to share with you some of our thoughts as you begin to discuss next year's reauthorization of ISTEA.

Let me start by saying that we consider ISTEA to be landmark legislation that has thoughtfully focused our national transportation policy on moving people instead of simply moving vehicles. Its clearly bi-partisan beginning has ensured that its underlying philosophy rings as true with the 104th Congress as it did with the 102nd.

That philosophy clearly confirmed a federal commitment to transit, acknowledging our industry's critical role in the national transportation system. And it clearly fulfilled the promise of turning over more decision making about regional transportation priorities to the local level, while emphasizing multi-modal solutions. These underlying principles must be preserved as we move forward.

Beyond these principles, however, are a number of basic elements of ISTEA's transit program that we believe should also be maintained, such as:

- the current categorical funding structure of ISTEA's transit title.
- the current funding structure and ratios between formula (Section 9) and discretionary (Section 3) transit programs and among the discretionary transit programs.
- the current 80/20 federal/local match.
- the preservation and enhancement of the mass transit account of the highway trust fund.
- the continuation of a general fund commitment to the transit program, in particular to help address significant federal mandates, such as ADA.

How then should ISTEA be changed to make it even better? Let me offer some modest suggestions on some elements of the Act that have an impact on transit.

Section 3

New Starts - ISTEA encouraged rational and cost-effective transit system expansions through the "New Starts" funding category. The MTA's own 63rd Street Connector project, deemed by the FTA as one of the most cost-effective new start projects in the nation, was funded from the New Start category with an equal matching share from state and local sources.

When the Connector opens for business in 2001, 15 more trains an hour will go into service between Queens and Manhattan, significantly expanding system capacity and relieving overcrowding for over 250,000 daily subway riders on the E and F trains, the most crowded subway lines in the country.

We hope to build on this success, but to do so will require the continuation of New Start funding in the next reauthorization. Let me explain. Governor Pataki has recently outlined a bold plan for expanding and better integrating our regional rail system. His "Master Links" plan calls for new Long Island Rail Road (LIRR) service to Grand Central Terminal on the east side of Manhattan. This will deal with both existing demand and forecasted growth over the next decade on the nation's largest commuter railroad.

To accomplish this goal, we will maximize the federal investments already made in the 63rd Street project by taking the next logical step -- connecting the existing lower level of the 63rd Street Tunnel to Grand Central Terminal on its west end and the LIRR right of way in Sunnyside Queens on its east end. The lower level of the tunnel was designed and built with just such a commuter rail extension in mind.

Fixed Guideway Modernization (Rail Mod) - fixed guideway modernization funding, more commonly referred to as "Rail Mod" has also been crucial in helping to rebuild and restore some of the oldest rail transit and commuter railroad lines in the nation.

It is important to put the reasons for this category of funding in historical perspective. The MTA's rail infrastructure was built and financed with private, state and local dollars prior to the advent of federal assistance. Rail Mod funding acknowledged that in addition to the need for federal assistance in helping localities create new systems to improve regional mobility, there should be a federal role in helping the MTA and similarly funded older systems deal with the overwhelming costs of replacing and updating antiquated infrastructure.

The MTA certainly continues to have significant need for Rail Mod funding. In our effort to reach a state of good repair, we have invested $22 billion in our transit and commuter rail systems since 1982. And while $22 billion sounds like a lot of money -- and it is -- with a system whose estimated worth is over $300 billion, it really only scratches the surface.

The remaining need, too, is great. We estimate that at least $40 billion more will be required simply to bring all our remaining capital assets into a state of good repair while maintaining the existing infrastructure.

For instance, although the MTA has invested nearly $1 billion in signal equipment for the New York City subway since 1982, some 40% of the system -- much of it original equipment from the 1920's and 1930's -- remains to be replaced, and we have only just begun to implement "centralized service management" that will tell us where our trains are located in real time, a capability that is standard on modern rapid transit systems.

A continued rail modernization category that specifically reflects the special needs of transit systems built before federal aid was made available is therefore critical and equitable.

Section 9

Formula Program - the Section 9 formula program -- the cornerstone of the federal transit program -- could be modified to enhance its efficiency and reduce administrative burdens in order to help us stretch scarce federal dollars.

For example, since operating expenditures use outlay authority in the first year five to ten times faster than do capital expenditures, we suggest encouraging transit operators to take all or a portion of their operating assistance in capital dollars by providing a mechanism for systems to make a voluntary two-for-one trade-in that would be administered by each urbanized area.

Such an incentive program has several benefits in that it would actually reduce annual federal outlays; provide a more rational and equitable approach as the overall operating assistance pot shrinks; encourage transit operations to become more self-sufficient; provide an incentive for state and local governments to increase their financial support for transit operations, and; would not penalize properties that rely on current levels of operating assistance.

Other helpful modifications to ISTEA could and should include:

- allowing sale proceeds of federally funded assets to remain with grantees in order to support other transportation activities.

- eliminating federal procurement requirements associated with operating assistance or at least only applying the requirements to federally funded procurements.

- streamlining the major investment study requirements and procedures by integrating them with the National Environmental Policy Act (NEPA) requirements.

- eliminating costly to collect passenger mileage data from the calculation of Section 9 funding.

These revisions would save countless hours of work and millions of administration dollars and would increase the effectiveness of our capital and operating investments.

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Flexible Funds

No discussion of ISTEA funding would be complete without commenting on the benefits of flexible funding as provided for in the Act. Since 1991, the MTA has received $354 million in flexible funding, money that previously would have been earmarked by transportation mode rather than transportation need. With that money the MTA has funded improvements at 76 stations, added parking facilities at our commuter rail stations, and strategically expanded our network.

Utilizing flexible funding to address regional mobility needs, rather than forcing mode-specific alternatives, has proven to be a prudent expenditure of federal funds.

Mandates

Finally, on a related front, transit properties around the country could use significantly more flexibility in meeting an assortment of federally imposed mandates. We offer the following specific recommendations:

- allow us to cut administrative costs by pegging random alcohol and drug testing rates to the experience of individual operators rather than insisting on flat, agency wide percentages.

- Section 13c — while we will not make specific recommendations about section 13c reform at this time, it is clear that reauthorization is the appropriate time to take a fresh look at its requirements in light of both significant changes in the workplace over the past 30 years and the decline in federal operating assistance in the recent past. We clearly recognize the need to work closely with all interested parties on a course that advances the interests of our workforce, our riders and the taxpayers.

- expand successful efforts to equalize the financial incentives between driving and taking transit by narrowing the difference between the $65 per month tax-free transit benefit and the $165 per month tax-free parking benefit.

As our nation faces the challenges of the 21st century, the world has become faster, better connected, and more competitive. Our country, its goods, its services, and its citizens cannot afford to be left behind.

Fortunately, we have a promising, foundation for achieving those mobility and economic goals through ISTEA. At the MTA we are confident that a reauthorized act with a modest amount of fine-tuning will keep our region and all of America moving and flourishing.

Give Ability A Chance

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TESTIMONY

Statement of the

NATIONAL EASTER SEAL SOCIETY

on the

Transportation Accessibility and

Intermodal Surface Transportation Efficiency Act (ISTEA)

before the

Subcommittee on Surface Transportation
Committee on Transportation and Infrastructure
United States House of Representatives

Witness:

Christopher Tiernan
Senior Government Relations Specialist
National Easter Seal Society
Washington, DC

June 18, 1996

Mr. Chairman, I am Christopher Tiernan, Senior Government Relations Specialist for the National Easter Seal Society. Easter Seals is pleased to have the opportunity to appear today to discuss issues related to transportation accessibility and ISTEA reauthorization. I am accompanied by Nancy Smith, who heads Project ACTION for our organization.

Easter Seals has a 75-year history of working to encourage the inclusion of people with disabilities in the mainstream of American society. Our mission is to promote equality, dignity, and independence for people with disabilities of all ages. We are longtime proponents of making all facets of society accessible for people with disabilities and are proud of our role to enact and implement the Americans with Disabilities Act (ADA). Our organization has placed particular focus and energies on the full implementation of the law's transportation provisions.

For the nation's 25 million people with disabilities who are transit dependent, access to transportation is the critical factor that determines whether or not they can pursue opportunities in employment, education, housing, and recreation. When disabled people are able to depend on an accessible transportation system and join the work force, society as a whole benefits. State and federal dollars spent on public assistance decrease and income tax revenues increase. Accessible transportation also allows individuals with disabilities to enjoy cultural, recreational, commercial and other benefits that society has to offer.

Before ADA passage, federal transit policies vacillated from requiring a bare amount of "special efforts" to "full access." The result of these conflicting policies was that transit providers were confused about what they were required to do with respect to accessible transportation. As this subcommittee knows, the fight for accessible transportation in this country was marked by a contentious series of street demonstrations and protracted and costly litigation. It became obvious that we could achieve more and see results faster if the disability and transit communities could learn to work cooperatively to promote transportation accessibility.

In 1988, Easter Seals, working with Paralyzed Veterans of America organization, and the American Public Transit Administration (APTA), joined forces to urge Congress to fund an innovative program designed to enhance cooperation between transit providers and the disability community in order to develop cost-effective solutions to accessibility issues. That initiative became Project ACTION (Accessible Community Transportation in Our Nation). Project ACTION has sponsored innovative researcb, funded demonstration projects, provided technical assistance to hundreds of transit providers, and developed an impressive resource center with information on the most cost-effective ways to achieve accessibility.

When this sobcommittee first authorized the Intermodal Surface Transportation Efficiency Act (ISTEA) in 1991, Project ACTION had already been in existence for nearly three years. In ISTEA, you underscored Project ACTION's special role, connected the project more directly to the ADA, and provided the impetus for the National Easter Seal Society to continue to administer the project. Since ISTEA, Project ACTION has received the fully authorized amount of $2.0 million from the appropriations process each year. Earlier this month, the House

Transportation Appropriations Subcommittee approved $2.0 million for Project ACTION in FY97.

Project ACTION's current mission, as defined by Congress, is to look at five areas. First, to identify people with disabilities and their transit needs; second, to develop training programs for transit operators so that they can be more sensitive to the needs of people with disabilities; third, to train disabled people so that they can get over their fears of using public mass transit and learn how to use transit services more effectively; fourth, to develop outreach and marketing efforts; and fifth, to apply technology to eliminate barriers to transportation and accessibility.

With the passage of the ADA in 1990, Congress expanded Project ACTION's goals to include assisting transit operators in implementing the ADA's transportation provisions. When Senator Dole stepped down last week after 35 years of public service in Congress he listed passage of the ADA as one of his proudest accomplishments. Yet, as this subcommittee well knows, achieving the worthwhile goals of the ADA is not an easy process --- particularly in light of the tight fiscal constraints under which transit properties operate.

We are aware that this subcommittee continues to hear concerns about the ADA's transportation provisions. There certainly are difficult issues before us, and we are addressing them. But, we should not lose sight of the tremendous progress we have made in recent years. Accessibility is increasing all across America. Bus fleet accessibility has grown -- most small to medium sized cities and communities are close to 1005 accessible; rail station access has increased; and, most importantly, the disability and transit communities have learned to work together. Project ACTION is the singular, most positive force bringing the transit and disability communities together. Transit providers are, for the most part, earnestly working toward compliance with the ADA and providing the best quality service to all Americans---both those with disabilities and those without. Yet they need ongoing assistance and guidance on transportation accessibility issues. This is where Project ACTION plays a vital role.

Since its inception, Project ACTION has successfully completed 77 distinct projects that promote cooperation between the disability and transit communities and enhance accessible transportation for persons with disabilities. Project ACTION has developed five videos and more than 100 reports promoting cost-effective methods to achieve ADA compliance. The project has also sponsored the First Nationwide Conference on Transportation Accessibility where disability advocates and transit providers from around the country collaborated on accessibility issues.

While there has been remarkable progress, some serious issues have emerged in ADA implementation. State and local officials are concerned about costs --- particularly in the area of paratransit services --- that are growing dramatically, as federal operating assistance is declining. Paratransit services for persons traveling to and from work can run from five to 10 thousand dollars per person annually, far exceeding the costs that can be recouped from the riders. Fixed-route ridership by people with disabilities is still low, while paratransit demand escalates. Paratransit eligibility determinations are complex and sensitive issues.

Last year, Congress raised a number of these concerns and Project ACTION responded. At the request of FTA Administrator Gordon Linton, Project ACTION convened two national Paratransit Forums. The Project brought together leaders in the transit and disability communities to work toward solutions. One of the key findings was a recognition that the disability and transit communities must work jointly to encourage those individuals with disabilities who are capable of using the less expensive fixed route system to do so. In response to this finding, Project ACTION is currently undertaking a year-long national consumer training project designed to encourage elderly persons and individuals with disabilities who are currently using complementary paratransit service to transition onto the fixed route system. We will hold seminars in Harrisburg and Pittsburgh, Pennsylvania; Roanoke and Tidewater, Virginia; Westchester County, New York; West Palm Beach, Florida; Savannah, Georgia; Houston, Texas; Johnson City, Tennessee; Muncie, Indiana; Akron and Cincinnati, Ohio; Portland, Oregon and Santa Cruz, California.

Project ACTION will also sponsor two technical assistance conferences in the spring of 1997, in Pennsylvania and Colorado to provide hands on training and skills and to increase the visibility of the wealth of materials the Project has developed to promote cost-effective ADA compliance. We are also in the process of selecting five communities and their transit properties for the receipt of intensive self-assessment, problem solving and outcome-based technical assistance. Communities can contact Project ACTION if they want this assistance. Lessons learned from helping these five communities reach full ADA compliance will be refined so that other communities nationwide can benefit from this insight. Thus though we do not have all the answers as yet, we made substantial progress. I am submitting copies of this report with recommendations from these Forums with my testimony for the subcommittee.

The National Easter Seal Society's commitment to accessible transportation and to the work of Project ACTION remains as strong as ever. We believe the cooperative approach to addressing transportation accessibility that we initiated in 1988 has yielded positive results and that we should build on these resources and success stories as we work toward full accessibility.

We recognize that as the world has changed since 1991, Project ACTION has grown and evolved. As we listen to the many constituents served through Project ACTION services we realize that current and future needs are different than they were in 1991. To illustrate: Transit properties need direct assistance with problems and issues of ADA implementation. Further, since so much quality information has been created by project grantees, there is less need for additional research and demonstration projects. The immediate and future challenge is to provide direct assistance to transit operators as they strive to meet ADA responsibilities and to better disseminate the quality information that has been developed. To help disseminate information we have funded the University of Wisconsin in Milwaukee to set up a regional distribution operation for Project ACTION materials. While we believe we still need to award grants to meet specific needs and purposes, the focus of our energies will go toward working with all stakeholders on concrete issues and implementation barriers.

In the future, we will be focusing on the following areas that we have determined need additional attention in order to fully implement the ADA in the most cost-effective manner.

- Strategies and models for dealing with intermodal accessibility issues;
- Methods to achieve workable local models of service coordination;
- Models for solving rural transportation issues;
- Strategies and analytic techniques to make complex ADA paratransit eligibility determinations;
- Solving operational and technical problems such as situations that occur when vehicles are accessible but where the stations, stops or routes to the station and stops are not accessible; and
- Planning for compliance: getting beyond the undue financial burden temporary time extensions.

Project ACTION is a credible, cost-effective, and creative program that has strong support in both the disability and provider communities and with the Federal Transit Administration. On behalf of the millions of people with disabilities who rely on public transit and the transit operators working to serve them, the National Easter Seal Society wants to thank this subcommittee for its past support of Project ACTION. Easter Seals respectfully requests this subcommittee to provide a role for Project ACTION in a reauthorized ISTEA to ensure that Project ACTION can continue to develop and disseminate workable solutions to the most critical issues facing transit operators as they implement the ADA. The spirit of cooperation would not be possible without the leadership of this Subcommittee. Easter Seals is grateful for your support and we look forward to being a resource to this subcommittee as you address accessibility issues in the ISTEA reauthorization process.

Thank you for the opportunity to testify on this important issue. Ms. Smith and I welcome any questions.

STATEMENT OF WILLIAM L. VOLK
MANAGING DIRECTOR
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TELEPHONE 217-384-8188
BEFORE THE SUBCOMMITTEE ON SURFACE TRANSPORTATION
UNITED STATES HOUSE OF REPRESENTATIVES
JUNE 18, 1996

Good Morning, Mr. Chairman and Members of the Subcommittee. My name is William L. Volk and I am the Managing Direcmr of the Champaign-Urbana Mass Transit District in Illinois. The District is a system of eighty vehicles serving an urban area of 111,000 people.

I hope to accomplisb two things in my testimony today. The first is to broadly comment and support reauthorization of ISTEA. Secondly, I will ask for your support to explore a specific change in ISTEA that would reward transit system efficiency.

Federal involvement in the maintenance of transit throughout the nation has been critical to its survival. ISTEA was a huge step in the right direction in terms of flexibility and intermodalism. These concepts should be maintained and strengthened in its successor. Continued funding for transit is essential if the United States is ever going to achieve some sense of balance in its transportation system. The over reliance on the automobile in our cities is a national problem requiring a national solution. Transit funding for FY 1996 was the same as it was in FY 1983. Clearly, the increase in the deficit did not occur as a result of excessive spending in transit. The nation can afford transit, but it cannot afford the ever increasing negative impact of our auunmobile-based culture. I urge you to continue and strengthen the concepts contained in ISTEA, as you deliberate its reauthorization.

The specific area of interest that I have is in the formula distribution of funds to areas between 50,000 and 200,000 in population. The current bus formula funding distribution is based upon the assumption that transit intensity and needs increase with city size. Some consideration of intensity is given by the inclusion of vehicle miles in the formula for those cities over 200,000, but the formula for cities between 50,000 and 200,000 is solely based on population and population density. There are, however, a number of instances where transit intensity is greater in urbanized areas under 200,000, thereby creating a large unmet capital need.

In the FY 1993 Section 15 reporting year, there were nineteen systems in the urbanized areas between 50,000 and 200,000 whose passengers per mile and passengers per hour rates exceeded the average for those systems between 200,000 and one million. Another fourteen systems in the smaller areas exceeded the average of the larger areas in either one or the other performance measures.

In the specific case of Champaign-Urbana, our District's passengers per mile and passengers per hour rates exceeded the average of all bus systems between 200,000 and one million and the average of all bus systems over one million. Yet when it comes to funding, Champaign-Urbana receives far less support than systems of similar vehicle size in larger areas. Six selected cities between 200,000 and one million operating fewer revenue vehicle miles in FY 1993 than Champaign-Urbana received an average of $2.4 million in Federal formula assistance in FY 1996 while Champaign-Urbana received only $1.1 million. This is similar to what occurs to the other thirty-two cities that are listed in my written statement whose efficiency in transporting passengers is higher than those in larger areas.*

I would respectfully ask that as you continue to deliberate reauthorizing ISTEA that you consider the concept of rewarding this type of efficiency with additional capital funding for those small systems whose performance and intensity exceeds systems in much larger urbanized areas.

In closing, I would like to thank the Chairman and the Members of the Subcommittee for their continued interest in this program. I would be happy to answer any questions the members of the Subcommittee might have.

* SYSTEMS IN URBANIZED AREAS BETWEEN 50,000 AND 200,000 WHOSE PASSENGERS PER MILE AND/OR PASSENGERS PER HOUR EXCEED THE AVERAGE OF THOSE SYSTEMS BETWEEN 200,000 AND ONE MILLION.

Fayetteville, AR.
Santa Barbara, CA.
Pueblo, CO. (1)
Stamford, CT.
Gainsville, FL. (1)
Tallahassee, FL.
Albany, GA.
Savannah, GA. (1)
Champaign-Urbana, IL.
Springfield, IL. (1)
Iowa City, IA.
Sioux City, IA. (1)
Lafayette, LA.
Portland, ME.
Annapolis, MD. (1)
Lowell, MA. (1)
Broome County, NY
Utica-Rome, NY.
High Point, NC. (1)
Wilmington, NC.
Winston-Salem, NC.
Erie, PA.
Reading, PA.
State College, PA.
Beaumont, TX.
Brownsville, TX. (1)
Galveston, TX. (1)
Laredo, TX.
Lubbock, TX.
Waco, TX. (1)
Burlington, VT. (1)
Petersburg, VA. (1)
Eau Claire, WI. (1)

(1) Those systems that exceeded the average of the larger areas in either one or the other performance measure.

TESTIMONY OF THE

AMERICAN PUBLIC TRANSIT ASSOCIATION

BEFORE THE

SUBCOMMITTEE ON

SURFACE TRANSPORTATION

OF THE

HOUSE TRANSPORTATION AND INFRASTRUCTURE COMMITTEE

****

June 18, 1996

<u>SUBMITTED BY</u>

American Public Transit Association
1201 New York Avenue, N. W.
Washington, DC 20005
(202) 898-4000

APTA

APTA represents over 1,000 members, including all major commuter rail operations, motor bus and rapid transit systems, and organizations responsible for planning, designing, constructing, financing and operating transit systems, APTA members include business organizations which supply products and services to the transit industry, academic institutions, and public interest groups.

INTRODUCTION

The American Public Transit Association (APTA) appreciates this opportunity to testify on the federal transit program as part of the Subcommittee's series of hearings on the Intermodal Surface Transportation Efficiency Act (ISTEA) and national transportation policy. On May 2, APTA testified before this Subcommittee on the federal interest in transportation. Today, we will follow up with comments on tha federal transit program, a fundamental part of the ISTEA-authorized surface transportation program.

ISTEA WORKS FOR BALANCED TRANSPORTATION

As we noted on May 2, APTA believes that a strong federal role is needed to provide an efficient, comprehensive transportation system for all Americans. ISTEA was the first step toward a balanced federal transportation policy in the post-interstate era. It is a successful Congressional response to a nationwide mobility challenge. Congress designed ISTEA to provide for more efficient movement of people and goods, not just vehicles, in areas of varying population densities; to invigorate a partnership among federal, state, and local governments, private businesses, and the public; and to ensure that transportation policies respond to a wide range of national issues.

Above all, ISTEA suppotts balanced transportation policies that allow federal, state, and local resources to be used to greatest advantage in a range of investments. Balance recognizes that all modes of transportation are important, that all modes function more effectively when they are coordinated, and that consideration of all investment alternatives ensures that federal funds are used in the most cost-effective ways.

We know that you have heard testimony from some organizations that favor the elimination of the federal transit program and the Highway Trust Fund's Mass Transit Account (MTA). We take exception to these comments. They do not represent the views of mainstream transportation organizations or public interest groups that have made a serious evaluation of the nation's transportation needs. The federal government should not abandon ISTEA's commitment to balance, flexibility, and a comprehensive transportation network, which offers a better way to maintain economic productivity and protect the quality of life for citizens in communities of all sizes.

"NATIONAL" AND "LOCAL" NEEDS

We also hear talk of limiting federal transportation resources to "national" instead of "local" needs. Sometimes, "national needs" have been viewed as narrowly as the interstate highway system, public lands highways, and emergency relief. Incredibly, there are those who would eliminste federal support for the non-interstate miles that make up a majority of the National Highway System, as well as federal aid for non-interstate bridges, flexible funding, and transit.

Let there be no misunderstanding: This approach would not only undo ISTEA, it would undermine many other laws that Congress enacted to address national needs. These include the Unfunded

Mandates Relief Act, the Americans with Disabilities Act (ADA), the Clean Air Act, and the Energy Policy Act, among many others. This issue deeply concerns the transit industry because so many federal laws apply mandates and requirements directly to transit operators. We strongly oppose any proposal that would reduce the funds we receive to help pay for these mandates.

Proposals to limit drastically the federal involvement in transportation clearly stem from a misunderstanding of the way our intergovernmental partnership works. Federal transportation policies have always been based on a partnership of all levels of government. ISTEA built on the established partnership among federal, state, and local governments and the public, by giving these partners incentives to work together and the authority to choose from a range of transportation investments. To restrict this partnership's flexibility, or to rewrite matching fund rules to discourage investments in one mode or another, would violate the spirit of ISTEA and undermine its effectiveness.

Aside from the destruction of ISTEA and the balanced transportation system it fosters, strict limitations on federal surface transportation activities would:

Threaten the vitality of our communities -- The nation's largest metropolitan areas could not function if bus, heavy rail, light rail, commuter rail, and other transit services did not provide significant proportions of work trips. Moreover, small city and rural transit agencies meet important customer needs and contribute to a national goal of strengthening these communities.

Put our economic productivity at risk -- ISTEA recognizes that growing traffic congestion will lead to economic stagnation and that the federal role in supporting interstate commerce is no longer simply about the movement of goods, but about comprehensive strategies for moving people in ways that allow goods to move efficiently. These strategies depend on flexibility for success. Recent estimates indicate that transit saves $15 billion in congestion-related costs, reducing the number of vehicles on crowded highways and arterials.

Prevent future savings from cost-effective investments -- In the past 30 years, the availability of transit saved the nation at least $220 billion because we did not need to build 20,000 lane-miles of freeways and arterial roads and 5 million parking spaces to meet rush-hour demands. Federal policies should encourage strategies that allow more savings of this nature.

Limit national goals for accessible transportation -- The Americans with Disabilities Act designates local transit providers to provide a comprehensive nationwide system of accessible transit services. This national need has already been seriously compromised by inadequate federal funding. ADA's promise of accessible transportation will be hollow indeed if there are any further limitations on the federal resources that local transit operators use to accomplish this national purpose.

Jeopardize national clean air goals -- The attainment of clean air standards is another national goal that depends on state and local implementation efforts, which in turn depend heavily on ISTEA's balanced transportation policies. Over the past 30 years, transit has prevented the emission of 1.6

million tons of hydrocarbons, 10 million tons of carbon monoxide, and 275,000 tons of nitrogen oxides into our air; and the importation of 20 billion gallons of gasoline.

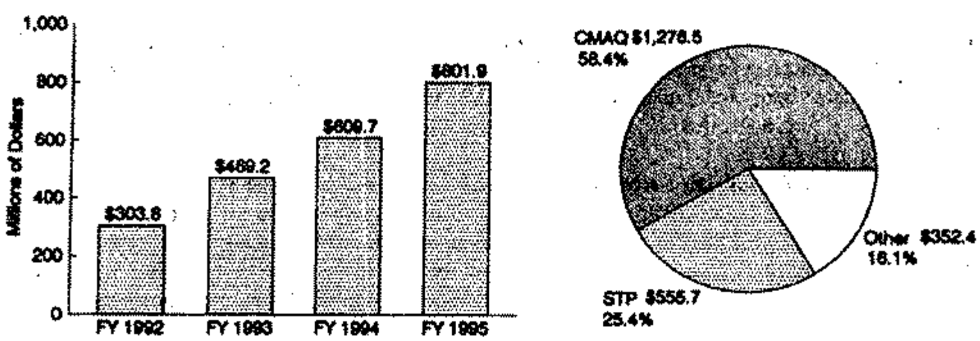
ISTEA AND TRANSIT

ISTEA recognizes that public transit is an essential part of a comprehensive national surface transportation system. This is why ISTEA calls for "significant improvements in public transportation necessary to achieve national goals for improved air quality, energy conservation, international competitiveness, and mobility for elderly persons, persons with disabilities, and economically disadvantaged persons in urban and rural areas of the country."

Our transit infrastructure makes a vital contribution to economic productivity. It has a powerful impact on the quality of life in our communities, and has a decisive impact on problems that market forces do not easily solve -- problems such as pollution, inadequate mobility for persons with disabilities and others without access to personal vehicles, congestion, and the potential national security risks of dependence on imported energy.

Flexible funding transfers to transit have risen from $303.8 million in FY 1992 to $801.9 million in FY 1995, for a total of nearly $2.2 billion in the first four years of ISTEA. [See Charts 1 and 2.] This steady increase is one indication that transit is a priority at the state and local level, and that ISTEA's flexible funding provisions have been successful. Communities have identified these investments as linchpins of their strategies for economic development and community revitalization. The ability to fund innovative projects that improve the overall transportation system's effectiveness is one of the ISTEA's most significant contributions to balance.

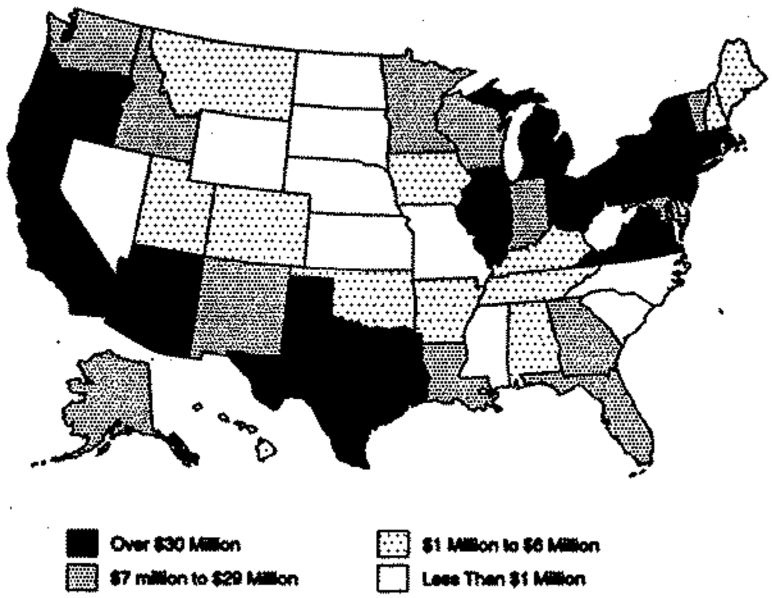
Chart 1: Flexible Funding Transfers for Transit



Annual Transfers to the FTA in Millions of Dollars

Source of Funds in Millions of Dollars
Four-Year Total Funding = $2,184.6 Million

Chart 2:
Flexible Funding Transfers from the Federal Highway Administration to the Federal Transit Administration FY 1992 through FY 1995



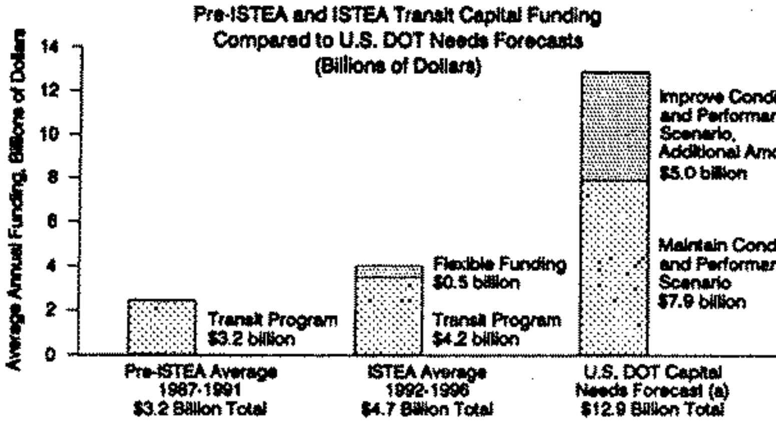
State	Transfers (Millions)	State	Transfers (Millions)	State	Transfers (Millions)
Alabama	$ 6.1	Kentucky	$ 5.5	Ohio	$ 93.3
Alaska	8.1	Louisiana	11.4	Oklahoma	2.0
Arizona	30.7	Maine	5.3	Oregon	34.3
Arkansas	3.5	Maryland	15.2	Pennsylvania	252.1
California	406.0	Massachusetts	127.5	Rhode Island	14.4
Colorado	2.6	Michigan	36.8	South Carolina	0
Connecticut	39.4	Minnesota	15.1	South Dakota	0
District of		Mississippi	0	Tennessee	2.5
Columbia	51.7	Missouri	1.0	Texas	76.6
Delaware	0	Montana	1.2	Utah	4.2
Florida	14.6	Nebraska	0.4	Vermont	12.3
Georgia	11.0	Nevada	0.6	Virgin Islands	7.5
Hawaii	3.8	New Hampshire	1.5	Virginia	48.3
Idaho	7.0	New Jersey	88.1	Washington	29.8
Illinois	93.2	New Mexico	7.2	West Virginia	0.3
Indiana	7.7	New York	583.8	Wisconsin	14.9
Iowa	1.2	North Carolina	0.2	Wyoming	0
Kansas	0	North Dakota	0		

TRANSIT FUNDING NEEDS

The latest capital needs study from the U.S. Department of Transportation (DOT) is *A Report to Congress, 1995 Status of the Nation's Surface Transportation System: Conditions and Performance*. The report finds that U.S. transit systems need an average of $12.9 billion in capital funding per year over the next two decades to improve the conditions and performance and a minimum of $7.9 billion per year just to maintain conditions and performance at 1993 levels. However, transit agencies received only $5.7 billion in capital funding from all sources in 1993, less than the amount needed to maintain conditions. [See Chart 3.] Other recent studies, including APTA's definitive evaluation of transit funding needs, confirm that transit and other surface transportation funding needs are far greater than the amount of funding available under current law. From 1995 through 2004, capital needs include:

- $35 billion for new vehicles, including 67,800 buses and 51,400 vans;
- $23 billion for new bus facilities including parking lots for bus passengers;
- $12 billion to modernize bus facilities and equipment;
- $22 billion to modernize and rehabilitate existing fixed guideway rail and bus routes, stations, and maintenance facilities;
- $43 billion for additional fixed guideway services that respond to new customer demands; and
- $4 billion to rehabilitate more than 14,900 buses, rail cars, and other vehicles to extend their useful lives.

Chart 3:
Pre-ISTEA and ISTEA Transit Capital Funding
Compared to U.S. DOT Needs Forecasts
(Billions of Dollars)



(a) Average annual capital funding need, all levels of government, 1994-2013.

Accordingly, additional revenue is needed to support the maintenance of existing transit facilities and services, transit operators' compliance with federal mandates, and investments in new transit facilities and services that respond to unmet demands. Adequate federal support for the transit program under a self-sufficient, wholly dedicated source helps to facilitate predictable planning and investment by individual transit operators and local governments. However, transit funding needs greatly exceed the available resources in the Highway Trust Fund's Mass Transit Account. To maintain a viable transit program, we urge the Subcommittee to authorize the highest possible funding for formula and discretionary capital investments.

Turn the "Deficit Reduction" Gasoline Tax over to the Highway Trust Fund, With at least 20% deposited in the Mass Transit Account

We join other transportation industry organizations in calling for a return of the so-called deficit reduction gas tax to the Highway Trust Fund. In keeping with the precedent set by President Reagan when he signed the Surface Transportation Assistance Act of 1982, a minimum of 20% of this amount (.86 cents of the 4.3 cents/gallon total) should be deposited into the Mass Transit Account. The 1982 Act created the Mass Transit Account within the Highway Trust Fund and provided that the MTA would receive 20 percent of the revenue from a five-cent per gallon increase in the federal fuels excise tax. In 1990, the Mass Transit Account received the revenues from an additional one-half cent per gallon of the federal fuels excise tax. The Omnibus Budget Reconciliation Act of 1990 established a 6.8 cents per gallon gasoline tax for deficit reduction purposes and provided that on October 1, 1995, 2.5 cents per gallon of this amount would be deposited in the Highway Trust Fund, with 20 percent of that amount deposited in the Mass Transit Account.

Oppose Amtrak's Half-Cent Diversion

We urge the Subcommittee in the strongest possible terms to oppose any legislation that would divert revenue from the Mass Transit Account. Of particular concern is the current proposal that would take 25 percent of the Mass Transit Account's excise tax revenue and turn it over to a new Intercity Passenger Rail Trust Fund from January 1, 1997 through September 30, 2001. Senator William Roth Jr. (R-DE) has made this proposal in the Senate.

We oppose this proposal because it would deprive the Mass Transit Account of revenue that is needed to fund the transit program. A reduction in revenue to the MTA would reduce by $800 million per year, on average, the amount of funding that could be authorized for the transit program. The Account would lose 25 percent of the excise tax revenue and also a portion of its interest income. It would continue to lose interest income after the restoration of the half cent because of depleted balances. From FY 1997 through FY 2004, the cumulative loss of income would exceed $5 billion.

This loss of MTA revenue would occur at a time when the MTA is expected to provide as much as 90 percent of federal transit funding. The General Fund portion of transit program funding has declined steadily in recent years, and is down to only 13 percent in the President's budget submission.

APTA supports adequate funding for intercity passenger rail needs. Nonetheless, we believe that it is appropriate to preserve revenue for a transit program that supports more rides per day than Amtrak provides in a year.

We also believe that it is appropriate to consider the role of governors and state departments of transportation over the use of intercity passenger rail funds. In the Northeast Corridor, for example, there is a wide variety of rail services and contractual arrangements involving freight rail facilities, intercity passenger rail, and commuter rail services operated under a variety of arrangements. We believe that New Jersey Transit, the New York City Metropolitan Transportation Authority, and other agencies should have a strong role in decisions about rail service.

APTA'S REAUTHORIZATION POLICY

APTA's ISTEA Reauthorization Task Force is developing recommendations for our reauthorization proposal. The Task Force has met regularly over the past several months and has carefully reviewed ISTEA's successes and shortcomings. In the coming months, we will keep the Subcommittee apprised as APTA's Legislative Committee and Executive Committee review and approve the Task Force's proposals.

Our members support the retention of ISTEA's overall structure, including its innovative flexible funding programs and its provisions that contribute to a level playing field between transit and highway investments. Among these important programs and principles are the Surface Transportation Program and the Congestion Mitigation and Air Quality (CMAQ) program, with metropolitan suballocations; the equal, 80 percent federal shares of highway and transit projects; and the use of local "soft match" for transit projects.

Retain the Existing Transit Program Structure

Federal surface transportation programs provide essential funding for infrastructure investments that promote economic development, increased productivity, and individual opportunity. The Federal Transit Program is a vital component of this program: It supports transit systems that fill critical gaps in the comprehensive national transportation network, and it creates more transportation choices so that our infrastructure can move people and goods more efficiently and provide an alternative to ever more costly congestion.

The existing transit program structure should be retained because it does a good job of meeting a large number of critical needs. The discretionary new start, fixed guideway modernization, and bus/bus facility programs; the urban, rural, and elderly/disabled formula programs; and the planning, research, and administrative functions, all support critical needs and encourage innovative projects and management practices in all regions of the country.

We support increased flexibility for transit operators within the transit program, but do not support a block grant that would eliminate the federal program. We also believe that, within DOT, the federal program should be administered by a transit administration or advocate with status equal to its modal counterparts. A categorical program:

- Provides a base level of predictable, stable funding that is important to all transit operators including these in small urbanized areas and rural areas;

- Retains a focus on the needs of transit-dependent individuals and the high quality service that can attract and keep new customers, which might be ignored or undervalued in the allocation of block grant funds;

- Allows transit agencies to participate in local and regional planning as full partners with their own assets to contribute; and

- Increases the likelihood that DOT will consider transit needs consistently and fairly.

We recommend that Mass Transit Account funding for the transit program be authorized at the highest possible level. We also support the highest possible authorization level of General Fund support for transit, although we recognize that, in recent years, General Fund support for transit has declined steadily in relative and absolute terms.

Equity within the Transit Program

We support retention of the ISTEA-authorized funding ratios for the formula and discretionary components of the transit program:

- There should be $1.36 in Formula funding for every $1.00 in Discretionary funding.

- The Discretionary Program should continue to be divided on a 40:40:20 basis among the New Start, Fixed Guideway Modernization, and Bus/Bus Facility programs, respectively.

- Within the Formula program, we support the division of funds authorized in ISTEA. Thus the Rural program should receive 5.5 percent of the total funding provided for the Urban and Rural programs.

Discretionary Programs

APTA supports the existing discretionary programs, because they provide a strong incentive for innovative, customer-responsive transit investments.

The **New Start** program creates incentives for metropolitan areas to develop and implement innovative transit alternatives in high density corridors. This program promotes greater choices for commuters who would otherwise have fewer alternatives to congestion and rush hour travel. It is essential not to limit the New Start program to existing projects or otherwise inhibit the efforts of more metropolitan areas to incorporate innovative rail and busway options into their long-range planning processes. The next authorization act should establish equitable planning requirements for all modes, so that transit New Starts and highway projects would receive comparable treatment under the Major Investment Study (MIS) process. Incidentally, *Conservatives and Mass Transit: Is It Time for a New Look?*, a report by Paul M. Weyrich and William S. Lind of the Free Congress Research and Education Foundation, includes some insightful comments on the benefits of well-designed transit projects, including new light rail and commuter rail services.

The **Fixed Guideway Modernization** program helps maintain and extend the useful life of major capital investments in many of our largest metropolitan areas. It has enabled the historic rail cities to maintain infrastructure which, in many cases, had suffered decades of neglect. As more cities invest in fixed guideway systems, there will continue to be a need for this program so that the full value of these systems can be maintained.

The **Bus/Bus Facilities** program meets major facility and equipment purchase needs that cannot be accommodated through the formula program.

Improve the Federal Transit Program's Efficiency

We are developing proposals to improve the federal transit program's efficiency. Like other business people, transit managers want to reduce unnecessary regulatory burdens and to manage their firms in the most cost-effective and customer-friendly ways. The need for cost savings and more efficient operations has grown as federal mandate costs have gone up and federal operating aid has declined.

Despite ISTEA's overall record of success, annual appropriations measures have significantly reduced urbanized area (UZA) transit operating assistance, causing serious problems for transit agencies. APTA has provided the Subcommittee with copies of *Effects of Federal Transit Assistance Reductions: Transit Agency Actions and Community Impacts*, which analyzes the consequences of federal operating assistance reductions in Fiscal Years 1995 and 1996.

It is important to preserve the existing operating assistance rules for rural areas and we would like transit systems in small urbanized areas (those with populations under 200,000) to be able to use all of their federal assistance for operating as well as capital needs. We therefore urge you not to restrict the use of funds for UZAs with fewer than 200,000 people and rural areas, as is now the case for rural areas.

Operating assistance for urbanized areas with populations greater than 200,000 is not likely to be provided at levels anywhere near the amounts authorized in ISTEA. We would therefore like the definition of allowable capital expenditures to be broadened. Congress and the Administration have undertaken several initiatives to ameliorate the problems caused by the decline in operating assistance, including measures to reduce unneeded regulations and to expand the definition of allowable capital expenditures. APTA is working on proposals to carry these changes as far as possible.

An expanded definition of capital expenditures would increase flexibility and help transit operators adjust to federal funding cuts. Ultimately, we would like to and the annual appropriations debate on where to set the operating assistance cap; instead, appropriators would set overall transit funding levels that would be apportioned to programs and recipients as directed by authorizing legislation.

In addition, we are developing proposals to make the federal transit program more cost-effective. We support changes that would increase regulatory flexibility without compromising safety, ensure equitable tax treatment of transit benefits, allow transit operators to act as entrepreneurs, and allow compliance with federal mandates to be achieved easily. We will provide detailed recommendations to allow flexibility under the drug and alcohol testing program, to allow transit operators to provide charter bus service with fewer restrictions, and to reform section 13(c) legislatively.

Because they increase transit operating costs, federal mandates limit transit agencies' ability to provide their customers with efficient, affordable service. Federal mandates add more to annual transit operating costs than the authorized level of operating assistance, and far more than the actual operating aid levels appropriated during the ISTEA era. Federal policy makers must weigh the need for affordable transit service as well as their desire to achieve the laudable goals of federal mandates. To reduce the conflict among these competing needs, federal policy should increase the resources available to transit agencies and reduce the regulatory burden on them.

Small City and Rural Transit

Transit operators provide essential mobility for millions of people in the nation's small urbanized areas and rural areas. ISTEA affirmed the importance of federal support for these programs by expanding the existing formula programs that assist them; transit operators in these areas also receive discretionary funds, chiefly through the bus/bus facility program. [See Chart 4.]

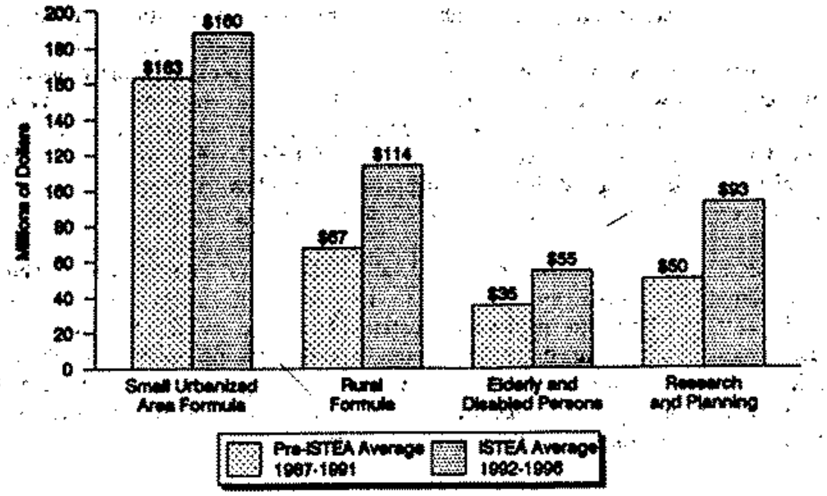
For transit-dependent residents of these communities, including many elderly and low-income working people and people with disabilities, transit service is a critical lifeline to jobs, stores, schools, churches, and health care. The next authorization act must protect the programs that give these Americans access to affordable transit service.

APTA supports the existing ISTEA formulas for smaller UZA and non-urban funding. The current relationship between Section 9 and 18 should be maintained: The Section 18 non-urban program should receive 5.5 percent of the total funding provided to Sections 9 and 18. As noted above, we recommend that all of these funds should be available for capital and operating needs.

The Elderly/Disabled Program

The Elderly and Disabled Program provides capital funds to meet the needs of senior citizens and people with disabilities in areas where public transportation services are inadequate or unavailable. The program, which works through nearly 3,700 non-profit agencies, should be maintained in the next authorization act.

Chart 4: Growth in Funding - Small Area and Special Programs
Average Annual Funding Pre-ISTEA and ISTEA
(Millions of Dollars)



Transit Research

ISTEA established the Transit Cooperative Research Program (TCRP) to address a broad range of unmet research needs. TCRP has been a valuable resource as the nation's transit agencies have sought to improve productivity and identify more efficient management and operational techniques. TCRP Reports have addressed a number of critical issues, including rural transit planning and service delivery assessment, access to transit for people with disabilities, and a wide range of operational, scheduling, maintenance, and other issues. TCRP is responsive to transit agency needs and suggestions because it solicits and evaluates research proposals from all sources.

There is no other source for these studies; they cannot be carried out at the local level. Moreover, they enhance transit service providers' ability to help achieve a wide range of federal objectives including those outlined in ISTEA. Like its highway counterpart, the TCRP's contribution to the national interest is significant and thus is worthy of continued support.

CONCLUSION

Investments in transit are needed to enhance the economic health and the quality of life in central cities, suburbs, small towns, and rural areas. Transit investments will improve the quality of all citizens' lives and avert a future of congestion, economic stagnation, environmental degradation, and increasingly severe constraints on mobility for all people including those with no access to personal vehicles.

Thank you for the opportunity to present APTA's views on these issues. Under the leadership of the Transportation and Infrastructure Committee, Congress can enact surface transportation legislation that readies our economy for global competition in the next century while enhancing and preserving the quality of life in our communities. The nation's transit industry looks forward to working with you to craft the balanced transportation policies that can reconcile these two objectives.

TRANSPORTATION TRADES DEPARTMENT AFL-CIO

STATEMENT OF EDWARD WYTKIND, EXECUTIVE DIRECTOR
TRANSPORTATION TRADES DEPARTMENT, AFL-CIO

BEFORE THE SURFACE TRANSPORTATION SUBCOMMITTEE OF THE COMMITTEE ON TRANSPORTATION AND INFRASTRUCTURE

U.S. HOUSE OF REPRESENTATIVES

ISTEA REAUTHORIZATION

JUNE 18, 1996

Good morning. My name is Edward Wytkind. I am the Executive Director of the Transportation Trades Department, AFL-CIO (TTD), a constitutional department of the AFL-CIO whose 28 affiliated unions represent several million workers employed in all sectors of the transportation industry and thus have a unique and direct stake in the reauthorization of ISTEA. I have attached to my statement a list of our affiliates.

I am pleased to have the opportunity to express the views of transportation labor on the future of ISTEA. Mr. Chairman, I want to commend you and this Committee for holding these hearings end for inviting all interested parties to share their views and concerns about the future of transportation policy. While ISTEA is not due to be reauthorized until next year, this legislation eventually will bring us to the next century with what we hope will be a well balanced, truly intermodal transportation policy blueprint for the nation's long-range surface transportation infrastructure needs.

While many who will or have appeared before this Committee will bring different opinions about certain aspects of ISTEA, I think we can, or least should, agree that ISTEA has been extremely successful in developing long-term transportation infrastructure planning to the benefit of American communities -- large and small, urban, suburban and rural. The original landmark Act, which was a broad bipartisan effort, authorized $155 billion for highways, bridges, and bus and rail transit systems. It created millions of good paying jobs, inspired economic development, brought planning decisions to a local level, and provided the nation with increased and safer transportation choices.

Transportation labor is hopeful that Congress will again act in a bipartisan manner to build on the successes of ISTEA by maintaining the essential framework and focus of this landmark surface transportation legislation. To that end, there are a number of issues thet I will highlight as Congress and the Administration move toward ISTEA reauthorization.

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Ron Carey, President
Sonny Hall, Secretary-Treasurer
Edward Wytkind, Executive Director

Federal Transit Program

The Federal transit aid program, the subject of today's hearing, lies at the core of ISTEA's success. It is a program whose long-term viability is dependent upon Congress' continued commitment when ISTEA is reauthorized. At a time of growing budget constraints, we must work together to ensure that federal budget objectives do not obstruct our goal of maintaining America's national transit network. Already, the dramatic decline in transit funding is having serious consequences across the country.

Operating assistance cuts, for example, have caused transit operators to increase fares by 20 to 30 percent. Unless reversed, these cuts will force smaller operators to institute additional fare hikes of up to 125 percent, causing declines in ridership of 30 to 50 percent. Due to cuts in FY96, more than one in two transit systems raised or will raise fares, almost half will slash service, and almost $2 billion in capital improvements will be canceled or deferred. These facts defy the very essence of ISTEA, which made a bold and necessary statement about the role of transit in America. We therefore strongly urge this Committee to reaffirm the need for a well financed Federal transit investment program and to fight for a reversal of the current downward spiral in funding that is literally strangling transit systems and their employees.

The Planning Process

Under current law, a wide array of interests including labor organizations are permitted to receive, review, and comment on the annual and long-range transportation investment programs developed by Metropolitan Planning Organizations (MPOs) before final approval is granted for these plans. As this Committee is well aware, workers are directly affected by MPO spending and policy decisions and thus their unions offer a unique perspective to assist MPOs in developing workable and efficient plans.

The role of workers and their unions at the planning table is to help ensure that employee issues are not merely cast aside when core planning decisions are made. Many of the successes that ISTEA has produced can be traced to the positive and constructive role that workers and their unions have played at the local level. While we support the MPO program design embodied in ISTEA 91, we believe a mandatory role for union representatives should be reaffirmed and, to the extent possible, strengthened in the reauthorization bill next year.

Employee Protections

As we all know, the 1991 Act granted states and localities added flexibility in administrating transportation programs -- a policy that transportation labor supported so long as federally established labor standards and worker protections were not undermined in the process. Fortunately, the 1991 legislation insisted on the maintenance of these basic protections. I cannot underscore how important these protections are to working men and women.

Laws like Section 13(c) of The Federal Transit Act and the Davis-Bacon Act have been instrumental in allowing workers to earn a living wage. If we eliminate these protections in the name of "reform," or try to waive their application in certain instances, we threaten the basic rights and jobs of workers. In this Congress some have tried to attack programs like Section 13(c) and Davis-Bacon despite their indispensable role in guarding against the use of federal dollars to bring down the wages and standards of living in communities.

Some in Congress have called for sensible reform of these and other programs. Others, unfortunately, are ideologically committed to their destruction. Transportation labor will fight any and all efforts to use ISTEA to attack longstanding worker protections. Transportation labor is strongly committed to advancing the ISTEA legislation next year, but wo will vigorously commit ourselves to defeat any measures contained in ISTEA that would harm working men and women.

Transportation Safety

I also want to touch on the critical role that the federal government must play in ensuring that all modes of transportation are safe. Workers employed in the motor carrier and rail industries are increasingly confronted with a dangerous and unpredictable workplace. In its zeal to deregulate, Congress has been all too willing to advance legislative measures that had the net effect of narrowing the margin of safety for workers and the general public.

During last year's debate over the critically important National Highway Systems (NHS) legislation, for example, Congress attached a provision that exempted some 2 million trucks from record-keeping, hours-of-service, safety inspections, insurance requirements, the National Driver Register -- which tracks repeat traffic violators -- and other safety-related requirements. Under this so-called "pilot" provision, delivery trucks weighing between 10,001 and 26,000 pounds would be exempt from major safety requirements even though they account for 50 deaths and 1,000 injuries per month, at a cost of $500 million annually. This is the type of policy that undermines transportation safety and that we will vigorously oppose when ISTEA is reauthorized.

Private Enterprise Participation

As all of us know, there has been increased attention placed on the role the private sector should play in the delivery of transportation services. While transportation labor recognizes the longstanding role of private sector participation in our industry, I want to emphasis that decisions relating to public or private control of the transportation infrastructure, and particularly transit service, should be left to local planners.

Congress recognized the wisdom of this policy during consideration of the original ISTEA bill when it included specific protections against the use of federal transportation grants to force privatization on communities ill-prepared for or disinterested in this type of transition or service option. We recognize the need to encourage private investment in our transportation infrastructure and the desire to develop new ways to finance important investments, but we warn against heavy-handed policies that would permit, or in fact promote, the irresponsible sell-off of our transportation network in the name of cost savings that have usually proven illusory.

I must emphasize that we ultimately believe that transportation facilities should continne to primarily serve the public interest and not be dedicated to generating profits for private interests. At the very least, these decisions should be left to local authorities who are better equipped to make transportation decisions based on their local needs. To that end, transportation labor wants to state our continuing support for President Clinton's recision of transit privatization rules born in the 1980s that placed undue pressure on local grant recipients to explore privatization options at any and all costs. Those policies distracted attention and resources from providing vital services to the traveling public and harmed workers and communities. Transportation labor is committed to preserving current privatization policies governing the federal transit grant program and will combat any proposals in ISTEA to turn back the clock.

Final Observations

ISTEA has represented a historic shift in transportation policy for this country. Thousands of communities, businesses and workers have benefited greatly from the 1991 Act. However, as this Committee works towards reauthorization of this legislation, we believe there are many pitfalls (some of which we have identified in this statement) which we must avoid. It will be most unfortunate if some choose to use the ISTEA reauthorization process to advance their extreme agenda. If forced, transportation labor is more than prepared to wage a spirited campaign against any measures that will hurt workers or delay completion of this crucial transportation infrastructure bill.

Mr. Chairman, we will look for your leadership to help craft a bill that meets the nation's surface transportation needs by building on the successes of ISTEA.

Thank you for providing us this opportunity to share our views.

TTD AFFILIATES

The following labor organizations are members of and represented by the TTD:

Air Line Pilots Association
Amalgamated Transit Union
American Federation of State, County and Municipal Employees
American Federation of Teachers
Association of Flight Attendants
American Train Dispatchers Association
Brotherhood of Locomotive Engineers
Brotherhood of Maintenance of Way Employes
Brotherhood of Railroad Signalmen
Communications Workers of America
Hotel Employees and Restaurant Employees Union
International Association of Fire Fighters
International Association of Mochinists and Aerospoce Workers
International Brotherhood of Boilermakers, Blacksmiths, Forgers and Helpers
International Brotherhood of Electrical Workers
International Brotherhood of Teamsters
International Longshoremen's and Warehousemen's Union
International Union of Operating Engineers
Marine Engineers Beneficial Association
Retoil, Wholesale and Department Store Union
Service Employees International Union
Sheet Metal Workers International Association
Transportotion • Communications International Union
Transport Workers Union of America
United Brotherhood of Carpenters and Joiners of America
United Mine Workers of America
United Steelworkers of America
United Transportotion Union

March 29, 1996

ISTEA REAUTHORIZATION: PROMOTING AN INTERMODAL TRANSPORTATION NETWORK

Reauthorization of the landmark Intermodal Surface Transportation Efficiency Act of 1991 (ISTEA 91) will be debated in 1996 and reauthorized early in the next Congress. A series of hearings will be held this year in both bodies of Congress and by the Department of Transportation (DOT).

This legislation, passed by the 102nd Congress and signed into law by President Bush, has enabled our nation to begin advancing a truly intermodal transportation system. The Act, which authorized $155 billion over six years for highways, bus and rail transit, and bridges, has created millions of jobs in transportation, construction, and related industries. It was a major first step in providing expanded funding, flexibility and improved planning requirements to meet our nation's infrastructure needs, and transportation labor supports a reauthorization that will build on the progress made to date.

Protecting The Planning Process

Recognizing that state and local governments have their rightful place at the planning table, we believe tha federal government has a duty to develop balanced transportation policies that foster an intermodal system that ensures full participation in the planning process.

Under current law, Metropolitan Planning Organizations (MPOs) have the authority to make decisions regarding local priorities in the spending of federal surface transportation dollars. We will seek to retain existing provisions that allow transportation and building trades unions, among a broad array of interests, to receive, review, and comment on the annual and long-range transportation improvement programs developed by MPOs prior to their final approval. Maintaining the role of unions in the planning process will ensure employee considerations are addressed when investment decisions are considered and debated.

We support the current program design embodied in ISTEA 91 including its flexibility provisions, and stand opposed to any structural changes that weaken local choice and flexibility, or proposals that would collapse the current structure for a unitary block grant approach.

Employee Protections

In ISTEA 91, the House and Senate retained Section 13(c) collective bargaining protections with continued application to all elements of the federal transit grant program. The bill also ensured the application of Davis-Bacon protections for building and construction workers. It is significant that the 13(c) program and Davis-Bacon are the subject of bipartisan reform efforts. The Labor Department has recently finalized significant 13(c) reforms that will streamline the program and ensure the timely release of federal transit grants. Similarly, bipartisan legislation is being

considered in the Senate and House that would reform Davis-Bacon without weakening the vital protections it provides to communities and workers. Transportation labor supports these efforts and urges Congress not to use the reauthorization of ISTEA to repeal or weaken basic worker protections.

Another important employee protection is safety in the workplace. Recent statistics show that for many Americans who earn their living on our nation's highways, that workplace is becoming increasingly more dangerous. The number of fatal truck accidents rose for the second year in a row, and highway accidents were the single largest cause of death, accounting for 20 percent of all fatal workplace injuries for the year 1994. In 1994, truck drivers were three times more likely to be killed than a worker in any occupation. Despite these disturbing trends, the Congress took action in the first session of the 104th Congress to exempt commercial motor vehicles weighing between 10,001 and 26,000 pounds from numerous vehicle safety and operator standards. In addition, hours-of-service regulations for drivers were eliminated or eased by adopting industry-specific exemptions affecting agriculture, construction and public utility vehicles. This occurred despite the fact that accidents caused by driver fatigue have increased as a percentage of total accidents. Exempting trucks and their drivers from safety requirements puts workers who make their living behind the wheel of commercial motor vehicles at greater risk in their workplace and poses a dangerous threat to the motoring public who share the roads with them. The TTD will not permit a further erosion of adequate safety standards for this group of workers.

Private Enterprise Participation

Transportation labor remains opposed to any efforts to turn back the clock on federal transit privatization policies currently in effect. The private sector has had an historically significant role in the delivery of vital transportation services, but choices between public and private should be made at the local level. ISTEA 91 contains specific protections against allowing Congress to use the federal transportation grant process as a hammer on local officials to influence their decisions on privatization. At the same time, the legislation retained a proper place for private enterprise participation without placing expensive and administratively burdensome federal privatization mandates on local transportation planners.

THEREFORE, BE IT RESOLVED:

■That TTD and its affiliates will communicate the vision for ISTEA reauthorization embodied in this statement to Congress, DOT and the Administration; and,

■That TTD will take a lead coordinating role -- together with the AFL-CIO -- as Congressional committees and the DOT launch a series of hearing; and,

■That TTD will seek retention of labor's proper place at the planning table so that transportation and building trades unions have equal access in the vitally important planning process; and,

▪That TTD will fight to retain adequate surface transportation spending levels in ISTEA and will strongly oppose any measures considered in this legislation that would undermine worker protections or place unwanted privatization mandates on local transportation officials.

Resolution No. 3-96(f)
Submitted by: ATU, IBT, UBC and IUOE
(Adopted February 18, 1996)

FOR MORE INFORMATION CALL: 202•628•9262

RESOLUTION NO. 5

Strangling America's Transit Systems

SUBMITTED BY:
Amalgamated Transit Union and Transport Workers Union of America

In the 1990s, at a time when our cities are struggling to meet the community needs of their residents, mass transit offers meaningful solutions to gridlock, decaying infrastructure and the structural changes in commuting patterns that are taking hold of major metropolitan areas across the United States. Mass transit operators and workers provide a vital service to every community, large and small, throughout the country. Investment in transit systems has always been linked to economic expansion, new business enterprises and the creation of well-paying jobs.

Unfortunately, fulfillment of the government's vision, which gave rise to the Federal transit investment program many decades ago, will evade our nation's cities with deep and unwise cuts enacted this year by Congress and that have been proposed for the next several years. The assault on mass transit began in May 1995, when the House Budget Resolution, under the leadership of Chairman John Kasich (R-OH), called for a five-year phase-out of Federal transit operating assistance and vital capital expenditures, allowed no new funding for New Starts and fixed guideway capital grants, and proposed adverse changes in the Federal matching rate.

Following that directive, both the House and Senate completed action on FY96 spending bills for transportation that damages transit systems, riders and thousands of workers. The Senate bill provides $4 billion for transit, $86 million more than the House-passed bill, but $535.4 million less than the FY95 total of $4.6 billion — an 11.6 percent cut.

Section 1003(c) of the Intermodal Surface Transportation Efficiency Act of 1991 (ISTEA) established a cap on total highway authorizations for FY92 through FY96. The Federal Highway Administration (FHWA) estimates that spending will exceed the cap by $4.2 billion in FY96. As a result, some are seeking greater flexibility with their transportation funds, which potentially undermines the intention of ISTEA to establish national transportation investment priorities. Transportation labor believes that any solution to this problem should not undermine the comprehensive planning provisions encompassed in ISTEA empowering local metropolitan planning organizations to establish priorities for and fund the transportation projects in their communities. To the extent that any proposals harm a specific modal spending priority such as mass transit, TTD will insist on a level playing field for all competing modes. It will also be important to guard against decentralizing Federal decision-making at the expense of workers' rights such as the Section 13(c) employee protection program.

The proposed cuts in operating assistance would have a devastating effect on transit services and transit users, particularly the working poor, the disabled, elderly and young people in less populated areas. No less than 43 smaller transit systems could face shutdown because of the drastic cuts in Federal assistance. Overall, the $310 million cut could result in the layoff of more than 20,000 workers.

While some transit systems would be able to make up for the shortfall with additional state assistance or modest fare increases, many cities face massive service reductions or outright default. Examples of areas hardest hit by the cuts include Oklahoma City, OK; Youngstown and Canton, Ohio; Wichita, KS; Jackson and Tuscaloosa, MS; Fayetteville and Greensboro, NC; Lexington, KY; Evansville, IN; Amarillo, TX; Lincoln, NE; Fargo, ND; and Billings, MT. In Alabama, pressure from already enacted reductions in Federal assistance has caused major layoffs in Birmingham and the outright shutdown of service in Mobile. Unfortunately, this is just the beginning of the demise of mass transit systems if this investment trend is not reversed.

The American Public Transit Association predicts that if proposed cuts are implemented in urban areas with populations between 200,000 and 500,000, fares will see an average increase of 44 percent. Urban areas with populations under 200,000 will see fare increases averaging 73.3 percent. It is clear that for some cities the cut in Federal assistance will make it almost impossible to maintain decent and affordable services.

If these drastic cuts are adopted transit employees in both urban and rural areas will lose their jobs; service will be slashed, denying the traveling public access to what, for many, is their only means of transportation; and fare increases will be substantial, placing a significant burden on those in our society unable to take on additional transportation costs.

THEREFORE, BE IT RESOLVED:

- That TTD and its affiliates will condemn in the strongest of terms efforts in future transportation appropriations bills to carry out the spending blueprint of the House and Senate Budget Committees, which called for the phase-out of mass transit operating assistance;
- That transportation labor will support transit unions in their ongoing efforts to maintain a Federal transportation investment program that does not place a disproportionate share of the burden of funding cuts on the transit industry, its riders, and employees; and
- That TTD will continue to work with other like-minded groups concerned about the effects mass transit cuts will have on transit systems, local economies, communities and riders, jobs, and the environment.

ADOPTED SEPTEMBER 27-28, 1995 CONVENTION, TRANSPORTATION TRADES DEPARTMENT, AFL-CIO

RESOLUTION NO. 6

Stopping Assaults on Section 13(c) Collective Bargaining Rights

SUBMITTED BY:
Amalgamated Transit Union and Transport Workers Union of America

Section 13(c) of the Federal Transit Act has come under attack from many in Congress who would see the program abolished and the collective bargaining rights of transit workers threatened or outright destroyed.

Tha 13(c) program, embodied in Federal transit law since 1964, guarantees thet existing collective bargaining rights and long-standing employee protective arrangements are in place before Federal transit grants are disbursed. This creates insurance that our country's more than 200,000 urban, rural, and suburban transit employees are not negatively affected when Federal dollars are invested to operate, capitalize or otherwise change or expand local transit systems.

Since its inception, the 13(c) program has been remarkably successful, providing considerable benefit at virtually no cost. Over three decades, employee claims have been negligible while more than $70 billion in Federal grants has been distributed.

Among the benefits of 13(c) have been its positive role in managing growth and restructuring in the rapidly changing transit industry in a way thet has included the fair treatment of employees affected by Federal transit investment policy. This strong component of the program has helped workers and transit systems introduce new services, expand from bus to light rail, and otherwise lead the industry in an unprecedented period of growth. All this occurred while at the same time safeguarding employees' existing rights, including collective bargaining.

Those who now seek to destroy the 13(c) program ignore the transit industry's history. In 1964, when the Federal Transit Act was enacted, private bus systems nationwide were on the brink of insolvency, inspiring massive Federal investment to ensure the continuation of vital transit services. That important government investment included a clear statement of policy by a bipenisan Congress to ensure that as Federal transit policy was enacted and implemented, local transit employees would not see their rights or jobs harmed.

The core complaint against the 13(c) program by certain elements of the transit industry is the need to minimize delay in the release of grants. While transportation labor believes the 13(c) program has served the industry and its employees well, it is clear that sensible procedural reforms would improve the administration of this worker program.

Tha Department of Labor recently issued proposed changes to streamline 13(c) grant certification, including a requirement that all grants receive certification within 60 days. Additionally, proposed changes would apply "model" labor arrangements whenever appropriate, thereby greatly increasing the speed of grant certification.

Transportation labor condemns recent efforts led by the House Subcommittee on Transportation Appropriations to repeal this program, and stands on guard against further attacks from thet or any other congressional committee to substantively weaken the 13(c) program. In 1996 efforts will begin to reauthorize the Intermodal Surface Transportation Efficiency Act (ISTEA) of 1991. Transportation labor will predicate its support for this legislation upon the inclusion of 13(c) and other employee protections in thet legislation.

THEREFORE, BE IT RESOLVED:

- That TTD and its affiliates will continue to vigorously oppose legislation thet threatens the 13(c) program, and will take appropriate action to defeat such legislative efforts;
- That TTD will closely monitor 13(c) reform proposals to ensure that employee collective bargaining rights remain fully intact and that longstanding protective arrangements are not altered or undermined; and
- That TTD will demand full retention of 13(c) and similar labor protections in upcoming major transportation legislation.

ADOPTED SEPTEMBER 27-28, 1995 CONVENTION, TRANSPORTATION TRADES DEPARTMENT, AFL-CIO

RESOLUTION NO. 11

Guarding Against Federal Privatization Mandates

SUBMITTED BY:
Amalgamated Transit Union and
American Federation of State,
County and Municipal Employees

Across the nation, both public and private transit service providers comprise the nation's transit network in cities large and small, urban, suburban and rural. Throughout the Federal transit program's 30-year history, it has been the view of transportation unions and many like-minded organizations that decisions regarding public versus private operation of transit service should be left to local and state decision-makers.

The landmark Intermodal Surface Transportation Efficiency Act of 1991 (ISTEA) embodied this same view in language contained in Section 5305(e)(3), stating that the transportation secretary could not withhold the Department of Transportation's certification of submitted transit plans and programs based upon the disposition of local planning organizations on issues surrounding private enterprise participation, as encouraged in Section 5306(a) of ISTEA.

By enacting the private enterprise participation measure, Congress affirmed its support for the private sector's role in delivering transit services, but reserved decision-making to those best equipped to determine the needs of their cities: state and local authorities and their planning organizations. Congress made it clear that Federal privatization mandates, regulations, guidelines or other intrusive directives — pro or con — were not necessary.

In response to Congress' desire to lift unnecessary Federal rules governing operating choices, in April 1994 the Federal Transit Administration (FTA) revoked "privatization requirements" embodied in two agency circulars issued in 1984 and 1986, respectively. In doing so, the FTA reflected clear Congressional intent to rely on local decision-making, and otherwise eliminated unnecessary and burdensome mandates that existed during the 1980s. The FTA adopted a balanced policy that deferred to local transportation planners on questions such as public versus private operation of transit service.

Despite the balance achieved in ISTEA and subsequently affirmed in the FTA regulatory initiative in 1994, some in Congress want to tamper with the policy and return to the days of excessive Federal intrusion into local decision-making. Transportation labor is aware of no circumstance where the rights of local planners to consider private-sector participation in their transit service plans have been undermined by the present policies. Quite the contrary: today transit agencies and their local planning organizations retain the freedom to make the most appropriate choices to ensure improved transit services in their communities.

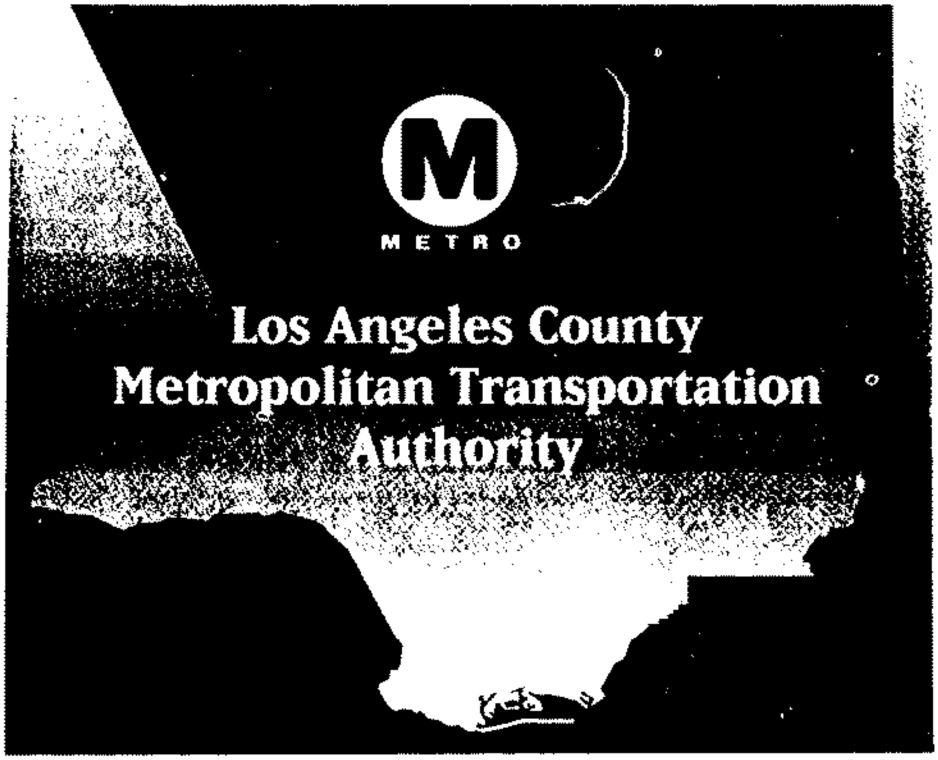
TTD strongly urges Congress to refrain from exerting undue influence on local transit planners. The FTA has wisely concluded that the premise upon which the Reagan-Bush privatization policy was founded was contrary to the best interests of transit systems, commuters, employees, and taxpayers. Under the present policy regime, the Clinton Administration has disposed of rules that imposed burdensome and costly administrative requirements and denied communities their rightful authority to make operating decisions in consultation with local leaders, riders, businesses and employees.

However, the threat remains — and efforts are underway to unnecessarily force privatization of local transit systems. Transportation labor is committed to preserving the current Federal transit program rules governing privatization. They are founded on sound policy principles that draw on the expertise of local decision-makers while preserving the Federal government's role in establishing transit investment priorities.

THEREFORE, BE IT RESOLVED:

- That TTD commends President Clinton and the Federal Transit Administration for their commitment to balanced transit privatization policies that recognize the role of local transportation planners in making decisions concerning the participation of the private sector; and
- That transportation labor will not relent in its opposition to legislative or regulatory measures that would undo current FTA privatization policies by imposing unwise Federal mandates that force privatization decisions on local authorities who are better-suited to make such crucial decisions in the best interests of local communities.

ADOPTED SEPTEMBER 27-28, 1995
CONVENTION, TRANSPORTATION TRADES DEPARTMENT, AFL-CIO



Statement of:
The Honorable Larry Zarian,
Chair, MTA Board of Directors, Councilmember, City of Glendale

Before the
House Committee on Transportation and Infrastructure
Subcommittee on Surface Transportation
United States House of Representatives

June 18, 1996

STATEMENT OF LARRY ZARIAN
CHAIRMAN,
LOS ANGELES COUNTY METROPOLITAN TRANSPORTATION AUTHORITY
AND
COUNCILMEMBER, CITY OF GLENDALE

Mr. Chairman, members of the Committee, oo behalf of the Los Angeles County Metropolitan Transportation Authority (MTA) we appreciate the opportunity to appear before you today as part of this national transit panel, to present testimony supporting the reauthorization of the landmark federal transportation legislation referred to as Intermodal Surface Transportation Efficiency Act.

Mr. Chairman and members of the Committee, on behalf of Southern California, I applaud you for undertaking these hearings, and for providing leadership in moving forward oo legislation which will reauthorize ISTEA. Numerous witnesses have appeared before the committee to applaud this innovative transportation legislation and to seek its continued growth. The Los Angeles County MTA joins those who have testified before committing to furthering the reauthorization of ISTEA. We look forward to working with our national transportation partners to ensure the successes under ISTEA are continued and strengthened.

With the creation of ISTEA, the country recognized that the nation's ability to compete successfully in the fast paced global economy depends upon moving people and goods safely and efficiently. The partnership among federal, state, regional and local transportation agencies fostered by ISTEA, has ensured the coordination required to integrate transportation facilities and services into an efficient *intermodal* transportation network.

ISTEA's partnerships has created recognition that a transportation system – and not any single individual mode of transportation – is key. Those of us in Los Angeles County can certainly testify with first-hand knowledge of the need to balance a transportation network, and does not rely exclusively on a single mode of transportation. The Northridge earthquake of 1994 and its devastating impact on our automobile oriented freeway system was a sobering reminder of how vital and basic an integrated transportation system is to everyday life.

PLANNING, FUNDING, BUILDING AND OPERATING A TRANSPORTATION SYSTEM FOR LOS ANGELES COUNTY

As the transportation agency for Los Angeles County, the MTA has accepted the leadership challenge to plan and operate a comprehensive transportation system which is safe, reliable and cost-efficient. The MTA is governed by a 13 member Board of Directors which consists of the Mayor of Los Angeles and three appointees, the five County of Los Angeles Supervisors and four elected officials who represent the other 87 cities that makeup Los Angeles County.

Over 9 million residents call Los Angeles County home. Based on demographic forecasts prepared by the Southern California Association of Governments (SCAG), the regions MPO, our population will increase by nearly 3 million people over the next twenty years – a 35 percent increase from the 1990 Census. The five-county region known as Southern California, will increase by more than 6 million by the year 2015, to over 20 million people.

Without improvements to our current transportation system, the projected increase in population and employment would reduce average countywide commuting speeds from a current level of approximately 35 milers per hour to 15 miles per hour or, in some rapidly growing outlying areas, to less than 10 miles per hour. This is unacceptable. It contradicts national policies and goals for sustaining economic growth through mobility.

The role the MTA plays as both the regional transportation planner as well as primary service provider for Los Angeles County is unlike any other transit agency in the country. The MTA programs ISTEA Highway, Surface Transportation Program (STP), and Congestion Mitigation and Air Quality (CMAQ) funds through the statutorily defined process contained in the State Transportation Improvement Program (STIP).

The goal of the MTA is to develop, over the next twenty years, an integrated Metro system that includes rail transit, commuter rail, extensive bus and paratransit services, carpool and bus lanes, an improved street, highway, freeway and High Occupancy Vehicle (HOV) network, state-of-the-art traffic management techniques and increased employer-based programs all to reduce commuter trips.

In addition, as the region's largest provider of public transportation, the MTA is also the regional coordinator for allocating federal, state and local funds to 16 of the area's Municipal transit operators. Collectively, the MTA and these municipal operators provide approximately 425 million passenger trips annually.

As an Operator, the MTA is one of the largest public transit carriers in the United States. We provide over 250,000 miles of revenue service daily. MTA has over 340 million boardings annually, on 185 routes, with over 18,000 bus stops. We cover a service area of 1,442 square miles.

Additionally, we operate the expanding rail service network. In 1993, we opened the first 4.4 mile segment of the Metro Rail Red Line in downtown Los Angeles. The subway carries over 22,500 riders a day, almost doubling ridership estimates. In a few weeks we will be opening the Wilshire/Western, 3-mile segment of the Red Line. The MTA is responsible for rail construction in Los Angeles County and is the federal grantee for Section 3 "New Start" funds to continue construction of the 23-mile, $5.8 billion Metro Rail Red Line. On several occasions, Los Angeles County voters have voted to tax themselves, including a one-cent sales tax, demonstrating a strong commitment to funding the needed investment in transportation infrastructure. When complete the current 79-mile Metro Rail system will be funded with 62 percent state and local funds.

For example, projects built with all state and local funds include the 22-mile Metro Blue Line light-rail to Long Beach which is carrying over 43,000 passengers each day. In 1995, we opened the Metro Green Line, which runs mainly down the center median of the newly opened Glenn Anderson Freeway and is carrying 14,000 passengers each day.

Another success story in Southern California is the five-county state and locally funded commuter rail service known as Metrolink. Metrolink is the West Coast's largest commuter rail service, which is now the nation's fastest growing commuter rail system. Metrolink trains travel over 404 miles, with 87 daily trains on six separate routes that parallel significant freeways. The newest route has the distinction of being the nation's first suburb-to-suburb line originating from the Inland Empire to Orange County. Metrolink began service 43 months ago with just 2,400 patrons each day. Today, passengers trips have soared to over 23,000. Caltrans officials indicate that if everyone now riding Metrolink got into cars instead, the increased traffic would add 30 to 60 minutes to rush-hour commutes to some corridors.

ISTEA - AN INTERGRAL PART OF THE TRANSPORTATION SYSTEM

The numerous transportation programs and projects in Los Angeles County could not be achieved without the partnerships fostered in ISTEA. Approximately 66 percent of our bus capital budget; 43 percent of our rail capital budgets; and 22 percent of highway budgets are funded with ISTEA dollars.

The MTA, as identified in our Long Range Transportation Plan with the continued federal partnership, will make a $72.4 billion investment in transportation for Los Angeles County. Our Long Range Plan covers 20-years, is financially constrained and prepared in accordance with ISTEA planning factors. As indicated earlier, with the increase in population and employment projected, the Long Range Plan seeks a 25 percent reduction in traffic congestion at the end of the Plan period. Additionally, the Plan eliminates over 150 metric tons of various air pollutants per day. The Plan invests in numerous transportation programs and projects such as:

- The daily operation of 2,800 buses;

- 94-mile Metro Rail system complete and operating;
- 280 miles of new carpool lanes;
- Alameda Corridor project and other port access projects;
- Numerous Automated Traffic Surveillance and Control – Traffic Systems Management – Travel Demand Management Improvements;
- Numerous Highway, Street and Road projects; and
- Numerous Transit Center projects.

The economic impact of these transportation investments will enable the Southern California region to remain competitive in today's global economy. In one day of Metro Rail construction alone, the MTA invests approximately $3 million in the economy, mostly in the Southern California region with the remainder spent for goods and services from throughout the nation. Of this investment, approximately $650,000 goes to DBE/WBE firms. In 1995, the MTA created over 15,000 jobs through Metro Rail construction and over 100,000 jobs will be created during the six-year period covered by ISTEA.

Besides providing immediate jobs, transportation funding allows expanded opportunities for business, industry, households, and individuals to grow and improve their quality of life. One such opportunity can be demonstrated by the fact that seven new businesses were created within the first 90-days of the opening of the Metro Rail Red Line Segment. I am pleased to report that those businesses, created in 1994, are still in operation.

Another example of expanded economic opportunity can be demonstrated by the joint development opportunities in and around transit corridors. For example, on the Hollywood extension of Segment 2 of the Metro Rail Red Line, in cooperation with Kaiser Permanente Hospital, a portal exit will allow direct access to the hospitals' 3,000 employees and their customers. There are numerous other examples of joint development projects that allow for expanded social and economic opportunity.

There are many joint development opportunities planned once we achieve another milestone on July 13th – the opening of the Wilshire/Western segment of the Metro Rail Red Line. This segment will add approximately 3-miles and 3 stations. We expect the current Red Line ridership to double to over 40,000 weekday patrons by year's end.

ISTEA TAKES TRANSPORTATION INTO THE 21st CENTURY

The MTA joined transportation stakeholders statewide to develop the California Consensus Principles which provides a framework for the reauthorization of ISTEA. Numerous agencies and groups have endorsed the Consensus Principles including: the State Business, Transportation, and Housing Agency, CALTRANS, the California Association of Counties, the League of California Cities, Southern California

Associations of Governments, and numerous transportation providers throughout the State. I have attached a copy of the Consensus Principles for your review.

In closing, MTA looks forward to the lively debate as the reauthorization of ISTEA continues through the process. The MTA will continue to strive for the continuation of important ISTEA programs. For ISTEA to partner with Los Angeles County the following programs must continue:

- Retain Section 3 – New Starts, Rail Modernization and Bus funding categories;
- Retain Section 9 Capital/Operating Grant Formula Program;
- Maintain current 80/20 capital match requirement for Section 3 and 9 programs;
- Retain local decision making with the Surface Transportation Program (STP);
- Retain local decision making with the Congestion Mitigation and Air Quality (CMAQ);
- Continue Transportation Research and Development including Intelligent Transportation Systems; and
- Mass Transit Account – maintain and increase gas tax revenue dedicated to transit fund.

Additionally, MTA would like to work with the Committee and our transportation peers to identify federal policies which stifle innovative management techniques. We believe the commitment Congress has shown to eliminate burdensome regulations and unfunded mandates provides local decision makers with more flexibility to improve transit service at reduced costs.

I trust my comments have demonstrated to members of this Committee, and to the Congress, the absolute need for the continuation of ISTEA. Together, we will build a better America with more choices for our citizens. ISTEA is the cornerstone of our continued partnership to invest in our future.

I would be happy to answer any questions you may have.

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March 26, 1996

Individually Addressed to Members of California's Congressional Delegation

When the Intermodal Surface Transportation Efficiency Act (ISTEA) sunsets on September 30, 1997, all current transportation authorizations will expire. Though the deadline for reauthorization is more than a year away, transportation interests in California and around the nation are already preparing for the reauthorization debate.

I want to share with you, on behalf of my co-signatories, the *California Consensus Policy Principles on the Reauthorization of ISTEA.* This compendium of key policy tenants will act as California's road map during reauthorization and will form the basis for our forthcoming legislative proposals.

California's ISTEA reauthorization strategy is relatively simple—take the team approach. This strategy is a reflection of the state's success in partnering with local and regional governments to deliver transportation projects and services.

Last year, the California Department of Transportation (Caltrans) launched its ISTEA reauthorization efforts by inviting local and regional representatives to join with the state in an effort to identify a common set of reauthorization policy principles. I challenged this diverse group to refrain from narrow, provincial interests and, instead, to develop a document that would serve as the foundation for a collaborative ISTEA reauthorization effort. This challenge has been admirably met.

We recognize and appreciate that there may be unavoidable differences that reflect the self-interests of our respective political subdivisions, but we are convinced that the vast majority of our views will remain in harmony. Therefore, we believe that these principles will go a long way toward helping the many "Californias" to speak with a unified voice.

(Individually Addressed to Members of California's Congressional Delegation)
March 26, 1996
Page 2

Caltrans looks forward to working with you and your staff in the months to come. If you have any questions or concerns regarding the *California Consensus Policy Principles*, or any other transportation-related issue, please contact me or Caltrans' Federal Liaison Bruce (B.J.) Watrous, Jr., at (916) 653-2062.

Sincerely,

ORIGINAL SIGNED BY
James W. van Loben Sels

JAMES W. VAN LOBEN SELS
Director

Enclosure

c : Honorable John Chafee, United States Senate
Honorable John Warner, United States Senate
Honorable Bud Shuster, United States House of Representatives
Honorable Thomas E. Petri, United States House of Representatives
Mr. Frank Francois, Executive Director, AASHTO

California Consensus Policy Principles on the Reauthorization of ISTEA

Passage of the Intermodal Surface Transportation Efficiency Act (ISTEA) in 1991 represented a watershed event in the evolution of federal transportation policy. It marked the end of the Interstate Highway construction period and the beginning of an era emphasizing system preservation, the efficient operation of existing transportation networks, improved intermodal integration, and significantly increased state and local discretion and control over financing decisions. ISTEA firmly established the principle that transportation issues should be addressed on the basis of multi-modal systems rather than groups of competing modes, categories, projects, and jurisdictions.

California was instrumental in shaping the ISTEA of 1991 and is well advanced in applying many of the important changes which it advocated. It is in the interest of California's transportation sector to continue to influence national transportation policy. Accordingly, the following consensus policy principles on the reauthorization of ISTEA have been endorsed by the state and local government agencies identified below to guide the state's legislative efforts and to build on the fundamentals enacted in the original ISTEA.

- **FUNDING FLEXIBILITY**

  ISTEA Reauthorization should preserve the basic architecture of ISTEA's current program categories and refrain from creating any new funding pots, categories or take-downs for specific transportation modes or purposes. Transferability and flexibility should be expanded.

- **STREAMLINING FEDERAL REGULATORY OVERSIGHT**

  ISTEA Reauthorization should restrain the rulemaking authority of the US DOT and US EPA, reconcile the conformity requirements of the Clean Air Act of 1990 with the limited effect of transportation projects and programs on air quality, eliminate federal/state duplication (e.g. NEPA/CEQA), limit review of state and local activities, and (to the maximum extent possible) provide for the increased self-certification and delegation of current federal regulatory authority to the State, metropolitan planning organizations (MPOs), regional transportation planning agencies (RTPAs), cities, counties, and other local agencies.

- **NATIONAL HIGHWAY SYSTEM**

  ISTEA Reauthorization should reflect a significantly reduced federal oversight role while ensuring the effective functioning of a limited National Highway System that supports intercity corridors and national defense, as well as both interstate and international mobility. Cities and counties acting through the MPOs and RTPAs should have full authority and flexibility to integrate the NHS with other public and private modes, metropolitan systems, and rural roads to ensure the effective movement of goods, services, people and information.

- **FEDERAL MANDATES**

  ISTEA Reauthorization should restrict or eliminate federal sanctions and fully fund transportation mandates imposed by Congress through legislation or the Executive Branch through administrative regulation. Federal mandates and regulations should be required to demonstrate their cost-effectiveness. Full funding should not be at the expense of other transportation programs.

- **FEDERAL/STATE/LOCAL RELATIONSHIPS**

  The federal role in transportation policy should be reduced and state/local decision making should be strengthened. Accordingly, ISTEA reauthorization should limit federal involvement principally to strategic planning, transportation safety, and applied research and development. ISTEA Reauthorization also should continue the requirement for joint state/local approval of the Transportation Improvement Program (TIP) designed to expend federal funds.

- **FUNDING DEDICATION AND EQUITY**

  ISTEA Reauthorization should ensure that all federally imposed transportation excise taxes and fees are devoted exclusively to transportation purposes by returning all fuel tax revenue diverted for other purposes to the Highway Trust Fund, removing the transportation trust funds from the unified federal budget and spending down the available balances in the trust funds. ISTEA Reauthorization should reestablish that federally imposed transportation excise taxes and user fees will be equitably assessed and equitably distributed. Donor states should receive minimum allocations of no less than 95%.

- **INNOVATIVE FINANCING**

  ISTEA Reauthorization should authorize and encourage state and local jurisdictions to apply innovative solutions including privatization, public-private partnerships, intelligent transportation systems, joint development projects, and public agency toll pricing as ways to address the growing transportation financing gap and to encourage the rapid deployment of transportation technology.

- **DEMONSTRATION PROJECTS**

  ISTEA Reathorization should limit highway demonstration projects to state TIP projects that meet strictly applied state criteria, including approval by local and state transportation authorities.

- **SYSTEM PRESERVATION**

  Consistent with ISTEA's declaration of National Transportation Policy and fiscally sound management practices, ISTEA Reauthorization should recognize the preeminent importance of maintaining the existing transportation system. Accordingly, state and local officials should be able to program maintenance and rehabilitation projects of all modes in the TIP, exempt from the conformity requirements.

Dean R. Dunphy

DEAN R. DUNPHY
Secretary
Business, Transportation
& Housing Agency (BTH)

ROBERT A. WOLF
Chairman
California Transportation Commission
(CTC)

(signatures continued...)

JAMES W. VAN LOBEN SELS
Director
California Department of Transportation (Caltrans)

MIKE NEVIN
President
CA State Association of Counties (San Mateo County)

SEDALIA SANDERS
President
League of CA Cities
Mayor, El Centro

VICTOR SCHAUB
President
CA Council of Governments (CaLCOG)
Chairman, Humboldt County COG

JESSE BROWN
Executive Director
Merced County Association of Governments

RONALD E. BRUMMETT
Executive Director
Kern Council of Governments

JON A. CLARK
Executive Director
Butte County Assoc. of Governments (BCAG)

LAWRENCE D. DAHMS
Executive Director
Metropolitan Transportation Commission (MTC)

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San Luis Obispo Council of Governments

GARY C. DICKSON
Executive Director
Stanislaus Area Association of Governments

BARBARA GOODWIN
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Council of Fresno County Governments

MIKE HOFFACKER
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Sacramento Area Council of Governments (SACOG)

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Santa Barbara County Governments

BILL LYMAN
Executive Officer
Shasta County Regional Transportation Planning Agency

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DOUGLAS WILSON
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Tulare County Assocation of
Governments

DANIEL B. LANDON
Executive Director
Nevada County Transportation
Commission

TIM DOUGLAS
Executive Director
Placer County Transportation
Planning Agency
Chairman, Rural Counties Task Force

ISTEA REAUTHORIZATION: FEDERAL FUNDING DISTRIBUTION FORMULAS

THURSDAY, JULY 11, 1996

U.S. HOUSE OF REPRESENTATIVES,
SUBCOMMITTEE ON SURFACE TRANSPORTATION,
COMMITTEE ON TRANSPORTATION AND INFRASTRUCTURE,
Washington, DC.

The subcommittee met, pursuant to notice, at 9:31 a.m. in room 2167 Rayburn House Office Building, Hon. Thomas E. Petri (chairman of the subcommittee) presiding.

Mr. PETRI. The subcommittee will come to order.

This morning we continue our series of hearings on the reauthorization of ISTEA and turn our attention to the formulas used to distribute Federal highway funds.

To many, this issue is among the most important surrounding the highway program and the highway trust fund. It is these complex formulas that create what we've come to know as "donors" and "donees," words I'm sure we'll be hearing more often as the reauthorization process continues.

Being a representative from a State that historically has contributed more than it has received in return, I can understand the frustration that many donor States feel, and from a national point of view there is the need for some degree of redistribution in order to maintain a national system of roads that are in good repair.

How to maintain roads and bridges that carry high levels of interstate traffic but are located in sparsely-populated areas with smaller tax bases has been a challenge since the creation of the Federal aid system.

It is important to note that there is widespread agreement that some redistribution is desirable. The question is how much of a donor or donee any particular State should really have to be.

Beyond donor and donee questions, it is also true that the current ISTEA formulas are so complicated it's almost impossible to understand the rationale behind the formulas for each program and how each one relates to the other.

Here is the 87 pages that they have to wade through to actually make the formulas work now. It takes days and it is very, very hard to figure out.

In an effort to pass ISTEA back in 1991, many equity adjustment programs had to be developed, which further confused the program. In addition, many object to a large portion of highway funds being distributed based on a historic share of the program with little relevance to today's transportation network, and that's what we'll be looking at today.

We will be hearing from a wide variety of witnesses who have diverse pointe of view, Including many Members of Congress. I'd like to note that although most of our witnesses today do represent, if not all of them, donor Stetee, an open invitetion was offered to any Member of Congress who wished to testify on the formulas. Had any Members representing donee Statee requested an opportunity to testify at this hearing, they would have been promptly included on the agenda.

I expect that this is only the opening round in a long bout concerning the formulas. The final round I'm eure will not conclude until the very last hour of the reauthorization process.

My colleague, Mr. Rahall, I suspect may have an ineight or two on this issue, and I'd like to yield to you at this time.

Mr. RAHALL. Well, I guess, Mr. Chairman, I could start by immediately agreeing with your last stetement—not decided until the very last hours, as was in the last reautborization.

Today'e continuation of our hearings on the reauthorization of ISTEA does, as you have eaid, focus on the Federal highway funds to the Stetes. This will be the most botly-contested and controversial issue we will face in the reauthorization.

Since the establiehment of the interetate highway eyetem in 1956, it has been in the national intereet to construct roads of an interetate nature, those which transcend the traneportation neede of any eingle Stete. In order to accomplish thie goal, some States contribute more money into the highway truet fund than they receive back. In effect, the national highway eystem eimply cannot be constructed and maintained without what is known ae a "donor" and "donee" Stetee.

I would submit today, Mr. Chairman, with the deeignation of a new national highway syetem, as we did just laet year, this arrangement is as important today as it wae back in 1956 when we embarked on the construction of the interstate system.

In thie regard, there are, as we all know, basically two delivery mechanisms through which Federal highway money is dietributed to the States. Funds are either apportioned or they are allocated. Apportioned funde are divvied up by formula, and, ae a result of the various equity adjustmente, each Stete is assured of a minimum 90 percent return on the amount of its estimated contributione to the highway trust fund.

It is important to note that out of all the Federal highway funde available to States in a given year, the vast majority, 89 percent, are apportioned by formula for euch major programs as the National highway syetem, interstate maintenance, the eurface transportation program, and the bridge program.

Allocated funde, on the other band, are diecretionary in nature. Allocated funding categories include euch items as the bridge diecretionary program and the interstate maintenance discretionary program.

Theee monies, which only account for 11 percent of tbe amount of Federal highway funds available to the States, are primarily allocated on a needs basis.

As I mentioned earlier, the formulas ueed for the distribution of Federal highway funds to the Stetes will be a hotly-debated topic as part of ISTEA'e reauthorization, as they have during the past.

This year, the battls lines are already being drawn, with the opening salvo fired by a coalition of States calling themselves ths "Step 21 Coalition."

With all due respect to my colleagues in support of this Step 21, I believe that what Step 21 is calling for is out of step with the best interest of America.

Apparently the Step 21 Coalition is not satisfied with receiving a 90 psrcent return on apportioned funds—thoss funds which maks up the vast majority of ths Federal highway program. No. Supportere of Step 21 want a 95 percent return. If that means eroding the interetate nature of our national highway system, then so be it. After all, I suppose people travsling to Florida to spend tourist dollars there—thsir biggest industry—never need to drivs ovsr roads in donee States in order to get to Floride.

Thsy also want a 95 psrcent return on those funds which are currently allocated to ths States on a discretionery nseds test basis. If some othsr State has e greater nsed for bridgs money, that's thsir problem, say the supporters of Step 21. And thsy epparently evsn want a 95 percent return of those funds which are currently ussd by FHWA to administer the Federal highwey program, to conduct highwey R&D, and evsn those funds that are used to construct nationally significant roads in our national park system.

Really, who cares ebout the roads and parkways in America's crown jewsls, I supposs the supporters of Step 21 sey, the Yellowstone's and tbs Yosemite's, so long as ws, the supportere of Step 21, get our 95 psrcent return?

Blindly, their bottom line is a 95 percent return on their contributions into ths highway trust fund for their highway programs. Period. That's it, regardless of need, regardless of national priorities, and regardlsss of the overriding national interest in maintaining our interetate highwey system in this country and, I think it should be noted, without respect to what they receive out of the highway trust fund for transit purposes.

So I would submit that thsse proposals destroy the fundamental basis of having a Federal highway program. It is a thinly-disguised version of the turnback initiative being advanced by certain States who seem to forget that we are, after all, a Fsdsral republic of 50 States, united together, with no ons State standing alone.

The philosophies behind turn-beck and Step 21, in my view, represent nothing short of a type of secessionist aspirations which once threatened to tear this country apart in a past era.

Conflict over the distribution of highway funds has a potential to do to the Federal highway program what thet conflict did to the Union—to tear ths Federal program asunder.

West Virginia, which I have the honor of representing in the Congress, became a State as a result of that conflict between the States, and we stood proudly with the Union.

During the reauthorization of ISTEA, Mr. Chairman, I intend to do the same—to stand with the Union, with the national interest in the highway program.

With that sald, I guess lt could be said in conclusion, Mr. Chairman, my bottom line is that my pledgs is this: ons national highway system under the FHWA, indivisible, with liberty and justice for all.

Thank you.

[Laughter.]

Mr. PETRI. Thank you. Are there other opening statements? Yes, Mr. Baker?

Mr. BAKER. California also came in during the Civil War era on the side of the Union, and we're tired of paying our 100 percent for West Virginia.

Mr. PETRI. And now we turn to our very distinguished bipartisan panel, representatives from two of the largest and fastest-growing States in the country, The Honorable Tom DeLay from Texas and Gary Condit from California.

Gentlemen, which of you would like to proceed? Mr. DeLay?

Mr. DELAY. I guess I'll go first, Mr. Chairman.

TESTIMONY OF HON. TOM DELAY, A REPRESENTATIVE IN CONGRESS FROM TEXAS; AND HON. GARY A. CONDIT, A REPRESENTATIVE IN CONGRESS FROM CALIFORNIA

Mr. DELAY. I appreciate your giving us this opportunity. I have to say, though, I'm upstairs in an appropriations markup, and I may be called to vote any minute now, so I'll start and if you have questions later I'll come back after the vote.

After hearing the remarks of my good friend from West Virginia, I can see that this is obviously the beginning of a very lively debate that will carry on through next year, but I know it's a tremendous process as you explore the issues surrounding reauthorization of ISTEA, and I commend you for it.

Although I shared in the excitement of celebrating the 40-year anniversary of our interstate system last month, it saddens me to think that the formulas we use to distribute Federal highway funds to the States have broken down along the roadside. One man's justice may be another man's pork, I've got to say.

To try to remedy this situation, yesterday my colleague, Mr. Condit, and I introduced the ISTEA Integrity Restoration Act. It is our hope that this legislation serves as a basis for discussion during the reauthorization process.

Our bill accomplishes four primary objectives: it funds the National Highway System as the key Federal responsibility; it simplifies and makes more flexible the Federal highway program; it updates the antiquated Federal funding distribution formulas; and it equitably balances the amount of Federal gas tax dollars collected from each State, with the amount of funding each State receives back from the Federal highway trust fund.

By maintaining a strong national highway system program that includes the interstates, our bill recognizes that interstate and international commerce, national defense, and the safety and mobility of our people are the basic responsibilities of the Federal Government and should be our priorities.

To streamline the Federal surface transportation program, our bill consolidates various existing highway programs into two: the national highway system program and the streamlined surface transportation program.

Our bill continues ths sligibility of all current ISTEA activities, but gives tha Stata and the local transportation officials the responsibility, as well as ths authority, to decida on what, whsn, where, and how much to spend to mast thair diversa transportation needs.

Since ISTEA went into effect, aach State's share of highway funds bas been determined by factore that are complately outdated, including tha 1980 census and the number of rural postal delivary milss in tbe State, a measure the Post Office quit using more tban 4 years ago.

Thsse formulas penalizs States tbat are homa to increasing numbere of Amaricans and dramatically increasing traffic.

Our bill's system of apportionmsnt is based on factors tbat dsmonstrate whare highways are actually baing used. Thssa include tbe size of the public highway system in sacb State, tbe numbar of vehicle milas travaled, and the amount of diesal fuel purchassd.

Our bill also creates an objectivs, simple method of distributing highway funds among the States tbat strikas a more equitable balance between taxas paid and funds returned.

Wa astablished tha following two programs: an equity program which ensures that all States receiva at lsast 95 parcent return on the paymants mads to the Federal highway trust fund. Ideally tbe NHS program and tbs SSTP would provide more than a 95 percent return for all States. If not, the equity program would ansure tbis 95 percsnt return leval.

Second, an access program which ansures an adequate lsvel of resources for highways in low population density States witb aithar large or small land area to guarantee a strong national road system.

The DeLay-Condit ISTEA Integrity Restoration Act is not a radical departure from ISTEA. It builds on traditional partnarehips while modernizing Federal aid formulas tbat are inadequate to meet tha mobility and tha economic dsvalopmant needs of the naxt century.

This act strikes the appropriate balance between the national interest in highways and the righte and responsibilities of each State. I hops this committee will look favorably upon it in tba months to coms.

I thank you, Mr. Chairman.

Mr. PETRI. Thank you.

Mr. Condit?

Mr. CONDIT. Good morning, Mr. Chairman.

First, I would like to thank you, Mr. Chairman, for holding this hearing and the committee, as well, and applaud you for your afforts in exploring this issue of great importance to Americans evarywbere.

As America movas into the 21st century, our transportation needs will change and our policiss must cbange to meet those needs. ISTEA mada some desirable policy changes, but in some cases it went too far, in other cases it didn't go far enougb.

We must sffectively build on the many successes of ISTEA, yet also address ite shortcomings. This can bs accomplished in three ways.

States' needs are very divarse, and we must move from a one-size-fits-all policy to a flexible policy that gives States the freedom to deal with their unique problems.

Two, we must distribute Federal trust funds on a more equitable basis so that populous donor States receive the money they need without under-funding smaller Stetes.

Number three, we also need to simplify funding allocation formulas so that transportation officials can do their jobs without facing bureaucratic roadblocks.

Mr. Chairman, the bill that Mr. DeLay and I are proposing does two things. It's a bill about fairness. It makes receiving funds o more fair and reasonable proposition. In addition to thst, it also streamlines and simplifies and reduces red tape on States across this country.

We think it's a reasonable proposal. We think it's a place to start. We appreciate the committee holding this hearing this morning, and I look forward to this hearing to explore ways in which we can implement these kind of proposals.

I'm available for any questions, Mr. Chairman. I do have an extensive statement I'd like to add in the record. Because of time—I want Mr. DeLay to be here and answer questions—I'll just put it in the record.

Mr. PETRI. Without objection, it will be included in the record.

Mr. Rahall, do you have any questions for the witness?

Mr. RAHALL. Thank you, Mr. Chairman.

Just quickly I'd like to ask Tom about recent a proposal of his to create a new highway category called "highest priority" category when we authorize ISTEA. I guess you made this in reference to the I-69 project, which, as you well know, is a high priority under ISTEA. This travels, I guess, through about eight States, from Texas to Indiana and Michigan. A great deal of this corridor does not exist, so it is going to be a very expensive proposition to build.

Do you believe we would be able to build the I-69 project under your Step 21 approach?

Mr. DELAY. No doubt about it, Mr. Rahall, because I feel what will happen in our bill is that the flexibility that is given not only to local communities but also to State DOTs will allow tham to move money where it is more efficiently spent within their Stete. I think this refocused the notion that the Federal Government does have a role in moving goods and services across State lines and now has a major role in moving goods and services from Canada through the United States down to Mexico and all between.

So I really believe that this gives States the kind of flexibility they need and breaks the chains that I think ISTEA has put on their ability to make smart, efficient decisions on where the highway dollar ought to go.

Mr. RAHALL. I don't disagree with your answer at all, and obviously I–69 would still be built under your proposal, but my question I guess gets to the equity of the Step 21 approach, because while I–69 would be built and whila I agree with you perfectly about its significance, as I've already written to you and written in the confirmation, I can assura you that I–73, a national high-priority corridor through southern West Virginia, would not ba built under your proposal. According to the information that you've put out, West Virginia loses highway funds under your proposal.

So I guess the question is: what's the equity in this approach when your high-priority corridor would be built and mine would not?

Mr. DELAY. Well, I don't think that's the case. In fact, I think, frankly, it has been shown in other kinds of programs, that if you give the States the flexibility to meet certain standards laid out by the Federal Government, they can find ways that not only save money but are able to do even more with the money that they have.

I guess it's a philosophical difference that you and I have, but I feel very strongly that if you let the West Virginia DOT make the decision about how money ought to be spent, it will be able to spend it more efficiently and have more money available and it won't need the $1.49 that it gets presently for every $1 it send.

Mr. RAHALL. Well, I think West Virginia has made that $1.10, but I might say that West Virginia ranks up there as one of the top five States in the way they make an effort at the local level and State level, as well. Our State has made a tremendous effort, by raising State gasoline taxes and other decisions, to meet the local match. So we've made a tremendous effort and rank up there among the top in the 50 States in that regard.

Let me ask you both—and you, Gary, will probably want to answer this—but if you're proposing this 95 percent return from the highway trust fund through the Step 21 approach, and just for the highway trust fund, why not carry that same line of reasoning over to the other trust funds, like the aviation trust fund? Why not to the general fund, and say that each State should receive back at least 95 percent of the amount they pay into the Federal fund in taxes?

Mr. DELAY. I apologize, Mr. Rahall. I'm being buzzed for a vote upstairs, and I didn't hear your entire question. Would you repeat what you said?

Mr. RAHALL. Why not carry the philosophy of the Step 21 over to the other trust funds and even the general fund and say that every State should get back 95 percent?

Mr. DELAY. Actually, that's what we're trying to do in the Republican Congress. We're trying to return decisions back to the local and State level.

Mr. RAHALL. Guarantee a 95 percent return of Federal taxes?

Mr. DELAY. But this is different. This is a highway trust fund. It's not a general fund. Monies coming from Texas or California or other States are dedicated to be spent on highways.

Mr. RAHALL. Aviation trust funds are dedicated.

Mr. DELAY. Same thing. I'll be glad to co-sponsor a bill that might do the same thing on the aviation trust fund.

Mr. CONDIT. Can I just respond?

Mr. RAHALL. Sure.

Mr. CONDIT. I think it is vitally important that we try to retain a balance here, that there should be some Federal involvement in transportation policy, and there ought to be some Federal involvement in some of the other policies that you suggested, too, but this is a balancing act that you need to balance States and the Federal responsibility. States need to have more autonomy, they need to make decisions that are better for them to get a better bang for their buck if they're able to make those decisions themselves.

You're overall question about should we do this in other areas, I frankly think we should explore that, but I don't think that we ought—at least I'm not here saying that there ought not to be some Federal standard or some Federal involvement, but I think it ought to be balanced and it ought to go hand in hand with the States.

Mr. RAHALL. Thank you, Mr. Chairman.

Mr. PETRI. Mr. Baker, do you have any questions?

Mr. BAKER. Just a reminder, as Mr. DeLay said, this is a trust fund paid for by users. It's a user fee. Aviation used also? Good. I'd be for that. But the income tax you probably could argue is a user fee also, but I would not because lt's used for such things as national defense and other non-geographic-specific.

But in the case of—and there was a vote earlier this year to redo a formula made, I think, by someone from Pennsylvania that helped New York and California and all these other States. Mr. Horn and I voted against that because we didn't feel that our porkIng out was going to help this particular program area.

But in this particular instance, it is a user fee paid by people who are using roads, and there is no measurement to get it back to their own area.

What the States are asking for is less delay time, allowed to spend their own tax revenue on their own roads, on their own national highways.

I think we'll hear later today from State officials who will regale us in how long it takes to get clearance through DOT and clearance through the EIR process in order that they build projecte on the national highway system, so it's not just "I want my money because West Virginla ls getting it all." There is also a big delay in cost increase factor here by our running it through this mishmash of bureaucracy.

So what the States are going to ask for is independence, taking their user fees and spending it.

Lastly, I'd like to remind the audience and Mr. Rahall that in my bay area we spend a half cent sales tax on our roads in BART, in additlon to the State taxes—which are very generous, let me assure you. I partlcipated in the ralsing, with Mr. Condit, in early 1990s, late 1980s. We partlcipated in raising the gas tax nine cente in California. It started at five and went up to nine in order to build roads.

So we have given at the office, thank you very much. We'd like a lIttle autonomy in spending some of that money that now comes to the Federal Government and somehow gete lost.

We are a huge donor State and we have huge transportation problems for the 31 mllllon people that are using it.

Mr. CONDIT. Mr. Baker, would you yield?

Mr. BAKER. Mr. Condit?

Mr. CONDIT. I'd like to underscore what Mr. Baker says. The money ls extremely lmportant, obviously, to all of us and all of our States, but flexibility and giving States more autonomy and flexibllity to get a better bang for the buck I think is equally as important.

Mr. RAHALL. Would the gentleman from California yield?

Mr. BAKER. I'd be happy to yield.

Mr. RAHALL. I agree you've given at the office, but you haven't given as much as West Virginia has given at the office, because according to the latest tax rates, California's State gasoline tax is $0.18, and West Virginia's is $0.2523, so we've given more at the office than you have.

Mr. BAKER. We're only at $0.18?

Mr. RAHALL. Yes. That's according to the latest 1994 highway statistics.

Mr. BAKER. Then let me ask you how much of that $0.18—well, that's a State tax. How much of the Federal tax do we get back compared to West Virginia's? How much do they pay to the Federal Government that they get back? We are a huge donor State.

Mr. RAHALL. I agree with that. The point I'm making is the local effort and giving at the office, as you stated, thank you very much.

Mr. BAKER. We give State, and then we go out and raise local taxes, including a half cent sales tax on everything that's purchased in the bay area goes into transportation, so we really are taxing ourselves.

What the State is asking is not just that we stick it to West Virginia, but we are allowed some flexibility in spending that money more rapidly.

Let me give you an example. We had a depression caused by some Defense cutbacks, by aerospace folding in southern California. We went through about a 4-year recession in California. That affected construction. So in the BART area and in the area of highway programs, we went out to bid and were receiving bids at something like 35 percent off the engineers' estimates. But those bids were made on the presumption that we could get the work done in our lifetime.

So the delays going through the Federal bureaucracy and going through the duplicative EIR process, State and local, prevented us, in many cases, from getting those good bids that we had gotten during the recession.

So we're as interested in speeding up the process as we are in getting our fair share.

National anthem, please.

Mr. PETRI. Mr. Cramer, do you have any questions?

Mr. CRAMER. I do not. Thank you, Mr. Chairman.

Mr. PETRI. All right. Mr. Horn?

Mr. HORN. Thank you, Mr. Chairman. I'm glad to hear about the delays going through the Federal bureaucracy. There are several types I know in that variety.

Did your staff, in working on that formula, look at what a 90 percent formula would do when we have to take into account the Montana's, the Wyoming's that have vast stretches of interstate that we Californians drive over as much as any other State? And how do we provide for those States such as Wyoming and Montana where there are very few people paying gas taxes and there are vast stretches of hundreds of miles that we all need to keep maintained—bridges and all the rest?

Mr. DELAY. Mr. Horn, in our bill we make provision for those States that have vast amounts of land and very little population so that they can compate for this money, and thet is, as I mentioned earlier in my remarks, tba equity program that ensures that all States receive at laast a 95 percent return and that tbese Stetes are held harmless. They're not going to lose any monies that they bava alraady been getting.

Mr. HORN. Well, I thank you, because I'm strongly for what you are proposing, and I think, as Mr. Baker noted, the flexibility is the key, and that applies not just to California and the large States, it applies to evary single State in the Union. We're losing money becausa we're losing time.

When you have to go and bava walvers granted on everything that makes sense and nothing bappens for months and months and months, thet's counterproductive to wbat we need to get tba economy moving again and to get tba infrastructure of this Nation moving again, which I thought we would do in 1993, but we baven't really done much since all Presidents like to use it as a daficit balancer.

Mr. DELAY. If I may, it's a general philosophy, tbat ISTEA, as well as it has been implemented, has a lot of problams. I was here when it was first passed, and knaw that we ware going to hava a lot of problems with it. There are exceptions to this, but ovarall you're sanding money to States because thay happen to be a Stete, rather than sending monies to areas called States that have transportation needs.

Tha dollar ought to follow the needs for transportation. The dollar sbouldn't follow just because you'ra a Stete you get "X" number of dollars.

But, at the same tima, when you're raising the funds within your State, your taxpayers ought to be assured that their hard-aarned monies come back to that State for transportation needs.

Mr. HORN. Thank you.

Mr. PETRI. Ms. Danner?

Ms. DANNER. Thank you, Mr. Cbairman.

Because I believe I see some of you refarring to a chart that is actually in Mark Sanford's commente, let ma ask a question. I'm looking at—is there a page number? No. "Comparison of Fedaral highway trust fund receipte into tha fund by State varsus Federal aid."

According to this, my State of Missouri is getting back 78 percent of what we are sending to the Federal Government.

If someone on staff is looking at that chart, will thay tell me if, where ths Stetes have no percentege behind them, am I to assume that each of thoss Stetes is getting in excess of 100 percent? Why are there blanks thare? For sxample, I notice that West Virginia has a blank behind it. Pennsylvania has a blank behind its return ratio.

So my qusstion is: where there are blanks, is this an indication that they receiva in excess of 100 percent?

For tha bensfit of those in the audience, I'm told that I will have to ralse this question witb the represantativa whsn he testifies so that I can ascertain from him from what sourcs he secured this, although it seems to ma that if it says "Fsderal highway stetistics" and liste the table, I would think that would be adequate, but I will inquira of the appropriate witnsss.

Thank you, Mr. Chairman.

Mr. PETRI. Thank you.

Mr. Kim?

Mr. KIM. Thank you, Mr. Chairman.

I'd like to take this opportunity to recognize Mr. Dean Dunphy, who is the Secretary of the California Transportation Department and will testify here later today. He has done a tremendous job for California.

I would like to have a little colloquy with Mr. DeLay. Not mentioning donor State, do you know the existing funding formula is really unfair to States—to growing States such as California and Texas? What I'm saying is that existing funding formula is very complicated, because it involves a lot of economic factors population growth and total highway mileage. All these complicated criteria are combined together to come up with this formula.

I used to get in here myself. I can deal with the formula. I'd ask them to explain it to me, and no one could explain it to me. It's such a complicated formula.

Besides, what really bothers me is that they are using 1980 census information. We have a 1990 census. Can you imagine that? They're still using 1980 census information. No wonder California and Texas are being ripped off by using this old formula.

We're talking about billions of dollars that have been unfairly ripped off from those fast-growing States, and I intend to—Mr. Chairman, I intend to introduce legislation to correct this totally unfair funding formula. But I'm glad that you came up with this idea of 95 percent, Mr. DeLay. I totally support the idea.

Mr. DELAY. Mr. Kim, I can save you a lot of time and staff time. If you'll just co-sponsor my bill, I think we've taken care of it.

[Laughter.]

Mr. KIM. I think it's simpler that way than to try and come up with another complicated formula.

Mr. DELAY. Okay.

Mr. KIM. I think it's a good idea.

Mr. Chairman, I appreciate that. I support the concept.

Mr. DELAY. Thank you, Mr. Kim.

Mr. KIM. Thank you, Mr. Chairman.

Mr. PETRI. Thank you.

Mr. Mascara?

Mr. MASCARA. Thank you. Thank you, gentlemen.

I'd like a little equal time for Pennsylvania. I've heard about California, Texas, and West Virginia.

As a former chairman of the Southwestern Pennsylvania Regional Planning Commission for 15 years and a chairman of the Plan Policy Committee that had the responsibility of implementing ISTEA for the Pittsburgh region and the development of a plan for the national highway system, my question is: your remarks, Mr. Condit and Mr. DeLay, speak about flexibility that Step 21 has, and I'm curious because the 1990 Clean Air Act and the companion bill, the ISTEA of 1991, provided a lot of responsibility to both the regional planning groups and the State Department of Transportation.

If I recall the numbars, I think ISTEA generated somewhere around $158 billion over its life, and to Pennsylvania that meant $9 billion.

The State and tha Regional Planning Commission decided to spend 80 percent of that, or $7.2 billion, on maintenance. I sse you address maintenance, both of you, in your statements.

What changes in Step 21 as it refers to the maintenance part of a new ISTEA? I bitterly complained about 80 percent going to maintenance and only $1.8 billion going to new highway development over 7 ysars. Does your bill do something else that permits more flaxibility than that?

I was outraged that the Stats would have that much authority and not give more rasponsibility to local governments.

Mr. DELAY. Well, you may not appreciate the way Pennsylvania DOT spent Pennsylvania's money, and I can sympathize with you. We basically say that the Stete decides where tha money goes.

Now, if thay want to spend 80 percent on maintenance, then that's a decision that they hava to make.

I think our DOTs around tha country havs become so sophisticated that they can spend the moniss in ths right ways for the right programs, and thay can move monies across programs.

Right now we have too many categories and too many Federal mandates that require States to spend "X" number of dollars for this particular program. We're saying the Federal Government will maintain its standards, whether it be environmental standards or so forth, but you have the flexibility to comply with thosa standards based upon what you think is the bsst way to do that.

Mr. MASCARA. But that's my point. It already exists. States already—and one of the staff people ara shaking thair heads no, but I can tsll you yes, that the current ISTEA provides flexibility for the DOTs around the country to make the dacision whsther or not they want to use the ISTEA money for maintenanca rathsr than new highway development.

I was just wondsring, is thsre something diffarant in this bill?

Mr. DELAY. I think it's vary different, and I know how—I've been dealing with transportation now, not in the way that you have, but I've been involved in transportation my entire political career, and I know that money is fungible and they can move monies around and make it move around, but still there's the bottom line whsn it comes to CMAQ, for instance. You've got to spend 10 percent of your money on CMAQ.

Well, Philadelphia may want to spend 20 percent of ite monsy on CMAQ, and Abilens, Texas, may want to only spend 5 percent. Abilane's kind of wide open. They may not need a bike trail. But you're required to spend 10 percent.

We're saying we're giving even more flexibility than they presently have.

Mr. MASCARA. So if they want to spend more money on CMAQ, congestion management funds, they could do that?

Mr. DELAY. Sure.

Mr. MASCARA. I would support that. And I'm not trying to imply that this doesn't need fixed. I think it does naed fixad.

Mr. DELAY. Yes.

Mr. MASCARA. And I would like to see something factored in for economic development highways. I represent an area. We're building the Monfayette Expressway, which is a 68-mile highway that costs somewhere around $1.8 billion. But the areas that I represent along that highway are having serious problems. We rank—two of the five counties I represent are the highest poverty in Pennsylvania and probably across the country, that somehow we could factor in these funds for areas that need help as it relates to economic development highways.

Thank you, gentlemen. Thank you, Mr. Chairman.

Mr. PETRI. Thank you.

Ms. Johnson, do you have any questions?

Ms. JOHNSON. No, Mr. Chairman.

Mr. PETRI. Ms. McCarthy?

Ms. MCCARTHY. Not at this time, Mr. Chairman.

Mr. PETRI. I just had one. I wondered if—we're going to be hearing from another panel that is taking a little more radical approach, probably inspired by the same problem, and that is a turnback approach. I'd be interested in your ideas or reactions whether—obviously, this isn't your first choice. Would that be preferable to the current program, or would you go even further, cut the Federal gas tax and get rid of tbe Federal program, except for the interstate, and let the States raise the money and spend the money in the old-fashioned way that they used to do years ago?

Mr. DELAY. Well, Mr. Chairman, you know me. We've served together for a very long time, and I never take the radical approach.

[Laughter.]

Mr. DELAY. This is a reasonable approach to what I think is a problem that needs a solution.

I do believe that the Federal Government has a role to play and it is in the Constitution for the Federal Government to play a role in developing an interstate highway system and maintaining that system, and now has an even more expanded role in developing an international highway system.

I might just say I was corrected by my crack staff that the highest-priority corridor definition includes a number of the corridors across the Nation.

But I think this Step 21 approach reflects my philosophy that the States need to participate and be a partner in the interstate system and the international system, but, frankly, I think the Federal Government needs to get out of the business of building farm roads and streets and in some cases post offices with highway money.

Mr. CONDIT. Mr. Chairman, may I just reiterate that this is a proposal that tries to put a balance between Federal responsibility and the State responsibility, recognizing that we want to give States more flexibility and more autonomy, but we do have a role.

There are eome other proposals, and they may have some merit to them, but, as Mr. DeLay has indicated, we've tried to strike a balance.

There will be some changes, and we think this is the best proposal if people want a balanced proposal that says there is some Federal responsibility, but at the same time trying to give States some autonomy and flexibility, which they deserve.

Mr. PETRI. Thank you both.

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Mr. Brewster, did you have any questions at all?

Mr. BREWSTER. No, Mr. Chairman.

Mr. PETRI. Gentlemen, you've been very generous with your time.

Mr. DELAY. Thank you.

Mr. PETRI. The second panel is made up another three of our colleagues: Mark Sanford, Bill Brewster, and Steve Largent. I don't know if Mr. Sanford is here.

Gentlemen, have you figured out which order you'd like to be in? Bill, do you want to start, or Steve?

TESTIMONY OF HON. MARSHALL "MARK" SANFORD, A REPRESENTATIVE IN CONGRESS FROM SOUTH CAROLINA; HON. BILL K. BREWSTER, A REPRESENTATIVE IN CONGRESS FROM OKLAHOMA; AND HON. STEVE LARGENT, A REPRESENTATIVE IN CONGRESS FROM OKLAHOMA

Mr. BREWSTER. Thank you, Mr. Chairman. I appreciate the opportunity to testify today on the reauthorization of ISTEA. I have a written statement I'd like to request be submitted for the record.

Mr. Chairman, as you know, I will not be here next year for the reauthorization of ISTEA; however, as the issue of donor States is so vitally important, I have sponsored legislation with Congressman Mark Sanford and Congressman Steve Largent to add fairness back to the system of transportation funding to States.

The national highway system is in dire need of preservation and repair. It is important to give all 50 States their fair share of the highway trust fund.

Our legislation proposes to calculate a State's apportionment from the trust fund based on the percentage of total contribution to the trust fund.

The logic for this formula is very simple. The contributions from the States are a collection of user fees and therefore indicate actual and current usages of the roads.

This is a more equitable and honest way to approach highway funding in the future. States receive back what they, the users of those roads, have put into the trust fund.

The current system of the minimum allocation guarantees a 90 percent return on the dollar for each State. In all actuality, however, Oklahoma currently only receives $0.78 on each dollar put in the fund.

By computing the allocation to States by the percentage that State contributes to the trust fund, we guarantee 100 percent return for a State's investment for its highway system.

This is a simple solution to a complicated, confusing, and extremely unfair formula system.

Over $2.26 billion would be returned to the donor States under our legislation. According to the Federal Highway Administration, over 95,000 full-time jobs could be created in these donor States. My State of Oklahoma, alone, would gain more than 2,500 much-needed good-paying jobs.

In closing, Mr. Chairman, every State's infrastructure needs are important. We're trying to determine the most equitable approach to meeting the needs of everyone. Our bill, I think, proposes a fair solution. I hope this committee takes ideas such as our bill into consideration during the ISTEA reauthorization next year.

Thank you for your time, Mr. Chairman.

Mr. PETRI. Thank you.

Mr. Sanford?

Mr. SANFORD. I would say thank you, as well, for allowing us to testify before you and the rest of this committee.

I would say that we're probably here because we agree. I agree with my colleague from West Virginia in that our Nation's infrastructure problems are so significant that it needs to be addressed at the national level.

Unlike some of the more radical approaches which you alluded to, this bill does not dismantle highway funding and transportation funding as a national priority.

The question is: how do we address those national infrastructure needs? I think what we would all agree on is that we would, one, want to do it in a way that anticipates future problems, not simply a mechanism that looks backwards, but one that looks forwards, and in so doing allows us to be proactive.

Two, I would think that we want to do it in a way that's fair. I mean, if you really stop and think about it, if you think about, for instance, the Boston Tea Party, in many of the children's books that I read to my three infant sons, the one thing that they share in common is this simple theme called "fairness." It wasn't just the Boston Tea Party. It could be the Revolutionary War that was built on the concept of fairness. In fact, the idea of democracy is built on one man, one vote, the idea of fairness.

So I think that a lot of the, in essence, American traditions that we enjoy are built on the concept of fairness.

What we have, unfortunately, right now with the funding formula is a skewed process that is inequitable. As is suggested by the chart to my left, you could go down the different numbers. For instance, in South Carolina last year we got back $0.52 of every dollar that was sent to Washington. In Virginia they got back $0.73. In Tennessee they got back $0.81. You could go down a lot of numbers that would suggest inequity.

On that same scale—again, this is represented in this chart to my left—New York paid in around $900 million and got back around $1.1 billion; Pennsylvania would have put in around $800 million and got back around $1 billion; Massachusetts would have put in around $370 million and got back around $800 million—hardly equitable.

In fact, when you look at the next chart, what you'll see is that inequity goes to just a few States. In fact, it goes to about 10 States along the northeastern corridor.

So in fixing the formula, I think we have to go back to: one, how do we do it in a way that's fair? Two, how do we do it in a way that looks forward?

Our formula, as suggested by Congressman Brewster, simply ties it to contributions.

It's interesting that Jack Fawcetts and Associates in the GAO report tried to correlate highway needs to something, and what they found, number one in terms of correlation, was interstate vehicle miles traveled, which would be awfully difficult unless we had little radar detectors or some kind of detector on top of cars, to follow.

But what was number two was highway trust fund contributions, with 90 percent correlation.

So, one, there is good correlation; two, it seems fair. It does a number of technical things which I won't go to. But most of all what it does is it does avoid a future Boston Tea Party and it prevents my three infant sons from insomnia because they will know that fairness is alive and well in Washington.

Mr. PETRI. Mr. Largent?

Mr. LARGENT. Thank you, Mr. Chairman and members of the subcommittee. I'd like to submit my entire testimony and briefly go over that.

Thank you for granting me the opportunity to offer my thoughte and parspective on what cbanges I think need to be made to the current Federal funding distribution formula in next year's ISTEA reauthorization.

My colleague, Mr. Sanford, has given a thorough overview of our bill, H.R. 3195, the Highway Trust Fund Fairness Act, and I will summarize my prepared testimony that I've submitted for the record.

It is apparent that the present ISTEA Federal distribution formula is of concern to a great many Members of Congress. I became interested and involved with this issue after learning that Oklahoma has historically contributed millions of dollars more to the Federal highway trust fund than it has received in return since its inception in 1956.

In fact, according to the Oklahoma Department of Transportation, over the course of the last 40 years Oklahoma has contributed close to $2 billion more to the Federal highway trust fund than it has gotten back.

This funding inequity is not just an Oklahoma-specific problem. According to the Federal Highway Administration, in 1 year, fiscal yaar 1994, 29 States contributed approximately $2.7 billion more than they will receive in apportionments in fiscal year 1996.

Some proponents of the current Federal funding distribution system advocate that this is a small price for donor States to pay for people to anjoy the benefits of interstate commerce and travel conveniently around this country.

I would submit that my State of Oklahoma has some real pressing transportation infrastructure needs of its own, and the nearly $61 million that were redistributed to other States in fiscal year 1996 could help address some of those needs.

Obviously, coming from a donor State I am somewhat biased against the current ISTEA funding system; however, in my submitted testimony I cite a Novemher, 1995, GAO report which concludes that the present Federal highway funding formula is obsolete and overly complex.

Mr. Chairman, for the sake of saving time, I will briefly summarize the intent of the Sanford-Brewster-Largent bill. It's relatively simple and straightforward.

States shall receiva the same amount of funding from the Federal highway trust fund that they contribute into it.

I think this common-sense approach appeals to a great many Members of Congress. Currently, H.R. 3195 already has 52 sponsors. Although H.R. 3195 does not make any reforms to the Federal mass transit account, I would briefly like to touch upon this subaccount of the Federal highway trust fund.

For every fiscal year 1994 dollar Oklahoma contributed to the Federal mass transit account, it received only $0.33 in return. Contrast tbat with the District of Columbia, which collected $18.42 for every dollar it contributed.

I will concede that Oklahoma doss not have metropolitan areas the size of Washington, D.C.; however, my District in Tulsa does havs traffic congestion problems, and during the summer months Tulsa comes perilously close to reaching non-attainment air quality status under ths Clean Air Act.

I hope that you would agree that this distribution disparity is inequitabls and needs to bs corrected during the reauthorization of ISTEA next year.

In closing, I realize that under H.R. 3195 the States that have been historically recipisnt States under the current Federal funding formula will sacrifice some Federal transportation dollars; however, I believe that this issue basically comes down to fairness and equity.

For 40 years Oklahoma motorists have subsidized other parts of the country's transportation needs. The 104th Congress has pledged to change the status quo and it is my hope that next year during the 105th session this committee will continue its reform-oriented agenda and develop an ISTEA reauthorization bill that provldes equity and fairnsss for all States.

Thank you, Mr. Chairman.

Mr. PETRI. Thank you. I think you may have been a little generous to the District of Columbia. We had to pass a bill last year because they had no money for their matching at all, but that was for highwaye.

Mr. Rahall?

Mr. RAHALL. Thank you, Mr. Chairman.

Let me say to ths pansl that I certainly underetand whers you're coming from and your desire to seek a greater share of Federal highway funding. After all, both your States are among the lowest of the 50 in State effort in the State gasoline taxes. So, while I don't endorse your proposal, I certainly understand and respect where you are coming from.

But to get to ths bottom lins, and especially in regard to your opening statement, Mark, about agreeing with the national effort needed in building our highway system, your proposal, though, by modlfying the minimum allocation from 90 percent to 100 percent and the 90 percent of payments adjustment to 100 percent, you're basically saying that each State receive back 100 psrcent of its contributione into the highway trust fund plus a share of interest.

So, in other words, I see this proposal as vsry similar to the so-called "turn-back" approach, and I have trouble seeing how there would be a Federal program left after each State receives back 100 percent. Where is then the national interest and tbe national structure left to malntain a natlonal interstate system?

Mr. BREWSTER. Let me address that, Mr. Cbairman. This Nation is nothing but a collection of States. We talk about a national lnterest. Yes, we have a national interest, but it'e what's in the best interest of those States, as well.

As you know, there is more money allocated out of the Trust Fund than is going into the Fund. Oklahoma may be getting back somewhere close to 90 percent of the part total dollars we put in this year, but we're getting back 78 percent of the total percentage Oklahoma contributes to the Fund.

But this Nation—we talk about a national interest. Yes, we have a national interest, but we are a collection of States, and the States' interests should certainly have an overriding factor.

I keep thinking, Mr. Rahall, that one of these days you all are going to have everything paved in West Virginia and you won't need so much over there.

[Laughter.]

Mr. RAHALL. Well, it would cost us a little more than it does in a State like you, too. Do you want to compare mile-per-mile what it costs to build?

Mr. SANFORD. Two thoughts. One is that, as you know, this bill would do much less damage in terms of specific damage to a particular State, to your State than, for instance, Step 21. Leaving specific States aside, I think you'd have to go to the overall question which has to be asked, which is: national interest relative to what?

I think, in answering that question, we'd have to look at that chart.

Right now all donor State monies from all States that contribute goes, in essence, not, in fact, to West Virginia, but to about ten States in the northeast. What is in the national interest in funding ten States in the northeast when, in fact, demographic change is occurring throughout the Sun Belt, throughout California, and throughout the southeast.

Mr. LARGENT. I would just add that I understand that in Washington it's still a pretty relatively radical idea to think that we could give the taxpayers back their own money to be spent on roads in their own State, and yet I would still submit that that is the right direction.

I also would submit that I would say that our Federal highway system, itself, is fairly well developed at this point—not totally, but fairly developed, and now we're looking at a matter of maintaining those roads, which I think is fairly easy to conclude is not as expensive as building a Federal highway system was 30 and 40 years ago.

Mr. RAHALL. Well, if I have any time left, Mr. Chairman, I'd just follow up on the last comment of Mr. Largent. While it's true the interstates are fairly well complete and maintaining them is the problem now, we also have the corridors of high priority that were established in ISTEA—some 21 corridors, I believe, and an additional seven corridors of national significance established under NHS.

For example, the I-69 project, which I questioned Mr. DeLay about, is mostly unbuilt at this time. Those corridors still need to be built.

The bottom line, I guess my concern with your proposal is I just cannot see how you still have a Federal responsibility or a Federal national role when you have a 100 percent turn-back.

Thank you, Mr. Chairman.

Mr. PETRI. Mr. Hutchinson, any questions?

Mr. HUTCHINSON. No.

Mr. PETRI. All right. Ms. Danner, do you have any?

Ms. DANNER. No, Mr. Chairman.

Mr. PETRI. All rigbt. Mr. Baker?

Mr. BAKER. No questions, Mr. Chairman.

Mr. PETRI. Ms. Johnson?

Ms. JOHNSON. None.

Mr. PETRI. Mr. Kim?

Mr. KIM. Thank you, Mr. Chairman. I would like to express the same opinion as our witness today.

Do you know that we used to put all the gas tax money into the highway trust fund, but not any more. Now only about $0.10 out of the $0.186 gas tax goes into highway trust fund. The remaining goes out to some place else.

For example, I helieve a penny goes into leaking underground storage tank programs, $0.043 goes to some other social programs under tbe name of "deficit reduction."

That's another problem we have. The money is not spent on bighways—fixing badly needed highways at all. Almost 40 percent is being ripped off from the highway trust fund.

So we are trying to correct the situation, by putting the highway trust fund off-hudget. That was heavily opposed by tbe current Administration.

I would like say I think it's an excellent idea. Instead of coming back with a complicated formula that people can't understand, let's use this 95 percent proposal Mr. DeLay mentioned a littla while ago. I think that's an excellent idea and that's the way it should he.

The more money taken out from the highway trust fund, the worse it is right now. All the highways have serious problems. Even in California, according to AAA report, 50 percent of tbe hridges are considered unsafe. We don't have enough money to fix them.

Especially when a penny goes into mass transit system, a lot of States like you don't hava any mass transit. We've been subsidizing this thing for so many years. I think it's about time we get our ehare hack.

Thank you for your excellent testimony.

Thank you, Mr. Chairman.

Mr. PETRI. Thank you.

Mr. Mascara?

Mr. MASCARA. Gentlemen, mine is more of a statement than a question.

Oftentimes when we're seeking simplification, simplifying the matter just doesn't simply guarantee equity. I understand where you're coming from, but I would like to follow up on Congressman Rahall's question about the States—having returned to the States everything they paid in. How would that work? We're just a receptacle for funds that are heing generated hy Federal taxes in the various States? Would someone explaln to me how that works?

Mr. SANFORD. If I might, as you know, this particular hill does not dismantle, for instance, the interstate highway program or any of the other programs. All it addresses is the equity adjustment element of existing highway gas tax formula.

Right now, for instance, if I was to get in my car and drive to Texas, passing through West Virginia on the way there, if I stopped at a gas station and bought gas, those monies would go to West Virginia. Therefore, in fact, I think this helps the problem that you're concerned about, which is any new interstates that might be built will probably be going in areas where there is need, and the area that is, again, most highly correlated to need is highway trust fund contributions.

I think this actually helps us to build the kind of roads that you are concerned about.

Mr. MASCARA. Steve, did you want to take a shot?

Mr. LARGENT. Yes. All I would add to that, Frank, is that the bill that we've introduced doesn't affect the policy of the ISTEA. What it does affect is the funding formula.

Mr. MASCARA. Thank you, Mr. Chairman.

Mr. PETRI. Mr. Franks, any questions?

Mr. FRANKS. Mr. Chairman, thank you. I congratulate my colleagues on some excellent testimony, but I want to try, as a representative from admittedly one of the donee States, to put this issue in a somewhat different perspective.

I think it's dangerous to isolate just transportation aid when we talk about investments made from State taxpayers to the Federal Government. I would point out that on a dollar-for-dollar basis of return, of the Federal taxes paid, New Jersey ranks 49th in the entire Nation. New Jersey is a donor State in the aggregate to the Federal Government by the tune of some $18 billion annually.

I would also point out that our State is a naturally-situated corridor State on the east coast, and it's also the most densely-populated State in the entire Nation.

The intense uses of its highways, its bridges, and mass transit require substantial sums to maintain.

Lastly, I would indicate that the State taxpayers in New Jersey have made a very conscious decision to invest their own State dollars in their transportation system. We are first in the entire Nation when it comes to investments in our own State transportation system.

So I would only indicate that, as we talk about making these changes, Mr. Chairman, we do, indeed, need to recognize the unique situation that is faced by a variety of States.

Thank you.

Mr. LARGENT. I would just make one comment, since Mr. Franks and I both serve on the Budget Committee, that I think that's a totally legitimate argument about four months ago, until the transportation fund became an off-budget item so that you isolated the budget and we didn't. So at that point I think that we can isolate this situation in the call for equity within this off-budget item today.

Mr. MASCARA. Would the gentleman yield?

Mr. FRANKS. Sure.

Mr. MASCARA. I'm curious. The House passed H.R. 842. That bill—it's not off budget.

Mr. LARGENT. But in our discussions within the context of the House of Representatives, we have voted on that particular issue.

Mr. MASCARA. But that's not law.

Mr. LARGENT. No. You're correct.

Mr. MASCARA. Okay. Yes.

Mr. PETRI. I just wonder if you might care to comment, in closing, on the proposal that Mr. DeLay and Mr. Condit have been advancing called "Step 21." Do you have any views or reactions on that particular proposal, Mr. Brewster?

Mr. BREWSTER. Mr. Chairman, I certainly would. I see any change to help the donor States get back a part of the user fees paid in by those States to be positive, whether it's our approach, or whether it's Mr. DeLay's and Mr. Condit's.

You can look at the chart that we have here and see where many of our States are collecting larger amounts of money—much larger amounts of money for the systems that are being utilized in those States.

Take your State of Wisconsin, Mr. Chairman. You're paying in 2.01 percent of the total payments, yet you're only getting apportioned out 1.77. So you're losing $41 million that I'm sure is sorely needed for interstates, for all kinds of roads in your State.

Driving up and down the interstates in Oklahoma and Texas and many of the States that I am in, our interstates are getting in bad shape. You have bridges that need paint, that are rusting. You have many, many problems, and our States are not receiving tbe amount back that users in those States are paying. I don't care where they are from. If they are driving through Pennsylvania, they buy fuel in Pennsylvania, Pennsylvania should get the money.

This is a user fee system, and whetber it be Mr. Condit'e, Mr. DeLay's, or any other system that helps solve the problem, I think that I'm certainly for it.

Mr. LARGENT. Yes. I would ecbo those ssntiments and just say that if you view the Condit-DeLay bill as being a bill that not only tampers with the funding formula, but also changes the policy side, and then you view the other extreme as being the Kasich and Senator Mack bill that abolishes the funding formula and all policy, that ours could be viewed as sort of the modest middle ground where we tamper with the funding mechanism but not the policy side.

Mr. PETRI. All right. Thank you, gentlemen. If there are no further questions, we appreciate your coming very much.

Mr. LARGENT. Thank you.

Mr. PETRI. The third panel is our colleague Tim Hutchinson.

TESTIMONY OF HON. TIM HUTCHINSON, A REPRESENTATIVE IN CONGRESS FROM ARKANSAS

Mr. HUTCHINSON. Thank you, Mr. Chairman.

Before I begin, I want to compliment and associate myself with the testimony of my colleagues on the previous panel. I think they have been diligent leaders in their fight for reform of the minimum allocation formula, and I'm very proud to bs a co-sponsor of their legislation.

Mr. Chairman, this hearing today tackles one of the most controversial aspects of ths Intermodal Surface Transportation Efficiency Act, devising a method that distributes transportation funds in an fair and equitable manner, and that's no easy task. However, it is a very crucial task.

I've heard the funding formula referred to as the heart of the ISTEA legislation, and I think that's a very accurate description.

As a member of the committee, and particularly this subcommittee, I have an appreciation for the overriding national interests that we must take into consideration as we draft this legislation. In these times of shrinking Federal resources, we must work to ensure that we make the best possible use of our Federal dollars. However, we must not push aside issues of fundamental fairness in the process.

My own State of Arkansas is currently a donor State. As such, we have received an annual average of $34.3 million in minimum allocation funding under ISTEA. If the formula were at least 100 percent, Arkansas would have received an annual average of 38.1 million, or approximately $23 million more over the 6-year period of ISTEA.

If the mass transit account is included in the 100 percent minimum allocation calculation, Arkansas would receive even more funds.

My State contributes about $23 million annually to the MTA and receives approximately $6 million in return. This will result in a total negative return for Arkansas of over $100 million to the transit systems of our State during the 6-year period of ISTEA.

The transportation needs of the State of Arkansas are no less compelling than those of other States. We have tremendous infrastructure needs. Compounding our infrastructure problem is the fact that we are a relatively poor State, as well as a fast-growing State. We simply do not have the State money available to meet the needs of our increasing population.

It becomes more critical then that we at least receive back the full Federal contribution, which is collected from the citizens of the State of Arkansas.

To give you an example of the needs that we face, northwest Arkansas, the area that I currently have the privilege to represent—I hope some day to represent the whole State, but currently northwest Arkansas—is one of the largest metropolitan areas in the country without an interstate highway. It's the eighth-fastest-growing region in the Nation, and yet has no interstate system.

Yet, as many of my committee colleagues know—many of you have visited my District—despite this lack of infrastructure, several nationally-recognized trucking companies have chosen to headquarter in my District.

According to estimates by the Arkansas Highway Department and the Arkansas Motor Carriers' Association, approximately 15,000 to 20,000 trucks travel on the interstate highways in Arkansas every day, and once NAFTA is fully implemented, the State of Arkansas expects to see an even higher percentage of trucks on the road.

The I-30/I-40 corridor stretching from Texarkana, Texas, through Little Rock to Memphis, Tennessee, will be a major shipping corridor between Mexico and the eastern United States.

The construction and maintenance of an adequate interstate system ie essential to our ability to be a full partner in the NAFTA agreement.

Mr. Chairman—and I'll be brief—I juet want to return in closing to the eimple argument of fairness. Arkansea bas one of the lowest per capita incomes in the Nation. I think we're 48tb or 49th in the Nation. I think it ie obviously unfair for the people of Arkansas—a rural State, a poor State, heavily dependent upon highways—travel more miles to get to work than moet of our more urbanized Statee in the Netion. It is simply unfair to ask them to subsidizs the transportation systems of areas in ths country where, in many cases, the per capite income will be as much as twice that of the Stats of Arkansas.

We're supposed to have in this country a progressive income tax system, and ths logic behind the progressive income tax is that those who earn more will pay more than those who are poor.

Unfortunately, when it comes to our transportation funding formula, it is often just ths opposite. Some of our lowest income citizene are footing the bill for the regions of the Nation with the highest incomee.

I think it's impossible to justify the current funding formula in the ISTEA bill. We must ensure a more equitable distribution of funde in the next reauthorization, and I look forward to working with the membere of the committee toward that goal.

Thank you, Mr. Chairman.

Mr. PETRI. Thank you for your excellsnt statemsnt.

Are there any questions?

Mr. RAHALL. Mr. Chairman, just quickly, I appreciate our colleague's teetimony this morning, but I'm not sure I understand completely your bottom line, which is that Arkansas, with one of the lowest per capita income States in the Nation, ie subsidizing the transportation needs of other States.

The figures I'm looking at, the official figures from FHWA, show that traditionally Arkansas has been getting back dollar for dollar its gas taxee into the bighway trust fund, and most recently under ISTEA they've been getting beck $1.34 for every dollar.

Mr. HUTCHINSON. Mr. Rahall, I'm not sure where you are getting your figures.

Mr. RAHALL. I'm getting it from the 1994 highway stats put out by the FHWA.

Mr. HUTCHINSON. The figures that I quoted in my testimony were cited as of yesterday from the Arkansas Highway and Transportation Department, and I have figures in front of me showing quite to the contrary of the figures you're using that our traditional return ie far, far less tban what we pay in.

For yeare I have heard Congreseman Hammerschmidt, my predecessor, return to the State of Arkansas decrying the situation of Arkansaa as a poor State being a donor State.

All the evidence that I've been able to gather indicates that that ie, in fact, the case.

I certainly could not legitimately make the argumente I do today about the inequity of the current distribution and allocation system if we were, in fact, getting back dollar for dollar. We're not. We historically have not. I would have few complaints if we were gstting back at least what we paid in, hut we don't.

Mr. RAHALL. I guess the bottom line is you're relying on your State's perspective—

Mr. HUTCHINSON. No.

Mr. RAHALL. —on your Stete's figures, on your State's interpretation, on your State's angle on thess stats, and I'm relying on the national Federal book, and I guess that's probably where the difference lies.

Mr. HUTCHINSON. No. I don't think that's exactly where the difference lies. I think that you can do a lot of things with figures and statistics, and I certainly don't accept that we're getting a dollar for dollar, and I don't think that those who objectively look at what Arkansas receives would come to that conclusion.

Mr. PETRI. Wall, we'll havs to see what the next chapter is to that.

Mr. Brewster?

Mr. BREWSTER. If I could ask the gentleman a couple of questions here, according to my figures I think that you and Mr. Rahall are talking about different kind of trees—one of them an appls and maybe the other an orange.

Arkansas pays in 1.39 percent of the total payments. Arkansas got out 1.08 psrcent of the payments. The apportionment back was .31 percent less than Arkansas paid in.

The total apportionments coming out are greater than the total sum going in right now, so Arkansas may havs actually gotten more dollars than it paid in last year, but it didn't get its percentage of the total, and that's the problem all the way through what we're talking about.

Arkansas, had it gotten the proper percentage, would have received $52,763,000 additional. That's the figures I havs. I hope they correspond with the ones you havs.

One other question. It would appear to me that the States that are benefitting largely as recipient States, with maybe the exception of West Virginia, hava large metropolitan areas, such as New York City, such as Boston, Philadelphia. Many of the people in those communities, from what I'vs seen, don't even havs automobiles and are contributing nothing into a user fes-type basis.

I notice you don't have a lot of metropolitan areas in the State of Arkansas, nor do we have many in Oklahoma.

I was curious if your feelings were that the large metropolitan areas like that are skewing the figures to give those States greater amounts of dollars than the user fees going in from those States.

Mr. HUTCHINSON. I think your point is exactly right, and I thank you, also, for clarification on ths discrepancy bstween what Mr. Rahall was quoting and what I was saying.

You're emphasizing exactly the point I'm making. Arkansas is a poor State and we are a rural State. We pay a relatively high amount in fusl taxes, and I think if you look nationally at what Arkansas is paying in fuel taxes, what they voted on themselves to pay on the Stete, as well as the Federal, that they are making a big sacrifice in what they are paying on those fuel taxes. They travel a lot of miles to get to work because of the rural nature of the State. They have virtually no mass transit. There is no mass transit in Arkansas. There are some small, rural transit systems that connect communities, but as far as traditionally the mass transit there is none.

So we are paying, in effect, to help those heavily-urbanized areas, and those heavily-urbanized areas of the northeast have a much higher per capita income than does the State of Arkansas.

On the surface of that, it seems to be impossible to justify that kind of a situation.

Mr. BREWSTER. But on a user fee-type basis, what is bought in that State and is taxed in that State should be returned to that State? Is that your feeling?

Mr. HUTCHINSON. That is my feeling.

Mr. BREWSTER. Thank you.

Mr. PETRI. Are there other questions?

[No response.]

Mr. PETRI. If not, we thank you very much.

Mr. HUTCHINSON. Thank you, Mr. Chairman. I appreciate the opportunity.

Mr. PETRI. Thank you for your excellent testimony.

The fourth panel is made up of three of our colleagues on the committee from the State of Florida. I see Representative Tillie Fowler here. I don't see Mr. Mica or Ms. Brown, but if they do have statements, they will be included in the record.

Representative Fowler, if you would like to proceed, you are invited to do so.

TESTIMONY OF HON. JOHN L. MICA, A REPRESENTATIVE IN CONGRESS FROM FLORIDA; HON. TILLIE FOWLER, A REPRESENTATIVE IN CONGRESS FROM FLORIDA; AND HON. CORRINE BROWN, A REPRESENTATIVE IN CONGRESS FROM FLORIDA

Mrs. FOWLER. Thank you, Mr. Chairman. I think they are on the way, but in order to keep your hearing moving I'll go ahead and begin, and hopefully they will join me in a minute.

I'm pleased to be here today to discuss with you this issue of funding formulas.

As you know, my assignment to this committee started with this current Congress, and one of the first things that I discussed with the chairman of the subcommittee was the need to address the funding formulas under ISTEA.

As a representative of a donor State, I'm acutely aware of the shortfalls experienced in my State due to the current funding formulas.

Florida has received a mere $0.73 for every dollar sent to the highway trust fund since 1994. This shortfall of $0.27 is devastating to the transportation infrastructure and needs of my State. Its impact is best illustrated in comparison with other States.

Although Florida ranks third among the States in population growth, third in terms of vehicles, third in terms of vehicle miles traveled, and fourth in terms of population, the State ranks a dismal 47th in terms of receipts from the highway trust fund.

Not only would a shortfall of this size hurt any State, but it's particularly devastating to Florida for two reasons.

First, as was noted, Florida is a growth State, ranked third nationwide for population growth since 1990. Increased population meane increassd transportation needs. We simply cannot continue to ssnd revenues gensrated within the State to other States when our own needs are so apparent and growing dally.

Second, Florida is bost on a daily basis to millions of touriets. Now, ws welcome tboss tourists, but we are responsible for providing transportation infrastructure for these visitors, yet cannot retain control over the user fses or taxes collected from these visitors.

Mr. Chairman, the current funding formulas have to be changed. If Florida wers the only State so disparately treated, then maybe this would be a futile issue for my colleagues and I to pursue, but application of the current formula rssults in almost half of ths States bsing donor States.

While most of us may agree in ths nsed for maintaining an interstate highway system, a fonnula that leaves half of the Statee at such a significant disadvantage simply must bs changsd.

I lcok forward to working with ths chalrman and ths subcommittee in addressing this shortfall and providing a more equitable distribution of these precious Fsdsral highway dollars.

Thank you, Mr. Chalrman.

Mr. PETRI. Thank you.

Representative Brown?

Ms. BROWN. Thank you. Tbank you, Mr. Chairman and Congressman Rahall, for holding today's hearings. This is an important issus that dsservss serious consideration.

I have with me the statement from Governor Lawton Chiles, who was scheduled to be here today but could not make it, and I want to submit that for ths record.

I also want to acknowledge the fact that Congressman Charlie Bennett first started trying to get some fair equity in the formula for Florida.

I won't repeat svsrything Congrssswoman Fowler stated, but I just want to say something about the highway formula.

Florida has received $0.80 for every dollar sent to Washington sincs 1956. In fiscal year 1994, ths amount dropped to $0.73. At the same time, smaller, less-populated States are receiving $1.50 on svsry dollar or two dollars. Does that make any sense? It certainly doesn't make any sense to the Floridians tbat I represent.

Florida has enormous transportation needs because of the growing population and ths economy. My constituents want their tax dollars to bs used to mest our transportation needs so that Florida can continus to be tbe most attractive place to live and visit in America.

I am looking forward to working with my colleagues on this subcommittee and in the House to address this serious, serious problem.

Thank you. I want to submit my entire statement for ths record.

I do want to mention one other thing. This is a very bipartisan issue for Florida, and our entire dslsgation supports changes in ths formula, including both of our Senators.

Mr. PETRI. Thank you both. Our colleague, Mr. Mica's, statement will bs included in the record.

Ars there any questions?

[No response.]

Mr. PETRI. Florida is especially penalized because it's fast-growing, and the way the figures are collected, you're always a little behind the curve.

Mrs. FOWLER. Exactly, Mr. Chairman.

Mr. PETRI. Mr. Brewster?

Mr. BREWSTER. Just one quick question. According to the figures I have—I was kind of curious if they correlated with yours—Florida paid in 5.02 percent in 1994 and received out 3.84 percent. In other words, Florida, had it got equity on the money out for money paid in, would have received $201,441,000 additional dollars and would have had an increase in jobs of 8,481.

I was kind of curious if that kind of tracks your numbers.

Mrs. FOWLER. That tracks with what we are hearing too, Mr. Brewster, and that's a deep concern to us because we could have done a lot with that money to continue to improve our infrastructure.

Mr. BREWSTER. Thank you.

Mr. RAHALL. Would the gentleman from Oklahoma yield?

Mr. BREWSTER. Yes, sir. I'd be glad to.

Mr. RAHALL. Could I just see that chart you've been referring to all morning?

[Laughter.]

Mr. BREWSTER. Yes, sir. I'd be glad to give you a copy of it if I can get it back.

Mr. RAHALL. Who made it up?

[Laughter.]

Mr. RAHALL. Is this something you cooked up on your home computer?

Mr. BREWSTER. I don't know how to operate a computer.

[Laughter.]

Mr. RAHALL. Where is the official "by-line"?

Mr. BREWSTER. The chart is Table SS94–9 and 10 from the Federal Highway Administration.

Mr. RAHALL. Thank you.

Mr. PETRI. Mr. Mascara?

Mr. MASCARA. Thank you, Mr. Chairman.

States have to generate sufficient revenues to draw down Federal funds, and I'm just wondering, not only for the two or three of you, but those who preceded you, is the State effort there to generate sufficient revenues, gasoline taxes, to draw down Federal funds?

In prior years, has the State of Florida, for instance, or any other State, been unable to draw down Federal funds because the State effort wasn't there to generate sufficient revenues?

Ms. BROWN. I can address that issue because I served in the Florida House of Representatives for 10 years, and on the Transportation Committee, and I may stand to be corrected, but Florida puts in more than any other State as far as addressing their transportation needs, and we're penalized once our money gets to Washington.

Mr. MASCARA. I appreciate that, and I appreciate that all of you donor States have a problem, and you should be here doing what you're doing. My question is: is Pennsylvania, where I come from, or Florida or any other State—what kind of a levy currently do you have in Florida? And is that levy sufficient enough to draw down Federal funds from the ISTEA fund? That's the question. Are you leaving some money down here in D.C. that you shouldn't be leaving here because there is insufficient effort on the part of Florida, Pennsylvania, Oklahoma?

Ms. BROWN. The answer is no, emphatically no.

Mrs. FOWLER. Not in Florida. I can't speak for other States, but in Florida we are collecting more than our fair share, I think, on that, and yet receiving very little back. In our own community we have a great example. We have a bridge that's on the interstate system. I-95 goes right over it. We paid for it 100 percent. The Federal Government didn't pay a penny. We're getting ready to replace it, and about 80 percent of it is going to be paid for again by the State of Florida funds instead of the Federal Government, and it's due to the fact we're collecting the money to pay more than our fair share, but we'd like to start getting our fair share back.

Mr. MASCARA. I understand you can't answer for the State Legislature in Florida or—none of the Members of Congress can answer for the members of their State Legislatures, but I'm just wondering—in Kasich's bill he's talking about taking some Federal gas taxes off and returning those to the respective States.

I wonder how many legislatures throughout the country would possess the visceral organs to levy a tax on their drivers in their respective States if that bill were to pass somehow.

Ms. BROWN. Let me say that Florida has already passed a bill waiting on—if the Federal Government take away that gas tax, it will go into play right away, so it would be no lax time. Florida is prepared.

Mr. MASCARA. Good for Florida.

Mr. MICA. Could I respond, Mr. Chairman?

Mr. PETRI. Yes. You're recognized to make your statement, if you wish to.

Mr. MICA. I'll just make my statement as part of the record and submit it, if I may, having the privilege of serving on this committee and subcommittee.

I just want to respond to Mr. Mascara and tell you about our situation. You asked about monies left in other locales. I'm sure their testimony—my colleagues' testimony told you that in Florida for every dollar we pay in gas tax we get back, in the last 3 years, between $0.73 and $0.60 on a dollar.

Is there money left other places? Well, Washington, D.C., right here, we put in about $3.50 for every dollar they send in.

So there is a great deal of inequity.

I'm a former member of State Legislature. My colleague, Corrine Brown, talked about what they're doing. Ms. Fowler talked about what they are doing. Let me tell you about the situation there.

We got $1 million for an interchange on the interstate which we have no bypass around Orlando. You can go to almost any other major city—I'll take you to Pennsylvania and New York and West Virginia—and we have no bypass, Federal bypass.

We have an interstate which was built in the 1950s through central Florida. It goes right through the center. Not only did the State contribute money, but the locals who are paying this gasoline tax funded an almost $1 billion in bonded indebtedness and get the great opportunity to pay twice in toll boothe tbat are on over 50 miles of a bypass which still isn't completed.

So wa get tha privilege of eending tha monay hare, gatting a 20 percent ehortchange at very hest, and then tha opportunity to build toll roade for a hypaee to an interetate which wa pay tolls again.

So we're addressing our probleme. We're trying to do it on our own. We're just asking for a little help from our friends in Washington and a little bit more equitable distribution.

Mr. MASCARA. Well, I agree with moet of what you said. I'm just having the problem reconciling what wa do as it relates to this country having a national intereet in the interstate program.

I'm old anough to remamber the Eieenbowar Federal Highway Act, and moet of that syetem has been huilt. I understand that we need to maintain that eystem. I understand that. But what I'm hearing ie that wa have 29 Statee that are donor Statee, and most of you are here making a pitch for equity, and I agree with that.

I'm juet looking for eome help from those people who hava earved on this committee for a long tima. Are most of you eaying then wa ehould disband the ISTEA and let the States decide how much thay ehould levy, and then just forget about the national highway eyetem and the national intereet that we hava in that system?

I don't look to you for an answer. I'm just saying eomeone needs to anewer that.

Ms. BROWN. Well, I want to try to anewer it.

Mr. MASCARA. Everybody'e saying—before you got here, Congressman, people were saying thay want 100 percent back. So why should wa collect 100 percent of the taxee and return them to tha respective Statee to guarantee aquity? I mean, how do we reconcile that? Let you collect and we'll go out of hueiness.

Me. BROWN. What I'm eaying is we realize that there ie a national intereet, hut moet of the national highway is complete. We'ra not asking for 100 percent hack, hut clearly you've got to see that we—I mean, we are prepared to give, hut let me look at it thie way. We're prepared to give hlood, hut not the whole organ, and that's what's happening.

Mr. MASCARA. There is a hill—and I forget whether it wae Largent and Sanford—that they want 100 percent of their money back. Someone has to explain to me how we continue to operate here in D.C. ae far as a national highway eyetem ie concerned. If everyhody is going to get their money back, let them levy their own taxee and eave eome money by ue collecting that and returning it. That'e tha only thing I'm—no ona hae answered that queetion.

Mr. PETRI. Mr. Breweter?

Mr. BREWSTER. Along with Mr. Mascara'e question, Me. Brown, I would like to ask: how ls it in tha national intereet for Florida to pay in $736 million and only get back $652 million, when Maesachueetts paye in $259 million and gets hack $1,000,139,000? How ie that in the national intereet?

We talk ahout national interest. I don't understand how it's in the national intereet for Maseachusette to get hack 6.70 percent and only pay in 1.77, when Florida paye in 5.02 and only gets back 3.84.

Maybe I'm missing something. We out in Oklahoma are kind of slow, but I don't understand how that is in the national interest, either.

Mr. MASCARA. That wasn't my question. I understand the problem of equity, and I think this Congress should solve that problem. My question is: how do we return 100 percent of the taxes collected by the Federal Government to the respective States and continue to operate a Federal program. Someone has to tell me this.

Mr. BREWSTER. If I could answer a little of that for Ms. Brown, we're talking about allocating out the percentage that you paid in. Whatever is allocated out—if Florida pays in 5.02 percent and the apportionment out is $17 billion, Florida ought to get 5.02 percent of that $17 billion. And I don't see how that is not in the national interest.

We're not saying that the apportionment has to be a certain amount, but the percentage allocated out—if Florida's users of their highways pay an "X" number of dollars, "X" percentage of the total, my goodness, why wouldn't it be in the national interest for them to receive that percentage?

And, Ms. Brown, I hope I didn't infringe on your answer.

Ms. BROWN. I want to thank you for that comment, but there are other things we can do also. For example, more flexibility in the program, giving the State and local more authority to use the money. We can block grant it and take away some of the regulations and have a system that will work and be a win/win for everyone.

Mr. PETRI. Mr. Mica?

Mr. MICA. Well, I think that if you don't address this problem and there is inequity, I think you're going to face a rebellion, and some of the proposals that have been brought up as far as even abolishing the Federal gas tax are looking very attractive in giving the State the option to pick that up. Then we don't have the carrying charge in Washington, D.C., which, for a State like Florida, the carrying charge is getting awfully heavy.

And the inequity is building. When you have 29 States that are on the short end of the receiving stick, I think that next year you're going to see some changes. And if it isn't in ISTEA, it will be in the way that the tax is applied.

Mr. PETRI. All right. Any other questions?

[No response.]

Mr. PETRI. If not, we'd like to thank you very much for your—

Ms. BROWN. Thank you. I would like to submit the governor's statement.

Mr. PETRI. Yes. It will be made a part of the record.

Mrs. FOWLER. Thank you, Mr. Chairman.

Mr. PETRI. Our fifth panel is made up of a number of distinguished representatives from the State of Indiana, led by The Honorable Lee Hamilton, and also consisting of Steve Buyer and John Hostettler, accompanied by Dennis Faulkenberg, the deputy commissioner and chief financial officer of the Indiana Department of Transportation.

Mr. Hamilton?

TESTIMONY OF HON. STEVE BUYER, A REPRESENTATIVE IN CONGRESS FROM INDIANA; HON. LEE HAMILTON, A REPRESENTATIVE IN CONGRESS FROM INDIANA; AND HON. JOHN HOSTETTLER, A REPRESENTATIVE IN CONGRESS FROM INDIANA, ACCOMPANIED BY DENNIS FAULKENBERG, DEPUTY COMMISSIONER AND CHIEF FINANCIAL OFFICER, INDIANA DEPARTMENT OF TRANSPORTATION

Mr. HAMILTON. Thank you very much, Mr. Chairman.

Let me just express appreciation to you and all the members of the committee for taking on this task this morning and listening to all of us talk about our highway problems in our respective States.

I would just ask permission to submit my statement in full and really make only one point that I'm sure is familiar to all the members of the committee.

I don't see how you have economic growth in any area of this country without good infrastructure, especially highways. I don't think you can continue and sustain support for the highway program and other infrastructure programs unless it is perceived by the American people as being fair.

I think what's happening—and I agree with some of my colleagues that have spoken ahead of me here that the program is no longer perceived as fair by many Americans. In Indiana I think we get about $0.82 back on the dollar. I'm told by our experts there that that's declining, and pretty soon we're going to drop into the $0.70 range. Already there is a good bit of feeling in the State that this is not fair to us after the interstate system has basically been completed.

So I just urge you to take a hard look at ISTEA Integrity Restoration Act. We're not asking for 100 percent back. We understand there are special problems with getting back 100 percent. But it is a matter of the utmost importance to us in the Hoosier delegation, to Indiana, that we get a better, fairer return on the amount of money we put in.

I thank you very much for your consideration of this. It is an exceedingly important matter to each one of us in the Indiana delegation.

Mr. PETRI. Thank you.

Representative Buyer?

Mr. BUYER. Thank you, Mr. Chairman.

I don't want to be redundant. You're having a lot of Members come in from a lot of donor States discussing the issue.

The ISTEA Integrity Restoration Act has the bipartisan support of the entire Indiana delegation. All ten members of the Indiana delegation have signed on: the three of us that are here, Pete Visclosky, Tim Roemer, Mark Souder, David McIntosh, Andy Jacobs, Dan Burton, and John Myers have also—all ten of us are in support of that. We're in support of it because of actually what Lee just said—we recognize—not only just us, but people in Indiana recognize the maturity of the transportation systems.

This committee has done very well over the years to make sure that we provide not only our seaports, but our airports and our surface transportation. As that system matures, we need to continue to satisfy the needs of States, as we have, to grow our economies.

In Indiana, whether it's in southern Indiana where Lee is or up in the north central part of Indiana where you have some small, rural counties, we trying to mature our economic expansion; therefore, our surface transportation is extraordinarily important.

When we change the funding formula, we're able to bring back dollars to meet those needs, and those are decisions that could be made by State officials. That's what's important about the empowerment of States.

I want governors out there to be able to make those decisions for those needs, not here in Washington.

In Indiana we have two very strong needs: the extension of I–69 and the completion of the Hoosier Heartland Corridor.

Let me share something with you. In Indiana we built two bridges. I testified 3 years ago to this committee about these two bridges that were about to be built. Now they're complete.

I've got two bridges built across the Wabash River, and I don't have a road on either side of them.

Let me share this with the committee. Three years ago when I shared that with the committee, somebody from the committee said, "Steve, don't worry about it. Sometimes we build bridges without water and bring in the water later." So I guess maybe we're a little ahead.

Look at this. This is a picture of the bridges there. They're built—bridges to nowhere. That's what they call them back in Indiana, the bridges to nowhere.

Now, they're the bridges to somewhere, and I think what's extremely important is when we bring equity, bring fairness, and bring flexibility back into the equation, that's what's very important.

To Mr. Mascara, sir, I did not sign onto the bill for 100 percent. The Indiana delegation supports the 95 percent because we recognize the importance of a Federal role in our national highway transportation system.

I ask my full statement be entered in the record, Mr. Chairman.

Mr. PETRI. Without objection, all statements will be included in the record.

Mr. Hostettler?

Mr. HOSTETTLER. Thank you, Mr. Chairman. Thank you, members of this subcommittee, for hearing our testimony.

At the risk of sounding like—I could essentially say "ditto" to my two colleagues from Indiana. I would just like to put my two cents worth in as far as why I think the ISTEA Integrity Restoration Act is important to Indiana and to our country, at large.

First of all, it does restore some respectability to the equity of the program. The fact is, Indiana does receive $0.82 on every dollar that we send in to the Federal Treasury for surface transportation needs.

So, as Mr. Buyer pointed out earlier, we have projects in Indiana that we need to complete. We have a highway interstate 69 that ended in Indianapolis. It needs to be completed through the rest of the State and ultimately down to the border of Mexico to create a transportation—a corridor infrastructure for the heart of the United States of America, much like the Mississippi River was the boon of the era for over 100 years ago.

Secondly, we need the flexibility that this act will allow for the State of Indiana, and that is important, especially in my area in southwestern Indiana where we have most recently had a disproportionate amount—even though one is too many—of injuries and fatalities as a result of highway rail grade problems in our District.

So I would just say that I think that the ISTEA Integrity Restoration Act is important to bring fairness back to the inequities and the funding of various States, and, secondly, for the flexibility it will give the State of Indiana so that we can meet the needs of Hoosiers and not be necessarily dictated to by Washington, D.C., what's best for Indiana.

I thank the committee.

Mr. FAULKENBERG. Thank you, Mr. Chairman and members of the subcommittee.

My name is Dennis Faulkenberg, and I'm a deputy commissioner and the chief financial officer for the Indiana Department of Transportation. I appreciate the opportunity to come before you here today and talk with you about the views of the State of Indian on the reauthorization of ISTEA, and specifically the formula issues.

Indiana has been a chronic donor State on the highway program side since the inception of the highway trust fund in 1956. We've been involved in past reauthorizations of transportation bills for the donor equity issue year after year.

In 1991, when ISTEA passed, States like Indiana were promised great gains in the equity challenge. Yet, as we look back we see those rather convoluted and complicated attempts in ISTEA to achieve more equity for States like ours, they were a rather dismal failure.

In fact, every donor State pre-ISTEA remains a donor State today. In Indiana we get back only $0.82 on the dollar, as you've already heard, and that's becoming unacceptable to people in the transportation community in Indiana, and you've heard the discontent from the members of the Indiana delegation here today and the others who have co-sponsored the Step 21 bill.

Out of this discontent our charge that the Indiana DOT and the administration in Indiana has been to get very involved in the donor equity problem. Over a year ago we began working with other donor States on what a solution to this problem would be, yet maintaining good transportation policy.

Out of that effort we formed what is now called the Step 21 Coalition. You're familiar with the Step 21 proposal, the ISTEA Integrity Restoration Act that you've heard of here today and was introduced yesterday.

A group of our States, nearly all donor States in the Nation, and now three non-donor States have joined this coalition, for a total of 22. In addition, there are 17 non-donor States that are included as active observers of the coalition that are full partners at the table in developing these programs; we have attracted non-donor States for the program simplicity and flexibility features that we offer.

So with that, we've developed a program that we think is technically sound, simple, and equitable. There are two programs: the national highway system, which would receive 40 percent of the funding; and a streamlined surface transportation program that would receive the remaining 60 percent of highway funding.

The formulas are simple, technically sound, and equitable. For the national highway eystem, one-third of the funding would be allocated based on public lane miles of roads, giving double weighting to urban areas, recognizing the special cost and expense of maintaining and operating roads in urban areas; one-third of the national highway syetem, baeed on vehicle miles of travel in a State—again, doubla weighting in urban areas; and one-third based on dieeel fuel consumption in a State, recognizing the damage that freight movement causes to States like Indiana, which is a huge cross State for trucking in tbe Nation.

The formula for tbe streamlined program ie based on contribution of a State to the highway trust fund, or a dollar-in/dollar-out basis.

In the Step 21 proposal, we retain all of the programmatic featuree of ISTEA. They remain eligible. It returns decision-making back to the State and local government so we can do what's right in our State, what's good for us, not neceesarily what a prescribed formula, a one-size-fita-all approach might be for some States that don't work for us. It allowe us that kind of flexibility that will work for us.

As we began this process, our many States began to talk first of all, just as your committea probably will, what is the appropriate Federal role in transportation in the future. There was long and hard debate about that.

Yet, even among our vastly dominant group of donor States, we said there is an important Federal role in transportation, and tbat's the national highway eystem, building the other components around it. Yet, with this predominantly donor group we now have a program that, with this formula that finally achieves equity, a 95 percant true rate of return, that this group is in agreement that there ie an important Federal role in transportation in the future.

We hope that as your committee moves forward over the next 18 months in development of the next ISTEA you'll build upon the consensus that we've gotten from this large group of States and use this as a means to achieve equity finally and retain tbe important Federal role in traneportation in the future.

Thank you.

Mr. PETRI. Tbank you. Thank you all.

Are there questions of this panel?

Mr. RAHALL. Mr. Chairman, I do have a couple questions, but before I do that I'd like to respond to a statement Mr. Buyer made about there being a bridge and no roads coming to it, or no water under that bridga. We often hear that as a tact on Congressional projects, or those who label everything we do as pork.

I don't pratend to be any expert engineer in what I'm about to say, but it is my layman's understanding that whenever you're building any elevated road project, whether it's going over water, i.e., a bridge, or whether it's just going over land, you must always build the elevated aspect of that project first in order to let it settle in, and then you build the roads up to the elevated structures.

I believe that's why we ses pictures taken around the country often of a bridge, perhaps with no road leading to it, or some othsr elevated project that does not even go over water.

So I just do that as a means of putting another perspective on a bridge over not water.

But let me ask the entire panel—Lee had mentioned this, and all of you referred to it as Indiana being perhaps low on tbe range as far as what you receive back. While we may not agree on the benefits of Step 21, I certainly respect your dedication in obtaining more than what your State is currently receiving.

Psrhaps Mr. Faulkenberg can best respond to this, because in your Stats, when you indicated that Indiana is only receiving $0.82 back for every dollar ssnt to the highway trust fund, according to FHWA, on a cumulative basis since 1956 the figure for Indiana is $0.89, with it recently being more in the dollar range. But even despite that increase, I understand and agree that your State is still in the low range, but I'd like to explore as to why that may be.

As you know, those funds apportioned by formula under ISTEA, you are assured of a 90 percent return today. If you heard my opening remarks, this means that you are receiving 90 percent return today on the 89 percent of Federal highway funds that are made available to tbs States.

As sucb, your beef is primarily with the remaining 11 psrcent of funding that is allocated to the States on a discretionary basis for things like the discretionary bridge program and discretionary interstate maintenance program.

To drop down to a total return of $0.89, or, to use your figure, $0.82, seems to me that Indiana is receiving very little in the way of discretionary funding from the allotment programs.

Is this the case? In other words, are you not seeking discretionary bridgs monies, for example?

Mr. FAULKENBERG. You had ssveral points there, I guess, Mr. Rahall.

Our rate of return at $0.82, we stand by that. I think there has been some discussion here today I think.

We've argued with Federal Highway Administration over tabls FE-221—I think you're looking at that—for several years, and I bslieve even they've given up using that table in trying to argue this case.

If you're looking at fiscal year 1994's statistical table there, if you look at the bottom line, $21 billion is paid out while only $14 billion is paid in on that chart, so hopsfully svery State could bs a donee under that kind of a situation.

It's a very misleading chart becauss of some srrors in dsposits to tbe highway trust fund that year and so forth, that over $7 billion more was paid out than was brought in, as it doesn't count for interest in the trust fund, also.

So on tbat chart every State in the Nation is a donee except Kentucky, so it's not really indicativs of the real situation of percentage-in/percentage-out as the best basis for viswing whether you are a donee or donor.

But any way you look at it, we're a donor State in Indiana, as I think you'vs even agreed.

As to our situation as to whether or not we're seeking discretionary funds, it's not worth the paperwork. The way the minimum allocation law is written, any dollars we get from any other program penalize us in our minimum allocation funding, so the work that we put into preparing an application for discretionary bridge funds, discretionary interstate rehabilitation projects, and so forth, come out of next year's minimum allocation money.

We have an $84 million interstate rehabilitation project near Gary, Indiana, in Congressman Visclosky's District that is on the shelf. We've got it designed. We bought the land. We can't afford to pay for it.

Our Federal Highway Administration is saying, "Why don't you apply for discretionary interstate 4-R funds?" I say we'll lose all of our minimum allocation funds for the rest of the State. So what's Mr. Hamilton going to say about that? What will Mr. Buyer say about that? On and on and on. I've, in effect, reallocated our minimum allocation from the entire State of Indiana to a discretionary project which will wipe that out the next year.

It has been a problem we have been fighting about for years and years, that it's a penalty to donor States that we've just not been able to overcome.

Mr. HAMILTON. Mr. Rahall, I think what's really driving us here is that this return that we're getting is declining. It was, as you point out, at one point $0.89. Now we think it's $0.82 or $0.83. But the projection is tbat we're going slip below $0.80 here in a year or two, so we're seeing a very fairly dramatic drop in our return. That's driving our interest in the proposal before you.

Mr. RAHALL. Thank you. Thank you, Mr. Chairman.

Mr. PETRI. Mr. Brewster?

Mr. BREWSTER. Thank you, Mr. Chairman.

I'd like to address my question to Mr. Hamilton, as a leader and the senior member of the Indiana delegation.

I notice on our chart Indiana paid in 2.77 percent of the total dollars paid in. Indiana received out 2.18 percent of the total dollars paid into the fund. In other words, had you received out the same proportion, the same percentage that the users in your State paid into it, you would have received $100,573,000 additional dollars, which would have created 4,234 jobs in your State.

Now, a lot has been talked about on national interest today and why it's in the national interest to have the particular formula.

As a person who has been around here several years, I think you have a historical perspective maybe. Maybe you can explain to me why it's in the national interest for Massachusetts, for instance, to pay in $259 million and get out $1,139,000,000. They paid in 1.77 percent and got out 6.7 percent, while Indiana paid in 2.77 and only got out 2.18.

As a person who I know is a great historian of Congress, maybe you can explain the national interest to me.

Mr. HAMILTON. Well, I don't want to try to defend those figures, Mr. Brewster. I think you make our case for us, and I appreciate it very, very much.

Mr. BREWSTER. Thank you.

Mr. HAMILTON. I happen to know why those Massachusetts figures are like they are, and I'm sure you do, too, but they really do point out the groee inequity involved, and I appreciate your comment.

Mr. BREWSTER. Would you then agree that States, because it is a user fse, should get out the proportionate share that they pay into it? Whatever is apportioned out, whether it be $10 billion or $20 billion, if your State pays in 2.77 percent, you should receive that 2.77 percent?

Mr. HAMILTON. Yes. Yes, indeed.

Mr. BREWSTER. Thank you.

Mr. BUYER. Mr. Chairman, I just wanted to respond quickly.

My colleague, Lee Hamilton, opened up and talked about the iesue of fairness, and that's what Mr. Brewster is driving at.

The reason I brought in thie picture of the bridgee and even talked about the bridges is becaues we can talk about the reality and talk about the mechanics of the equations, but people in Indiana look at the bridges, Mr. Rahall. They look at these bridges that have been sitting there for 2 years. People fish off the bridges. They can't wait to drive across the bridges.

They recognize that we are struggling in Indiana only to maintain our present system, and as we're struggling to maintain our present system, they say, "How will we ever get this built?"

Well, can we do bonding? Well, this is a national corridor. Can we do a toll road? Boy, we've got problems if we do a toll road. Should Indiana increase its own tax then for this? They say, "Wait a minute. We're only getting $0.82 on the dollar that we paid in." They go, "Whoa." Then it erupts—the question of fairness.

That's one of the reasons that we're here, and I want to share that with you.

I also want to, I guess, say that I do enjoy driving from Indiana to Washington, D.C., across a beautiful highway eystem in West Virginia. The architecture tbat has been done is magnificent. The bridge work—we don't have bridges in Indiana like you have—

Mr. RAHALL. But we still need more.

Mr. BUYER. Pardon?

Mr. RAHALL. We still need more.

Mr. BUYER. You still need more?

Mr. RAHALL. They didn't have those bridges before——

Mr. BUYER. I think one of those bridges out there is so beautiful I could build the Hoosier Heartland Corridor just for the cost of one of your bridges.

Mr. RAHALL. Just look over on the right, there. That's the picture. That's my District.

Mr. BUYER. All of them?

Mr. RAHALL. Yes. And there is water under that bridge.

Mr. PETRI. Between two fellows named Byrd and Rahall they've managed to take care of it.

Mr. Baker?

Mr. BAKER. Well, I was going to ask Mr. Buyer how long that bridge was going to settle before we considered on the committee appropriating money to build a road up to it.

Mr. BUYER. How long what?

Mr. BAKER. How long would you suggest we let that bridge settle?

Mr. BUYER. Not much longer. I will offer a standing invitation. I know Mr. Brewster is a great fisherman. You can come out and fish off my bridge any day, all right?

Mr. BREWSTER. If you can get—by horseback.

Mr. BAKER. By boat.

I have a question for Mr. Faulkenberg—a more eerious question. You're supporting the 95 percent allocation formula back. How would you feel about a propoeal that allowed the States to pick up 70 percent of the gas tax revenue coming to the Federal Government as a State tax and including some requirement to maintain the Federal highways, and 30 percent coming to the Federal Government for the maintenance of the interstate system plus reallocation to the States?

Mr. FAULKENBERG. That particular proposal, 70/30 split, I'm not sure how the numbers would work out on that. I guess, in general, though, my feeling on a turn-back, which that is a 70 percent turn-back you're talking about, as a 20-year transportation professional, I'm not very attracted to turn-back. It's only as the people of Indiana say "we can't take this much longer" are we driven that direction. We've been trying to hold people back and say it's in the national interest to bave a Federal program, and we think Step 21 is a way to do both—equity and a Federal program.

So turn-backs, in general, I don't favor in particular.

My biggest problem witb turn-back is that, as a whole for the Nation it would work out fine, but ae you look at the individual States that make up our Nation, it doeen't work so well.

In Wyoming I believe a penny gas tax generates $4 million. In Indiana, that'e $29 million. So we can ralse a penny and get a lot of money out of it, but in Wyoming it takes a lot of pennies.

For replacing what would be lost in eome States like the expansive western States, the gas tax increase would have to be tremendous—prohibitive, most likely.

Mr. BAKER. I'm not suggeeting that we're building new interstatee in Wyoming, but if we reallocated your State for your reallocation based on the needs of Indiana and your department, not baeed on the needs of this bureaucracy, to receive 70 percent back—

Mr. FAULKENBERG. I guess our concern in indiana is, though, tbat our producte we produce are not all produced in the market in which they are sold. We have to travel across those vast expansee of interstate in the west.

I don't think we can take care of them—

Mr. BAKER. You don't think we could run the interstate on 30 percent of the—

Mr. FAULKENBERG. Yes. The numbers on 30 percent, I say I don't know how that would work out, but turn-back, in general, that's my problem with.

Mr. BAKER. Well, 100 percent turn-back you could make your arguments that we'd be eliminating the state highway program. What I'm talking about is giving you greater flexibility over the dollars used for roads, used for highways that come to Washington, and then some time in the late future, as we talked about with this bridge and approach, it works its way back to Indiana.

Mr. FAULKENBERG. Conceptually, what you're talking about, if 30 percent works out, that would take care of the national needs, then fine, sure, that works out. That would address my concern with the turn-back problem.

But, on the other hand, the $0.70 that you're turning back to our States, I'm concerned also about the political reality of re-enacting that tax back home, not only in Indiana, but as I've surveyed the other donor States and talked with them about that, and the will is not necessarily there to reenact an $0.18 gas tax or $0.12 or $0.10. We can't get a nickel in indiana.

Mr. BAKER. I doubt if you'd be given a great deal of flexibility over that, let me assure you. We talk States' rights here, but we love to apportion money. That's part of our—a positive part of our job. So I don't think you'd be given a lot of flexibility.

But it doesn't sound to me like you have a great deal of confidence over the allocation process in Indiana in how your State would allocate money if we gave it to you.

Mr. FAULKENBERG. If you turn back the $0.70 to us and we re-enacted that as a State tax, which is what I think you're saying, I have complete confidence in that. We do that now and have fairly general agreement among tha State and local government officials in Indiana that we do a pretty fair job of that.

We don't get a lot of complaints about that, and I think we'd do a good job of it in the future.

Our problem is: could we get that tax enacted? I know our governor does not favor a tax increase, evsn though it's replacing a tax from Washington. He would view it as a new tax.

The Indiana State Legislature says, "No new taxes," so I worry about whether we would just lose tbat 70 percent of our current Federal funding because of a lack of the ability to get it re-snacted back home.

Mr. BAKER. Part of the fairnass question is not just, "Can I get mora than the dollar I send to Washington," but part of it is to remove the bureaucratic hurdles wa place in the way of projects, and fairness is in the eye of the beholder.

I think just reallocating and shuffling the deck chairs on ths "Titanic" is not going to make it float. And giving your States greater authority to set your priorities based on the legislative needs and the bureaucratic needs of your department are a lot more fair than coming before this committee on bended knee.

I'm a little disappointed in your responsa.

Mr. PETRI. All right. Any other qusstions? Mr. Mascara?

Mr. MASCARA. In my previous life I was an accountant, so I like things to sort of add up and the numbers to add up. We have a saying, an adage in the accounting business, that figures don't lie but liars figure. I've heard all kinds of numbers, and I don't know where these numbers are being generated from, but I appreciate you gentleman, Membsrs of Congress and you, Mr. Faulkenberg, for being here, becausa you certainly understand the problems associated witb running a State department of transportation.

After we get over—and I think we all agree—after we get over tbe ovar-simplification of the matter of equity and parity and all those kinds of things, I think we all agree. Donor States should be receiving more money. We have 50 different States, diverse in climate and all of that.

In 1991, when ISTEA was passed, we divvied up $156 billion: $9 billion went to Pennsylvania, and the State department of transportation decided that 80 percent of that should go to maintenance, and there were arguments about that, but there is some flexibility in the current ISTEA.

My question is: given the diversity, given the difference in the taxes that are being levied by each of the 50 States, how much of the inequity was a result of a lack of effort on the State, itself? Whatever figure Indiana had—and I'm not sure what that figure was—how much of that was not drawn down because the State wasn't ready to go with the project?

We're talking over a period of 7 years here. We're not talking about last year and this year. We're talking about that whole 7-year span. I guess the new ISTEA will be another 7 years. How much of the amounts of the inequity was a result of accident rather than by design?

Mr. FAULKENBERG. In Indiana, as I believe is the case in all donor States that I'm familiar with, no Federal funds were lapsed because of the lack of ability to match them, and I believe that's the root of your question.

We raise a sufficient amount of gas tax in Indiana to match all Federal funds and have quite a healthy State funded only and locally-funded highway program in our States through locally-raised taxes, also.

Part of our problem as donor States, though, Mr. Mascara, comes from our willingness to help ourselves.

In many of our States, our willingness to put money into our bridge programs and other infrastructure on which the formulas are based in a way that the better you do the less you get, we penalize ourselves.

In having good bridges in Indiana, we get less bridge money back. But our willingness to raise local taxes in Indiana and do the right thing on bridges is the right thing to do, and we're going to do that, but we get penalized in the amount of bridge money we get because bridge money is based on how bad your bridges are and how much it costs to rehabilitate them.

But I think, as Step 21 does, it trusts we'll do the right thing. We've shown we'll do the right thing on bridges and other programs like that in the past, and I think we'll continue to in the future.

Mr. MASCARA. So then—and I don't want to put words in your mouth—so then in 1991 when Indiana was supposed to get "X" number of dollars from the ISTEA legislation, you drew down all of those dollars, and the inequity existed at the time that ISTEA was passed in 1991?

Mr. FAULKENBERG. It did. Some of it was latent. There were some things in there we didn't realize were happening. Some of the things, like the minimum allocation program, doesn't cover 90 percent return on everything, as we thought we were being told.

We didn't read it during the night closely enough, I guess.

Mr. MASCARA. We suggest you read it very closely this time.

Mr. FAULKENBERG. Yes. The interstate reimbureement program, $2 billion a year program, isn't covered by minimum allocations guarantee.

The demonstration projects, $6 billion program, no guarantee on minimum allocation.

It is things like that that we didn't realize at the time, but they've been in effect since ISTEA passed in 1991.

Mr. BUYER. Mr. Mascara?

Mr. MASCARA. Yes?

Mr. BUYER. In your question you were looking at that window from 1991 to now.

Mr. MASCARA. Yes.

Mr. BUYER. I've got a comparison of Federal higbway trust fund receipts attributable to the States and Federal aid apportionments and allocations from the fund dating fiscal years 1957 to 1995.

Whan Mr. Faulkenbarg testified that Indiana has always been a donor Stete, over that time period Indiana has received, accumulated since 7/1 of 1956, $0.68 return on the dollar over tbat from 1967 all tbe way up to now.

Giving you an idea, the Chairman's home State of Wisconsin, has a $0.90 return over that period of 1957 to now. You have—do I dare? West Virginia——

[Laugbter.]

Mr. BUYER. West Virginia is at $2.06 over that time period. And do I dare again? Where is—Penneylvania is $1.16 over that time period.

I juet wanted to share that with you. You ware looking at juet a window.

Mr. MASCARA. I'm a new Member of Congress. I didn't write ISTEA. I implemented ISTEA. I didn't lika a lot of things that were in ISTEA, but that was our responsibility as part of the Southwestern Pennsylvania Regional Planning Commiesion to do that. I'm not here to argue whether Pennsylvania wae treated fairly or not.

I need to meat with Mr. Rahall. Apparantly all the money went to West Virginia. I need to talk to you, Nick, after this meeting.

I'm just saying I want to avoid—as a member of thie Surface Transportation Committee, I hopa that I'll bave some input into the naw legislation. I just need to know that what happened here was not by design, and hopefully it was by accident, and tbat we can correct tbose inequitiae whan we write the new legislation.

If Pennsylvania doesn't draw down its money, that's not our fault, that's Govarnor Ridge's problem, not our problem, or Brad Mallory, the Secretary of Transportation.

I'm here to gain some information.

Mr. BUYER. Mr. Mascara, you and I work together very well on the Veterans Affairs Committee and I have great respect for you. You are incredibly articulate and your integrity is unquestioned.

Mr. MASCARA. Thank you. And yours, too.

Mr. BUYER. I think tbat it was not by accident. It was by design.

Mr. MASCARA. Then we need to know that.

Thank you, Mr. Cbairman.

Mr. PETRI. All rigbt. Mr. Sawyer?

Mr. SAWYER. Thank you, Mr. Chairman.

I like to think that at least some of the work that has been done between 1957 and now has been done by design, and was done with the highest of motive.

I suspect that a lot of it has to do with the density of population and the location of markets, along with the patterns of travel that prevailed and changed over that period of time.

But what a number of people have suggested at various times I think is really maybe at the heart of what we're talking about, and that is the differences in the cost of what it took to build a national system and what it cost to maintain and sustain the national system. Those cost differences have shifted over time, particularly as population has moved southward and westward.

But there is an enormous complexity to the formula that has implemented this.

I went and asked the chairman about one element, and he held up—he showed me the formula and said that even matters as arcane as a number of miles of rural letter carrier routes that are in a particular State has an effect. He may have been exaggerating.

But there is a consequence that I'm not sure is adequately reflected in here, and I'd like to hear your comments on it, or perhaps those of the gentlemen from Minnesota who will follow you.

I come from Ohio, which, like your State and Wisconsin and perhaps to a lesser degree West Virginia, where, in the course of a winter the temperature fluctuates around the freezing point and causes a level of damage in the course of a winter that would be characterized as phenomena—natural disaster. Don't ever try to say "phenomenalogical" too quickly.

I keep asking, and have asked a number of people about the degree to which climatic conditions that are chronic are reflected in the formula and the degree to which it affects the comparative cost in the maintenance of a system, and perhaps even in its initial construction between various parts of a very diverse country.

It seems to me that over the period of time between 1957 and now, we ought to have been able by now to have gathered enough concrete, so to speak, evidence of the difference in those kinds of costs of maintenance then we ought to reflect it. If it's not reflected now in that formula, reflect it, period, or at least its better than it appears to have been to this point.

Would any of you like to comment on that?

Mr. FAULKENBERG. There has been a lot of discussion about it. I don't think anyone can really agree. The southern and western states say 130 degrees heat has an impact on their roads that we just don't understand up north, and it's a debate we just—there has been no answer people can agree upon yet, but it's certainly something we argue also in Indiana.

Mr. BUYER. But you can localize this. In Indiana we've got a lot of potholes, just like you've got a lot of potholes in Ohio and Pennsylvania, all across the midwest. A lot of those potholes get filled by the county. County highway departments have those responsibilities. That doesn't affect our interstate systems? Sure it does. And a lot of those U.S. highways that are out there.

And Indiana finds itself in the same arena as Ohio with regard to this issue.

Mr. SAWYER. I think we trivialize it if we epeak in terms of potholes, and people——

Mr. BUYER. I don't mean to trivialize. It doesn't trivialize when I almost wreck my car and break the tie rod. The tie rod broke because I hit a pothole in Monticello, Indiana, and that's the responsibility for theirs, but people—I'm not trivializing it, sir.

Mr. SAWYER. I used to be a mayor, and——

Mr. BUYER. Well you know enough about potholes.

Mr. SAWYER. I have a real appreciation for what you're talking about. My predecessor had to pay a wrongful death settlement for a woman whose front wheel went into a ditch at the berm and it flipped the car over and killed her. So I don't trivialize it, either.

But what I'm speaking of is not even the kind of consequences of either extreme heat or extreme cold thet take place on a regular basis and we ought to be able to budget for, but rather the consequences of aging on e 40-year-old system.

Mr. BUYER. Sure.

Mr. SAWYER. And how the midwest and the eastern part of the United Stetes, as a product of conditione that prevailed then, are facing the long-term aging of a highway system that was built and designed at a very different time.

I believe and agree with you that climatic conditions and the consequencee of those on an annual basis ought to be included in this. But it seems to me that we're facing the consequences today of a highway system that is approaching a half century in age, and that has very large consequences in terms of maintaining that national system as populations move.

Mr. BUYER. Our testimony here from Indiana, in concert, is that we etruggle in Indiana just to maintain our present systems, while we have growing needs and requirements, and that's why we're here today.

Mr. SAWYER. And we agree.

Mr. BUYER. Thank you.

Mr. MASCARA. Would the gentleman yield? I'd like to match pothole for pothole, Mr. Buyer, in Pennsylvania. Some time take a ride out and I'll ehow you some real potholee.

Mr. PETRI. Very good. Any other questions?

Mr. MICA. Mr. Chairman, I don't have a question, but I have a point of personal privilege.

Before I drink this weter, could you tell me if it's from D.C. and has it been treated or not?

Mr. PETRI. You're in good company.

Mr. MICA. Thank you.

Mr. PETRI. All right. Thank you very much, gentleman.

Our next panel consists of The Honorable Jim Ramstad of Minnesota, accompanied by Mayor Elwyn Tinklenberg of Blaine, Minnesota.

TESTIMONY OF HON. JIM RAMSTAD, A REPRESENTATIVE IN CONGRESS FROM MINNESOTA, ACCOMPANIED BY MAYOR ELWYN TINKLENBERG, BLAINE, MN

Mr. RAMSTAD. Thank you very much, Mr. Chairman, Mr. Ranking Member, and all the members of this important subcommittee. I appreciate the opportunity to testify along with two leaders of the

North Metro Crossing Coalition before your subcommittee on the very important issue of Federal highway funding distribution formulas.

The North Metro Crossing Coalition, which is well-represented here today by the gentlemen on either side of me, brings a unique grassroots perspective to the important issue of Federal highway funding distribution formulas.

The coalition, Mr. Chairman, is made up of over 20 municipal governments north of the Twin Cities, representing over 860,000 citizens. Many of those live in the Third Congressional District, which I'm privileged to represent.

I'm pleased to introduce to all of you on the subcommittee Mayor El Tinklenberg of Blaine, Minnesota, who is sitting on my right. Mayor Tinklenberg will offer testimony on behalf of the Coalition. El has been a forceful and tireless advocate, both here in Washington and back home in Minnesota, for trunk highway 610, which all of you are familiar with. Highway 610 is a critical project crossing the northern Twin Cities suburbs.

I certainly appreciate, Mr. Chairman, your support for this important project. As you know, as we've discussed many times, this project is absolutely crucial to the Third Congressional District and, indeed, to the entire State of Minnesota.

I look forward to continuing to work with all of you on the subcommittee and members of the full committee to assure that trunk highway 610 becomes a reality.

I'm also pleased to introduce another long-time highway and transportation advocate from the Third District, the current president of the North Metro Crossing Coalition, John Johnson, who is sitting on my left. John is an engineering consultant who lives in my District in Brooklyn Park, Minnesota. John dedicates literally hundreds—probably thousands—of hours of his time to this effort, heading the Coalition. He does it totally on a pro bono basis, and represents the best, in my judgment, of public service.

Again, Mr. Chairman and members of the subcommittee, thank you for the opportunity to present our views to you as you consider the reauthorization of the Intermodal Surface Transportation Efficiency Act of 1991.

I yield to Mayor Tinklenberg.

Mayor TINKLENBERG. Mr. Chairman and Members, my name is El Tinklenberg. I'm the mayor of Blaine, Minnesota, and a long-time member, as Congressman Ramstad has indicated, of the North Metro Crossing Coalition.

The Coalition is a group of 20 municipal governments that, as he indicated, represent over 860,000 people living in and north of Minneapolis, Minnesota.

The coalition was created nearly 10 years ago to provide grassroots support and advocacy for the construction of trunk highway 610-10, a critical highway linking I-35W and I-94 through the north metro area.

As you know, we have been before your subcommittee and committee in the past seeking discretionary funding for this highway from ISTEA, and we appreciate the support of this subcommittee, including Chairman Shuster and Congressman Oberstar, in helping secure that funding and in designating trunk highway 610-10 onto the national highway system.

We would also like to thank Congressman Ramstad for his continuing strong support and for his accompanying us here today to this hearing.

Mr. Chairman, we would obviously request your continued support of that funding and the trunk highway 610-10 project. However, that's not why we're here testifying before the subcommittee today.

As a grassroots highway funding advocacy group, we support higher levels of Federal highway funding, and we are strong supporters of an active Federal role in funding our national system of roads and highways.

Through our representatives, we have provided information to our Federal elected officials on the need for the highway trust fund to be taken off budget and ensure that gas taxes collected from our motorists are spent as advertised, for the construction and maintenance of our roads and bridges.

We believe the North Metro Crossing Coalition can provide a unique perspective on the issue of updating the Federal highway funding distribution formulas and on how such an update can help empower State and local governments to better and more efficiently try to meet the enormous highway infrastructure needs that exist in Minnesota and elsewhere.

Minnesota is a large State of over 87,000 square miles, with a growing population of 4.5 million people and 2.3 million licensed drivers. We have over 42.3 billion vehicle miles traveled on over 130,000 miles of streets and highways.

Congestion in our urban areas is growing at an alarming rate, and the overall condition of Minnesota's highways is deteriorating rapidly.

In table one that I've included with my testimony, you can see some of the results: 18.5 percent increase in mileage with pavement condition listed in poor condition, 18.4 percent decrease in pavement condition that is rated good.

The trunk highway system, of which trunk highway 610-10 is a part, reflects the overall highway conditions.

Please also note the following that is listed in the information. There are 518 trunk highway bridges over 20 feet in length that are deficient in load capacity, width, and clearance. There are 4,100 miles, 34 percent of the State trunk highway system, that is over 50 years of age, and 8,200 miles, or 68 percent of that system, that's over 35 years in age.

Of the Twin Cities' highways, 35 percent are rated with major or severe congestion.

Trunk highway 610-10 is a prime example of a trunk highway that is badly in need of upgrading to at or near interstate standards in order to accommodate the rapidly-growing traffic needs in the corridor.

It is clear from all the above data that Federal, State, and local funds are not keeping pace with the needs to preserve the current system or to keep up with the need to expand the system to accommodate growth.

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In order to attempt to meet the funding challenge, it is necessary, in our oplnion, to update tbe current funding distribution formuia to meet tha needs of our current transportation sltuation.

The current Federal funding distribution formulas have not bean modernized in ovar 20 years. In that time, tha national interstate system has been finished, the nationai highway system has been created, and the increasing burdan of Federal regulation has, in soma cases, slowad highway construction aimost to a stand-still.

There is no time better than the present to reform these Federal funding distribution formula as we head into the 21st century.

In table two that I've included with my commants, you can sea that Minnesota has been vary fortunate over tha last 20 years in retriaving from the Federal highway program more than it sends into the program in tha form of taxes. The major point revealed in that table is tha many peaks and valleys in spending that hava been received from tba Faderal Govarnment, making it extremely difficult to plan affectively and efficiently for highway construction. What results is a more axpensiva program with laes highway miieage built for the dollar expended.

Tha Congress cannot allow this sltuation to continue.

As mentioned ebova, wa in Minnesota bring to this debate the fact that wa have been a donee State but are rapldly moving to bacome a donor State becausa we ara becoming more urbanized and our economy is growing.

In other words, the current Federal distribution formula is penalizing growth and prosperity, especially in our urban areas.

In addition, tha Federal funding distribution program has seen larga swings from yaar to year in ths amount of obiigation authority received under ISTEA. Thasa swings have baen as large as $50 to $100 million on an annual basis.

With such larga swinge, it makes it difficult for the Minnesota Department of Transportation and othars to look at projects such as trunk highway 610-10, which needs about $70 million in additional Federal funds for completion, and be able to maka authoritative, long-term commitmants to complation with the available resources.

Howevar, with a long-term, predictable funding stream, such commitments could be made and projects such as trunk highway 610-10 could move forward efficiently without significant delays or cost increases.

Without such a predictable funding stream, it is often necessary for projects euch as trunk highway 610-10 to seek Federal discretionary funds, and that might again be the case in the next round of reauthorization.

We would like to make, Mr. Chairman, the following specific recommendatione to reform the Fedaral highway funding distribution formulas.

First, modify the funding formula with factors that reward growth. We would recommend that geographic area and the actual numbar of public road miles be taken lnto consideration. The future funding of the Federal highway program is based largely on the fact that significant Federal highway inveetments result ln economic growth. If the Federal funding distribution formula works against that justification, it may harm the program in the long term.

Second, we would recommend simplifying the Federal highway funding distribution formula. Over the last 40 years of the Federal highway program, the distribution formula have become too archaic and complicated to meet specific political requirements, and it has become almost unintelligible to even highway professionals. The trend in our national tax system has been towards simplification to try to make it more user friendly, and we would make the same recommendation for the distribution formula.

Three, establish a formula that will allow for predictable funding. Table three illustrates the huge fluctuations in funds obligated under the funding formula. Frankly, ISTEA was a step in the right direction, but more needs to be done to improve the system in order for obligated funds to be somewhat predictable, based on a fair and simple funding formula.

We would recommend that, since the highway program is already based on contract authority, that multi-year predictable ceilings be established within the funding limitations of the Bird Amendment that is already part of existing law. Such a long-term system of predictable funding will allow the State DOTs to make long-term plans and more efficiently program funds for projects. In many cases, such long-term obligations have not been possible because the funding was just not predictable.

In summary, Mr. Chairman, there is a strong case for the need for more Federal highway funding support in the next Federal reauthorization bill. We contend that within existing highway funding levels there also is a significant need to reform the Federal funding distribution formulas. Such reform should entail changing the current formula factors to those that promote growth and acknowledge this country's move toward more urbanized centers, and also are simple and assist in creating an overall system that will allow for long-term, predictable funding levels.

Mr. Chairman and Members, we very much appreciate this opportunity to present our views. Thank you.

Mr. PETRI. Thank you. Thank you all for being here today.

Are there any questions?

[No response.]

Mr. PETRI. If not, there is a vote on. We thank you for coming.

The subcommittee will recess for half an hour and we'll come back at 12:30 if the remaining panels, or at least the next one—we'll see you at 12:30 if that's all right.

[Recess.]

Mr. PETRI. The subcommittee will reconvene.

We are joined by panel seven, which consists of our colleague, The Honorable Bob Inglis of South Carolina.

Welcome. You've been very patient. I'm sorry we couldn't get you in before the last vote, but we're happy you're here now.

Any statement will be included in full in the record, and you are invited to proceed as you may choose.

TESTIMONY OF HON. BOB INGLIS, A REPRESENTATIVE IN CONGRESS FROM SOUTH CAROLINA

Mr. INGLIS. Thank you, Mr. Chairman.

First of all, thank you very much and many thanks to Chairman Shuster, as well, for allowing me to testify today. This is, I think, an important subject and one thet's very appropriate for the committee to be dalving Into at this point, so thank you very much for letting my voice be heard here.

I am aware that the formule fights require the wisdom of Solomon, and coming here this morning early to hear some of the discussion mede ma even more aware of the complexity and how much of tbe wisdom of Solomon eech of you need on this committee.

I came this morning thinking that mostly it was a question of how you declde who is e donor and who is a donee, and Mr. Mascare earlier said that the question is not that tha figures lie, but liars figure, and it does all depend on how you count it.

We in South Carolina count it that our return ratio is 74 percsnt, which makes us tied for the lowest return ratio in ths Nation with Georgia and Arizona.

I'm sure that everybody else probably has different ways of calculating it, and that's where the wisdom of Solomon comes in.

But the thing thet I found fascineting, Mr. Chairman, this morning is the edditional complexity thet I dldn't think of until I got over here and started hearing the kinds of things you all hava to deal with every time this comes up, and maybe that's really on a month-by-month basls.

We beard earliar about the complexity of bridges. If you fix your bridges, tben you're penalized. If you spend your State money, you lose Federal money on your bridges.

Then we heard about the complexity of potholes and climectic conditions thet mean that if you fix those it's very complex.

And then we beard—lt was fascineting. The last panel talked ebout how if you grow as a State and become e donor rather than e donee, you're penalized for growing.

It's very fascinating, really, to see all of this complexity tbet comes out.

I tbink tbat thet's part of tbe reason tbat this quastion wes answered by the founding fathars. I think they bad an idea. It's called "Federalism." They put it in tbe 10th Amendment. The idea was to have the Federal Govarnment stay out of es many things like this as possible and leeve as mucb as possible to the States. Otherwise, I see no wey around the incredibly difficult decisions that you all have to make from potholes to bridges to figuring out wbo is a donor and who ls really e donee.

It's also clear to me that when Weshington sends money, not only do I think we begin dolng violence to some of tbat concept of Federalism, but we also send it out with strings, and tbosa strings cause States to be forced to spend money in ways that maybe thay wouldn't otberwise spend money if they had their 'druthers.

It's also clear thet formerly—tbankfully this isn't tbe case now, but formerly demonstretlon projects were probebly the most egregious example of thet trumping of tha State priorities and replecing lt with Washington priorities, and ln some casas individual Member's prioritles.

So I think that bonoring tbe concept of Federalism and understanding that what we're about now is a downsizlng, wbere we're ettempting to downsize this Federal Government and collepse the levels of managemsnt, I think thet we need to think outside the box and ask eome real searching questione ebout how to solve the problem.

Well, neturally, I've got an idea, end it's an idea that ectually is shared by John Kasich, of course, and Connis Mack and many others—Nick Smith, for example. Thet's the Transportetion Empowermsnt Act.

Basically, the idse ie to never send the money to Washington in the first plece, to take the $0.14 a gallon Federal fuel tax and reduce it to $0.02; leeving the $0.043 deficit reduction tax es e eeperate issue, and thet will be resolved separetely.

But besically the idee is to take the $0.14 Federal fuel tax and reduce it to $0.02, the $0.02 remeining in the Federal system to handle the maintenance of interstete highwey eystems and some other Federal priorities, and giving the flexibility to the Stetss to levy within their own Stetes the tax te make up the difference and to eliminete all or many of the complexities of thet we were just describing, what you've been hearing ebout all morning: who'e a donee, who's a donor, potholes, bridges, and those kind of thinge. I think it eliminates a lot of those questions.

So the idee, as well, is to transition towards this—not to do it immedietely, but to give the Stetes time to set up their own financing eystems, their own funding streams, and to get their procsdures in place.

So the idee in year one, beginning October 1, 1997, would be to retain the $0.14 e gallon gas tax, $0.07 to bs distributed as e block grant, $0.07 to be sent into the current system, hopefully somewhet simplified.

Year two, beginning October of 1998, concept would be to again retain the Federal $0.14 e gallon tax. Of thet, $0.12 would go into the block grant distribution to the Stetes, $0.02 would be retained et the Federal level, again setting up thet system of maintaining the interstate system.

And in year three, beginning October 1, 1999, the idea would be to drop the Federal tax from $0.14 to $0.02, and by then the Stetes would be in place with their funding systems.

I think it's important—I notice the light has gone on, eo I'll be very brief here et the end, and thet is to eay thet it's important, I think, to retain the $0.02 tax here et the Federal level to make sure that we honor a federalism principle, and that is there are some things that are a core bueiness of the Federal Government. Maintaining e Federal interstate system is one of those.

So it seems to me reasonable to retain $0.02 of that tax here and maintain the Interstate highway system well, bscause thet's a national priority.

It would also—the beauty of this proposal is it gives States the opportunity to fund transit systems locally rather than coming here with all the stringe ettached.

In Greenville, South Caroline, ws've had e very interesting experience recently with Federal mandates thet require us to get big busses rether than little vans, and all kinds of other things that cause us to design a system that maybe doesn't work for Greenville.

If we had our freedom to do that within our own State, I think we could come up with a very good plan for transit in a place like Greenville, South Carolina.

Finally, I'd mention that the bill sets up interstate compacts, or the ability for States to enter into interstate compacte so that they can design road systems that would serve in multi-state arrangements.

So, Mr. Chairman, thank you again for the opportunity to testify. I appreciate your hearing this idea.

Mr. PETRI. Thank you.

Mr. Poshard, any questions?

Mr. POSHARD. I have no questions, Mr. Chairman, except that I would like to ask unanimous consent to submit a stetement for the record.

Mr. PETRI. Without objection, that will be done.

[The prepared statement of Mr. Poshard follows:]

SUBCOMMITTEE ON TRANSPORTATION AND INFRASTRUCTURE

HEARINO ON MAINTAINING ADEQUATE INFRASTRUCTURE: FEDERAL FUNDING DISTRIBUTION FORMULAS

Opening Statement of Congressman Glenn Poshard

July 11, 1996

Mr. Chairman, thank you for bringing us together this morning to discuss what has become one of the hottest topics concerning the reauthorization of ISTEA, the distribution of federal monies to the states. Since every state has pressing infrastructure needs it is utterly appropriate that we study the performance of the current apportionment formulas to determine not only their equity to each state, but how these funds are divided between the different ISTEA programs.

I would like to emphasize the primary importance of the National Highway System (NHS), the Surface Transportation Program (STP), and the Bridge Program to our nation's economy and the mobility of our citizenry. As I have stated before, the rural areas of our country are especially dependent on surface transportation for their quality of life. It is important that we remember this fact as the reauthorization process continues.

Mr. Chairman, I would like to recognize your continued dedication to this cause, as well as the efforts of the Ranking Minority Member, Mr. Rahall. A special note of thanks to the many members that have taken time out of their busy schedules to offer us their comments and expertise. I appreciate all the witnesses for being with us here today, I look forward to today's proceedings.

Mr. PETRI. Have you listened to the—were you here when—not when Tom DeLay, I guese, with the Step 21 propoeal, but are you familiar with thet or—

Mr. INGLIS. Yee.

Mr. PETRI. —the other Sanford propoeal?

Mr. INGLIS. I am familiar with both Sanford and Step 21. I heard eome of the Step 21 discueeion, but not Tom DeLay'e diecuesion of it.

Mr. PETRI. Could you give ue your view on those other propoeale? Obviouely, they're not number one. What you're teetifying for is number one from your point of view, but I'd be intereeted in hearing your evaluation of them.

Mr. INGLIS. I think both are improvemente over the current situation, and I think that both would be clearly preftereble to what we heve.

It eeems to me it'e eort of a continuum that runs from the current eyetem with all of the epparetue in place, some of which I think we need to—a falr amount of which we need to diemantle, because if we really are going to downsize thie Federal Government, we heve to collapse the management layers, juet like they do in the private sector.

So the current eyetem ie one end of the epectrum. What I've just described is the opposite end of the epectrum, I think, and thet is a Federaliem concept where the money never makee e trip to Washington.

In between I would put the Sanford proposal on the epectrum, moving toward where I'd like to be and where John Kaeich and people like that and Connie Mack would like to be, and that is that it eneure that the percentage you get back ie the eame as the percentage you send in, as I understand it.

That's much better than what we've got now, and we will gledly take that in South Ceroline over whet we've got now, but the—it etill would preeerve all of thet multiplicity of management, I believe.

And then the Step 21 is meybe a little bit closer toward the proposal I'm here edvancing in that it involves some eimplification of those management leyers, but it baeically ie again dealing with an existing formula kind of arrangement.

Mr. PETRI. Do you heve any reaction to the concern thet ie expreeeed by many people thet even though you do provide for, I think, ebout 2 or 3 years for State Legisleturee and Stete administretions to consider their needs and figure out how to meet them by substitutlng State for Federal taxee, a number of people don't think they're going to be eble to do it beceuse there is strong oppoeition to any kind of new taxes?

My own feeling is that if there is a real need out there. If they don't do it before, they'll do it right afterward because people ere willing to epend money if they see e need and they know the money ie going for that need. But I'd like to hear your reeponse. What do you think will heppen in South Caroline, or what would you sey to the people who raise thet concern?

Mr. INGLIS. I think it'e a very legitimete concern, and I'd eey thet lt's really eimilar to the concern thet e lot of people have with the general concept of devolving e number of Federal functions to the

State level, and that is that a lot of hard decisions are going to bave to be made at the State level, and if we go forward with this kind of approach that I'm dascribing here today and with block granting Medicaid, for example, and many other kinds of concepts we're talking about in tha current Congress about devolving these functions, basically what happens is the job of the State House mamber and ths State Senator becomes much more important.

They are already important positions, but they are going to become much more important and the dsecisions they make are going to be far more difficult.

Yes, one of tbe hard decisions is going to be: will you replace this revenue that people are currently paying to the Federal Govsrnment in the $0.14 a gallon tax? If we take of $0.12 of that, will ths State of South Carolina, at the House and the Senate and the governor, approve putting on a $0.12 tax to maks up the difference, or whatever they determine is needed to fund the highway projects that ws nsed?

That will require some political courage on the part of those folks, and that's hard, but I think that we can trust tham to do that, because we've got some major priorities in South Carolina that are not being met: Coopsr River Bridges in Charleston, the Myrtle Beach-Conway connector, the transportation needs of the up-state with I-85 and the—there are tremendous needs, and we're not meeting thsm, and this would be a way, I think, of looking forward long-term to bow we are going to solve these problams, and I think that will cause them to summon the political couraga to do what they need to do to raise the revsnue needed to fund those projects.

Mr. PETRI. Are there any other questions?

[No response.]

Mr. PETRI. If not, thank you very much, Mr. Inglis.

Mr. INGLIS. Thank you again, Mr. Chairman, for the opportunity.

Mr. PETRI. We look forward to working with you as this interesting process goes forward in ths next Congress.

We are now privileged to hear from Tha Honorabla Ron Lewis of Kentucky.

TESTIMONY OF HON. RON LEWIS, A REPRESENTATIVE IN CONGRESS FROM KENTUCKY

Mr. LEWIS. Thank you, Mr. Chairman, for allowing me to speak to your committee today.

As you may have guessed, like many of my colleagues testifying today, I come from a donor State. Each yaar Kentuckians pay millions more to the highway trust fund than thsy get back through ths current ISTEA formulas, and that is wrong.

Last year my State got back $0.75 for svery dollar they contributed to the trust fund. In 1994 we only got $0.65 of every dollar. This funding inequity is unfair to Kentucky and the many drivsre paying their hard-sarned dollars whila travsling Kentucky's roads.

Kentucky is a State with a relatively small population and many rural areas. Folks llving in those rural areas are especially dependent on Kentucky's highway system, and they depend on a good transportation system to get to and from work each day. Many rely on the smaller parts of the system to connect them to Louisville, Bowling Green, and other large cities within the District.

As this committee knows, these roads are costly to build and maintain, but without them many families and towns located in remote areas would have fewer economic opportunities available to them.

Our Federal policy should and must guarantee that all States, large or small, are given every opportunity to meet their extensive transportation costs. Fewer Federal restrictions on the use of transportation dollars will help to some degree, but at the very least States should get their fair share of their contributions to the highway trust fund.

Under existing ISTEA formulas, that doesn't happen, and it's States like Kentucky, with smaller populations, that take the hit.

You've heard about several plans today to improve the distribution formulas for ISTEA. I'm here to lend my support, as well.

Mr. DeLay's bill, which would streamline the ISTEA program and guarantee a 95 percent return in highway contributions, would give Kentucky more of its share of contributions to the trust fund annually. Even with the donor State programs available today, Kentucky fares better under the ISTEA Integrity and Restoration Act.

This plan could bring an additional $27 million each year to Kentucky and help the Commonwealth meet its growing transportation needs.

Kentucky and other small States would benefit even more under H.R. 3195, the Highway Trust and Fairness Act. This measure guarantees 100 percent fair treatment for donor States by guaranteeing compensation that equals a State's contributions to the trust fund.

Both plans would help Kentucky and other donor States better meet transportation needs. Both plans reduce bureaucratic restrictions that hinder State decision-making. Most important, both ensure equitable funding.

Mr. Chairman, these bills represent the direction this committee should take when reauthorizing highway programs.

I want to mention one final item for your consideration as you continue your review of ISTEA.

With the support of President Clinton and this Congress, we've done away with demonstration projects through the annual appropriations process. As you know, demos were not added to the 1996 or the 1997 transportation appropriations. The reason has been that demonstration projects restrict the overall funding levels given to States. As a result, however, States must now pick up the tab for completing these projects without any additional earmarks.

In my District, the William H. Natcher Bridge in Owensboro is one of those projects.

This issue may be addressed separately by your committee; nonetheless, I urge you to consider these demonstration projects and their added funding burden to States as you set highway formula policies during ISTEA reauthorization.

Once again, I thank you for allowing me to testify.

Mr. PETRI. Thank you.

Are there any questions of Mr. Lewis?

[No response.]

Mr. PETRI. Well, we will be—we are aware, and we have discussed on a number of occasions the Natcher Bridge, and I look forward to trying to accommodate you as best we can as we move forward.

Mr. LEWIS. You know, there are some of these projects that are out there that are in a certain stage of development, and I realize that we want to stop earmarking and doing demonstration projects and allowing more flexibility with governors, but those projects that have several million dollars already invested in them, it might be a good idea to go ahead and clean those projects up and get them finished.

Mr. PETRI. Thank you.

Mr. LEWIS. Thank you.

Mr. PETRI. Now we're joined by a panel of distinguished leaders in the transportation sector of our economy at the State level: Mr. John Daily, Commissioner, New York Department of Transportation; Mr. Robert Martinez, Secretary of Transportation for the State of Virginia; Mr. Dean Dunphy, Secretary of California Department of Business, Transportation, and Housing; and Mr. Wayne Shackelford, Commissioner of Georgia Department of Transportation.

Our colleague, Mac Collins, wanted to be here to introduce someone he admires a great deal. In fact, he spent about 20 minutes singing your praises yesterday, sir. I apologize for him not being here to introduce you. I know he wanted to very much, but I'm sure there was a conflict. Our schedule has been a little bit—is he on his way? Then he may have a chance before we're over.

Which of you would like to proceed first? Mr. Daly?

Mr. DALY. Fine.

TESTIMONY OF JOHN DALY, COMMISSIONER, NEW YORK DEPARTMENT OF TRANSPORTATION; ROBERT E. MARTINEZ, SECRETARY OF TRANSPORTATION, COMMONWEALTH OF VIRGINIA; DEAN DUNPHY, SECRETARY OF CALIFORNIA DEPARTMENT OF BUSINESS, TRANSPORTATION, AND HOUSING; AND WAYNE SHACKELFORD, COMMISSIONER, GEORGIA DEPARTMENT OF TRANSPORTATION

Mr. DALY. Thank you, Mr. Chairman.

Mr. Chairman, after listening to the testimony today and my good friends to my right, I must tell you I feel like a Buffalo Bills fan at a Miami Dolphin rally.

[Laughter.]

Mr. DALY. In fact, my good friend, Ben Watts, the Commissioner of Florida, has invited me down to the next Miami Dolphin rally. I don't think I'll make it.

[Laughter.]

Mr. DALY. Ladies and gentleman, thank you for allowing me this honor today.

I'm John Daly, commissioner of transportation for New York State. I'm pleased to submit the following testimony concerning ISTEA reauthorization, maintaining adequate infrastructure Federal funding distribution formulas.

New York State has responsibility for a $2.4 billion annual highway construction program, a $1.3 billion annual transit operating and capital assistance program. Our State is currently implementing a $23 billion multi-year transportation financing package for both highway and mass transit, with each mode receiving over $11 billion.

Federal funds comprise about 40 percent of highway capital spending in New York, making the State's contribution 60 percent, while the Federal share for transit capital improvements has decreased to 25 percent, making the State's share 75 percent.

A recent U.S. DOT report mandated by ISTEA on the relative level of effort made by the various States to support transportation with State and local funds concludes that New York's relative level of effort to improve highway and transit facilities and services in the State is second in the Nation. I might point out, too, for Congressman Rahall, that West Virginia was number four.

At $599 per capita in State and local funds for highways and transit, New York's level of effort is 75 percent over the national average of $319 per capita.

Because I think this is an exceptionally important point, I want to elaborate on it.

It proves without question that New York State recognizes and accepts its responsibility for the maintenance and improvement of the infrastructure within its borders. New York recognizes that it must be willing to work hand-in-hand with the Federal Government, that it must put its money where its mouth is, that it should not and cannot depend solely upon the Federal Government to finance what is a paramount national and State interest.

A report from the GAO in November of 1995 recognizes this also when it shows that New York State contributes 81 percent of the receipts used for highways, while the Federal Government contributes 19 percent.

Based on an analysis done by the United States Department of Transportation in 1994, we believe that two basic components should be considered as Congress deliberates on this important issue. First, the needs of the system—where should the money be spent. Secondly, the efforts of the States. States do have that responsibility, and we do believe that should be built into the formula.

We are saying that both the Federal and State governments have a joint responsibility to make sure that our national transportation infrastructure remains the best in the world.

The proposals that we have heard so far this morning discussed have one common denominator—neither is truly based on transportation needs. There was no mention of bridge condition, pavement condition, or level of traffic congestion in these proposals. There was no mention of local effort or the willingness of State and local government to contribute to the construction and maintenance of the highway system.

These two proposals are simply an attempt to address the donor State issue by those States who collect more Federal gas tax than they receive in Federal highway apportionments. These proposals simply redistribute highway funds from the northeastern States to many other regions of the country, virtually ignoring very real transportetion needs and a rather substantial lsvsl of effort from Stete and local resources to build, maintain, and operate the system.

New York and several other northeestern Stetes make the largest invsstmsnt of Stete and local funds in ths transportetion system.

Ths eystem of ISTEA formulas for distribution of Federal funds represents e responsibls balance between addressing the individual needs, the individual State's relative transportation needs and the relative amounts of Federal taxes contributed by sach State.

When California has an earthquake, Mississippi and Missouri's rivsrs flood, and the affectsd States need funds to rebuild and replace the damaged transportation infrastructure, tha entire Nation addresses these needs without regard to whether ths taxes used were raised in the affected States. Billions in trust fund dollars havs been allocated on the besis of need to both donor and donee Statss.

During the sevings and loan crisis, the Resolution Trust Corporation was formed to help bail out depositors. Eech Stets was not asked to contribute to the amount of dollars lost in thet State. If such an approach had been taken, the westsrn and southwestern States would heve faced staggsring costs, while ths Stetes of the northeast would have felt reletivsly littls impact.

Under the Federal system, which allocates national resources to meet national needs, ths taxpayers of New York shouldered a significant portion of ths national problem that centerad in the west.

Ons lest point.

A recent publication by the John F. Kennedy School of Government, which comperes total Federal domestic outleys in eech Stete to total Fsdsral taxee contributed by the residsnte and businesess of eech State, shows thet for 1994 New York Stete sent $18 billion more to Washington than it received back. If the donor States are correct in thsir stand, their position that the money should bs sent beck to those Stetes based on how much monsy those States collsct in Federal gasoline taxes, not State, then why should not all other Federal funds be distributed in ths same manner?

It would seem only falr to me thet thet precedent, if that principls would be adhered to in all Fsderal distribution of monies.

Mr. Chalrman, we're not asking for thet. Wa strongly bslieve that ths monies that go beck to the States in this area should go back on the basis of nssd. That is Fsdaralism. Ths Fedaral Governmsnt has always sent moniee to the Stetes based on that principle.

Mr. Chairman and Members of Congress, we strongly believe that principle has to be continuad.

Thank you.

Mr. PETRI. Thank you.

Wa'ra joined by our colleegua from Georgie, Mr. Mac Collins. I mentionsd you were on a mission and there was someone you wanted to lntroduce today, and if you'd like to do that now you're invited.

Mr. COLLINS. Thank you, Mr. Chairman and Ranking Mambar Rahall. It's a pleasura to join you again on this committee. It's also a pleasura to hava with us today the commissionar of the Departmant of Roads from Georgia, Mr. Wayne Shackalford.

I had tha pleasure of meeting Mr. Shackelford several years ago when I was a mamher of tha Georgia Stete Senate with Governor Miller at that time.

I helieve he's the hest person to head up the Road Department in Georgia.

We were all invited to a luncheon over at the Governor's Mansion to be introduced, and as one listening to him and his ideas and his hackground and who is familiar with transportation and all phases of transportation, and from the private sector, I told Governor Miller he had made a great choice.

Mr. Petri, I appreciate the comments that you made last night about also the Board, the Highway Board in Georgia, those members who assist ths commissioner in his efforts. They all are to he commended. Georgia is fortunate to have a commissioner such as Mr. Shackelford. We are also very fortunate to have some of the beet roads in the whole United States of America.

Thank you, Mr. Chairman. I look forward to the rest of this panel. Thank you.

Mr. PETRI. Would you like to proceed, Mr. Shackelford?

Mr. SHACKELFORD. I'd be delighted, Mr. Chalrman.

Thank you very much, Congressman.

Mr. Chairman, memhers of the committee, I appreciate this opportunity to appear hefore you to discuss an issue critical to our Nation's future—the financing of our national transportation program.

When ISTEA was adopted, it repressnted a new vision for the national transportation program, with both challenges and opportunities.

ISTEA contains much to be applauded, hut there are also critical elements that need to be addressed.

One of the most critical elemente it is Federal funding formulas which penalize high-growth States trying to deal with rapidiy-increasing population and expanding economies such as my own Stata of Georgia.

Georgia is a growth State hut also a donor State, contrihuting more to the highway trust fund than we receive ln annual apportionmsnte and allocations, but we are not alone. More than 17 othar States, many of which are high-growth States like Georgia, find themselves in the same posltion.

Streamlined transportatlon efficiency program for the 21st century, or Step 21, is a proposal of a coalition of 22 Stetes, but would not affect the Federal funding for emergency repalrs, safety, research and development, or funding for Federal administration of the transportation program.

But Step 21 does recommend streamlining the more than 60 highway funding categories.

The four categories proposed by Step 21 Coalition: a national highway system program that addresses the national interest and provides basic funding to support the 160,000 mile NHS and lte connectors. This program safeguards mobility and economic benefits for our State and our Nation, as a whole.

Secondly, a streamlined surface transportation program that provides flexible block grant program funding to tha States, allowing thsm to respond to regional and local needs witb less Federal oversight.

Thirdly, an equity feature that assures all States receiving at lsast 95 percent return on paymenta made to the Federal highway trust fund.

Fourthiy, an access feature that ensures adequate rssources for transportation in low population deusity large land area States and in small areas, small population States. This will ensure support for road systems essential for the national mobility, our economic connectivity, and tbe national defense.

We cannot afford, I believs, to continue with outdated Federal funding formulas that result in inequitiss like our State and otbers are experiencing.

In 1994, Georgia contributed 3.65 percent of the rsvenues collected and interest earned nationwide for the highway trust fund, but we received only 2.87 percent in national apportionments and allocations.

Over the ten-year psriod from fiscal year 1985 to fiecal year 1994, Georgia experienced a shortfall of $1.13 billion in funding as a result of the formulas used.

Other donor Statas suffar ths same inequities. Step 21 represents an attempt to address these sbortcomings.

The GAO study of ths highway trust fund distribution formula published in November of 1995 indicated that the funding formula used antiquated factors. Earlier GAO studies recommsnded changing the formula. ISTEA offers us the opportunity to address this inequity.

The great transportation system in this Nation is a credit to you and those that preceded you. You havs an opportunity at this time to build on that foundation of fairness and effectiveness.

I thank you for the opportunity to join you.

Mr. PETRI. Thank you.

Mr. Martinez?

Mr. MARTINEZ. Thank you, sir. I am Rob Martinez. I'm Secretary of Transportation for tbe Commonwealth of Virginia.

Virginia hereby states its very strongest support for Step 21.

ISTEA provided a good foundation for transportation policy but fell short in unfulfilled funding promises, formula inequities, excessive regulations, and too many categorical set-asides.

Let me focus on the main features of the Step 21 proposal. It is in the national interest to ansure the integrity of the national highway system. While the NHS is not the only Federal intarest in surface transportation, it is perhaps the most prominent.

Step 21 provides increased program emphasis. Fully 40 percent of apportionments would be directed to NHS. Ths NHS formula is three-fold: one-third is based on the proportionate total public highway lans milee in each State; one-third is based on total vehicla miles traveled ln each State, to reflect intensity of use. In both of these componente, urban mileage and VMT recelve a greater waight. The third component of NHS is based upon total State-wide diesel fuel consumptlon.

Another point: funding formula must be more equitable. Under ISTEA, funds consider to be apportloned based on 1980 census data, perpetuatlng distortions. Under the existing formula, Virginia receives $0.79 for every dollar in transportation taxes we send to Washington. Missouri gets about $0.83, South Carolina gets about $0.65. There is no justification for continuing such severe imbalances in perpetuity.

Step 21 replaces the myriads of adjustments in the current formula witb a single 95 percent return guarantee to every State. Nonetheless, there is a national interest in providing a funding supplement to protect tbe basic highway systems in large land area/low population, and small land area/low population States.

Step 21 would provide such States with an apportionment supplement. States like Rhode Island, Delaware, New Hampshire, North Dakota, Idaho—they would be held harmless under Step 21.

Thus, we recognize that tbe needs of the Nation require that certain States—Virginia included—will remain donore; however, such a donor condition must be at a reasonable level.

The transportation program must be simplified, with fewer categorical set-asides. The streamlined surface transportation program, SSTP, would provide no-strings-attacbed funding so all States can respond to their specific needs.

I ststed that 40 percent of the Federal aid higbway program would go to the NHS. The remaining 60 percent would go to States in amounts equal to the percentage of total payments from each State to the trust fund for tbe most recent yaar available. The funding would be transferrable among modes and between the NHS and SSTP at State discretion, providing maximum flexibility.

Step 21 does not repeal the advances in Stats and local relationships developed by ISTEA. It continues the current relationships between the States and the large metropolltan areas within tbem.

One final point: transportation fundlng should be based on a user fee philosophy. If the $0.043 gas tax currently credited to tbe general fund continues to be assessed, it must be transferred to the highway trust fund and used for transportation purposes.

The argument that this is going for deficit reduction ls spurious. It is simply subsidizlng otber general fund purposes. It breaks the faith of a trust fund, which should be user fee based.

I urge you to direct that all transportation taxes be dedicated to transportation purposes.

Thank you all very much for your attention.

Mr. PETRI. Thank you.

Mr. Dunphy?

Mr. DUNPHY. Thank you very much, Mr. Chairman. It's a pleasure for me to be here before you. It's also my first time to testify, and that's a dual pleasure.

I have submitted testimony whicb I delivered to Secretary Pena on his first field trip ln San Diego last month, and so I will only attempt to summarize that which I said at that time.

Clearly, ISTEA provided many benefits when it was adopted, but as tlma has gone by we have found some of tbe errors, etc., not the least of which relate to the regulations that accompany ISTEA and whicb the Fedaral Government exercises over the States in the utilization of tbeir funds.

We from California believe that tbe best way to avoid this Federal regulatlon is to substitute State oversight ratber than Federal. Qulte frankly, we look also as to the value added of the Federal oversight. We feel quite competent in California to be abie to design our freeways, to restore the strength of our bridges, etc., and to allocate funds in a way that's a most useful and sffective for the citizens of California.

So we have proposed that we devolve all or most of tha Federal fuel taxss to the States; that is, discontinue the collection of those Federal taxes, which effectively—I try to tell my friends there are no such things as Fedaral taxes. They are all coilected at tha local areas and sent to the Federal Govsrnment and thsn returned to us with many not always helpful restraints.

Wa have characterized it as a 70/30 proposal, which would return 70 percent—or rather not collect 70 percent of the taxes that the Federal Government currently takes from the States, retaining 30 percent at the Faderal level for a variaty of things.

We do recognize that the maintenance of the interstate system is very important. Its capital cost has largely been expsndsd. It was completed. That is being celebrated by Rodney Slater at this moment traveling around the country over that system, characterizing and having a birthday party for ite 40th birthday.

Capital cost ls finished, and tha principal activity now will be the maintenance of that system, which is incredibly important because you don't want to lose that which was constructed and brought to use such economic vitality throughout the entire States.

But that 30 percent should then be reallocated both for the maintenance of the national highway system, retaining a portion for research and development—wa think that role ls important—safaty issues, emergency repalrs, etc., relativa to various negativa aspects of flood, aarthquaka, atc., that occur; and than tha administration of the system, but for a greatly-reduced Department of Transportation.

I will return to tha concept of what is the valua added of tha Department of Transportation and tha Federal Highway Administration in the overeight of that which is performed very admirably and very accurately at tha State lavel.

We have some of the most competent engineere residing in our various States that are quite good at interpreting specifications and building systems to meet a Federal standard, and we have no problem with a Federal standard.

So, at any rate, many of tha advantages that occur relate to increased flexibility on the part of the States ln the utllization of that monay, and I would like to add at this point that there is a bill in the State legislature at this time which is reflecting our Administration's policy relativa to davolving to the local cities and counties and regional govern ments those same authorities that we seek from you, and that would return to the local areas the authority and responsibility to program, plan, and implement their transportation programs.

This has the advantage of permitting the State governmants and the local governmants of determining what thair own needs are, partlcularly with transit and highway and commuter rall and urban rail, and we recognlze tha differences between the States. Soma have, in the urban areas, much more need for transit considarations.

We want the local governments to be able to interpret that. We do not believe that the State government is the beneficent possessor of all knowledge, as we do not believe the Federal Government is, relative to the States.

So as we ask you to devolve funds to us, we will, as well, devolve aree responsibility, etc., to our local governments.

So we ask your understanding of where the responsibility lay and return it to us, if you will, please.

Again, I would just conclude by thanking you for the opportunity to be here. It's really fun to hear all of the variety of State interests that you must deal with. It certainly will challenge the construction of a new ISTEA formula, but I wish you the very best in doing so.

Thank you.

Mr. PETRI. Thank you. Thank you all for your testimony and for your prepared statements.

Are there any questions? Mr. Rahall?

Mr. RAHALL. Thank you, Mr. Chairman.

Mr. Dunphy, I agree with that last statement. It is interesting to listen to the various State positions and try to comprehend the challenges that each State represents as we get into this ISTEA reauthorization.

Let me begin first, I guess, with the panelist with whom I march side by side the most on this issue, I guess, and that is Commissioner Daly, and reflect further on the level of effort that you mentioned in your testimony.

We do have a shared responsibility for transportation, as you have noted in your testimony, and what you said I think is basically what I've been saying here today and throughout my public comments on the whole reauthorization process, and that is that we should stay the course. But your level of effort was particularly worthy of note.

You said it would not be entirely unreasonable to allocate some percentage of Federal highway funds available to the States based on the level of financial effort that the States, themselves, apply toward their programs.

In effect, those States which spend more of their own resources to address their highway and transit needs than others do may deserve to be rewarded in some way.

The study to which you referred—and you're accurate, it was mandated by ISTEA—you have said that on a comparative basis New York ranked, I think you said second nationwide, not counting the District of Columbia as a State—

Mr. DALY. Yes, sir.

Mr. RAHALL. —in the amount of resources that it's directing to transportation, and my own State of West Virginia ranks fourth, if you're not counting, again, D.C. as a State.

I think it's also worthy to look at the Step 21 proponents that are sharing the panel with you. Virginia, Mr. Martinez, ranked 18th; California, Mr. Dunphy, ranked 36th; Georgia, Mr. Shackelford, ranked 37th in this particular ranking of level of effort. Yet, these are the very States that want a bigger share of the Federal pie.

I guess I'd ask if any of you wish to respond to this. Mr. Daly, if you have any further comments on rewarding States who make this level of effort, using their own resources?

Mr. DALY. No, except again to clarify I suggested that that be considered. Certainly the level of effort is important. I think it's vitally important that each State recognize its responsibility.

As I said, we think that the highway system in this country—which, by the way, is rated as the best in the world and one of the primary reasons that this Nation's economy has moved forward and still is well above the economy of other Nations—has to be maintained with the joint effort of the States and the Federal Government.

If a road ended at the State line, then it should be considered a State responsibility. But I think one of the great acts of this Nation of this century was the act of 1956 by Congress and the President which involved the Federal Government in the development of an interstate highway system which has done magnificent things for this country.

I'm afraid that if we move away from that joint responsibility that structure will lose its consistency.

I think the Federal Government can give consistency to the road system, the highway system in this Nation, and therefor the continued involvement of the Federal Government is vital.

I also believe that need, basically need is the major criteria that should be used in determining how much money should go to each individual State.

All of the Federal grants, as I said before, are based in need. We have five trust funds: Social Security, water, ports, aviation, and, of course, the dedicated fund for highways. All other trust funds are—the monies are distributed by need. All five right now are distributed by need. Are we to walk away from need?

Take my State of New York. You talk about deficiency of bridges. We have a deficiency of 61 percent bridges. Why? Because of the number, first of all—the difficulty—we have 20 bridges into Manhattan, and those bridges, nine of them, carry 1.4 million vehicles a day—that's 1.4 million vehicles a day. That's a very costly system to maintain, but it has to be maintained, not only for the sake of New York but for the sake of the Federal Government, because that one little section of Manhattan, about five square miles, sends more money to Washington—I'm talking about the financial section of New York City sends more money to Washington than any other five-mile area in this country.

Mr. RAHALL. Mr. Martinez?

Mr. MARTINEZ. Yes, sir. I would like to comment.

I would suggest that if we looked at another level of effort, which is to say level of effort in transportation by States outside their State—for example, level of effort in New York State or Massachusetts or West Virginia provided by other States, Virginia would probably rank around the fifth or sixth contributing towards that level of effort because of the way that the formula works.

I have a couple of points.

First of all, if you look at the GAO study that did come up—came out at the end of last year—on alternatives for distributing Federal funds, you will find that the GAO argues that, in fact, there is little relationship, a very poor relationship between actual need and the way that the funding formulas are working.

GAO argues—and, of course, it is driven by the basis on which the formulas are determinad—GAO argues—and this is a quote—"for major highway programs, the data underlined the distribution of highway funds to the States are generally outdated, unresponsive to changing conditions, and often not reflective of the Nation's highway system or ite usage."

I might also add that my colleague to the left, Mr. Daly, has made a couple of references to the so-called "Harvard"—the Moynihan study. The only reason why a State liks New York fares so well in that study and a State like—and I don't want to be picking on New York, per se, but they are the example that's here—the only reason that they work out so well in that study is because of the fact that you're including all Federal spending, not only grants and aids to State and local governments, but also things like salaries of Federal employees, Fedsral procurement contracte, and the lika.

Transportation is based on a user fee concept, and that user fse concept eays that the revenuss in transportation should be dedicated to transportation purposes.

These othsr factors that are included in these studies era not ussr fees.

If you were to look at how much the Federal Government has to subsidize the activities of Steta and local governments, Virginia, a donor State for transportation, is a donor State with respect to grante to State and local governments. In fact, Virginia is 51 out of 51 ln 1994 per capita Federal expenditures in grants to State and local governments. I believe New York is about number four.

So I would contend that that study really is not—if you are looking at transportation, lt's user fee based. It is not an appropriate basis on which to be making this kind of determination.

Mr. DALY. May I, Mr. Chairman, address the board with the chalrman's approval?

New York is not trying to make that point. The point we're making in that is the fairness of the overall situation, the fairness.

If we are to distribute Federal funds in one area based on the amount that a State sends to the Federal Government, then why should we not, for fairness alone, do the same thing in every other area?

I note also that in their refutation of our point, my point on this issue, that no ona danies the $18 billion-plus that New York State sends to the Federal Governmsnt.

Step 21's answsr to that point attacks one part of the equation and leaves the other section alone, which tells ma they cannot refute it, and I think it leads strength and credibility to our argument.

Mr. PETRI. Are there other questions of the panel? Mr. Baker?

Mr. BAKER. I hate to get in the way of a good political speech, and nobody makes a better one than a person from New York—

Mr. DALY. Thank you, sir.

Mr. BAKER. —but Social Security ls not based on need; it's based on per capita.

Mr. DALY. Excuse me, sir? I'm sorry?

Mr. BAKER. Social Security trust fund is not based on need, it's based on per capita. You draw it per person, regardless of whether you're—

Mr. DALY. That's true.

Mr. BAKER. —a millionaire or a pauper. This formula is out of date. It's based on population figures of 1980, not 1990. To a State that's shrinking, that's good; to a State thet's growing like Virginia and California, that's bad.

Mr. DALY. Congressman—

Mr. BAKER. So this is not only not fair, it's not based on need.

Mr. DALY. Congressman, New York State does not take exception to the fact that the census consideration should be changed. We're not arguing that point at all. In fact, we—

Mr. BAKER. You think the 1916 postal route survey should be used?

Mr. DALY. Sir, I'm saying that if your problem is with the fact that they use a 1960 census—is that your problem? We feel that should be updated. We think it would be fair to update that. We have no problem with that, no problem whatsoever. I agree with you, sir. That should be included in your deliberations in the ISTEA reauthorization change.

Mr. BAKER. I just wanted to straighten you out on the trust funds. They're not based on need, and neither is this one, and it should be.

To Mr. Dunphy, let me just say, in the State of California we have a very strange way of allocating transportation dollars. The bills in the legislature never—I repeat this—never refer to a project. There are no pork bills in California. We allocate the money and it goes to an arcane body known as the California Transportation Commission, of which Mr. Dunphy, our head of Business and Transportation Agency now, used to serve. They apportion the projects based on need.

There is a 60/40 split between southern California and northern California because of the obvious bickering between the geographic areas, and that is funneled in to CTC and they make the determination, based on the priority of the project. So we don't pork within the State.

I think the same ought to occur at the Federal level. We ought to have about 70 percent of the money stay in the State, apportioned by the State based on their needs and priorities, not come through this whistle and bell system known as the Federal bureaucracy, which takes months, if not years, to get back to the States, and requires things that you may or may not need in New York and may or may not need in Georgia. They're different.

And so for us to sit here and say 10 percent has to be spent on a bike trail or 10 percent has to be spent on something else, you may want more, you may want less, but it should be done by the legislature, the governor, and the administrations of the various States.

The other 30 percent, or whatever number we choose, should stay for the highway system, again apportioned by need. If we need to build something in Wyoming, we ought to do it.

I support projects from all over the Nation while I'm on this committee and will continue to, so it's not a matter of pigging out, it's a metter thet we havs to updete this system, and tbet's whet the gsntlemen are saying.

I don't think just reshuffling ths chairs on the "Titanic" ere going to do lt. Give me my 95 percent beck or give me 105 psrcent or give me whetever. Thet doesn't solva ths problem of delay and excess bureeucracy and edditionai cost.

So we've got to eplit this baby between the needs of the Federal Governmsnt to maintain the Fedsral highwey system and the need for us to get the monsy beck into the State system.

Lastly, the $0.043 thet was in the Clinton tax hike of 1993 hes to go beck to the transportation funds just es the $0.025 thet was in the Bush 1990 caresr-ending tax increese went beck to the transportation funds in 1995.

Mr. Dunphy, can you edd anything to this? Are you in fevor of sspareting ths funds so that Californie maintains some, or would you like to ses it all come hsre and get 95 percent beck?

Mr. DUNPHY. I really don't think I havs to answer thet question. Clearly, keeping thet 70 psrcent in the Stete of Californie does not constitute edding or esking for e bigger shere.

Whsn we are eble to spsnd money without the Fedsral oversight and/or reguletions, we do it much more efficiently.

I might edd parenthstically thet the requirement to do both NEPA and SEPA documsnts is very unproductive and insffective, and it consumes greet amounts of time, which is indeed money, and therefore we lose—

Mr. BAKER. Can you do both those environmental documents et the same time?

Mr. DUNPHY. When there is—no. They are almost alweys done sequentielly.

Mr. BAKER. Why?

Mr. DUNPHY. Largely beceuse there ere so many othar agencies thet ere necessarily folded into the process. If we could gat sverybody into ths same room, we could conclude our issuss very eesily without heving to go beck egain and again for comment and—

Mr. BAKER. The only time we've been eble to do thet is after ths eerthquake in southern Californie when we waived everything and got them all in ths same room, worked 24 hours e dey.

Mr. DUNPHY. We did, indeed. The sffsctiveness of doing something in thet kind of an environment—

Mr. BAKER. Let me suggest then thet we need an eerthquake here.

Mr. PETRI. Mr. Collins?

Mr. COLLINS. Thank you, Mr. Chairman.

I just want to refer one question to the commissioner from Georgia. I said a while ago he was the commissioner of the Roeds Department; he's commissioner of the Depertment of Transportation, which includes all modss of trensportation in Georgie, but we do heve the best highway system in the country.

But, Mr. Sheckelford, the word "need" has been thrown eround a good bit by some members of this panel. Are you seeking change and supporting Step 21 beceuss of need or beceuse of some other reeson? Does Georgia need the funds thet they are sending up bere now beceuse of grewth, beceuss of the fact that a lot of those peopls meybe in New York heve found God's country and are moving down there and steying? Or are you just here to say, "Well, we ought to do this?" Does Georgia nsed these funds?

Mr. SHACKELFORD. Absolutely. There are two very distinct points that Step 21 makes that this committee needs to address.

One is the flexibility that Step 21 would provide with returning to the States the decision-making that today is in over 60 different funding categories. That's first.

And then, secondly, the fairness of the return of the dollars from whence they were collected.

We need a strong national transportation initiative. It began aggressively in 1956 with interstete system. It is the anvy of the world, but there is a great opportunity to maka it better, and much better.

One, focus on the national initiative, the national need; and then, secondly, block grant the remaindsr of it to States and let States and local governments, including the regional planning entitiss, make those decisions and get the efficiencies.

We talk about local support. There are counties in my State that are contributing more dollars to the transportation solution than many States. The chart that is referred to today does not reflect all of the local dollars that are being allocated to transportation. The best decisions are being made at the local lsvel.

This opportunity would enhance that activity by grouping together all those thinge that aren't a part of the national connectivity and getting them back inside the States and let the decisions be made.

But yee, Mr. Congressman, the need is there.

In a State that is growing at such an anormous rate as is ours, when we're working on 1980 census numbere and 1916 postal routes, we are working with a system that needs improvemsnt.

Mr. COLLINS. Thank you, Mr. Shackelford. And thank you, Mr. Chairman.

Mr. PETRI. Mr. Quinn?

Mr. QUINN. Thank you, Mr. Chairman.

I want to apologize for being hare a few minutes late and not able to introduce Mr. Daly from the Empire State of Nsw York. Commissioner, we appreciate your being here. Indeed, we appreciate the testimony from all of our witnesses on this panel. I'm not so sure we appreciats all the testimony from the panels bsfore. They were just Membere of Congress, right? We'll hear from them later. We particularly enjoy hearing from all of you and some panels later this afternoon.

Commissioner Daly mentioned the Bills in Buffalo, New York. That happens to be my home town. If he can tell a secret here in this town in this room, the commissioner knows what the Buffalo Bills stands for—those letters—"Boy, I Like Losing Superbowls."

[Laughter.]

Mr. QUINN. I checked to make sure there weren't any media from Buffalo here before I said that.

Mr. Chairman, thanks for putting together these hearings because I think what we've heard today and what we'll hear in the coming months is very helpful to us as a subcommittse, as a full committee, as a Congress when ws make these important decisions relating to ISTEA and funding in the coming year.

I've only been here two terms now, and when I got to the Congress I specifically asked to be on this committee because my predecessor, Hank Nowak from Buffalo, spent about 20 years on this committee, on this subcommittee. In fact, I'd like to think that, while we're different parties, Hank Nowak worked with Norm Mineta from California and Bud Shuster from Pennsylvania in putting ISTEA together the way we know it today. His staff still works on the Hill, works with us closely to make sure that the decisions that were made then, the framework that was put together, can still work today and tomorrow and into the future. That's why we're holding these hearings today.

I have to tell you all, though, and for the record, that when New York State and its commissioner and its governor will be in town later this summer to talk to us about the fact that a change or a proposal could lose about $300 million for our State, that concerns me. I think that whenever we're using outdated information we need to update it. That's a given.

I'm a former town supervisor in upstate New York. I'm a big believer in flexibility. I can tell you that probably a lot of those decisions, as the speaker from Georgia and California have already stated, those decisions are best made locally.

We have worked with our DEC on environmental issues, and the best decisions are made locally.

I also though want to point out to you that a State like New York has unique circumstances. A State like New York has unique needs. Any of you who have traveled or read or watched travel over all those bridges that the commissioner says go into Manhattan will know that New York and New York City have unique situations and therefore unique problems.

You all know—I think you know—that when the Brooklyn Bridge was built there were only 38 States in the United States. We've got some unique infrastructure and some unique situations that will take some unique problem solving.

I'm very hopeful, as we spend the next few months, Mr. Chairman and ranking member, and we look at funding level and we talk about the need, as the gentleman, Mr. Baker from California, talked about whether it's a need or a per capita situation, that we are going to have to look at major cities and other places where there are some unique situations.

I will not represent that New York State or any part of it is here for a handout. We can talk about the level of effort. Mr. Martinez points out that there are a couple of different studies that we can cross-reference, which we'll do.

New York State isn't here for a handout when we know that in New York State 3 percent formula personal income of the residents of the State goes to highway and mass transit spending, $599 per capita. The national average is $319. New York State is $599.

Now, there may be some other factors, as the gentleman, Mr. Martinez, points out. I'm interested in looking at those other factors and will approach it with an open mind, but I want you to know that I think that we're not here for a handout, that we try our level best in New York State, and will continue to do that, and we will continue to ask for fair hearing as we work with the other members of the committee and the panel as they testify.

I see that the light is on, Mr. Chairman, so I thank you for your time.

Mr. PETRI. Thank you.

Mr. Rahall?

Mr. RAHALL. Thank you, Mr. Chairman.

Mr. Dunphy, as I understand the proposal you're advancing, it's similar to what Representative Kasich and Senator Mack are proposing. That's what I call the "turn-back" proposal, the phase-out of the Federal motor fuels tax with only a small amount retained for things like maintenance of the Interstate system.

Is that accurate in what you're advancing?

Mr. DUNPHY. Yes. That's accurate, sir. It is philosophically and operationally similar.

Mr. RAHALL. I have some serious disagreements with that.

And I state to my colleagues on this committee and to everybody, I have no problem at all in revisiting formulas and throwing out some outdated information and updating, etc. That's not what I've been opposing here today. I'm just opposed to dismantling a Federal highway system and a national interest in maintaining that system.

I also fear that the NHS will not be completed and will not be able to advance to intermodalism, as we all want to, if we're not going to maintain that Federal system of continuing to build the NHS in this country.

In furtherance of the question I just asked, the Kasich-Mack proposal would reduce the Federal gasoline tax to, I think, a couple cents a gallon, or something to that effect. If that happens, am I correct in understanding that there is some provision of California law that would then allow a self-enacting increase in the State gas tax when the Federal gas tax goes down so that the government or no politician would have to have his fingers on raising the State gas tax?

Mr. DUNPHY. We have in statute the ability to substitute $0.09 of the current Federal enactment.

Mr. RAHALL. Self-enacting?

Mr. DUNPHY. Self. It's on the books.

Mr. RAHALL. So your State gas tax is going to go up under this proposal?

Mr. DUNPHY. It can.

Mr. RAHALL. Self-enacting?

Mr. DUNPHY. Yes.

Mr. RAHALL. Okay. Let me ask Mr. Martinez a question.

Under Step 21, NHS funds would be apportioned using a formula based on one-third proportion to public highway lane miles, one-third total statewide vehicle miles, and one-third total statewide diesel fuel consumption.

You've talked disparagingly about the current formulas and a lot of mishmash and a lot of shenanigans and all that that goes into that formula. My question is: under what you're proposing, Step 21, what do these factors that I've just mentioned have to do with the NHS at all? You're including all public highway lane miles, whether they're miles on NHS or not. These could be city streets that are not even Federally-eligible for aid. So if the current formula is a bunch of shenanigans, how is the formula under Step 21 any much of an improvement?

Mr. MARTINEZ. Well, if you look at the GAO study that came out at the end of 1995—in fact, I believe it was the second GAO study on the issue—the Step 21 proposal for the formula distribution the way that you would allocate the formula is, in fact, very closely completely—well, almost completely consistent with the findings of the GAO, that, in fact, these are the best determinants of "need" in the State, so it's based on that that these factors were looked at.

Mr. RAHALL. Let me repeat the question again. What does including city streets in a formula under Step 21 have to do with the NHS?

Mr. MARTINEZ. Well, first of all, NHS, of course, does go into urban areas since there are urban areas—I mean, NHS highway miles that are into urban areas.

What it does is it—the urban regions, it recognizes the needs that are higher in urban areas because there is a slightly, I think, higher allocation of distribution to the urban sections of the States within the NHS formula, as determined by Step 21.

Let me point out one thing, which I'm being advised here, refreshing my memory. The fact is also that the States had a very great role in determining the size, the amount of mileage of NHS within the State boundaries, so it would be inappropriate necessarily to do a distribution formula that was purely based on NHS mileage since that would detract from States that went with a leaner NHS strategy, like I believe California, I think, is in that ranks, versus States that went for relatively high amounts of NHS mileage. And so it would be unfair to those States which, for decisions of their own, had gone forward with leaner NHS mileage strategies to have it driven simply by NHS mileage.

Mr. RAHALL. Commissioner Daly, do you want to respond?

Mr. DALY. Could I add one thing on this report? First of all, let me make a point that this report, which I have in my hand—I'll read the recommendations—"Because the selection of a highway apportionment formula is a judgment for the Congress, GAO is making no specific recommendations."

But beyond that, on page 32 of the report, if I could I'll read just one short part of it where it talks about the distribution of funds based on indicators of need. "One possibility would be use the factors that relate to the State's actual needs such as State miles of poor pavement, number of deficient bridges, etc. In this approach, the State with the poorest highway conditions would be granted a larger share of the funds than the State with better highway and bridge conditions.

"However, a formula based on direct measures of need could prove problematic. The use of actual needs can foster a perverse incentive by potentially encouraging the States to permit their highway infrastructure to worsen."

Gentlemen, that's why I said before that two criteria should be considered: one, need; second, State effort. My interpretation of this report is that that might be a good way to go.

Mr. RAHALL. Wayne, let me ask you a question. We have been friends for a number of years. We've toured projects together in Georgia.

Mr. SHACKELFORD. Right.

Mr. RAHALL. I appreciate the hospitality that you've shown me over the years.

We also tried to be helpful in helping you prepare for the Olympics.

Mr. SHACKELFORD. Yes, you have, sir.

Mr. RAHALL. I'm sure that's a major headache for you in the next couple of weeks. While we weren't successful in the NHS bill, you were successful through the appropriation process here in the Congress.

Let me ask you a point blank question. Why should I, as a representative of the State of West Virginia, support Step 21?

Mr. SHACKELFORD. I think if you recognize that Step 21 says first there is a national initiative, a national need, a national system that gives this Nation the connectivity it needs and deserves to compete in a global environment economically, to protect the quality of life, and to provide a defense network, that ought to be preserved absolutely as a national commitment, a national effort, strong, powerful partnership between the Federal Government and the States. It ought to happen. It's the miracle of transportation in the history of mankind.

But all the categories that are in the ISTEA that stratify and create the pockets, the boxes, the walls that hem us in, can be eliminated with the block grant program to States.

And then, very honestly, in 1991 you folks wrote into the law the challenge for GAO to find out what was wrong with the way the funds were allocated, and when 6 years have gone by we should not fail to correct that problem.

So West Virginia ought to be absolutely concerned about what its neighbors are doing in a national transportation initiative, and then freed to do the things are outside of that national initiative.

Those of us who are growing so very, very fast need the benefit of an updated set of factors.

Mr. RAHALL. I appreciate that response, and I don't think I've said anywhere today that I am opposed to streamlining or that I am opposed to updating or that I am opposed to revisiting formulas. What I have said is that I am opposed to this grab the Step 21 proponents are attempting to do, and I think that is what has been my basic concern today, as well as concern for the Federal national highway system as we know it.

As I conclude my comments, Mr. Chairman, let me just say this committee has often been described as the most non-partisan committee in the Congress, and that cannot be exemplified more than what we have seen today.

West Virginia has been the brunt of many—and I say "West Virginia," not me, personally. I've not taken anything personally. But West Virginia has been the brunt of some attacks of a nonpartisan nature today.

[Laughter.]

Mr. RAHALL. And across philosophical lines, as well. I think I said at one point that yes, we have good highways in West Virginia and we want more, and I think that could be said of every State in this Nation. We don't surpass any State in the beauty or the majesty of our highways or our engineering abilities. All the States have tremendous roadways and are very proud of that. And States in the past have, when they have men in appropriate positions in the Congress of the United States, have taken advantage of that fact and have secured as much for their States as they can.

West Virginia today is obtaining its fair share, yes, but I do resent the accusations that we've been unfair to the rest of the Nation in any way because that's not been the case.

We will continue to seek our fair share. I have not today, as I have said, opposed much of the examination that has gone on, and it's going to be very constructive to us as we struggle with the reauthorization over the next months, years, whatever.

So, as I conclude, let me just say—well, I hope it's not years—that I appreciate all of you testifying, and I think you know what I'm saying when I highly compliment our system in West Virginia. You know very well our former Secretary of Transportation, now governor's chief of staff, Charlie Miller; our current Secretary of Transportation, Fred VanKirk—individuals that I highly praise for the work they've done over the years in our State of West Virginia, too.

Thank you, Mr. Chairman.

Mr. DALY. Mr. Chairman, may I, with your indulgence, make one last statement?

Mr. PETRI. Of course.

Mr. DALY. You know, Mr. Chairman, discussions of this type and differences do tend to polarize us, but I want to make it clear that New York State believes that ISTEA can be improved and that changes can be made to it. All we're saying is that as we make those improvements we ask you to look upon the needs of the different States.

With your good judgment and wisdom, I'm sure we will end up with a program bill that will be even better.

Mr. PETRI. Thank you. And thank you all for coming and sharing your views with us. We appreciate it very much.

The last panel is John D. Niemela, who is the director of the County Road Association of the State of Michigan.

As you know, your full statement will be included in the record, and we look forward to your summary remarks.

TESTIMONY OF JOHN D. NIEMELA, DIRECTOR, COUNTY ROAD ASSOCIATION OF MICHIGAN

Mr. NIEMELA. Thank you, Mr. Chairman.

My name is John Niemela. I'm the director of the County Road Association of Michigan.

Mr. Chairman and members of the committee, I want to thank you for the opportunity to testify before you today on the Federal transportation distribution formula and how this formula impacts local road officials.

The 1991 Intermodal Surface Transportation Efficiency Act was innovative and gave States the ability to target and prioritize their Federal transportation dollars. Because the funds were targeted and sub-allocated, counties were abla to improve their llablllty, efficiency, and safety of their transportatlon eystems.

The Federal distribution formula was deslgned to provida a framework combining tbosa efficiencles with economic development.

The formula required a coordinated approach betwaan local and Stete governments. It also promoted the lnvolvement of tha privete sector innovative financing to achieve State and local objectivee.

As you approach the reauthorizetion of ISTEA, pleasa bear in mind that ite successes havà been reached by balancing tha needs of the funding and tha interests of various groupe.

There are sevaral proposals on how to lmprove ISTEA. The County Road Assoclation of Michigan bas not endorsad any of tbe proposals at this time; however, wa do believe thet the Federal distribution formula ie critical to local implementation and planning process for the next ISTEA.

Tha County Road Associetlon would urge the membars of the committee to adjust the formula to provide more funding to donor States—finishing up with tba last speaker with you, Congressman, on the donor State issue.

There are States losing money. The distribution formula dates beck to 1916, and, as you heard, the General Accounting Office analysis sbows the formula ehould be changed.

Tha Step 21 concept, as you heard, too, whicb guarantees a minlmum of 95 percent of the contributlon is to Federal highwey trust fund, ls an approach tbat bas marit.

Wa also support tha afforts of Congress to take the highway trust fund off budget. This would give the States and local govarnmants predictabla funding that more accurately reflects tba return of Fedaral tax dollars.

Wa support afforts to give tha States increased flexibillty, along witb a reductlon of categories, as long as local public officials have joint decision-making provieione that are currently ln ISTEA.

In addition, tha ability to transfar funds among categories sbould ba mada aasler, with fewer restrictions.

The County Road Association of Mlchigan believes that these changas sbould ba adopted at the local level. Counties, cities, and rural areas should ba considared as equal partnere in the reauthorlzation of ISTEA. Many problems of the future will be local in nature.

This requlres that county government, both urban and rural, and cltles ba consulted and treated as partners with State governmants in planning, funding, allocating, and othar decision-making processes.

The surface transportation program should ba continued, with a goal of providing maximum funding to local governmante with minimum interference.

We hava concerns about block grante. A block grant approacb to transportation funding would not assure local governmente that a portion of Federal gae tax would be returned to tbem to fund local projects. That's why wa oppose turning tha next Transportation Efficiency Act into a block grant. Block grants do not guarantee that local transportetion needs will be addressed.

All that would ba accompllshad by turning ISTEA into a block grant instead of local planning agancies debeting with bureaucrate bere in Washington, they'd be debating with the bureaucrats in the 50 State capitals.

Regional priorities and local targets would change with each new State administration and department director. Long-range planning could be jeopardized, and public safety could be endangered by political decisions based on personal agendas. Safety must be a major consideration in any transportation investment.

It is also a concern that States will use Fedaral funds to meet pressing Stete transportation problems and ignore the needs of local road systems. Rather tban develop a comprebensive transportation plan that will require an increase in tbeir own fuel tax, States may move to fund only State projects with Federal dollars and fail to pass a needed Stete tax to support less-glamorous local road programs.

We believe it would be better to establisb a rural set-aside for the surfece transportation program for local roads functionally classified as collector or higher in tbose Stetes witb country road systems.

Furtbermore, turning ISTEA into a block grant to expand and improve Stete projects while ignoring local road systems will threaten local maintenance and public safety.

The next ISTEA must continus to provide guidelines to ensure funding has targeted priorities and long-range planning of at least 5 years are established, and that local involvement is maintained.

Local planning process, after all, is tbe truest form of devolution in determining how State and local governments can work together to mset transportation needs of tbe future. This partnership hes been the strength of the Federal distribution formule. It focuses on the needs to set priorities and create efficiencise. The current approval process for local and State governments sbould be retained.

The County Road Association of Michigan requsste that the approval autbority currently allowed for larger MPOs be extended to smaller MPOs in the rural areas, as proposed in H.R. 3227.

To summarize, Mr. Chairman and members of the committee, we urge you to increase the funding for donor States, reduce tbe number of categories, provide greater flexibility and ease in transferring funds between accounts et both tbe Stete and local level, and, most importantly, maintain the current joint approval process batween tbe Stete and the MPOs, wbile extending this requirsment to smaller urban and rural areas.

In addition, we support maintaining the funding baseline for all programs at no less than the current level euthorized undar ISTEA, and we ask, when ISTEA is reauthorized, you considar building on the fundamental ISTEA principles and the strong commitments to eafety of our motoring public.

A Federal distribution formula based on equal participetion of State and local officials would focus Federal dollars efficiently on tbe most-pressing transportation problems.

Thank you. I'd be pleased to answer any questions you may have.

Mr. PETRI. Thank you. We appreciate your coming and the obvious effort that went into your testimony.

Mr. Rahall, do you bave any questione?

Mr. RAHALL. No, Mr. Cbairman.

Mr. PETRI. Well, we'll be looking forward to working with you and with other State associations of road commissioners as we work on the bill, and hopefully we look forward to your comments on any drafts that we are preparing a little later this year.

Mr. NIEMELA. We hope to do that.

Mr. PETRI. Thank you very much.

Mr. NIEMELA. Thank you very much.

Mr. PETRI. And with that this hearing is adjourned.

[Whereupon, at 1:56 p.m., the subcommittee was adjourned, to reconvene at the call of the Chair.]

STATEMENT BY
BILL K. BREWSTER

COMMITTEE ON TRANSPORTATION & INFRASTRUCTURE
SUBCOMMITTEE ON SURFACE TRANSPORTATION

JULY 11, 1996

Mr. Chairman, I appreciate this opportunity to testify today on the reauthorization of ISTEA. I would respectfully request that my statement be submitted for the record.

Mr. Chairman, as you know, I will not be here next year for the reauthorization of ISTEA. However, as this issue of donor states is so vitally important, I have sponsored legislation with Mark Sanford and Steve Largent to add fairness back to the system of transportation funding to states.

The national highway system is in dire need of preservation and repair, and it is important to give all 50 states their fair share of the Highway Trust Fund. Our legislation proposes to calculate a state's apportionment from the Trust Fund based on the percentage of total contribution to the Trust Fund.

This logic for this formula is very simple. The contributions from the states are a collection of user fees and therefore, indicate actual and current usage of the roads. This is a more equitable and honest way to approach highway funding in the future. States receive back what they -- the users of those roads -- have put into the Trust Fund. The current system of the minimum allocation (MA) "guarantees" a 90% return on the dollar for each state. In all actuality, however, Oklahoma currently only receives 78 cents on the dollar. By computing the allocation to states by the percentage that state contributes to the Trust Fund, we guarantee 100% return on a state's investment for its highway system. This is a simple solution to a complicated, confusing and extremely unfair formula system.

Over $2.26 Billion would be returned to the donor states, under our legislation. And according to the Federal Highway Administration, over 95,000 full-time jobs could be created in these donor states. My state of Oklahoma alone would gain more than 2,500 much needed full-time jobs.

In closing, Mr. Chairman, every state's infrastucture needs are important. We are trying to determine the most equitable approach to meeting the needs of everyone. Our bill, I think, proposes a fair solution. I hope this committee takes ideas, such as our bill, into consideration during the ISTEA Reathorization next year.

Thank you for your time.

Congress of the United States
House of Representatives
Washington, DC 20515

CORRINE BROWN
3D DISTRICT, FLORIDA

CONGRESSWOMAN CORRINE BROWN (D-FL)

Surfece Trensportetion Subcommittee
Heering on Federel Funding Dietribution Formules

CURRENT HIGHWAY FORMULA IS OUTDATED AND UNFAIR

July 11, 1996

HEARING STATEMENT

Chairman Petri and Congressman Rahall, thank you for holding today's hearing on federal funding distribution formulae. This is an important issue that deserves attention and serious consideration by this Committee.

Goveroor Lawton Chiles was scheduled to testify today about the importance of this issue to the State of Florida. Due to a scheduling conflict, he will not be able to testify today. He has asked me to formally submit his testimony.

I am here today with my Florida colleagues, Congresswoman Fowler and Congressman Mica to testify about an issue that is close to my heart and to continue the effort begun by my predecessor, former Congressman Charlie Bennett, to gain a fairer distribution of the federal highway formula.

Yesterday, I joined with many of my colleagues to express my support for the ISTEA Integrity Restoration Act which reflects the needs of our surface transportation system for the 21st Century.

The bill addresses my concerns about the highway formula by ensuring that the funds in the Highway Trust Fund flow back to those states with the significant growth in motorists and in highways. It also ensures that all states will receive 95% of the monies contributed to the Highway Trust Fund.

Most importantly, it preserves a federal role in transportation, simplifies ISTEA's structure, and ensures that state and local officials and groups will play key roles in the decision making process.

This is clearly the time and place to revisit the formule issue. The inequalities in the existing funding formule has led to nn absurd situntion in which **a majority of the Members in the U.S. House** represent states that receive fewer funds than they eend to Washington. It's time that thoss states get their feir share of federel funds.

When the Interstate Highway System was under construction, the fundamental principle that funding for the national system ehould come from ell motoriete regardlees of region, state, or city made sense because the Interetate provided benefits to the entire nation. Construction of the Interetate Highway System has now been completed. As a reeult, the rationale for continuing the current outdated highway formula no longer makes senee.

Under the highway formule, Florida has received 80 cents for every dollar sent to Weehington since 1956. In Fiecal Year 1994, the amount dropped to 73 cente. Is that logicel? Does that make eny sense? I don't think eo.
Florida has enormous transportetion needs becauss of our growing populetion and economy. My conetituents want their tax dollere to be used to meet our traneportation neede so that Florida can continue to be the most sttractive place to live and visit in Americe.

The reauthorization bill must include a highway formula that is besed on current, reasonable, and eppropriets factors. If it doee not, I believe that it will be very difficult to get the eurface transportation program reauthorized.

I urge my colleagues to support the ISTEA Integrity Restoration Act which eliminatee the winners and losers that exist under the current system - it makee tha system fair for all.

I look forward to working with my colleagues on thie Subcomeittee end in the Houee on weye to addrese this serioue problem.

Thank you, Mr. Chairman.

Testimony of
The Honorable Lawton Chiles
Governor
State of Florida
The Capitol
Tallahassee, Florida 32399-0001
(904) 488-2272
before the
Subcommittee on Surface Transportation

Thursday, July 11, 1996
Washington, D. C.

Mr. Chairman, thank you for the opportunity to appear before this Subcommittee and present the views of the Southern Governors' Association (SGA) and the State of Florida concerning the federal funding distribution formulas for highways.

The Southern Governors' Association is a private, nonprofit organization whose mission is to provide a bipartisan, regional forum for governors to help shape and implement national policy and solve state and regional problems in order to enhance the region's competitiveness nationally and internationally. SGA's nineteen members are the governors of: Alabama, Arkansas, Delaware, Florida, Georgia, Kentucky, Louisiana, Maryland, Mississippi, Missouri, North Carolina, Oklahoma, Puerto Rico, South Carolina, Tennessee, Texas, the U.S. Virgin Islands, Virginia and West Virginia.

On March 18, 1996, SGA Governors passed a resolution urging Congress to reauthorize the federal surface transportation program, to fully expend trust fund revenues generated from highway user fees and to provide greater equity in the allocation of funds to southern states. A copy of this resolution, which was approved by a 16-3 vote, is included with my testimony.

The Subcommittee is to be commended for holding this hearing on such an important issue. My appearance here today serves to highlight two striking ironies associated with transportation and the subject of this hearing.

First, on March 1, 1985, the U.S. General Accounting Office (GAO) was asked to look at the formulas and factors used to apportion federal highway funds to the states. The GAO's response to that request came in the form of a report dated March 1986 with the interesting title of "HIGHWAY FUNDING - Federal Distribution Formulas Should Be Changed".

This GAO report (GAO/RCED-86-114) was commissioned by *me* -- when I served as the senior U.S. Senator from Florida. As its subtitle clearly indicates, this GAO report strongly suggested that it was time to update the formula factors to more closely relate to today's highways. Well ... I'm here *ten years later* to echo that very same message!

The second irony involves me as a representative of SGA testifying on an issue of transportation funding fairness. For you see, the Southern Governors' Association was created in 1934 to address a pressing transportation need of the time -- discriminatory rates for transporting goods by rail. It is interesting that some 62 years later, southern governors are still fighting to ensure that our nation's transportation system treats all states equitably!

It may be worth noting that a large majority of the states in SGA are "donor states" -- whereby they receive a smaller percentage of highway funding from Washington than they contribute. Not only is the South disadvantaged from the current federal highway distribution formulas, but so is an overwhelming majority of Americans -- since they live in donor states.

Now some will say that when the present federal transportation act, known as ISTEA (Intermodal Surface Transportation Efficiency Act) was passed in 1991, it provided adequate funding safeguards for donor states. Unfortunately for donor states, they were wrong. As the accompanying FHWA table FE-221 clearly indicates, in FY 1995 ***27 states*** got back less than $1.00 for every federal gas tax dollar sent to Washington and ***17 states*** got back less than 90 cents on the dollar. In fact, South Carolina -- one of the SGA states -- only got 52 cents back on the dollar! Some have said that the funding provisions of ISTEA were a matter of "give & take." In this case these folks are right -- donors states "gave" and now we feel "taken"! The time has come to address the valid concerns of donor states.

But the task before Congress during reauthorization will not simply be one of providing greater funding equity -- important though that may be. Issues such as simplicity, flexibility and streamlining should also be addressed during reauthorization. Therefore, the real job confronting the next Congress will be to enact a federal highway law which learns from our past, allows us to live in the present and prepares our nation for the future.

Specifically, important questions concerning the federal role in highways and the level of revenue required to support this federal role must be answered by our national leadership. As I survey the federal reauthorization landscape, it appears to me that there are two current proposals which seek to answer these questions in a constructive and thoughtful way. These non-mutually exclusive plans, intended to benefit donor states and recipient states alike, are:

- **STEP 21 - Streamlined Transportation Efficiency Program for the 21st Century** This plan was developed by a large coalition of state DOTs and was introduced in the House of Representatives yesterday by Congressmen Tom DeLay of Texas and Gary Condit of California. Known in the House as "The ISTEA Integrity Restoration Act", this legislation defines the federal role as the NHS (National Highway System) and provides adequate funding to meet this national commitment by updating the distribution formula while still maintaining a donor state - recipient state relationship. For the remainder of the existing federal program, the STEP 21 proposal would streamline the myriad of program categories into one consolidated category known as the SSTP (Streamlined Surface Transportation Program). All the existing types of activities would still be eligible for federal highway funding under the SSTP category. Funding for the SSTP would be returned to the states in proportion to how much each state pays into the federal Highway Trust Fund (HTF).

- **Turnback or Rollback**
  Developed in conjunction with a variety of interested parties, this proposal is being spearheaded in the House by Congressman John Kasich of Ohio and in the Senate by Senator Connie Mack of Florida. This plan identifies the Interstate Highway System as the core federal responsibility in surface transportation. Phased in over a two or three year period, the turnback concept would keep a portion of the existing federal gas tax in order to adequately maintain the 40-year federal investment in the Interstate System. The remainder would be decreased by the appropriate amount and states afforded the opportunity to pass full or partial replacement gas taxes at the state level.

While the SGA has not yet taken action to endorse any specific legislative proposal, both of these options seek to provide greater funding equity for donor states and create more streamlined program structures. Existing state concerns, however, may make one option or the other more attractive to individual states. Speaking on behalf of the State of Florida, we are confident that either option would be a significant improvement over ISTEA.

Simply put, the time has come to deliver the real change promised in 1991 with the passage of ISTEA. It is past time to provide a more equitable balanee between federal gas tax collections and federal highway funding and to simplify and modernize the federal highway program. Lest we forget, when the Interstate Highway program began in 1956, there were 8 federal programs, 6 of which were minor, General Fund programs. A "back-to-the-basics" approach is needed to allow the flexibility needed for states and their local partners to meet their diverse needs in order to facilitate the efficient movement of our nation's people and goods.

Mr. Chairman, I appreciate this opportunity to testify. As one Governor and as a member of SGA, I look forward to the further debate which will take place, and the successful and timely enactment of new surface transportation legislation next year. Thank you.

Southern Governors' Association

Chairman, Mel Carnahan
Governor of Missouri

First Vice Chairman, George Allen
Governor of Virginia

Second Vice Chairman, Pedro Rosselló
Governor of Puerto Rico

Executive Director, Elizabeth G. Schneider

Resolution Regarding the Equitable Allocation of Federal Highway Funds

Sponsored by Governor George Allen of Virginia
Approved on March 18, 1996

WHEREAS, the Intermodal Surface Transportation Efficiency Act (ISTEA) of 1991 expires next year; and

WHEREAS, according to the 1994 Federal Highway Administration (FHWA) publication Federal Highway Statistics 1994, 14 of the 17 states in the Southern Governors' Association receive back a lower percentage of federal highway funding than their percentage share of payments into the Highway Trust Fund; and

WHEREAS, it is critical that future methods of allocating federal transportation funds be more equitable to the Southern Governors' Association states than the formula used in the past; and

WHEREAS, discussions concerning the reauthorization of the federal highway program and the equity of federal transportation funding have commenced and certainly will continue in the U.S. Congress, the federal transportation agencies and with the President; and

WHEREAS, these discussions have included the preliminary examinations of various possible ways of enhancing equity to donor states through such methods as rollbacks, block grants and improved formulas;

NOW, THEREFORE, BE IT RESOLVED by the Southern Governors' Association:

> That the Congress of the United States should enact, prior to the expiration of ISTEA, legislation to reauthorize the federal surface transportation program that fully expends trust fund revenues generated from highway user fees and provides greater equity in the allocation of funds to southern states.

BE IT FURTHER RESOLVED that copies of this resolution should be dispatched to the President, Vice President, Secretary of the U.S. Department of Transportation, appropriate congressional committees and all Members of Congress representing southern states.

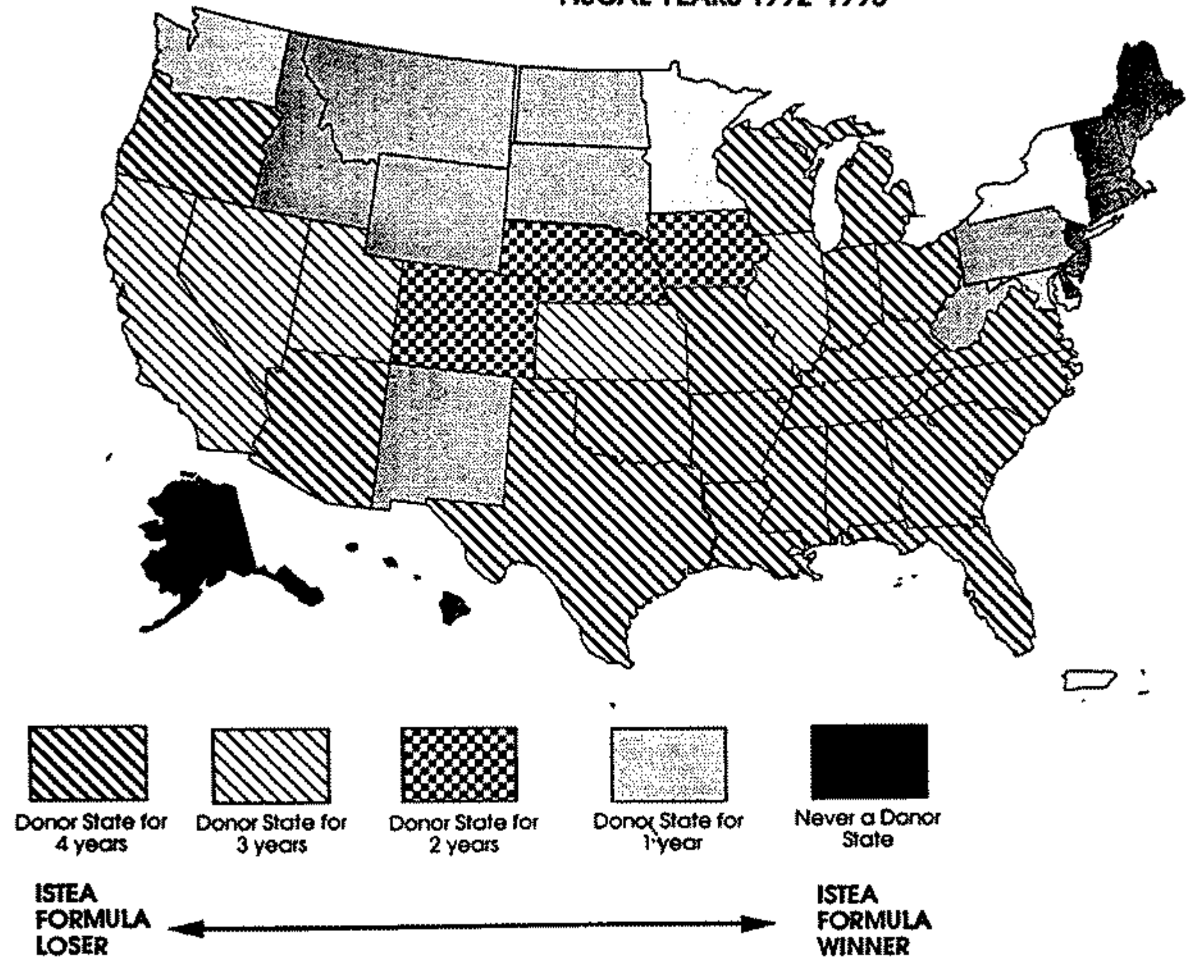
DISPOSITION:

Approved: James (AL), Tucker (AR), Chiles (FL), Miller (GA), Patton (KY), Foster (LA), Fordice (MS), Carnahan (MO), Hunt (NC), Keating (OK), Rosselló (PR), Beasley (SC), Sundquist (TN), Bush (TX), Schneider (VI), Allen (VA).

Disapproved: Carper (DE), Glendening (MD), Caperton (WV).

Hall of the States • 444 North Capitol Street, N.W. • Washington, D.C. 20001 • 202/624-5897 • Fax 202/624-7797

WINNERS AND LOSERS UNDER ISTEA
FISCAL YEARS 1992-1995



COMPARISON OF FEDERAL HIGHWAY TRUST FUND RECEIPTS ATTRIBUTABLE TO THE STATES AND FEDERAL-AID APPORTIONMENTS AND ALLOCATIONS FROM THE FUND[1]

FISCAL YEARS 1957 - 1995

TABLE FE-221
MARCH 1996

(THOUSANDS OF DOLLARS)

STATE	PAYMENTS INTO THE FUND 2/				APPORTIONMENTS AND ALLOCATIONS FROM THE FUND 3/				RATIO OF APPORTIONMENTS AND ALLOCATIONS TO PAYMENTS	
	FISCAL YEAR 1995	PERCENT OF TOTAL	CUMULATED SINCE 7-1-56	PERCENT OF TOTAL	FISCAL YEAR 1995	PERCENT OF TOTAL	CUMULATED SINCE 7-1-56	PERCENT OF TOTAL	FISCAL YEAR 1995	CUMULATED SINCE 7-1-56
Alabama	453,217	2.220	5,810,236	1.945	357,493	1.744	6,696,015	1.948	0.79	1.15
Alaska	41,216	0.202	596,258	0.200	238,302	1.162	4,156,911	1.209	5.78	6.97
Arizona	360,334	1.765	4,156,271	1.392	314,008	1.532	5,184,640	1.508	0.87	1.25
Arkansas	296,943	1.454	3,881,007	1.299	284,629	1.388	3,876,623	1.128	0.96	1.00
California	2,115,834	10.362	30,803,323	10.314	2,081,677	10.154	29,863,744	8.687	0.98	0.97
Colorado	260,695	1.277	3,825,573	1.281	238,668	1.164	5,205,669	1.514	0.92	1.36
Connecticut	209,722	1.027	3,517,298	1.178	393,038	1.917	6,270,129	1.826	1.87	1.78
Delaware	59,309	0.291	884,363	0.296	91,869	0.448	1,343,968	0.391	1.58	1.52
Dist. of Col.	26,425	0.129	340,339	0.114	111,581	0.544	2,291,929	0.667	4.22	6.74
Florida	1,035,177	5.070	13,118,090	4.392	828,298	4.042	11,904,585	3.463	0.80	0.91
Georgia	783,874	3.839	9,446,014	3.163	582,602	2.842	9,041,492	2.630	0.74	0.96
Hawaii	54,610	0.267	764,786	0.256	172,350	0.841	3,042,620	0.885	3.16	3.98
Idaho	111,130	0.544	1,430,170	0.479	180,913	0.883	2,584,289	0.752	1.63	1.81
Illinois	694,890	3.403	12,521,741	4.193	779,893	3.804	14,071,584	4.093	1.12	1.12
Indiana	568,030	2.782	8,036,645	2.691	445,736	2.174	7,090,773	2.063	0.78	0.88
Iowa	232,938	1.141	4,085,589	1.368	324,275	1.582	4,518,361	1.314	1.39	1.11
Kansas	228,956	1.121	3,773,753	1.264	272,449	1.329	4,735,136	1.377	1.19	1.25
Kentucky	399,732	1.958	6,091,611	2.040	299,860	1.463	5,328,078	1.550	0.75	0.87
Louisiana	350,283	1.715	5,442,527	1.822	290,254	1.416	5,018,618	1.460	0.83	0.92
Maine	110,735	0.542	1,635,111	0.548	112,673	0.549	2,259,314	0.657	1.02	1.38
Maryland	344,634	1.688	5,209,742	1.744	453,023	2.210	6,996,287	2.035	1.31	1.34
Massachusetts	370,469	1.814	6,032,405	2.020	781,930	3.814	10,135,435	2.948	2.11	1.68
Michigan	689,984	3.379	11,050,371	3.700	636,181	3.103	10,093,913	2.936	0.92	0.91
Minnesota	288,658	1.414	5,096,873	1.706	347,148	1.693	6,648,966	1.934	1.20	1.30
Mississippi	269,181	1.318	3,758,837	1.259	217,970	1.063	3,843,584	1.118	0.81	1.02
Missouri	531,814	2.604	7,716,798	2.584	448,119	2.186	7,502,268	2.182	0.84	0.97
Montana	100,678	0.493	1,443,221	0.483	192,162	0.937	3,541,698	1.030	1.91	2.45
Nebraska	160,114	0.787	2,433,790	0.815	149,411	0.729	2,861,468	0.832	0.93	1.18
Nevada	138,502	0.678	1,482,331	0.496	134,900	0.658	2,292,847	0.667	0.97	1.61
New Hampshire	79,721	0.390	1,149,572	0.385	94,027	0.459	1,659,907	0.483	1.18	1.44
New Jersey	570,497	2.794	8,735,328	2.925	584,365	2.850	9,038,701	2.629	1.02	1.03
New Mexico	166,515	0.815	2,331,686	0.781	232,750	1.135	3,300,588	0.960	1.40	1.42
New York	904,465	4.429	14,972,854	5.013	1,081,911	5.277	18,275,546	5.316	1.20	1.22
North Carolina	639,322	3.131	8,638,113	2.892	523,931	2.556	8,481,096	2.467	0.82	0.98
North Dakota	74,497	0.365	1,096,175	0.367	140,621	0.686	2,146,783	0.624	1.89	1.96
Ohio	757,533	3.710	13,335,457	4.465	708,641	3.457	12,433,900	3.617	0.94	0.93
Oklahoma	348,204	1.705	5,134,760	1.719	275,192	1.342	4,418,186	1.285	0.79	0.87
Oregon	270,149	1.323	3,912,879	1.310	254,796	1.243	4,730,564	1.376	0.94	1.21
Pennsylvania	882,762	4.323	13,675,846	4.579	1,068,666	5.213	15,892,145	4.623	1.21	1.16
Rhode Island	55,313	0.271	963,699	0.323	176,830	0.862	2,176,329	0.633	3.20	2.26
South Carolina	383,806	1.880	4,614,722	1.545	298,150	1.454	4,159,436	1.210	0.78	0.90
South Dakota	75,269	0.369	1,165,687	0.390	139,918	0.682	2,305,328	0.671	1.86	1.98
Tennessee	495,451	2.426	6,881,871	2.304	402,426	1.963	7,031,446	2.045	0.81	1.02
Texas	1,583,125	7.753	22,863,465	7.655	1,293,611	6.310	19,862,498	5.777	0.82	0.87
Utah	160,045	0.784	2,068,098	0.691	153,762	0.750	3,550,613	1.033	0.96	1.72
Vermont	57,897	0.284	730,339	0.245	86,531	0.422	1,638,362	0.477	1.49	2.24
Virginia	571,718	2.800	7,549,919	2.528	420,158	2.049	8,896,048	2.588	0.73	1.18
Washington	375,358	1.838	5,402,131	1.811	291,589	1.422	8,736,024	2.541	0.78	1.62
West Virginia	162,736	0.797	2,431,962	0.814	243,165	1.186	5,007,164	1.456	1.49	2.06
Wisconsin	422,061	2.067	5,990,472	2.006	376,713	1.838	5,364,708	1.560	0.89	0.90
Wyoming	93,484	0.458	1,226,320	0.411	139,494	0.680	2,445,929	0.711	1.49	1.99
Total	20,419,368	100.000	298,664,594	100.000	20,321,503	99.349	342,149,683	99.522	1.00	1.15
American Samoa	-	-	-	-	4,256	0.021	43,514	0.013	-	-
Guam	-	-	-	-	14,368	0.070	120,374	0.035	-	-
N. Marianas	-	-	-	-	4,236	0.021	29,180	0.008	-	-
Puerto Rico	-	-	-	-	87,799	0.428	1,325,611	0.386	-	-
Virgin Islands	-	-	-	-	18,728	0.091	124,046	0.036	-	-
Grand Total	20,419,368	100.000	298,664,594	100.000	20,500,890	100.000	343,793,852	100.000	1.00	1.15

1/ Payments into the Fund include only the net tax receipts deposited in the Highway Account of the Federal Highway Trust Fund. Excluded are motor fuel taxes transferred to the Mass Transit Account of the Highway Trust Fund (1 cent per gallon from April 1, 1983 through November 30, 1990, 1.5 cents per gallon thereafter); the 0.1 cent per gallon tax dedicated to the Leaking Underground Storage Tank Trust Fund beginning January 1, 1987; and the tax designated for deficit reduction (2.5 cents per gallon from December 1, 1990 through September 30, 1995, 6.8 cents thereafter); and the tax from motorboat use of gasoline transferred to the Aquatic Resources Trust Fund and the Land and Water Conservation Fund. Apportionments include fiscal year 1996 Interstate construction funds apportioned during fiscal year 1995.

2/ Total Federal Highway Trust Fund receipts are reported by the U.S. Department of the Treasury. Payments into the Highway Trust Fund attributable to highway users in each State are estimated by the Federal Highway Administration. Includes revenues from highway-user taxes only. Payments into the Fund are overstated by $1.59 billion due to a fiscal year 1994 error by the Treasury Department in reconciling estimated deposits to the actual tax revenue. The $1.59 billion was credited to the Fund in fiscal year 1995.

3/ Includes all funds apportioned or allocated from the Highway Trust Fund except for the following programs: Indian reservation roads, highway safety information, and local transportation assistance. These programs are either administered by other Federal agencies or are treated as administrative funds and cannot be easily attributed to individual States. Obligations are used to represent allocations for alcohol safety incentive grants and the Woodrow Wilson Bridge.

United States General Accounting Office

GAO

Report to the Honorable Lawton Chiles
U.S. Senate

March 1986

HIGHWAY FUNDING

Federal Distribution Formulas Should Be Changed

GAO/RCED-86-114

STEVE BUYER

Room 306
Kokomo, IN 46901

100 South Main Street
Monticello, IN 47960

CONGRESS OF THE UNITED STATES
HOUSE OF REPRESENTATIVES

COMMITTEE ON VETERANS' AFFAIRS

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SUBCOMMITTEE

CRIME

Testimony by Congressman Steve Buyer before the Surface Transportation Subcommittee on the ISTEA Reauthorization Federal Funding Distribution Formulas

July 11, 1996

Thank you for the opportunity to testify before the Surface Transportation Subcommittee on the Federal Funding Distribution Formulas of the ISTEA Reauthorization.

I am pleased that I am joined by Congressman Lee Hamilton, Dean of Indiana's Congressional Delegation, and Dennis Faulkenberg, Indiana Department of Transportation's Deputy Commissioner and Chief Financial Officer.

As the Interstate Highway System was being planned and constructed during the 1950s and 1960s, it became necessary to use federal funds to plan and construct an integrated system of highways from coast to coast. Decades later, the system is in place and it is time that we refocus our goals and reevaluate how federal funding should be distributed and utilized.

While new projects around the country are still being funded and constructed, Indiana would barely have the resources to maintain its current system.

As all Americans do, Indiana residents pay a gas tax each time they pull up to the gas pump. They faithfully pay the gas tax with the expectstion that it will be returned to improve and maintain Indiana's highways. However, the facts are that Indiana only receives $ .82 for every $1 sent to the highway trust fund. Back in 1991 it was as low as $ .77. Meanwhile, some states are receiving more than twice the funds they pay into the trust fund. This inequality has turned our country into "have and have not" States.

For years now Indiana has waited patiently for the completion of the highway system. Now that the focus is changing from creating to maintaining, it is time to bring equality back into our highway system.

In my district, the Hoosier Heartland Corridor has been in the works for over ten years. This project is vital to the safety and economic future of Indiana. The irregular, unfair system of returning funds back to the States has caused the delay in the construction and progress of this worthwhile project, that will generate $3.40 for every $1 spent to build it.

I have a copy here of the June 13, 1996, Pharos-Tribune Newspaper from Logansport, Indiana, in my district. This highlights a bridge, a segment of the Hoosier Heartland Corridor, that was successfully built two years ago. The problem is that no road has been constructed to connect to the bridge. $2.5 million was spent on constructing the bridge to nowhere.

I realize that the State's role is also crucial to this project. I have complete confidence that the Indiana State Government, along with the Indiana Department of Transportation, will continue to place a high emphasis on this project and properly and efficiently utilize state and federal resources for the development of the Hoosier Heartland Industrial Corridor.

The ISTEA Integrity Restoration Act, also known as Step 21, was introduced in the House yesterday. This bipartisan legislation has been endorsed by 22 states. It will provide for a flexible and streamlined program, while maintaining a strong federal role in highways by adequately funding the National Highway System. The equitable funding figures will benefit 43 states, and all 50 states will benefit from increased program flexibility and regulatory relief.

The Federal government has an important role in our national highway system, but it should be based upon reasonableness and fairness. As you continue to examine the ISTEA reauthorization, I implore you to carefully consider the ISTEA Integrity Restoration Act.

Statement by
Congressman Gary A. Coedit
Before the
House Transportation and Infrastructure Committee
July 11, 1996

Good Morning.

I would first like to thank you, Mr. Chairman, for holding this hearing and applaud your efforts in exploring this issue of great importance to Americans everywhere. With my great interest in reforming government regulation and instilling fairness and common sense in our laws, I look forward to this opportunity to delve deeper into the problems inherent in the structure and administration of the Federal Highway Trust Fund and its many programs. America has one of the best highway surface transportation systems in the world, but this is not to say that it is absolutely perfect. Rarely do we find a program that leaves no room for improvement.

As America moves into the 21st century, our transportation needs will change and our policies must change to meet these needs. During the 20th century federal policy was designed to promote the creation of surface transportation systems, and it has succeeded in establishing a highway infrastructure that serves as a model to many other countries. Today, however, the same policies are failing, not because they are poorly designed, but because they are outdated. While the 20th century was about the creation of a highway system, the 21st century will be about the maintenance of the highway system we now have. While there will still be some highway construction, we will not again see the type of unprecedented large scale construction that this century saw. This represents a fairly dramatic change in what our policies must aim to achieve. Highway maintenance is not as simple and straightforward as highway construction. Highway construction can conceivably be guided by a "one size fits all" federal policy, and it was. All highways had to be constructed in roughly the same way and it is reasonable to hold all to the same standards of safety, mobility, and economic development. During the next century, however, the needs of each state will become quite diverse. Different states will face different transportation needs and maintenance problems. As we look to the future, we must reconstruct federal policy in a manner that embodies more flexibility so that states can effectively deal with their diverse needs, such as mass transportation initiatives. While air pollution reduction money may help California, it probably won't do much for Montana. Because of the current federal "one size fits all" policy, Montana can't spend it's air pollution reduction money on other transportation programs which may benefit the state. This is the type of policy that must be reformed.

The Intermodal Surface Transportation Efficiency Act of 1991, better known as ISTEA, was our nations first post-Interstate highway and transit program. It made some desirable changes in federal surface transportation policies, but in some cases ISTEA went to far with its myriad of prescriptive rules and mandates. In other cases, ISTEA did not go far enough, failing to modernize the outdated federal funding allocation formulas. America needs to once again be bold in shaping its vision for the federal surface transportation program.

In my opinion, we must pursue a policy which accomplishes three things:

1) It must give states greater freedom to choose how they spend their money. Under current law states can only spend certain funds on specific programs. This severely limits their ability to cope with their unique needs and promotes inefficiency and waste. We must move from a "one size fits all" policy to a policy of reasonable self determination.

2) It must distribute funds more equitably so that large states receive the vast majority of what they pay into the highway trust fund. Larger, more populous states have greater highway needs and require more funding than smaller states. However, we still must create programs to help low density, large land area states provide efficient surface transportation.

3) It must simplify the funding procurement process through modernization of Federal Trust funding formulas. This will propel Federal Highway Trust Fund administration into the 21st century by meeting the funding needs and changing the funding priorities to better reflect today's world.

I believe that to ensure a good infrastructure and fast, efficient transportation for the 21st century we must bring some common sense back into the management of the Federal Highway Trust Fund.

I am looking forward to this hearing to explore ways in which this can be accomplished. It will require hard work to find good solutions, but we cannot let that deter us. We must not avoid it merely because it is difficult. Without a doubt, we will find a solution. This hearing is the first step in the right direction.

TESTIMONY BY JOHN B. OALY
COMMISSIONER
NEW YORK STATE OEPARTMENT OF TRANSPORTATION
PRESENTEOTO THE SURFACE TRANSPORTATION SUBCOMMITTEE
OF THE HOUSE COMMITTEE ON TRANSPORTATION ANO INFRASTRUCTURE
JULY 11, 1996

Introduction

I am John Oaly, Commissioner of Trensportation of New York State. I am pleased to submit the following testimony conceming ISTEA Reauthorizetion: Maintaining Adequete Infrestructure Federal Funding Distribution Formulas. New York Stete Department of Transportation has responsibility for e $2.4 billion annual highway construction program, e $1.3 billion ennuel trensit operating and capital assistance program, end planning, financing and oversight of rail passenger end freight, aviation, end weter bome trensportation in the State of New York. Our State is currently implementing a $23 billion, multi-year transportation financing peckege for both highwey end mess transit capital programs, with each mode receiving nearly $10 billion in federel and state funds. Federal funds comprise ebout 40 percent of highway capital spending in New York, while the federal share for transit capital improvements hes decreased to 25 percent under current federal funding levels. A recent USDOT report mandated by ISTEA on the relative level of effort mede by the verious statas to support trensportetion with stete end local funds concludes that New York's relative level of effort to improve highwey end transit fecilities and services in the state is second in the Nation. At $599 per capita in state end local funds for highweys end transit, New York's level of effort is 75 percent over the National everege of $319 per cepite.

I would like to share New York State's experience in implementing ISTEA with the Subcommittee and offer our recommendetions on principles to consider when examining the ISTEA formules used to distribute Federel Transportation funds.

Reauthorize ISTEA--Meke e Good Law Better

In 1991 Congress struggled to define the Federal role for the post-interstate era. The result -- ISTEA -- reflects a major change in surtece transportation policy from the previous Federel surtece trensportation policies which guided our nation through the construction of the interstate system. Insteed of the top down federally defined system of the Interstete years, ISTEA returned the decision making euthority to stete and local govemments in a way thet provides local flexibility while meintaining a Federal role in transportation decision making.

While ISTEA is not perfect, states, local govemments end rogional organizations have invested significant time and resources In implementing this landmark legislation. As we continue to progress es e nation, we must improve and refine the Federal surtace trensportation policy. However, we must elso ensure thet, es a nation, we continue to strive to provide en Integrated multimodel transportation system.

Maintaining the basics tenants of ISTEA -- shared responsibility for national transportation interests, encouraging public participation in the planning process and the promotion of environmentally friendly intermodal transportation projects -- is paramount to this effort.

This landmark legislation overwhelmingly approved by bi-partisan majorities only five years ago is providing America with the intermodal transportation needed to effectively compete in the global economy. We believe that for the most part, ISTEA is working very well and that Congress should reauthorize the programs and formulas embedded in the present legislation with minor changes needed to make a good law better.

New York is not alone in supporting the reauthorization of ISTEA along these lines. In fact, these principles are embodied in a resolution signed by the Transportation Officials of all eleven Northeastern States, Puerto Rico, and the District of Columbia. These ideas of shared responsibility, public participation, and enhancing the environment through intermodal projects is also reflected in the recent statement by California of what that state seeks in the successor to ISTEA.

The Donor State Issue Is Irrelevant to the Reauthorization Debate

The donor state issue has everything to do with politics - - and nothing to do with satisfying national transportation needs. While the Donor State issue must be addressed as part of developing a political consensus, it should not be the centerpiece of Federal Transportation Policy.

The system of ISTEA formulas for distribution of Federal funds represents a responsible balance between addressing the individual states' relative transportation needs and the relative amounts of Federal taxes contributed by each State. To destroy this balance by ignoring the relative needs of the states and basing the apportionment of Federal funds primarily upon the ability of each state to collect fuel taxes, as advocated by the so called "Donor States" would be counter to the whole concept of Federalism. Further, the highway program is the only Federal program which even considers the revenue contributed by each state as a factor in distributing Federal-aid.

When California has an earthquake, or Florida has a hurricane, or the Mississippi and Missouri Rivers flood and the affected states need funds to rebuild and replace the damaged transportation infrastructure, the entire Nation addresses these needs without regard to whether the taxes used were raised in the affected states. Billions in Trust Fund dollars have been allocated on the basis of need to donor and donee states alike. Similarly, where the funds are raised should not be a major consideration in distributing funds to rehabilitate or replace deficient bridges, to keep our National Highway system in good repair or to mitigate congestion and clean the air in non-attainment areas.

For example, in response to the savings and loan crisis, the Resolution Trust

Corporation was formed to help bail out depositors, but each state was not asked to contribute according to the amount of dollars lost in that state. If such an approach had been taken, the State of Texas alone would have faced costs of over $26 billion, while it would have cost the New York State only $3 billion dollars. Under the federal system, which allocates national resources to meet national needs, the taxpayers of New York shouldered a significant portion of the problem in Texas.

A recent publication produced by the John F. Kennedy School of Government at Harvard compares total Federal domestic outlays in each state (i.e., payments to individuals; grants to state and local governments; procurements; federal wages and salaries; and others) to total Federal taxes contributed by the residents and businesses of each state. The report shows that for 1994, many of the most vocal of the so-called "Donor States" received far more in total Federal domestic outlays than their citizens paid in all Federal taxes (including the fuel tax).

For example, Virginia was the beneficiary of almost $14 billion in excess Federal funding. In contrast, states considered "Recipient States" by the advocates of returning Federal fuel taxes to the State collecting them (e.g. New York, New Jersey and Illinois) contribute far more in taxes than are ever received in Federal expenditures. New Yorkers alone contributed over $18 billion in excess payments. The equitable treatment of states like New York, New Jersey and Illinois by ISTEA does not begin to address the negative balance of payments relative to the total budget which the are bearing. When Congress discusses Donor States, they should be talking about these states.

In developing the legislation to reauthorize ISTEA, we hope that the Congress will keep intact the innovative and flexible programs established by ISTEA and preserve or update the balanced system of formulas for the distribution of Federal-aid which considers the relative needs of each state as well as their contribution of Federal highway taxes to the Trust Fund.

I recognize that ISTEA is far from perfect and requires some adjustment to consolidate overlapping programs and modernize some of the apportionment formulas which have become out of date. To that end we propose the following modest changes to ISTEA distribution formulas:

NHS and Interstate Maintenance Program

With the approval of the NHS and incorporation of all Interstate highways into that system, it is logical to combine these two programs into a single program. Presently, about 16 percent of apportionments are allocated to Interstate Maintenance and 20 percent to the National Highway System Program. Given our priorities, I would suggest that about a third of the federal apportionments should be devoted to the combined NHS program. It is anticipated that a major portion of Bridge Program funds would also be used on NHS bridges, bringing the minimum expenditures on the improvement of the NHS to as much as 40 or 45 percent of total apportionments.

The prasent formula for apportionmant of NHS funds is besed upon average epportionments to each stata during the 1987 to 1991 period an^d should be updated to reflect the reletive condition end naeds of the NHS in aech Stete.

Surface Traneportation Progrem (STP)

It is proposed to continue STP es currently structurad with few or no chenges. I support continued set-asida for safaty, enhancements, and urbanized ereas. New York State supports the flexibility to use STP funds as naeded for highways or transit. It is proposed that about ona-third of the emounts evailable for highway apportionments ba allocated to this importent program. However, the epportionment formule besed upon the 1987 to 1991 federel-aid distribution must be updated to raflect currant needs.

Highwey Bridge Replacement and Rahabilitation Program

The success of the HBRR Program is avidenced by the 15 percent decrease in the number of deficient bridgas between 1990 and 1994 (from 111,200 to 94,800). I propose to continue to devota at least 15 percent of the apportioned funds for this basic progrem, plus a discretionary program funded at $100 million ennually to taka care of major projects which cannot easily be handled by annual state apportionments.

The time-tested current formula based upon estimates of the relative cost of replecing and rehabilitating deficient bridgas in each state accurataly reflects the relative bridga needs of the statas and should ba continued, except that to conform with most of the othar formulas which guarantee aach state at laast 1/2 percent minimum apportionment, considaration should be given to increasing the 1/4 parcent minimum included in the bridga formula to 1/2 percent.

In addition, the currant Bridga Progrem distribution formula imposes e 10 percent maximum limitation on eny state's Bridge apportionment. This is the only categorical program that imposes such e limitation, regardless of needs, and only New York and Pannsylvenia are adversely affected by this arbitrery limit. Without this cap, New York State would be epportioned 16 percent of Bridge Program funds. In Manhatten elone, there are 20 bridges linking the island to tha rast of the world. The oldest was completed when thera were only 38 states. Each day, those bridges carry 1.7 million cars. Almost one-half million of thosa trips are interstate in nature. There are 24 states that have lass than 1.7 million cars ragistered in their entire raspective states. I would ask Congress to raise tha bridga cap from 10 percent to 12 percent so that Federal funding can mora nearly approach meeting New York's enormous bridge rehabilitation and raplacement needs.

Interstate Reimbursement Program

The Federal-eid Highway Act of 1956 which provided the first funding for construction of the Interstate Systam, directed the Bureau of Public Roads to determine the cost of reimbursing States for construction of highways incorporeted into the

Interstate System that were completed or under construction prior to June 30, 1957. The study identified 10,859 miles of highway construction valued at $5 billion in 47 states which were eligible for reimbursement. The replacement cost in 1991 dollars was almost $30 billion and ISTEA established e 15-yeer schedule to repay the contributing states the amounts that were advanced by the states for construction of Interstate Highways. The Interstate Reimbursement Program is a debt that the Federal Govamment must repay. If New York and other states had not built significant portions of the Interstata System out of their State treasuries, we weuld not be celebreting the completion of the Interstete Highway System on the 40th Anniversary of the Intarstate System this yaar. Instead, we would still have some $30 billion worth of Interstate Highway projects awaiting Federal funding. We have patiently waited forty years for payment of the Federal shera of stete highways doneted to the Interstate System. I urge Congress to adhera to ths 15 yeer repeyment schedule initisted in ISTEA and not default on this Federal debt to the statas.

Congestion Mitigation and Air Quality Improvement Program (CMAQ)

We face tha dual problams of congestion and pollution, but we are finding they can often be teckled simultaneously. Despite impressive improvements in air quality achieved over the last faw years, thera is still a need for improvement of air quality in the many urban areas that have not yet achieved the required levels of attainment. There is also a need to continue funding for the maintenance sress that have come into attainment since 1991 to insure thst they do not fall bsck into non-attainment. In addition, traffic congestion is rapidly increasing and is contributing to air pollution in all urban arees.

The CMAQ progrem should be continued and expanded. Tha eligibility to include the cost of establishing or opereting traffic monitoring, management an' control facilities which will address congestion in non-attainment arees that was included in the NHS Designation Act must be broadened. USDOT estimates that as much es two thirds of the capacity the we will need in our Nation's most congested corridors can be provided by Intelligent Transportation Systems at one querter the cost of normal construction. Expanding the use of CMAQ funds to deploy ITS technology and other congestion mitigation techniques in attainment and non-attainment areas alika can help prevent the deterioration of air quality in all urbanized areas.

We would suggest updeting of the present CMAQ formula which is bssed upon the population and severity of pollution of 1991 non-attainment areas to reflect: population and severity of the areas which ars still in non-attainment; the population snd a reduced severity factor for present maintenance sreas; and population of all urbanized ereas.

Equity Programs

Minimum Allocation

Thara are currently four saparata Minimum Allocation programs to address the balance between the estimated amount of taxes and fees that ara collected in each state and the amount of Faderal Highway funds allocated to aach state. These Minimum Allocation programs ara part of a nagotiated package inserted into tha legislation in order to get closura, and pass the bill. Minimum Allocation serves an important political function. Minimum Allocation does not address needa or serve a transportation function. Wa racognize tha political necessity for Minimum Allocation, but we question the wisdom of having four separata Minimum Allocetion programs. I urge Congress to consolidate and simplify the four Minimum Allocation programa into a single formule calculation that maintains the increase from 85 percent to 90 percent minimum allocation astablished by ISTEA.

In celebration of the 40th Anniversary of the initiation of the federally funded Interstata Construction Program "The Road Information Program" published tables comparing the condition of Interstata pavements and bridges in each state. Despita a massive level of efforts by New York to correct daficiancies, because Naw York haa some of the oldest sections of the Interstata System (many pre-dating tha initietion of the Interstata Program) the parcentage of our interstate pavements and bridgas rated "poor" and "daficient" ara wall above national averages. In considaring relativa national transportation needs, it makes little sense to be reallocating scarce federal transportation resources from New York to states like Georgia, which raports only 5 miles of their 1242 miles of interstate pavamants in "poor" or "mediocre" condition or to Florida, which reports only eight of their 1776 interstate bridges es "structurally deficient."

Hold Harmless

Hold Harmless is a different equity progrem. It is dasigned to buffar the effect of radical changes in Federal funding policy on Stata Highway program budgets. The ISTEA Hold Harmless formula provides additional funding for states whose share of apportionments and allocations wera dacraasad by the provisions of ISTEA. The calculation of apportionments compares each steta's ISTEA apportionmants end allocetions with average apportionments each state received in 1987-1991. We recognize that continuation of such a formula is hard to justify. However, abruptly ending the Hold Harmless program will have a davastating effect upon thosa states who currently depend on payments under this program. If Congrass alects to discontinue this program, I urge that consideration ba given to gradually phasing out the program over the course of the Reauthorized ISTEA.

Summary

Tha federal/state/local partnership forged by ISTEA works in New York State. It helps us mova goods and people safely and efficiently, and helps us compete in the global markatplace. ISTEA provides a responsible balance between addrassing the individuel states' reletive trensportation needs and contribution of taxas contributed by aach State. I urge Congress to reauthorize ISTEA and make a gond law better.

TESTIMONY ON STEP 21 – "ISTEA INTEGRITY RESTORATION ACT"
SUBCOMMITTEE ON SURFACE TRANSPORTATION
FEDERAL HIGHWAY FUNDING FORMULAS HEARING
CONGRESSMAN TOM DeLAY
July 11, 1996

INTRODUCTION

The formulas we use today to distribute federal highway funds to the states have broken down alongside the road. As our nation speeds into the 21st Century, those formulas force state departments of transportation to steer the development of our nation's transportation system with both hands firmly grasping the rear view mirror.

In response, yesterday my colleague, Mr. Condit, and I introduced "The ISTEA Integrity Restoration Act." This legislation accomplishes four primary objectives:

- Funds the National Highway System as the key federal responsibility.
- Simplifies and makes more flexible the federal highway program.
- Updates the antiquated federal funding distribution formulas.
- Equitably balances the amount of federal gas tax dollars collected from each state with the amount of funding each state receives back from the federal Highway Trust Fund.

When enacted, our proposal will at last focus our Nation's surface transportation programs on the 21st century. State DOTs can finally let go of the rear view mirror and get their hands firmly on the steering wheel.

FOCUSING FEDERAL RESPONSIBILITY

Last year, this Congress designated 163,000 miles of our nation's most important highways as the National Highway System. When that system was established in ISTEA, we said it would be:

> *an interconnected system of principal arterial routes which will serve major population centers, international border crossings, ports, airports, public transportation facilities, and other intermodal transportation facilities and other major travel destinations; meet national defense requirements; and serve interstate and interregional travel.*

As established, the National Highway System was to include the entire Interstate system, other urban and rural major highways, and other highways connecting that system to major ports, airports, and other intermodal transportation facilities. We have identified 29 corridors as highway corridors of national significance and directed that these high priority corridors be included on the National Highway System to further serve the travel and economic needs of the nation and improve the efficiency and safety of commerce and travel.

The purposes of the National Highway System -- interstate and international commerce, national defense, and the safety and mobility of our people -- are the basic responsibilities of our federal government and should be our priorities. This network of major highways connects our population centers and links essential hubs of production to expanding world markets. The NHS must serve Americans in every state, and must allow the American people and the products they produce and need to move efficiently through every state. Some states with low population density will require assistance from the funds derived from federal highway user fees paid by those in larger, more popolous states.

The ISTEA Integrity Restoration Act maintains a strong National Highway System to guarantee consistent mobility and economic benefits for all states and the nation as a whole.

SIMPLICITY AND FLEXIBILITY

As America enters the 21st Century, and encounters the many challenges and opportunities that it will offer, our nation needs a streamlined federal surface transportation program that will position its citizens and economy to respond well to this dynamic new era.

The ISTEA Integrity Restoration Act consolidates various existing federal highway programs into two simple ones: the National Highway System Program and the Streamlined Surface Transportation Program.

Our bill continues the eligibility of all current ISTEA activities, but gives state and local transportation officials the responsibility and authority to decide on what, when, where, and how much to spend to meet their diverse transportation needs. Too often state DOTs have a surplus in one category and inadequate funding in another because the federal govemment has decided it knows better than the state what its needs are.

In sum, the ISTEA Integrity Restoration Act provides for a more streamlined, responsive, and flexible surface transportation program that reduces the prescriptive role of the federal govemment. This will ensure that states -- working together with their local partners -- can respond to their own needs with individual solutions, instead of being limited by the current array of "one-size-fits-all" federal requirements.

UPDATING FORMULAS

Since ISTEA weot into effect, only Interstate Maintenance Program funds are distributed to the states based on the extent of the highway system supported and the wear and tear on those highways. For other programs, including both the National Highway System funding program and the Surface Transportation Program, neither state's population, the size of the system of highways and bridges, nor the oumber of people or tons of freight moving across a state's highways has made any differeoce in the share of federal-aid highway funds it receives.

Instead, each state's share of these funds today is determined by the share of all highway funds that state received between 1987 and 1991. Aod the share of all highway funds a state received between 1987 and 1991 was determined in part by that state's population in 1980, nearly twenty years ago. Other factors in determining the 1987-to-1991 share include the size of the state's highway system during that period and the traffic that system carried. Perhaps the most irrelevant factor is the number of rural postal delivery miles in the state -- a measure the Post Office quit using more than 40 years ago! These formulas penalize states that are home to increasing numbers of Americans and dramatically increasing traffic.

In its 1995 analysis of highway funding formulas (Highway Funding: Alternatives for Distributing Federal Funds, GAO/RCED-96-6, pp. 4-5), the General Accounting Office reported:

> *The formula for apportioning federal highway funds among the states derives from a complicated set of calculations involving consideration of 13 specific funding categories. In some cases, these complex calculations can prove to be an essentially meaningless exercise...*
>
> *A further concern ...is that irrelevant or outdated factors underlie the funding calculations for certain programs. GAO reported in 1986 that two of the factors that underlie certain key decisions about apportionment -- postal road mileage and land area -- were irrelevant to either the extent or use of the modern highway system. ISTEA restructured the major highway programs, but the states' funding for the two largest programs -- the National Highway System and the Surface Transportation Program ... remains linked to these irrelevant factors.*

The ISTEA Integrity Restoration Act's system of apportionment is objective, simple, and free from the obsolete characteristics of the current federal funding system. It is based on relevant factors such as the size of the public highway system in each state, the number of vehicle miles traveled, and the amount of diesel fuel purchased. In other words, factors that demonstrate where highways are actually being used.

FAIRNESS AND EQUITY

The ISTEA Integrity Restoration Act also creates an objective, simple method of distributing highway funds among the states that strikes a more equitable balance between the contributions paid by each state's motorists and the funds returned to that state. Our bill establishes the following two programs:

- An **Equity Program** which ensures that all states receive at least a 95 percent return on the payments made to the federal Highway Trust Fund. Ideally, the NHS Program and SSTP would provide more than a 95 percent return for all states. If not, the Equity Program would ensure this 95 percent return level.

- An **Access Program** which ensures an adequate level of resources for highways in large land area, low population density states and in states with small land area and low population density. This would help provide the road systems that are urgently needed for national mobility, economic connectivity, and national defense.

CONCLUSION

The upcoming surface transportation reauthorization process represents an opportunity to prove our commitment to creating "the new wealth of the Nation" talked about in ISTEA. We can free up the creativity and sk'll of the states to respond to the challenges of moving people and goods more efficien.'y in a global economy.

The DeLay/Condit ISTEA Integrity Restoration Act is not a radical departure from ISTEA. It builds on traditional partnerships while modernizing federal aid formulas that are inadequate to meet the mobility and economic development needs of the next century. This Act strikes the appropriate balance between the national interests in highways, and the rights and responsibilities of each state. I hope this Committee will look favorably upon it in the months to come.

Thank you.

TILLIE K. FOWLER
4TH DISTRICT, FLORIDA
DEPUTY MAJORITY WHIP
REPUBLICAN STEERING COMMITTEE

NATIONAL SECURITY COMMITTEE
SUBCOMMITTEE ON MILITARY READINESS
(VICE-CHAIRMAN)
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TRANSPORTATION AND
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TESTIMONY OF CONGRESSWOMAN TILLIE K. FOWLER

BEFORE THE

SURFACE TRANSPORTATION SUBCOMMITTEE

JULY 11, 1996

Mr. Chairman, I am pleased to be here today with my distinguished colleagues from Florida to discuss the issue of funding formulas.

As you know, my assignment to this Committee started with this current Congress. One of the first things I discussed with this Committee leadership, was the need to address the funding formulas under ISTEA.

As the representativa of a "donor state," I am acutely aware of the shortfalls experianced in my state due to the current funding formulas. Florida has received a mere 73 cents for evary dollar sent to the Highway Trust Fund since 1994. This shortfall of 27 cents is devastating to tha transportation infrastructure and needs of my state. Ita impact is best illustrated in comparison with other states. Although Florida ranks third among the states in population growth, third in terms of vehicles, third in terms of vehicle miles traveled and fourth in terms of population, the state ranks a dismal 47th in terms of receipts from the Highway Trust Fund.

Not only would a shortfall of this size hurt any state, it is particularly devastating to Florida for two reasons. First, Florida is a growth state ranked third nationwide for population growth since 1990. Increased population means increased transportation needs. We simply cannot continue to send revenues generated within the state to other states when our own needs are so apparent and growing daily.

Second, Florida is host on a daily basis to millions of tourists. We are held responsible for providing transportation infrastructure for these visitors yet cannot retain control over the users fees, or taxes. collected from these visitors.

Mr. Chairman, the current funding formulas have to be changed. If Florida were the only state so disparately treated, maybe this would be a futile issue for my colleagues and I to pursue. But application of the current formula results in almost half of the states being donor states. While most of us may agree in the need for maintaining an interstate highway system, a formula that leaves half of the states at such a significant disadvantage simply must be changed.

I look forward to working with the Chairman and this Committee in addressing this shortfall and providing a more equitable distribution of these precious federal highway dollars.

LEE H. HAMILTON
9TH DISTRICT, INDIANA

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July 11 1996

The Honorable Lee H. Hamilton
Testimony before the Subcommittee on Surface Transportation
Hearing on ISTEA Reauthorization and Federal Funding Distribution

Mr. Chairman, thank you for the opportunity to testify on the distribution of federal highway funding among the states. I am appreciative that your subcommittee is giving careful consideration to this. This is a very timely issue. Your subcommittee has before it a formidable task in the writing of an Intermodal Surface Transportation Efficiency Act (ISTEA) reauthorization bill. Part of that task includes addressing the inequitable allocation of federal tax dollars.

I am from Indiana. Indiana is a donor state. For each dollar Hoosiers give into the highway trust fund, we receive only 85 cents. We feel strongly that there can be a more equitable distribution of federal highway funds.

Infrastructure investment is essential to economic development and quality of life. It helps businesses grow and expand, and it means more jobs. Without a sound infrastructure in all of our states, the U.S. will find it increasingly difficult to maintain our high standard of living and competitive edge internationally.

Yet while our infrastructure needs continue to expand, public investment in recent decades has fallen short. I do not agree with cuts in infrastructure spending. They are shortsighted.

How do donor states get a fair return?

The solution is the <u>ISTEA Integrity Restoration Act</u>, also known as STEP 21. This bill will ensure that all states receive at least a 95 percent return on the payments they make to the federal trust fund. It is not in the best interest of our nation to have complete, well-built roads and bridges in some states while other states have dilapidated infrastructure.

Mr. Chairman, as your subcommittee prepares to write an ISTEA reauthorization bill in the next Congress, I urge that you and your colleagues think of the donor states and their citizens. We deserve our fair share of federal highway funds and the ISTEA Integrity Restoration Act will ensure we do.

JOHN N. HOSTETTLER
8th District, Indiana

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Statement of

the Honorable John N. Hostettler

Surface Transportation Subcommittee

Reauthorization of the Intermodal Surface Transportation

Efficiency Act of 1991

July 11, 1996

Thank you, Mr. Chairman. I appreciate the opportunity to testify today regarding the reauthorization of ISTEA and the federal funding distribution formulas.

Every time our nation's taxpayers pull into a gas station and fill up their cars, they send money to Washington to build new highways and maintain our current road system. Hoosiers paid $412 million into the fund -- collected a few pennies at a time as a 12-cent-per-gallon tax on gasoline pumped in Indiana -- in the last year for which we have complete figures.

Indiana, however, only receives 82 cents of each dollar we send to Washington. In fact, since the Highway Trust Fund started collecting taxes in the mid-1950s as we began building the Interstate Highway System, Indiana has paid $7.1 billion into the program, and we've received

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only $6.25 billion. In other words, Indiana has paid $850 million more into the Highway Trust Fund than we've received.

Indiana is not the only donor state, however, there are 23 additional states which contribute more to the Highway Trust Fund than they receive. Now that the Interstate System is complete, it is time for donor states to receive a better return on their investment.

The "ISTEA Restoration Act," of which I am an original cosponsor, corrects this inequitable formula. In addition to a National Highway System Program, a Streamlined Surface Transportation Program, and an Access Program, this Act proposes an Equity Program to ensure that all states receive at least a 95% return on the payments made to the federal Highway Trust Fund. Ideally, the National Highway System Program and the Streamlined Surface Transportation Program would provide more than a 95% return for all states. If not, the Equity Program would ensure this 95% return level.

This legislation strongly supports a federal surface transportation program that includes a much more equitable balance between payments made to and funds received from the federal Highway Trust Fund. However, there is also recognition that states with large land areas and low population densities will continue to need additional assistance in providing the road systems that are urgently needed for national mobility, economic connectivity and defense.

Under this Act, apportionments of federal highway funds to the states would be objective, simple, straightforward and freed from the obsolete characteristics of the current federal funding system.

Donor states like Indiana would finally receive their fair share after years of contributing to the Highway Trust Fund. This increased funding would go a long way in allowing states to achieve infrastructure goals appropriate to their needs and localities.

As we look towards the reauthorization of ISTEA, I would encourage you to seriously consider the proposals outlined in the "ISTEA Restoration Act." I believe it provides fair, flexible, streamlined responses to our nation's infrastructure needs.

Thank you, Mr. Chairman.

Dennis E. Faulkenberg
Deputy Commissioner and Chief Financial Officer
Indiana Department of Transportation

US HOUSE OF REPRESENTATIVES

TRANSPORTATION AND INFRASTRUCTURE COMMITTEE

SUBCOMMITEE ON SURFACE TRANSPORTATION

JULY 11, 1996

Thank you Mr. Chairman and Members of the Subcommittee. I appreciate having the opportunity to share with you the State of Indiana's position on the reauthorization of ISTEA, and specifically, the highway funding formula issue.

The enactment of the Intermodal Surface Transportation Efficiency Act in 1991 promised improvements in the distribution of funding among states to address the mounting discontent of the donor states. With ISTEA's rather convoluted combination of programs to attempt to provide states a more equitable return, we were promised great gains in the funding equity challenge. However, we now see that the attempt to achieve equity was for the most part, a dismal failure. Every donor state pre-ISTEA, remains a donor state today, having gained little or no ground in receiving a fair rate of return. In the State of Indiana, Hoosiers only see 82 cents returned to our highways for every dollar we send to Washington in our Highway Trust Fund contributions.

Out of the discontent of the highway donor states, grew an effort in which my state has been very involved during the past two years, the STEP 21 Coalition. As we worked to develop a program structure and funding formulas which lend themselves to our goal of equity, we developed a program proposal for the next ISTEA which is also attractive to many non-donor states.

The result of this effort is the STEP 21 program. STEP 21 is an acronym for "Streamlined Transportation Efficiency Program for the 21st Century." The STEP 21 Coalition includes nearly all donor states in the nation and three non-donor states, for a total of 22 states. Also active in the STEP 21 Coalition are 16 other states from throughout the country, who are considered "active observers" of the coalition. In total, these 38 states have been full partners at the table in the development of these program proposals.

The STEP 21 approach for reauthorization is simple: it builds on the progress made in ISTEA, yet, it streamlines the multitude of current programs into just two:

- National Highway System (NHS)
- Streamlined Surface Transportation Program (SSTP)

The NHS would receive 40% of total funding, while the SSTP would be allocated the remaining 60%.

Our program would retain the eligibility for all current eligible ISTEA activities, preserve the funding set-asides for areas over 200,000 population, and preserve the transferability provisions included in ISTEA.

Formulas for the two programs would be simple, logical and technically sound. The NHS formula is based on 1/3 public lane miles, 1/3 vehicle miles travel, and 1/3 diesel fuel consumption. These factors address the size and use of a state's highway system, as well as the damage caused by trucks. The Streamlined Surface Transportation Program (SSTP) would allocate funding to states based on each state's contribution to the Highway Trust Fund; in other words, a dollar in, dollar out basis.

STEP 21 also provides for an access program in the formula structure to give low population large land area states adequate funding, as well as that same protection for small eastern states. Finally, it guarantees that each state receive at least a 95 per cent return on its contributions to the Highway Trust Fund.

As we began this process, the STEP 21 Coalition debated long and hard about what the Federal role in transportation should be, if any. After, much debate we decided that there is a necessary and important Federal role in transportation. That role is the keystone of the STEP 21 program: a well funded National Highway System, with other program components being built around it. However, the frustration is great among the states who are tired of sending their highway funds to Washington, only to get back 75 to 80 cents of each dollar sent, as well as those states who so desperately need the program simplification that STEP 21 offers.

We look forward to working with you in addressing these concerns and other issues that arise in the reauthorization debate over the next 18 months. Thank you.

THE HONORABLE TIN HUTCHINSON

COMMITTEE ON TRANSPORTATION AND INFRASTRUCTURE

SUBCOMMITTEE ON SURFACE TRANSPORTATION

JULY 11, 1996

THANK YOU MR. CHAIRMAN. BEFORE I BEGIN I WOULD LIKE TO COMPLIMENT AND ASSOCIATE MYSELF WITH THE TESTIMONY OF MY COLLEAGUES ON THE PREVIOUS PANEL. THEY HAVE BEEN DILIGENT LEADERS IN THE FIGHT FOR REFORM OF THE MINIMUM ALLOCATION FORMULA AND I AM PROUD TO BE A COSPONSOR OF THEIR LEGISLATION.

MR. CHAIRMAN, THIS HEARING TODAY TACKLES ONE OF THE MOST CONTROVERSIAL ASPECTS OF THE INTERMODAL SURFACE TRANSPORTATION EFFICIENCT ACT (ISTEA). DEVISING A METHOD THAT DISTRIBUTES TRANSPORTATION FUNDS IN A FAIR AND EQUITABLE MANNER IS NOT AN EASY TASK. HOWEVER, IT IS A CRUCIAL ONE. I HAVE HEARD THE FUNDING FORMULA REFERRED TO AS "THE HEART" OF THE ISTEA LEGISLATION AND I THINK THAT IS AN ACCURATE DESCRIPTION.

AS A MEMBEA OF THE TRANSPORTATION COMMITTEE AND IN PARTICULAR THIS SUBCOMMITTEE, I HAVE AN APPRECIATION FOR THE OVERRIDIHO NATIONAL INTERESTS THAT WE MUST TAKE INTO CONSIDERATION AS WE DRAFT THIS LEGISLATION. IN THESE TIMES OF SHRINKING FEDERAL RESOURCES, WE MUST WORK TO ENSURE THAT WE MAKE THE BEST POSSIBLE USE OF OUR FEDERAL DOLLARS. HOWEVER, WE MUST NOT PUSN ASIDE ISSUES OF FUNDAMENTAL FAIRNESS IN THE PROCESS.

MY NOME STATE OF ARKANSAS IS CURRENTLY A DONOR STATE. AS SUCH, WE HAVE RECEIVED AN ANNUAL AVERAGE OF $34.3 MILLION IN MINIMUM ALLOCATION FUNDING UNDER ISTEA. IF THE FORMULA WERE AT LEAST 100%, ARKANSAS WOULD HAVE RECEIVED AN ANNUAL AVERAGE OF $38.1 MILLION OR APPROXIMATELY $23 MILLION MORE OVER THE 6 YEAR PERIOD OF ISTEA.

IF THE MASS TRANSIT ACCOUNT (MTA) IS INCLUDED IN THE 100% MINIMUM ALLOCATION CALCULATION, ARKANSAS WOULD RECEIVE ADDITIONAL FUNDS. MY STATE CONTRIBUTES ABOUT $23 MILLION ANNUALLY TO THE MTA AND RECEIVES APPROXIMATELY $6 MILLION IN RETURN. THIS WILL RESULT IN A TOTAL "NEGATIVE RETURN" OF OVER $100 MILLION TO ARKANSAS' TRANSIT SYSTEMS DURING THE 6 YEAR PERIOD OF ISTEA.

THE TRANSPORTATION NEEDS OF THE STATE OF ARKANSAS ARE NO LESS COMPELLING THAN THOSE OF OTHER STATES. WE HAVE GREAT INFRASTRUCTURE NEEDS. COMPOUNDING OUR INFRASTRUCTURE PROBLEM IS THE FACT THAT WE ARE A RELATIVELY POOR STATE AS WELL AS A FAST GROWING STATE. WE SIMPLY DO NOT HAVE THE STATE MONEY AVAILABLE TO MEET THE NEEDS OF THE POPULATION. IT BECOMES EVEN CRITICAL THEN THAT WE AT LEAST RECEIVE BACK THE FULL FEDERAL CONTRIBUTION WHICH IS COLLECTED FROM OUR CITIZENS.

TO GIVE YOU AN EXAMPLE OF THE NEEDS WE FACE, NORTHWEST ARKANSAS, THE AREA THAT I CURRENTLY HAVE THE PRIVILEGE TO REPRESENT, IS ONE OF THE LARGEST METROPOLITAN AREAS IN THE COUNTRY WITHOUT AN INTERSTATE. YET, AS MANY OF MY COMMITTEE COLLEAGUES KNOW, DESPITE THIS LACK OF INFRASTRUCTURE, QUITE A FEW TRUCKING COMPANIES HAVE CHOSEN TO HEADQUARTER IN MY DISTRICT.

ACCORDINO TO ESTIMATES BY THE ARKANSAS NIOHWAY DEPARTMENT AND THE ARKANSAS MOTOR CARRIERS ASSOCIATIOH, APPROXIMATELY 15,000 TO 20,000 TRUCKS TRAVEL ON THE INTERSTATE HIGHWAYS IN ARKANSAS EVERY DAY.

ONCE THE NORTH AMERICAN FREE TRADE AGREEMENT IS FULLY IMPLEMENTED, THE STATE OF ARKANSAS EXPECTS TO SEE AN EVEN HIGHER PERCENTAGE OF TRUCKS ON THE ROAD. THE I-30/I-40 CORRIDOR STRETCHING FROM TEXARKANA, TEXAS THAOUGH LITTLE ROCK TO MEMPHIS, TENNESSEE WILL BE A MAJOR SHIPPING CORRIDOR BETWEEN MEXICO AND THE EASTERN UNITED STATES. THE CONSTRUCTION AND MAINTENANCE OF AN ADEQUATE INTERSTATE SYSTEM IS ESSENTIAL TO OUR ABILITY TO BE A FULL PARTNER IN THE NAFTA AGREEMENT.

FINALLY, MR. CHAIRMAN, I WOULD SIMPLY RETURN TO THE ARGUMENT OF FAIRNESS. ARKANSAS HAS ONE OF THE LOWEST PER CAPITA INCOMES IN THE NATION. IT IS UNFAIR FOR THEM TO SUBSIDIZE THE TRANSPORTATION SYSTEMS OF AREAS IN THE COUNTRY WHERE THE PER CAPITA INCOME CAN BE AS MUCH AS TWICE THAT OF ARKANSAS. WE ARE SUPPOSED TO HAVE A PROGRESSIVE INCOME TAX SYSTEM. UNFORTUNATELY, WHEN IT COMES TO OUR TRANSPORTATION FUNDING FORMULA, IT IS OFTEN JUST THE OPPOSITE -- SOME OF OUR LOWEST INCOME CITIZENS ARE FOOTING THE BILL FOR THOSE WITH THE HIGHEST INCOMES.

IT IMPOSSIBLE TO JUSTIFY THE FUNDING FORMULA IN THE CURRENT ISTEA BILL. WE MUST ENSURE A MORE EQUITABLE DISTRIBUTION OF FUNDS IN THE NEXT REAUTHORIZATION. I STAND READY TO WORK WITH YOU AND MEMBERS OF THE COMMITTEE AND APPRECIATE YOUR CONSIDERATION OF MY COMMENTS HERE TODAY.

TESTIMONY OF CONGRESSMAN BOB INGLIS

SUBCOMMITTEE ON SURFACE TRANSPORTATION

THURSDAY, JULY 11, 1996

Thank you, Mr. Chairman, for the opportunity to testify today. Over the past 40 years, this country has seen a significant expansion of the federal government's involvement in transportation. The current federal role in higbways, originally intended to be of limited duration to meet post-World War II needs, has evolved significantly from its initial design. Construction of the Interstate Highway System -- arguably the greatest public works system in the world -- was originally authorized to last 13 years and cost $25 billion. It has lasted 40 years at a cost of $130 billion. Our mass transit systems, which provide local transportation, subsidize the travel of almost every transit commuter in America. There is even a federal program for "enhancements," such as bicycle paths. Of course, with federal aid comes strings and regulations that have increased costs. This has necessitated more federal aid and has led to greater dependence on the federal government.

The "Transportation Empowerment Act," to be introduced by Rep. John Kasich (R-OH) and Senator Connie Mack (R-FL), would dramatically reform this dependency by empowering states with the ability to finance, manage and maintain the United States transportation network. The bill uses a two-year transition period to lower the federal gas tax to two cents, eliminating most highway trust fund programs, relieving states of the myriad of federal restrictions and regulations and removing federal roadblocks to privatization. Each state would he free to replace the federal gas tax and keep those dollars within the state. This would eliminate the need for the present complex, inequitable distribution formuls and keep Congress from diverting funds for earmarked projects.

It is important to note that there is a very real and vital role for the federal government in transportation. In aviation, the federal government has the distinct responsibility of maintaining safety in the airways and in the collection of revenue to fund airports. The Kasich/Mack proposal does retain federal oversight of the maintenance of the current interstate system. Federal programs also remain in place for Indian reservation roads, public lands, parkways, park roads and emergency relief. The legislation also creates an Infrastructuro Special Assistance Fund for critical programs the Congress may elect to fund, including assistance doring the transition.

The Constitution clearly tells Congress not to take too much from the States. The concept is called federalism, and it is found, elegantly, and simply, in the Tenth Amendment to the Constitution. I believe the Kasich/Mack proposal, of all of the proposals before us today, best promotes this proper balance.

STATEMENT OF THE HONORABLE STEVE LARGENT MEMBER OF CONGRESS IST DISTRICT OF OKLAHOMA BEFORE THE SUBCOMMITTEE ON SURFACE TRANSPORTATION COMMITTEE ON TRANSPORTATION AND INFRASTRUCTURE U.S. HOUSE OF REPRESENTATIVES

JULY 11, 1996

Mr. Chairman and members of the Subcommittee, thank you for granting me the opportunity to offer my thoughts and perspective on what changes need to be made to the current federal funding distribution formula for next year's ISTEA reauthorization.

I reviewed today's witness list and it is quite apparent that the present ISTEA federal distribution formula is not only of importance to Congressman Sanford, Congressman Brewster and myself, but also several other members from across the country as well. I became involved with this issue after learning that Oklahoma has historically contributed millions of dollars more to the Federal Highway Trust Fund than it has received in return since its inception in 1956. In fact, according to the Oklahoma Department of Transportation, over the course of the last forty years Oklahoma has contributed close to $2 billion more to the Federal Highway Trust Fund than it has gotten back.

However, this funding inequity is not just Oklahoma specific. Included in my testimony is a graph provided by the Federal Highway Administration which illustrates that for fiscal year 1994, twenty-nine states contributed approximately $2.7 billion more than they will receive in apportionments in fiscal year 1996. Some proponents of the present federal funding distribution system advocate that $2.7 billion is a small price for donor States to pay to he able to travel across this country and enjoy the benefits of interstate commerce. I would submit that my state of Oklahoma has pressing transportation infrastructure needs of its own and the nearly $61 million that were redistributed to other states in FY 96 could address some of those needs.

The General Accounting Office (GAO) issued a report in November 1995 which concluded:

- The federal highway funding formula is a complex, iterative process that is based on an array of data and factors. To a significant extent, however, the underlying data and factors are not meaningful because the funding outcome is largely predetermined . . . some of the factors used in the formula's calculations for major programs are based, in part, on outdated information, are unresponsive to changing conditions, and often do not reflect the current extent or use of the nation's highway system. For example, the mileage of postal roads has been included as either a direct or underlying factor in the calculation since 1917, although this factor is not relevant to today's federal-aid highway-aid network.

Mr. Chairman, in response to this obsolete federal funding system, I along with my freshman collesgue, Congressman Sanford, and my fellow Oklahoman, Congressman Brewster introduced a relatively simple and straightforward bill, H.R. 3195, "The Highway Trust Fund Fairness Act." This bipartisan legislation which currently has 52 cosponsors reforms three of the equity adjustment sections in order to preserve the current shares that states contribute. It does not, and I reiterate does not, alter the national objectives of ISTEA, nor does it alter the funding formulas of the four largest programs.

H.R. 3195 guarantees that each state will receive 100% minimum allocation based upon the percentage in allocations that it contributes into the Federal Highway Trust Fund

The legislation repeals the current hold harmless provisions which protect what states have historically received in the past. For instance, Hawaii which from 1957-94 contributed approximately $710 million over the course of these years to the Federal Highway Trust Fund, and to my knowledge is not part of the National Highway System, collected more than $2.9 billion from the trust fund during the same time period. Repealing hold harmless will terminate the pre-determined outcome of what a state will receive based upon a state's past allocation.

Finally, the bill requires the 100% payment of the equity adjustments which would call for a dollar for dollar payment system as a minimum floor to ensure that the user fees are returned to the state that collected the fees. It is our belief that this provision ensures that the distribution formula will return the fees to the state of origin because of their demonstrated needs.

Although H.R. 3195 does not make any reforms to the Federal Mass Transit Account, I would briefly like to touch upon this sub-account of the Highway Trust Fund. Not only is Oklahoma shortchanged relative to Federal Highway Trust Fund, Oklahoma comes out a real loser when it comes to its share of Federal transit funding. For every FY '94 dollar Oklahoma contributed to the Federal Mass Transit, it received only 33 cents in return for FY '96. Contrast that with the District of Columbia which collected $18.42 for every dollar it contributed. Granted Oklahoma does not have a metropolitan area with the population of Washington, D.C., however my district of Tulsa does have traffic congestion problems, and during the summer months Tulsa comes perilously close to reaching non attainment air quality status under the Clean Air Act.

I think you would agree that the distribution disparity is unequitable and needs to be rectified during the reauthorization of ISTEA.

One additional point -- last year the U.S. Supreme Court ruled in the Oklahoma v. Chickasaw Nation case that Oklahoma's consumer-based motor fuel tax is unenforceable because its legal incidence falls on Indian tribes and their members on sales made on Indian land. The Court held that Oklahoma's motor fuels tax was an impermissible direct tax on the tribe because the Indian retailer, not the distributor or consumer, bears the legal incidence of the tax. Consequently, Oklahoma lost an additional two to three million dollars in state motor fuel tax revenues that could have been utilized to improve its transportation infrastructure.

In closing, I realize that under the Sanford-Brewster-Largent bill, states that have historically been recipient states under the current federal funding formula will sacrifice some federal transportation dollars, however, I believe that this issue basically comes down to fairness and equity. For forty years Oklahoma motorists have subsidized other parts of the country's transportation needs. The 104th Congress has pledged to change the status quo -- it is my hope that next year during the 105th Session -- this Committee will continue its reform-oriented agenda and develop an ISTEA reauthorization bill that restores equity and fairness.

[illegible] Federal Highway Trust Fund: Receipts into the Fund by State versus Federal-aid Apportionments and Allocations from the Fund

State	Payments into the Fund FISCAL YR. 199[illegible]*	% of Total Payments In	Apportionment FISCAL YR. 199[illegible]	% of Total Apportionments	Difference of % Receipts In vs. Apportionments	Estimated $ Impact of Donor States	Return Rate [illegible]
Alabama	311,820	2.13%	277,472	1.63%	-0.50%	(84,253)	0.77
Alaska	46,947	0.32%	195,502	1.15%	0.83%		
Arizona	259,869	1.77%	220,813	1.30%	-0.47%	(79,375)	0.74
Arkansas	203,751	1.39%	183,687	1.08%	-0.31%	(52,763)	0.78
California	1,515,073	10.33%	1,538,782	9.05%	-1.29%	(218,790)	0.88
Colorado	188,707	1.29%	190,882	1.12%	-0.17%	(29,187)	0.87
Connecticut	154,295	1.05%	346,880	2.04%	0.99%		
Delaware	41,527	0.28%	74,119	0.44%	0.15%		
Dist. of Columbia	19,452	0.13%	94,433	0.56%	0.42%		
Florida	736,556	5.02%	652,987	3.84%	-1.18%	(201,441)	0.76
Georgia	556,244	3.79%	475,017	2.79%	-1.00%	(170,251)	0.74
Hawaii	37,217	0.25%	116,089	0.68%	0.43%		
Idaho	81,256	0.55%	101,038	0.59%	0.04%		
Illinois	572,144	3.90%	631,465	3.71%	-0.19%	(32,247)	0.95
Indiana	406,630	2.77%	371,136	2.18%	-0.59%	(100,573)	0.79
Iowa	174,121	1.19%	189,807	1.11%	-0.07%	(12,381)	0.94
Kansas	169,972	1.16%	196,403	1.15%	-0.00%	(772)	1.00
Kentucky	295,043	2.01%	240,837	1.42%	-0.60%	(101,426)	0.70
Louisiana	251,108	1.71%	225,328	1.32%	-0.60%	(85,868)	0.77
Maine	76,880	0.52%	87,414	0.51%	-0.01%	(1,550)	0.98
Maryland	253,121	1.73%	362,603	2.13%	0.41%		
Massachusetts	259,978	1.77%	1,139,327	6.70%	4.93%		
Michigan	516,125	3.52%	456,207	2.68%	-0.84%	(142,521)	0.76
Minnesota	240,006	1.64%	243,164	1.43%	-0.21%	(35,256)	0.87
Mississippi	189,844	1.29%	176,883	1.04%	-0.26%	(43,402)	0.80
Missouri	378,735	2.58%	343,342	2.02%	-0.00%	(96,007)	0.78
Montana	68,754	0.47%	148,659	0.87%	0.41%		
Nebraska	112,727	0.77%	133,204	0.78%	0.01%		
Nevada	98,123	0.66%	99,841	0.59%	-0.07%	(11,569)	0.90
New Hampshire	56,013	0.38%	81,761	0.48%	0.10%		
New Jersey	352,233	2.40%	536,497	3.16%	0.75%		
New Mexico	121,420	0.83%	161,842	0.95%	0.18%		
New York	658,943	4.49%	998,199	5.87%	1.37%		
North Carolina	437,162	2.98%	426,801	2.51%	-0.47%	(80,526)	0.84
North Dakota	51,853	0.35%	97,884	0.57%	0.22%		
Ohio	582,104	3.97%	597,971	3.52%	-0.45%	(77,295)	0.89
Oklahoma	238,849	1.64%	217,429	1.28%	-0.36%	(60,923)	0.78
Oregon	188,976	1.30%	236,780	1.39%	0.10%		
Pennsylvania	635,428	4.33%	938,773	5.52%	1.10%		
Rhode Island	40,089	0.27%	82,591	0.49%	0.21%		
South Carolina	251,792	1.72%	215,097	1.26%	-0.46%	(75,903)	0.74
South Dakota	53,287	0.36%	106,510	0.32%	0.28%		
Tennessee	355,789	2.43%	319,105	1.30%	-0.55%	(93,826)	0.77
Texas	1,112,966	7.59%	971,450	5.71%	-1.88%	(319,840)	0.75
Utah	109,360	0.75%	120,127	0.71%	-0.04%	(6,725)	0.95
Vermont	41,820	0.29%	75,087	0.44%	0.16%		
Virginia	402,865	2.75%	440,757	0.59%	-0.16%	(26,607)	0.94
Washington	270,568	1.85%	310,883	1.83%	-0.02%	(3,178)	0.99
West Virginia	117,146	0.80%	151,449	0.89%	0.09%		
Wisconsin	295,240	2.01%	300,766	1.77%	-0.25%	(41,706)	0.88
Wyoming	71,363	0.32%	106,143	0.62%	0.14%		
Total	14,659,999	100.00%	17,006,250	100.00%		(2,266,956) Total loss to Donor States	

*Federal Highway Statistics (Table [illegible])

TESTIMONY OF
THE HONORABLE RON LEWIS

SURFACE TRANSPORTATION SUBCOMMITTEE
JULY 11, 1996

THANK YOU MR. CHAIRMAN AND MEMBERS OF THE COMMITTEE, FOR ALLOWING ME TO TALK TO YOU ABOUT FORMULA DISTRIBUTION UNDER ISTEA.

AS YOU MAY HAVE GUESSED, LIKE MANY OF MY COLLEAGUES TESTIFYING TODAY, I COME FROM A "DONOR STATE." EACH YEAR, KENTUCKIANS PAY MILLIONS MORE TO THE HIGHWAY TRUST FUND THAN THEY GET BACK THROUGH THE CURRENT ISTEA FORMULAS. THAT'S WRONG.

LAST YEAR, MY STATE GOT BACK 75 CENTS FOR EVERY DOLLAR THEY CONTRIBUTED TO THE TRUST FUND. IN 1994, WE ONLY GOT 65 CENTS ON THE DOLLAR. THIS FUNDING INEQUITY IS UNFAIR TO KENTUCKY AND THE MANY DRIVERS PAYING THEIR HARD-EARNED DOLLARS WHILE TRAVELING KENTUCKY'S ROADS.

MR. CHAIRMAN, KENTUCKY IS A STATE WITH A RELATIVELY SMALL POPULATION, AND MANY RURAL AREAS. FOLKS LIVING IN THOSE RURAL AREAS ARE ESPECIALLY DEPENDENT ON KENTUCKY'S HIGHWAY SYSTEM. THEY DEPEND ON A GOOD TRANSPORTATION SYSTEM TO GET TO AND FROM WORK EACH DAY. MANY RELY ON THE SMALLER PARTS OF THE SYSTEM TO CONNECT THEM TO LOUISVILLE, BOWLING GREEN AND SOME OF THE LARGER CITIES SO THEY CAN SEE DOCTORS, OR GO GROCERY SHOPPING.

AS THIS COMMITTEE KNOWS, THESE ROADS ARE COSTLY TO BUILD AND MAINTAIN. BUT WITHOUT THEM, MANY FAMILIES AND TOWNS LOCATED IN REMOTE AREAS WOULD HAVE FEWER ECONOMIC OPPORTUNITIES AVAILABLE TO THEM.

OUR FEDERAL POLICIES SHOULD AND MUST GUARANTEE THAT **ALL** STATES, LARGE OR SMALL, ARE GIVEN EVERY OPPORTUNITY TO MEET THEIR EXTENSIVE TRANSPORTATION COSTS. FEWER FEDERAL RESTRICTIONS ON THE USE OF TRANSPORTATION DOLLARS WILL HELP TO SOME DEGREE. BUT AT THE VERY LEAST, STATES SHOULD GET THEIR FAIR SHARE OF THEIR CONTRIBUTIONS TO THE HIGHWAY TRUST FUNDS.

UNDER EXISTING ISTEA FORMULAS, THAT DOESN'T HAPPEN. AND ITS STATES LIKE KENTUCKY, WITH SMALLER POPULATIONS, THAT TAKE THE HIT.

YOU'VE HEARD ABOUT SEVERAL PLANS TODAY TO IMPROVE THE DISTRIBUTION FORMULAS FOR ISTEA. I'M HERE TO LEND MY SUPPORT AS WELL. MR. DELAY'S BILL, WHICH WOULD STREAMLINE THE ISTEA PROGRAM AND GUARANTEE A %95 RETURN IN HIGHWAY CONTRIBUTIONS, WOULD GIVE KENTUCKY MORE OF ITS SHARE OF CONTRIBUTIONS TO THE TRUST FUND ANNUALLY. EVEN WITH THE "DONOR STATE" PROGRAMS AVAILABLE TODAY, KENTUCKY FAIRS BETTER UNDER THE "ISTEA INTEGRITY AND RESTORATION ACT".

THIS PLAN COULD BRING AN ADDITIONAL $27 MILLION EACH YEAR TO KENTUCKY AND HELP THE COMMONWEALTH MEET ITS GROWING TRANSPORTATION NEEDS.

KENTUCKY AND OTHER SMALL STATES WOULD BENEFIT EVEN MORE UNDER H.R. 3195, "THE HIGHWAY TRUST FUND FAIRNESS ACT." THIS MEASURE GUARANTEES 100 PERCENT FAIR TREATMENT FOR DONOR STATES BY GUARANTEEING COMPENSATION THAT EQUALS A STATES' CONTRIBUTIONS TO THE TRUST FUND.

BOTH PLANS WOULD HELP KENTUCKY AND OTHER DONOR STATES BETTER MEET TRANSPORTATION NEEDS. BOTH PLANS REDUCE BUREAUCRATIC RESTRICTIONS THAT HINDER STATE DECISION-MAKING. MOST IMPORTANT, BOTH ENSURE EQUITABLE FUNDING.

MR. CHAIRMAN, THESE BILLS REPRESENT THE DIRECTION THIS COMMITTEE SHOULD TAKE WHEN REAUTHORIZING HIGHWAY PROGRAMS.

I WANT TO MENTION ONE FINAL ITEM FOR YOUR CONSIDERATION AS YOU CONTINUE YOUR REVIEW OF ISTEA. WITH THE SUPPORT OF PRESIDENT CLINTON AND THIS CONGRESS, WE'VE DONE AWAY WITH DEMONSTRATION PROJECTS THROUGH THE ANNUAL APPROPRIATIONS PROCESS. AS YOU KNOW, DEMOS WERE NOT ADDED TO THE 1996 OR THE 1997 TRANSPORTATION APPROPRIATIONS. THE REASONING HAS BEEN THAT DEMONSTRATION PROJECTS RESTRICT THE OVERALL FUNDING LEVELS GIVEN TO STATES.

AS A RESULT, HOWEVER, STATES MUST NOW PICK UP THE TAB FOR COMPLETING THIS PROJECTS WITHOUT ANY ADDITIONAL EARMARKS. IN MY DISTRICT, THE WILLIAM H. NATCHER BRIDGE IN OWENSBORO IS ONE OF THOSE PROJECTS.

THIS ISSUE MAY BE ADDRESSED SEPARATELY BY YOUR COMMITTEE. NONETHELESS, I URGE YOU TO CONSIDER THESE DEMONSTRATION PROJECTS, AND THEIR ADDED FUNDING BURDEN TO STATES, AS YOU SET HIGHWAY FORMULA POLICIES DURING ISTEA REAUTHORIZATION.

ONCE AGAIN, THANK YOU FOR THIS OPPORTUNITY TO TESTIFY.

Hon. John L. Mica
Subcommittee on Surface Transportation
July 11, 1996

Mr. Chairman, thank you for the opportunity to testify before this Subcommittee about an issue which is very important to my state of Florida.

I was not a Member of Congress when ISTEA was enacted. However, I can appreciate that this legislation addressed many crucial issues and made many desirable policy changes. On the other hand, ISTEA has some scrious flaws. The biggest problem with ISTEA, which I hope this Committee will address, is the formula which determines the amount of money which goes back to the States. These formulas are based on outdated factors such as postal-road miles, and uses outdated 1980 census data. Our hope is to put forward, during the ISTEA reauthorization process, legislation which will update the formulas to ensure that donor states like Florida begin to get its fair share.

Like all Americans, when Floridians fill their tanks with gas, we pay a gas tax. But unlike taxpayers from donee states, in 1996 Floridians will get back only about .77 cents for every dollar they send to Washington. While this is an improvement from the .73 cents we got in 1994, this percentage is simply unfair. Let me tell you about the situation Florida has been facing:

FLORIDA FACTS:

Florida has experienced tremendous population growth during the last 5 years, giving us the third highest population growth rate in the nation and ranking us as the fourth most populous state in 1995.

- In 1994, Florida accounted for 5% of all revenues going into the Federal Highway Trust Fund. This means that only 2 other states contributed more than Florida did.

- In terms of what we got back, Florida only received 3.6% of all the funds returned to the States.

- In **1994** Florida received **73 cents per $1** sent to Washington
  In **1995** Florida received **80 cents per $1** sent to Washington
  In **1996** Florida will receive around **77 cents per $1** sent to Washington

Statement of the Honorable Robert E. Martinez
Secretary of Transportation
Commonwealth of Virginia

House Transportation and Infrastructure Committee
Subcommittee on Surface Transportation
Hearing on ISTEA Reauthorization
and Federal Funding Distribution Formulas

July 11, 1996

Mr. Chairman, my name is Robert Martinez. I am Secretary of Transportation for the Commonwealth of Virginia. I would like to thank Chairman Petri and the Members of the Subcommittee for allowing me to speak this morning and share a few thoughts on the reauthorization of the federal surface transportation program.

First and foremost, we need to build upon the successes of ISTEA. Many of the changes implemented through ISTEA have been successful and helped prepare our nation for the next century in transportation. The first was the overall increase in authorizations through which ISTEA demonstrated a national commitment to a state-of-the-art transportation system. ISTEA set in motion a positive effort toward implementation of a responsive transportation program designed to meet a variety of national transportation needs by *increasing* state and local flexibility. The decoupling of the physical systems and the programming of funds is a vast improvement, allowing states more freedom to program funds where needed. But it has significant shortcomings.

Although the Act provided a good foundation for transportation policy, some changes are essential as a result of unfulfilled funding promises, formulae inequity, excessive regulations, and too many set-asides and categorical requirements. Virginia is here to state our very strongest support for the Streamlined Transportation Efficiency Program for the Twenty-First Century, STEP 21, legislation for which was introduced yesterday in the House by Representatives DeLay and Condit. In the Senate, Virginia's Senator Warner and Senator Bob Graham of Florida are working on similar legislation.

I know this hearing includes many speakers, so I'll focus my comments on just a few key points.

- First, it is in the national interest to ensure integrity of the National Highway System. The federal interest continues to warrant significant investment in the *NHS*, which allows freight and people to move across and throughout our great nation. While the NHS is not the only Federal interest in surface transportation, it is perhaps the most prominent. I believe increased program emphasis should be given to the NHS, reflecting its role as representing the core of the "federal interest." The critical nature of the *NHS* is also a reason why we need to revise the NHS distribution formulae, ensuring that it reflects a state's entire road system and the intensity of its use.

- Second, the federal surface transportation formulae must be made more equitable. ISTEA failed to modernize the outdated federal allocation formulae. Under ISTEA, funds continue to be apportioned based on 1980 Census data, perpetuating ever-increasing distortions in transportation funding. High population growth states are placed at a significant disadvantage. Those very states where vehicle miles traveled are increasing fastest, resulting in greater stress on the transportation system, are the same states that receive a less than equitable share of funds. The formulae must be revised to reflect current needs, instead of outdated data. Under the existing formulae, for example, Virginia receives 79 cents for every dollar in transportation taxes we send to Washington. Other states are worse off. South Carolina receives 65 cents on the dollar. Is there any justification for continuing such severe imbalances in perpetuity? Obviously not.

- Nonetheless, there is a national interest in providing a funding supplement to protect the basic highway systems in those large land area, low population and small land area, low population states. To ensure consistent nationwide mobility, the proposal includes a supplement that guarantees the needs of these states will be addressed. Thus, we recognize that the needs of the nation require a contribution toward maintenance of a national system, but not in the unfair manner provided for under the existing formulae.

- Fourth, the program must be simplified, with fewer categories and set asides. Regulations, mandates and penalties must be reduced, or eliminated where possible. The Streamlined Surface Transportation Program (SSTP) contained in STEP 21 would provide flexible, "no strings attached" funding to allow all states to respond to their specific state and local surface transportation needs without unnecessary federal regulations.

In the balance of my time, I'll elaborate on these points, beginning with the need to preserve the integrity of the National Highway System.

Importance of Maintaining the National Highway System

Late last year, Congress laid the groundwork for our nation's future transportation system. I was honored to work with my fellow Virginian, Senator John Warner, as he and Chairman Shuster worked together to pass this landmark legislation.

As its name implies, the National Highway System is a system of national importance. The NHS is an investment in America's future. Although the NHS comprises only four percent of our nation's roads, it carries over 40 percent of our car travel and

75 percent of our truck traffic. Looking far into the next century this system will lay the groundwork for a robust and competitive American economy.

Under the STEP 21 proposal a full 40 percent of the federal highway apportionments would be directed toward the National Highway System. This program would provide consistent mobility and economic benefits for all states and the nation as a whole.

The NHS apportionment formula proposed in the STEP 21 legislation was crafted to ensure that the major factors influencing highway improvement needs were included in the apportionment considerations. The NHS formulae is three-fold. One-third of the formula would be based upon the proportionate total public highway lane miles in each state, to reflect the extensiveness of the highway system. In order to recognize the greater costs and needs on urban routes, urban lane miles would receive a greater weight.

Another third would be based on total statewide vehicle miles of travel (VMT) in each state, to reflect the intensity of use of the highway system. Again, in order to recognize the greater costs and needs on urban routes, urban VMT would receive a greater weight.

The last third would be based upon total statewide diesel fuel consumption, to reflect the greater costs and wear and tear caused by heavy trucks.

Equity is Critical

Let me also comment on the distribution of federal surface transportation funds among the states. This issue takes on even greater importance in the post-Interstate era. During the Interstate Construction era, the primary rationale for federal transportation distribution was the national interest in developing a system of high standard roads to facilitate interstate travel and transport. Because of this compelling interest in developing a national system to benefit all Americans it made sense for tax dollars from certain donor States to support, for example, large states with low populations. These "donor" states subsidize transportation projects in other states. When Interstate construction was the goal, it made sense to cross-subsidize. However, as consensus lessens regarding the use of funds, the agreement on cross-subsidization also falls apart. For example, while we may deem it appropriate for a state to use its own dollars on transportation demand measures in a downtown area, it becomes more difficult to justify the use of what may be deemed "another state's" money to do so.

In a recent report on alternative methods for distributing monies from the Highway Trust Fund, the Government Accounting Office notes that the underlying factors determining funding for many of the highway programs are irrelevant because they are not related to highway needs. The GAO notes that alternative factors, such as lane miles, VMT and annual contributions to the Highway Trust Fund are more closely aligned with highway needs. Their summation of the current status of the allocation formulae stated, "for major highway programs, the data underlying the distribution of highway funds to the States are generally outdated, unresponsive to changing conditions, and often not reflective of the nation's highway system or usage." I believe such a GAO assessment represents a strong statement that it's time for a change.

The federal highway program proposed in the STEP 21 legislation contains an equity guarantee to address systemic inequities. Although the bundle of adjustment programs in ISTEA, such as Minimum Allocation, Donor State Bonus, Apportionment Adjustment and others, were designed to ensure a level of fairness, the complexity of the overall program dilutes their effectiveness. Although states technically are assured a 90% return on their contributions to the Highway Trust Fund, throughout ISTEA Virginia only received 79 cents on the dollar. STEP 21 replaces the myriad of adjustments existent in the current formulas with a single, 95% return guarantee. Note that even under STEP 21, we are recognizing that certain states--Virginia included--will remain "donors." However, we are stating that such a donor condition must be set at a reasonable level which acknowledges certain national needs, but otherwise frees each state to best invest their funding as they deem fit.

Some argue that it is unfair to address donor/donee status just in terms of a single federal program, such as the highway program. They cite statistics showing that transportation donor states often are "donees" if one considers all federal expenditures. There are a number of fallacies to the argument. First, unlike almost all other federal programs, the federal highway program is financed by a Trust Fund--where there is an expectation of some rational relationship between user payments into the fund and benefits from the fund. Citizens trust that their gas tax contributions will be used for their intended purpose, transportation. The use of dedicated funds should not be compared to general fund allocations.

However, even if one still wants to make cross-program comparison, it should not be a comparison between a state's tax contributions and the overall federal budget. A more accurate comparison would be between tax contributions and the totality of federal grants to state and local governments--money that states and localities are able to redistribute to programs.

Ensuring an Adequate System in all States

Although there is, I believe, a national interest in rectifying the inequities guiding the current federal allocation formulas, there is also an acknowledged need to preserve the highway systems in our less populous states. The STEP 21 legislative proposal includes an access guarantee. This would take the form of an apportionment supplement for those low population states with low gas tax collections. The supplement would ensure each state with 20 or fewer persons per square mile, and states with a population of 1.5 million or less and a land area of 10,000 square miles or less, a total apportionment consistent with those states' apportionments under ISTEA.

In other words, states like Rhode Island, Delaware, North Dakota and Idaho would be held harmless under the STEP 21 proposal.

Streamlining the Federal Surface Transportation Program

Let me turn now to the importance of streamlining the federal surface transportation program. The NHS Designation Act was a good beginning in the effort to eliminate burdensome regulations, but it was only a start.

Faced with major financial constraints, the best answer to this dilemma lies in making the *most* of our transportation dollars. The federal transportation program must become more flexible and responsive to the needs of the states and their local partners.

The STEP 21 proposal would reduce program categories and set-asides, while at the same time retain the spirit of ISTEA.

Under the STEP 21 proposal, apportionments of federal highway funds would be objective, simple, straightforward and freed from the obsolete characteristics of the current federal funding system. I have already described the formula that would utilize 40% of the federal-aid highway program for the National Highway System. The remaining 60% would be directed to the states in amounts equal to the percentage of total payments from each state to the federal Highway Trust Fund for the most recent year available. This would result in an equitable return to the states for highway user fees paid by its citizens. Under this program, funding would be transferable among modes and between the NHS and SSTP programs at state discretion, providing maximum flexibility.

STEP 21 does not rethink or repeal the advances in state and local planning relationships established by ISTEA. In short, STEP 21 achieves program simplification in a way that continues the current relationships between the more heavily populated states and the large metropolitan areas within them.

We oppose any new requirements that would make transportation program delivery more costly, more complicated, or more time consuming.

Increased Federal Funding

I cannot leave you here today without addressing the overall adequacy of funding. As we all know, legitimate needs for investment in our highways are not being met. Since the passage of ISTEA, appropriations consistently have fallen short of authorization levels, exacerbating the gap between needs and resources. Consequently, we believe that full funding of the next Act is essential.

Transportation funding has been, and should be, based on a user fee philosophy, and all such fees should be used for transportation purposes. If the 4.3 cents motor fuel tax currently credited to the general fund continues to be assessed, it must be transferred to the Highway Trust Fund and used for transportation purposes. The concept that this diversion is used for deficit reduction is spurious. It is simply subsidizing other general fund purposes. As such, it breaks the faith of a Trust Fund, which should be user fee based. I urge you to direct all taxes dedicated to the Highway Trust Fund to transportation.

Summary and Conclusion

In summary, I believe STEP 21 represents a fair and equitable surface transportation program. It also provides a compromise position between those favoring the turnback of fuel tax dollars to the states and those simply wishing continuation of ISTEA.

Working together, we can respond to the needs of all states, guarantee the continued integrity of the National Highway System, and provide the necessary flexibility to allow all states to respond to their individual needs.

That concludes my remarks. Mr. Chairman, again, I thank you and the Subcommittee for holding this hearing and for allowing me to testify.

Statement to the Subcommittee on Surface Transportation of the
House Transportation and Infrastructure Committee
Robert E. Martinez
Secretary of Transportation, Commonwealth of Virginia
July 11, 1996

Mr. Chairman, members of the Subcommittee, my name is Robert Martinez. I serve as Secretary of Transportation for the Commonwealth of Virginia.

Virginia hereby states its very strongest support for the Streamlined Transportation Efficiency Program for the Twenty-First Century, STEP 21.

ISTEA provided a good foundation for transportation policy, but fell short in unfulfilled funding promises, formulae inequities, excessive regulations, and too many categorical set-asides.

Let me focus on the main features of the STEP 21 proposal:

- *It is in the national interest to ensure integrity of the National Highway System.* While the NHS is not the only Federal interest in surface transportation, it is perhaps the most prominent. STEP 21 provides increased program emphasis. Fully 40 percent of apportionments would be directed to NHS.

  The NHS formulae is three-fold: One-third is based on the proportionate total public highway lane miles in each state.

  One-third is based on total vehicle miles of travel--VMT--in each state, to reflect intensity of use.

  In both these components, urban mileage and VMT receive a greater weight.

  The third component of NHS is based upon total statewide diesel fuel consumption.

- Another point: *Funding formulae must be more equitable.* Under ISTEA, funds continue to be apportioned based on 1980 Census data, perpetuating distortions. Under the existing formulae, Virginia receives 79 cents for every dollar in transportation taxes we send to Washington. South Carolina receives 65 cents on the dollar. There is no justification for continuing such severe imbalances in perpetuity.

  STEP 21 replaces the myriad of adjustments in the current formulae with a single, 95% return guarantee to every state.

- Nonetheless, *there is a national interest in providing a funding supplement to protect the basic highway systems in large land area, low population, and small land area, low population states.* STEP 21 would provide such states with an apportionment supplement. States like Rhode Island, Delaware, North Dakota and Idaho would be held harmless under the STEP 21 proposal.

  Thus, we recognize that the needs of the nation require that certain states--Virginia included--will remain "donors." However, such a donor condition must be at a reasonable level.

- *The transportation program must be simplified, with fewer categorical set-asides.* The Streamlined Surface Transportation Program--SSTP--would provide "no strings attached" funding so all states can respond to their specific needs.

  I stated that 40% of the federal-aid highway program would go to the NHS. The remaining 60% would go to states in amounts equal to the percentage of total payments from each state to the Trust Fund for the most recent year available. Funding would be transferable among modes and between the NHS and SSTP at state discretion, providing maximum flexibility.

  STEP 21 does not repeal the advances in state and local planning relationships established by ISTEA. *It continues the current relationships between the states and the large metropolitan areas within them.*

One final point: Transportation funding should be based on a user fee philosophy. If the 4.3 cents gas tax currently credited to the general fund continues to be assessed, it must be transferred to the Highway Trust Fund and used for transportation purposes. The argument that this is going for "deficit reduction" is spurious. It is simply subsidizing other general fund purposes. It breaks the faith of a Trust Fund, which should be user fee based. I urge you to direct that all transportation taxes be dedicated to transportation purposes.

Thank you for your attention.

COUNTY ROAD ASSOCIATION OF MICHIGAN
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Statement of John Niemela
Director, County Road Association of Michigan

Before the House Committee on Transportation and Infrastructure
Subcommittee on Surface Transportation

July 11, 1996

Mr. Chairman and Members of the Committee, I want to thank you for this opportunity to testify before you today on the federal transportation distribution formula and how this formula impacts local road officials. The 1991 Intermodal Surface Transportation Efficiency Act (ISTEA) was innovative and gave states the ability to target and prioritize their federal transportation dollars. Because the funds were targeted, and suballocated, counties were able to improve the reliability, efficiency and safety of their transportation systems. The federal distribution formula was designed to provide a framework combining those efficiencies with economic development. The formula required a coordinated approach between local and state governments. It also promoted the involvement of the private sector and innovative financing to achieve state and local objectives.

As you approach the reauthorization of ISTEA, please bear in mind that its successes have been reached by balancing the needs, the funding, and the interests of various groups. There are several proposals on how to improve ISTEA. The County Road Association of Michigan has not endorsed any of the proposals at this time. However, we do believe that the federal distribution formula is critical to the local implementation and planning process of the next ISTEA.

The County Road Association would urge the members of the committee to adjust the funding formula to provide more funding to donor states. These states are losing money. The distribution formula dates back to 1916 and a General Accounting Office analysis shows the formula should be changed. The STEP 21 concept, which guarantees a minimum of 95% of the percentage contributions to the federal highway trust fund, is an approach that has merit.

We also support the efforts of Congress to take the highway trust fund "off budget." This would give the states and local governments predictable funding that more accurately reflects the return of federal tax dollars. We support efforts to give the states increased flexibility, along with the reduction of categories, as long as local public officials have the joint decision-making provisions that are currently in ISTEA. In addition, the ability to transfer funds among categories should be made easier and with fewer restrictions. But the County Road Association of Michigan believes that these changes should also be adopted at the local level. Counties, cities and rural areas should be considered as equal partners in the reauthorization of ISTEA. Many problems of the future will be local in nature. This requires that county government, both urban and rural, and cities be consulted and treated as partners with the state governments in the planning, funding, allocation, and other decision making processes. We ask that you consider HR 3165, sponsored by Representative Nancy Johnson. It would make rural roads eligible to receive federal funding and ensure rural needs are considered in statewide transportation plans. I would respectfully point out that funding for ISTEA is provided by the millions of citizens who pay the federal gas tax every time they purchase gasoline or diesel fuel. The argument that this is the state's money needs to go one step further. It is also the local's money. Local citizens pay the fuel tax and they deserve safer and more efficient roads regardless of where they live. For this reason, the Surface Transportation Program should be continued with the goal of providing maximum funding to local governments with a minimum of interference by state officials.

A block grant approach to transportation funding would not ensure local governments that a portion of the federal gas tax would be returned to them to fund local projects. That is why we oppose turning the next transportation efficiency act into a block grant. Block grants do not guarantee that local transportation needs will be addressed. All that would be accomplished by turning ISTEA into a block grant is instead of local planning agencies debating with the bureaucrats in Washington D.C., they would be debating with the bureaucrats in the state Capitol. If the block grant approach is implemented, then the state legislative body must have a role to provide a check and balance in determining conflicting state and local agendas. A block grant transportation program, without the involvement of the state legislature, would clearly jeopardize the planning process; and, at its most basic level, inject local pork barrel politics into transportation funding. Regional priorities and local targets would change with each new state administration and department of transportation director. Long range planning could be jeopardized and public safety could be endangered by political decisions based on personal agendas. Safety must be a major consideration in any transportation investment. There is also a concern that states will use federal funds to meet pressing state transportation problems and ignore the needs of local road systems. Rather than develop a comprehensive transportation plan that will require an increase in their own fuel tax, states may move to fund only state projects with federal dollars and fail to pass a needed state gas tax to support less glamorous local road programs. We believe it would be better to establish a rural set aside in the Surface Transportation Program for local roads functionally classified as a collector or higher in those states with a county road system. Furthermore, turning ISTEA into a block grant to expand and improve state projects while ignoring the local road system will threaten local maintenance and public safety. The next TEA must continue to provide guidelines that ensure funding is targeted, priorities and long range planning of at least five years are established, and that local involvement is maintained.

The local planning process is, after all, the truest form of devolution in determining how the state and local governments can work together to meet the transportation needs of the future. This partnership has been the strength of the federal distribution formula. It focuses on the need to set priorities and create efficiencies. The current approval process with local and state governments should be retained. The County Road Association of Michigan would respectfully request that the approval authority currently allowed to the larger MPOs be extended to the smaller MPOs and to the rural areas. ISTEA funds provide a greater percentage of support for these small economies and the loss or shifting of funds without proper protections denies them due process. The need for mutual agreement between state and local officials provides a necessary check and balance along with stability in the efficient use of federal funds.

To summarize, Mr. Chairman, Members of the Committee, we urge you to:

- increase the funding for donor states
- reduce the number of categories
- provide greater flexibility and ease in transferring funds between accounts at both the state and local level, and
- most importantly, maintain the current joint approval process between the state and the MPOs while extending this requirement to small urban and rural areas as outlined in HR 3227.

In addition, we support maintaining the funding baseline for all programs at no less than the current level authorized under ISTEA. We ask that when ISTEA is reauthorized, you consider building on the fundamental ISTEA principles and the strong commitments to safety for our motoring public. A federal distribution formula, based on an equal participation of state and local officials will focus federal dollars efficiently and on the most pressing transportation problems.

Thank you and I would be pleased to answer any questions.

JIM RAMSTAD
THIRD DISTRICT, MINNESOTA

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Statement by Rep. Jim Ramstad
Before the House Subcommittee on Surface Transportation
House Transportation and Infrastructure Committee
July 11, 1996

Mr. Chairman, thank you very much for allowing the North Metro Crossing Coalition to testify before your Subcommittee on the issue of federal highway funding distribution formulas.

I believe the Coalition will bring a unique grassroots perspective to this important issue. The Coalition is made up of over 20 municipal governments north of the Twin Cities, representing over 860,000 citizens, many of them in the 3rd Congressional District, which I represent.

I am pleased to introduce Mayor El Tinklenberg of Blaine, Minnesota, to offer the testimony on behalf of the Coalition today. Mayor Tinklenberg has been a forceful advocate, both here in Washington and back in Minnesota, for Trunk Highway 610/10 -- an important project crossing the northern Twin Cities suburbs.

I would also like to introduce a long-time highway and transportation advocate from the 3rd District and the current President of the Coalition, John Johnson.

Again, Mr. Chairman, thank you for the opportunity to present our views to you as you consider the reauthorization of the Intermodal Surface Transportation Efficiency Act of 1991.

NORTH METRO
CROSSING COALITION

Building Bridges In The
North Metro Area

STATEMENT BEFORE THE

HOUSE SUBCOMMITTEE ON SURFACE TRANSPORTATION

HOUSE TRANSPORTATION AND INFRASTRUCTURE COMMITTEE

Relating to

**INTERMODAL SURFACE TRANSPORTATION EFFICIENCY ACT (ISTEA)
REAUTHORIZATION MAINTAINING ADEQUATE INFRASTRUCTURE:
FEDERAL FUNDING DISTRIBUTION FORMULAS**

By

**HONORABLE ELWYN TINKLENBERG
MAYOR OF BLAINE, MINNESOTA
REPRESENTING
NORTH METRO CROSSING COALITION**

July 11, 1996

8525 Edinbrook Crossing, Suite 5 ♦ Brooklyn Park, MN 55443
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Mr. Chairman, my name is El Tinklenberg, Mayor of Blaine, Minnesota and a long-time, active member of the North Metro Crossing Coalition (NMCC). The NMCC is a group of over twenty (20) municipal governments that represent over 860,000 residents north of Minneapolis, Minnesota. The NMCC was created nearly ten (10) years ago to provide grassroots support and advocacy for the construction of Trunk Highway (T.H.) 610/10, a critical highway linking I-35W to I-94.

As you know, we have been before your Subcommittee and Committee in the past seeking discretionary funding for this highway from ISTEA and we appreciate the support of this Subcommittee including Chairman Shuster and Congressman Oberstar for their support of that funding and for their support in designating T.H. 610/10 onto the National Highway System. We would also like to thank our Congressman Jim Ramstad for his continued strong support and for his accompanying us to this hearing today. Mr. Chairman, we would obviously request your continued support of that funding.

However, that is not why we are here testifying before your Subcommittee today. As a grassroots highway funding advocacy group we support higher levels of federal highway funding and we are strong supporters of an active federal role in our national system of roads and highways. Through our representatives we have provided information to our federal elected officials on the need for the Highway Trust Fund to be ta . off-budget and insure that gas taxes collected from our motorists are spent as advertised, for the construction and maintenance of our roads and bridges. We believe the NMCC can provide a unique perspective on the issue of updating the federal highway funding distribution formulas and how such an update can help empower state and local governments to better and more efficiently try to meet the enormous highway infrastructure needs that exist in Minnesota and elsewhere.

THE TRANSPORTATION FUNDING CHALLENGE IN MINNESOTA

Minnesota is a large state of over 87,000 square miles with a growing population of 4.5 million people and 3.2 million licensed drivers. We have over 42.3 billion vehicle miles travelled on over 130,000 miles of streets and highways. Congestion in our urban areas is growing at an alarming rate and the overall condition of Minnesota's highways is deteriorating rapidly.

In Table 1, you can see that over the last ten years the following has occurred:

18.5 % **increase in mileage with pavement condition that is rated **POOR**;

20.8% **decrease in mileage with pavement condition that is rated **FAIR**;

18.4% **decrease in pavement condition that is rated **GOOD**;

48% **increase in mileage with pavement condition that is rated **EXCELLENT** [This positive statistic is tempered by the fact that in the last **FIVE** years the mileage with pavement condition rated excellent has **decreased by 8.5%**]

The Trunk Highway System, of which T.H. 610/10 is a part, reflects the overall highway conditions. Please also note the following:

**518 trunk highway bridges over 20 feet in length are deficient in load/capacity, width and clearance;

**5,125 (42%) of state trunk miles are rated in poor/fair condition;

**1,997 (17%) miles of state trunk highway system are restricted to vehicle weights of less than 10 tons per axle during the spring thaw period; and

**4,100 miles (34%) of that state trunk highway system are over 50 years old and 8,200 miles (68%) are over 35 years old.

**35% of the Twin Cities' highways are rated with major or severe congestion.

T.H. 610/10 is a prime example of a trunk highway that is badly in need of upgrading to at or near interstate standards in order to accommodate the rapidly growing traffic needs in the corridor. It is clear from the above data, that federal, state and local funds are not keeping pace with the needs to preserve the current system or keep up with the need to expand the system to accommodate growth.

In order to attempt to meet that funding challenge it is necessary, in our opinion, to update the current funding distribution formula to meet the needs of our current transportation situation. The current federal funding distribution formulas have not been modernized in over 20 years. In that time, the national interstate system has been finished, the National Highway System has been created and the increasing burden of federal regulation has in some cases slowed highway construction to a standstill. There is no time better than the present to reform these federal funding distribution formulas as we head into the 21st Century.

In Table II, you can see that Minnesota has been very fortunate over the last twenty (20) years in retrieving from the federal highway program more than its sends into the program in the form of taxes. The major point revealed in that table is the many peaks and valleys in spending that has been received from the federal government, making it very difficult to plan effectively and efficiently for highway construction. What results is a more expensive program with less highway mileage built for the dollar expended. The Congress cannot allow this situation to continue.

A CASE FOR FUNDING DISTRIBUTION REFORM

As mentioned above, we in Minnesota bring to this debate the fact that we have been a donee state but are rapidly moving to become a donor state, because we are becoming more urbanized and our economy is growing. In other words, the current federal distribution formula is penalizing growth and prosperity, especially in our urban areas.

In addition, the federal funding distribution program has seen large swings from year to year in the amount of obligation authority received under ISTEA. These swings have been as large as $50-100 million on an annual basis. With such large swings it makes it difficult for the Minnesota Department of Transportation (MnDOT) and others to look at projects such as T.H. 610/10, which needs about $70 million in additional federal funds for completion, and make an authoritative long-term commitment to completion within available resources. However, with a long-term predictable funding stream such commitments could be made and projects such as T.H. 610/10 could move forward efficiently without significant delays or cost increases. Without such a predictable funding stream it is often necessary for projects such as T.H. 610/10 to seek federal discretionary funds and that may again be the case in the next round of reauthorization.

SPECIFIC RECOMMENDATIONS FOR CHANGE

We would like to make the following specific recommendations to reform the federal highway funding distribution formulas:

1. Modify the funding formula with factors that reward growth. The existing factors such as historic averages, rural postal mileage, population, vehicle miles travelled, and others have become so outdated that high growth, urbanized states will be hurt. We would recommend that geographic area and the actual number of public road miles be taken into consideration. The future funding of the federal highway program is based largely on the fact that significant federal highway investment results in economic growth. If the federal funding distribution formula works against that justification, it may harm the program in the long term;

2. **Simplify the federal highway funding distribution formula.** Over the last 40 years of the federal highway program, the distribution formulas have become too archaic and complicated to meet specific political requirements and it has become almost unintelligible to even highway professionals. The trend in our national tax system has been toward simplification to try to make it more user friendly, we would make the same recommendation for the distribution formula;

3. **Establish a formula that will allow for predictable funding.** Table III illustrates the huge fluctuations in funds obligated under the funding formulas. Frankly, ISTEA was a step in the right direction, but more needs to be done to improve the system in order for obligated funds to be somewhat predictable based upon a fair and simple funding formula. We understand that the congressional process requires the Appropriations Committees to establish annual obligation ceilings. We would recommend that since the highway program is already based on contract authority that multi-year predictable ceilings be established within the funding limitations of the Byrd Amendment that is already a part of existing law.

We all know that highway construction and reconstruction projects take many years to plan and implement. Such a long-term system of predictable funding will allow the state

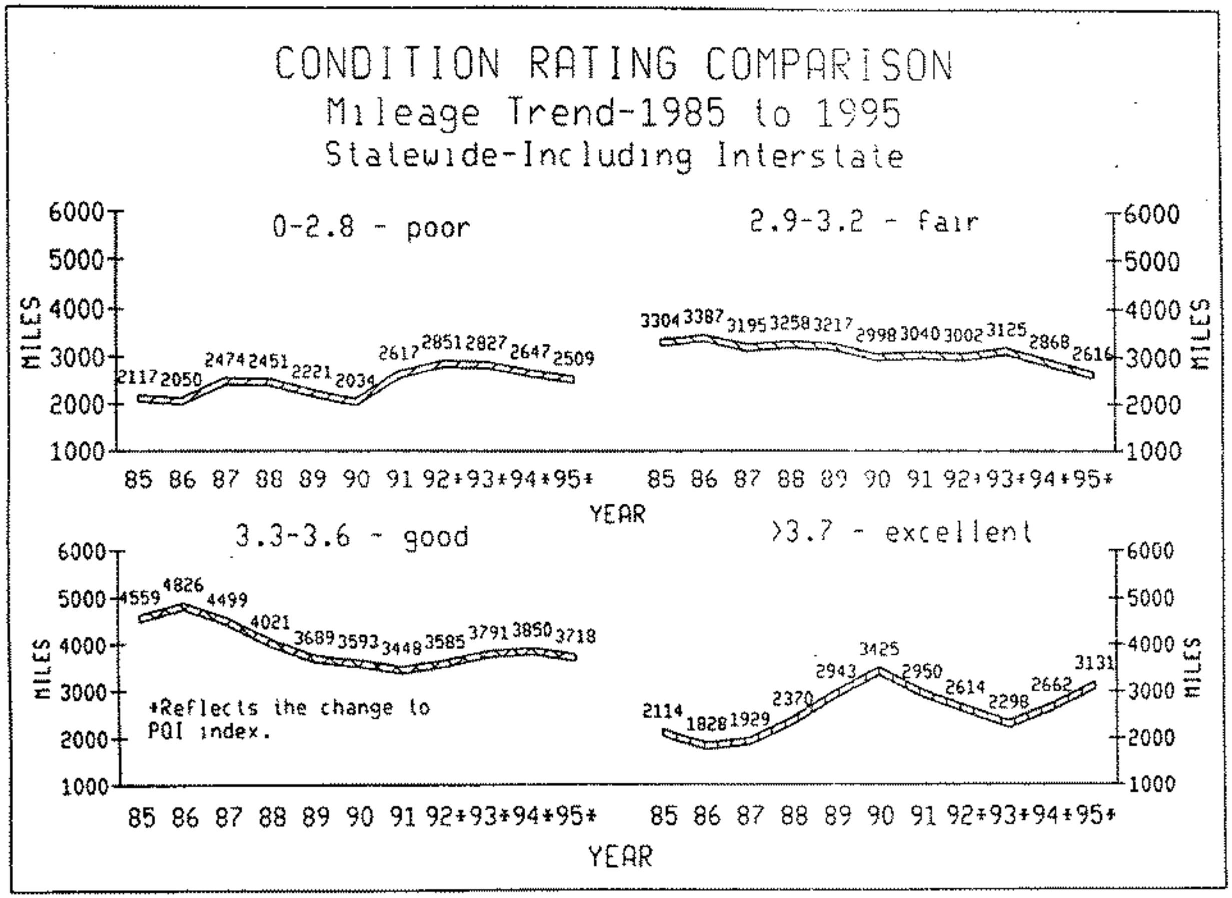
DOT's to make long-term plans and more efficiently program funds for projects. In many cases such long-term obligations have not been possible because the funding was just not predictable.

SUMMARY

There is a strong case for the need for more federal highway funding support in the next federal reauthorization bill. We contend that within existing highway funding levels, there also is a significant need to reform the federal funding distribution formulas. Such reform should entail changing the current formula factors to those that promote growth and acknowledge this country's move toward more urbanized centers, are simple and assist an overall system that will allow for long-term predicable funding levels.

Mr. Chairman, we appreciate this opportunity to present our views.

Table I



CONDITION RATING COMPARISON
Mileage Trend-1985 to 1995
Statewide-Including Interstate
0-2.8 - poor
2117 2050 2474 2451 2221 2034 2617 2851 2827 2647 2509
2.9-3.2 - fair
3304 3387 3195 3258 3217 2998 3040 3002 3125 2868 2616
3.3-3.6 - good
4559 4826 4499 4021 3689 3593 3448 3585 3791 3850 3718
>3.7 - excellent
2114 1828 1929 2370 2943 3425 2950 2614 2298 2662 3131
MILES
6000 5000 4000 3000 2000 1000
85 86 87 88 89 90 91 92* 93* 94* 95*
YEAR
*Reflects the change to
PQI index.

Table II

MINNESOTA DEPARTMENT OF TRANSPORTATION
FEDERAL AID FOR HIGHWAYS RECEIVED VS
FEDERAL HIGHWAY USER FEES PAID

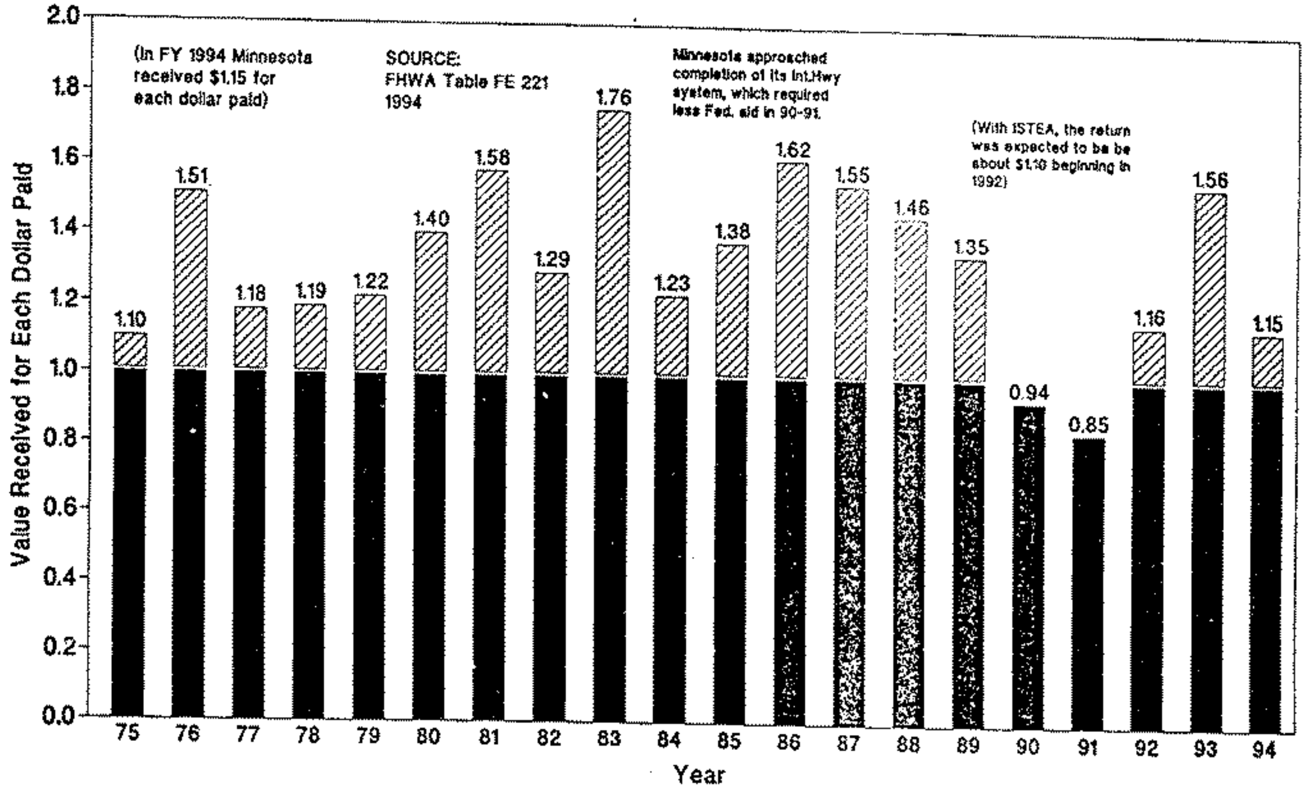
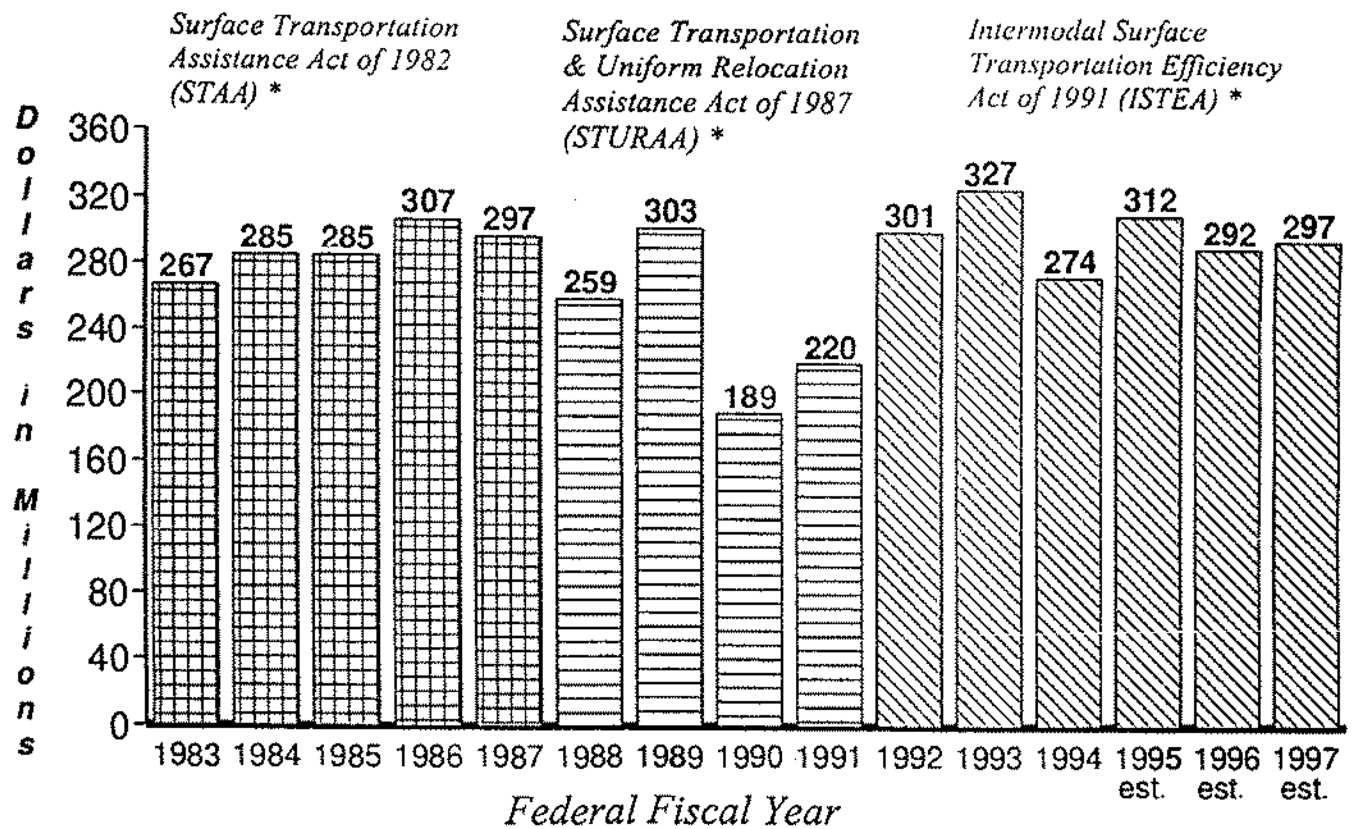


Table III

Federal Aid Highway Funds Obligated in Minnesota



HR 3195 and Funding Formula Equity

Testimony By Rep. Mark Sanford
First Congressional District of South Carolina

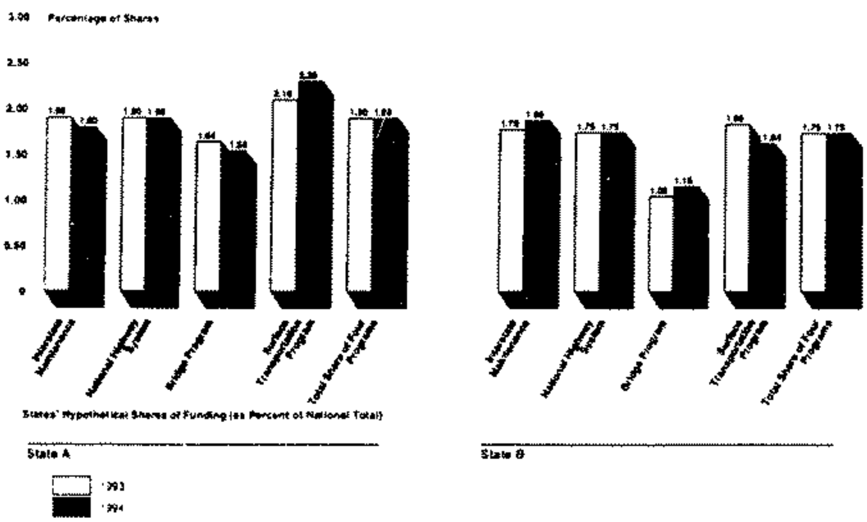
Chairman Thomas Petri
Committee on Transportation & Infrastructure
Subcommittee on Surface Transportation
Hearing Date: Thursday, July 11, 1996

Testimony by:
Rep. Mark Sanford
South Carolina
First Congressional District

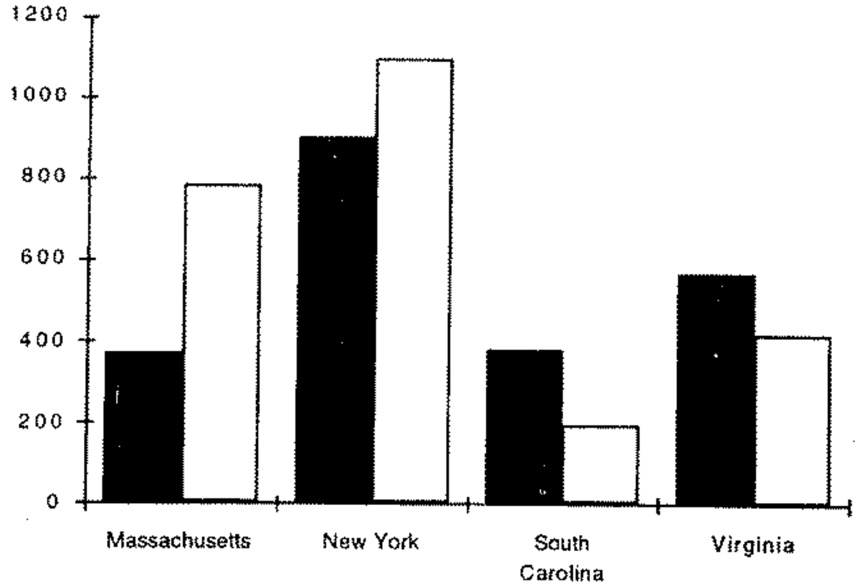
Thank you Mr. Chairman for allowing me to testify today on the ISTEA reauthorization. I would like to respectfully request that my written statement be made a part of the record.

We need to preserve a national highway and transportation system, and give states the necessary resources to complete these goals. At the same time, states should be assured of equitable and fair treatment to address their respective transportation needs. With these objectives in mind, we must look at the limited and finite resources and try to assess the best possible use for these funds.

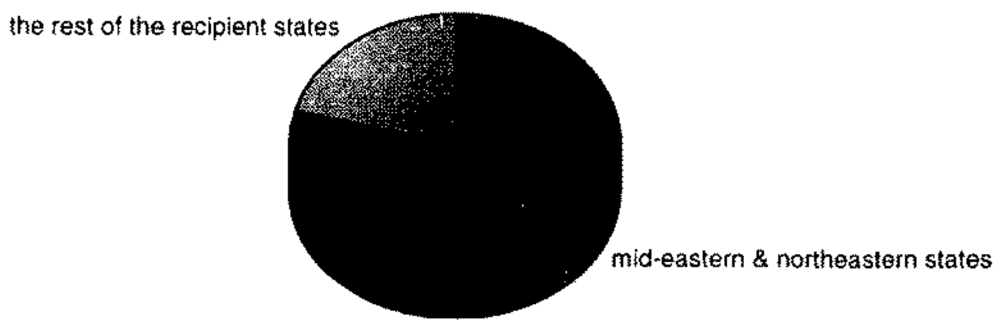
According to a recent GAO report, the current funding formula is flawed because it uses "irrelevant or outdated" factors in the calculation. This study cites land area, postal mileage and population statistics that do not effectively represent the overall goals of our transportation system. In fact, the population factor was never changed for the new census in 1990, and therefore penalized the growth states that so desperately need road money.



Even with these factors skewing the funding, the overall problem is at the end of the four major funding programs. The states' share is pre-determined to reflect the historic percentages of the previous ISTEA. As you can see from this GAO report graph, the state A and the state B may have minor fluctuations in the funding level over the two years, but the system is set up to maintain the same final result. To create a system that returns all states to this set percentage despite need, is counterproductive to a growing and changing national infrastructure system.



From here we must examine who gains and who loses from this flawed system. As one can see from this chart, there is a great disparity between what states put in (left column) and what they receive (right column) in 1995. My home state of South Carolina only received 52 cents on the dollar despite an infrastructure that is in desperate need of help. Virginia is another donor state that only receives 73 cents on the dollar. In contrast, the states like New York and Massachusetts are recipient states that receive more funding than they put in to the trust fund. The appearance of these two states should be no surprise since the middle and northeastern states receive 79% of the donor state money. This graph below shows how much of this money is sent to these recipient states compared to the other low population density western states.



In addition, the National Highway system is primarily built, and most costs will be on maintenance and repair of existing roads. This is significant to the low population density western states because the funds need to now be focused on repair needs and improvement of current roads to effectively address the infrastructure problems. The GAO determined that in order for the funding formula to change to keep up with current and future problems, it will need to find a way to arrive at a close correlation of actual transportation needs. This chart by Jack Faucet Association lists off the highest correlations due to road needs with 0 being the furthest from the actual needs, and 1 being the closest link.

Factor	Correlation
Interstate vehicle miles traveled	0.913
Highway Trust Fund contributions (annual)	**0.900**
Interstate lane mileage	0.883
Highway Trust Fund contributions (historical)	0.870
Total motor vehicle registrations	0.861
Population's weighted income	0.780
Total population	0.778
Interstate mileage	0.776
Urban population	0.766
Rural population	0.427
Daily mean temperature	0.116
Annual snowfall	0.102
Per capita personal income	0.038
annual precipitation	0.015

Source: Jack Faucett Associates

The current or annual trust fund contributions are clearly one of the best indicators of need, and therefore would best prepare the national highway system to address current and future needs. The reason that this is such a good indicator of need is simple. The contributions are a collection of user fees and therefore indicate actual and current usage of the roads. If the funding formula would move towards return to source legislation, it would clearly do a better job in addressing the infrastructure problems of the national system, and at the same time preserve the fairness by allowing states to recoup the money that they have donated to the fund.

The equity adjustments are the only working counter measures to ensure fairness among states. However, the sequential order of this 13 step process dictates that the minimum allocation be considered before the hold harmless section. This gives the historic percentages contained in hold harmless an inherent overriding power over the 90% minimum allocation section. In other words, the old percentages are maintained over and above the protection of the states' current percentages. The funding formula should be dynamic and change with the needs instead of being mired to the old shares.

The redistribution done in response to trust fund contributions would help to send money to areas of the country where there is a real funding problem for our nation's infrastructure. Over $2.26 billion could be returned to these states that generated tbe funds if we implemented this fairness system. According to the Federal Highway Administration multiplier, over 95,000 full-time jobs could be created in these donor states.

The Sanford- Brewster-Largent bill changes three of the equity adjustment sections to force the preservation of the current shares that states contribute. This bill does not change the national objectives, and it does not alter the funding formulas of the four largest programs. However, it does create a fair balance between fulfilling the needs of our nation's roads and allowing states to recoup some of their funds for their state road projects.

The 100% minimum allocation section guarantees that each state will receive the percentage in allocations that it put into the trust fund. This would be tied to the most recent data available for the donations to the fund. For the previously cited reasons of fairness and need, this is the best way to determine a state's percentage of the trust funds.

This bill also calls for the repeal of hold harmless which protects the historic percentages. This section totally ignores all of the previous calculations and guarantees states like Massachusetts that has since 1956 only contributed around 2 % of the fund to continue to receive from 3.8-6.7% of the fund in 1995 & 1996 respectively. These so-called historic percentages in hold harmless are not even based on the actual historic contributions that are published by the Federal Highway Administration. Instead these percentages are formulated to pre-determine the outcome and send scarce transportation funds to protect the northeast at the expense of all of the other states. The repeal of this section is just as important as the change of the minimum allocation.

The final section is the 100% payment section of the equity adjustments which would require a dollar for dollar payment system as a minimum floor to require that the user fees are returned to source. This assures that the system will return the fees to the state of origin because of their demonstrated needs.

In closing, the infrastructure needs are important for Americans in every state, and we must seek out the best and fairest way to distribute these limited funds with these goals in mind. This bill proposes that maintaining the current share percentage is the best way to be fair and establish an effective system. These are not like other taxes, but they are user fees that demonstrate a need. We have an obligation to correct this system to give Americans in all states a fair chance to use their current share of the trust fund dollars.

I want to thank you, Mr. Chairman, again for this opportunity, and I would encourage all of my colleagues to adopt these changes to the equity adjustments in order to reflect the real transportation needs of this nation.

COMPARISON OF FEDERAL HIGHWAY TRUST FUND RECEIPTS ATTRIBUTABLE TO THE STATES AND FEDERAL-AID APPORTIONMENTS AND ALLOCATIONS FROM THE FUND[1]

FISCAL YEARS 1957 - 1994

TABLE FE-221
JULY 1995

(THOUSANDS OF DOLLARS)

STATE	PAYMENTS INTO THE FUND[2]				APPORTIONMENTS AND ALLOCATIONS FROM THE FUND[3]				RATIO OF APPORTIONMENTS AND ALLOCATIONS TO PAYMENTS	
	FISCAL YEAR 1994	PERCENT OF TOTAL	CUMULATED SINCE 7-1-56	PERCENT OF TOTAL	FISCAL YEAR 1994	PERCENT OF TOTAL	CUMULATED SINCE 7-1-56	PERCENT OF TOTAL	FISCAL YEAR 1994	CUMULATED SINCE 7-1-56
Alabama	311,832	2.127	5,367,319	1.923	353,096	1.674	6,338,322	1.961	1.13	1.18
Alaska	46,947	0.320	505,145	0.181	231,128	1.096	3,918,609	1.212	4.92	7.06
Arizona	[illegible]	1.166	3,795,437	1.364	277,014	1.313	4,870,636	1.507	1.07	1.26
Arkansas	203,763	1.390	3,586,066	1.285	272,738	1.292	3,607,904	1.115	1.34	1.00
California	1,817,073	10.336	28,687,499	10.210	2,474,027	11.723	27,730,380	8.579	1.44	0.97
Colorado	189,707	1.294	2,564,980	1.261	285,277	1.353	4,067,000	1.537	1.50	1.59
Connecticut	154,295	1.052	3,207,578	1.149	341,289	1.644	5,886,091	1.821	2.24	1.17
Delaware	41,627	0.283	826,886	0.296	78,980	0.374	1,262,890	0.390	1.90	1.53
Dist. of Col.	19,483	0.133	715,914	0.185	96,149	0.456	2,182,348	0.675	4.94	4.54
Florida	736,886	5.024	12,082,913	4.343	774,048	3.668	11,078,967	3.427	1.05	0.92
Georgia	546,744	3.794	8,662,140	3.117	581,072	2.753	8,486,710	2.617	1.04	0.98
Hawaii	37,212	0.254	710,176	0.255	289,736	1.373	2,920,270	0.903	7.79	4.11
Idaho	71,256	0.486	1,319,140	0.474	136,847	0.657	2,405,318	0.744	1.71	1.82
Illinois	772,144	3.903	11,806,446	4.243	789,387	7.660	12,347,681	4.17	1.34	1.13
Indiana	406,630	2.774	7,518,619	2.702	406,513	1.926	6,666,406	2.07	1.00	0.89
Iowa	174,131	1.136	3,862,461	1.388	244,202	1.138	4,826,272	1.43	1.40	1.17
Kansas	169,979	1.159	3,544,837	1.274	203,083	0.963	4,012,817	1.241	1.19	1.13
Kentucky	298,048	2.015	4,491,888	1.686	274,483	1.300	5,299,013	1.636	0.92	1.13
Louisiana	251,108	1.713	5,092,344	1.830	287,479	1.363	6,759,264	2.091	1.10	1.33
Maine	76,692	0.523	1,516,382	0.545	120,868	0.584	1,726,498	0.534	1.43	1.14
Maryland	253,121	1.727	4,865,108	1.748	364,846	1.729	7,342,367	2.334	1.44	1.60
Massachusetts	259,979	1.773	6,461,984	2.086	1,063,763	5.040	9,636,835	2.951	4.09	1.48
Michigan	516,136	3.521	10,360,391	3.723	584,226	2.768	9,467,888	2.926	1.13	0.91
Minnesota	240,008	1.637	4,008,173	1.400	276,793	1.311	6,821,448	2.011	1.15	1.50
Mississippi	189,644	1.294	3,489,886	1.254	216,461	1.026	3,636,084	1.132	1.14	1.04
Missouri	376,736	2.563	7,154,982	2.062	393,724	1.865	7,062,549	2.186	1.04	0.98
Montana	64,764	0.449	1,342,645	0.483	176,999	0.834	3,349,148	1.036	2.66	2.49
Nebraska	115,727	0.789	2,292,960	0.812	165,882	0.786	2,712,071	0.839	1.42	1.20
Nevada	94,125	0.646	1,345,588	0.483	134,447	0.637	2,357,938	0.699	1.42	1.48
New Hampshire	66,018	0.387	1,068,887	0.384	95,329	0.442	1,566,880	0.489	1.46	1.46
New Jersey	362,233	2.403	8,164,801	2.936	835,841	2.805	8,483,836	2.617	1.55	1.04
New Mexico	121,430	0.828	2,168,173	0.779	199,807	0.941	3,090,306	0.950	1.65	1.48
New York	668,949	4.498	14,068,389	5.056	1,089,817	4.979	17,137,377	5.299	1.66	1.22
North Carolina	437,162	2.982	7,988,790	2.876	501,088	2.374	6,963,166	2.184	1.15	0.87
North Dakota	51,653	0.368	1,021,678	0.367	125,146	0.570	2,008,148	0.621	2.36	1.96
Ohio	582,104	3.971	13,629,994	4.880	680,126	3.270	11,729,889	3.632	1.19	0.86
Oklahoma	239,940	1.637	4,798,880	1.720	276,882	1.311	4,200,994	1.300	1.18	0.88
Oregon	189,976	1.296	3,645,730	1.309	248,139	1.176	4,474,388	1.386	1.31	1.23
Pennsylvania	656,486	4.484	12,701,086	4.597	1,043,792	4.941	14,833,499	4.586	1.44	1.16
Rhode Island	40,088	0.272	906,288	0.326	120,737	0.582	2,090,849	0.647	3.06	2.27
South Carolina	251,998	1.718	4,320,888	1.621	337,016	1.597	3,961,288	1.228	1.34	0.94
South Dakota	53,367	0.363	1,090,418	0.392	151,296	0.662	2,168,410	0.670	2.60	1.99
Tennessee	366,769	2.477	6,394,080	2.296	384,998	1.824	6,639,030	2.061	1.06	1.04
Texas	1,113,966	7.598	21,280,340	7.648	1,227,308	5.818	18,068,887	5.749	1.10	0.87
Utah	109,360	0.746	1,908,088	0.686	157,066	0.744	3,396,881	1.051	1.44	1.78
Vermont	41,066	0.280	675,461	0.243	80,102	0.380	1,581,881	0.480	1.96	2.21
Virginia	402,363	2.745	6,978,301	2.508	624,308	2.882	8,476,810	2.882	1.56	1.21
Washington	270,589	1.848	5,080,173	1.827	486,047	2.109	8,444,438	2.612	2.42	1.66
West Virginia	117,148	0.799	2,269,886	0.816	222,147	1.056	4,762,969	1.474	1.90	2.10
Wisconsin	295,340	2.014	5,568,811	2.001	365,408	1.731	5,967,995	1.846	1.24	0.90
Wyoming	71,463	0.487	1,139,436	0.407	137,268	0.650	2,309,494	0.714	1.92	2.04
Total	14,669,999	100.000	278,248,329	100.000	20,971,737	99.366	321,736,420	99.581	1.43	1.16
American Samoa	-	-	-	-	3,861	0.006	40,788	0.013	-	-
Guam	-	-	-	-	11,882	0.066	105,888	0.033	-	-
N. Marianas	-	-	-	-	3,998	0.019	34,944	0.008	-	-
Puerto Rico	-	-	-	-	86,026	0.407	1,237,813	0.383	-	-
Virgin Islands	-	-	-	-	17,486	0.083	105,316	0.033	-	-
Grand Total	14,669,999	100.000	278,248,329	100.000	21,104,889	100.000	323,241,184	100.000	1.44	1.16

[1] Payments into the Fund include only the net tax receipts deposited in the Highway Account of the Federal Highway Trust Fund. Excluded are motor fuel taxes transferred to the Mass Transit Account of the Highway Trust Fund (1 cent per gallon from April 1, 1983 through November 30, 1990, 1.5 cents per gallon thereafter), the 0.1 cent per gallon tax dedicated to the Leaking Underground Storage Tank Trust Fund beginning January 1, 1987, and the tax designated for deficit reduction (2.5 cents per gallon from December 1, 1990 through September 30, 1995, 6.8 cents thereafter), and the tax from nonhighway use of gasoline transferred to the Aquatic Resources Trust Fund and the Land and Water Conservation Fund. Apportionments include fiscal year 1995 interstate construction funds apportioned during fiscal year 1994.

[2] Total Federal Highway Trust Fund receipts are reported by the U.S. Department of the Treasury. Payments into the Highway Trust Fund attributable to highway users in each State are estimated by the Federal Highway Administration. Includes revenues from highway-user taxes only. Payments into the Fund are understated by [illegible] billion due to an error by the Treasury Department in reconciling estimated deposits to the actual tax revenue. The [illegible] billion was credited to the Fund in fiscal year 1995. Had the funds been credited timely, the national ratio of apportionments and allocations to payments would have been 1.30.

[3] Includes all funds apportioned or allocated from the Highway Trust Fund except for the following programs: Indian reservation roads, highway safety information, and local transportation assistance. These programs are either administered by other Federal agencies or are treated as administrative funds and cannot be easily attributed to individual States. Obligations are used to represent allocations for the following programs: Federal lands, rural highway public transportation demonstration, parkways and park roads, and alcohol safety incentive grants.

COMPARISON OF FEDERAL HIGHWAY TRUST FUND RECEIPTS ATTRIBUTABLE TO THE STATES AND FEDERAL-AID APPORTIONMENTS AND ALLOCATIONS FROM THE FUND[1]

FISCAL YEARS 1957 - 1995

(THOUSANDS OF DOLLARS)

STATE	PAYMENTS INTO THE FUND 2/				APPORTIONMENTS AND ALLOCATIONS FROM THE FUND 3/				RATIO OF APPORTIONMENTS AND ALLOCATIONS TO PAYMENTS	
	FISCAL YEAR 1995	PERCENT OF TOTAL	CUMULATED SINCE 7-1-56	PERCENT OF TOTAL	FISCAL YEAR 1995	PERCENT OF TOTAL	CUMULATED SINCE 7-1-56	PERCENT OF TOTAL	FISCAL YEAR 1995	CUMULATED SINCE 7-1-56
Alabama	453,287	2.220	5,630,230	1.945	357,493	1.744	6,696,015	1.948	0.79	1.19
Alaska	41,235	0.202	596,358	0.200	238,302	1.162	4,156,915	1.209	5.74	[illegible]
Arizona	360,534	1.765	4,150,272	1.392	314,005	1.532	5,184,510	1.508	0.87	1.25
Arkansas	295,943	1.454	3,881,007	1.299	284,620	1.388	3,878,473	1.124	0.96	1.00
California	[illegible]	10.362	30,901,323	10.374	2,081,677	10.154	29,561,748	8.681	0.98	0.97
Colorado	[illegible]	1.277	3,425,575	1.281	238,568	1.164	5,205,568	1.514	0.92	1.56
Connecticut	269,122	1.327	4,517,298	1.378	393,038	1.917	6,279,170	1.826	1.57	[illegible]
Delaware	59,509	0.271	884,363	0.296	81,869	0.399	1,341,765	0.391	1.38	1.52
Dist. of Col.	25,325	0.124	540,337	0.181	117,583	0.544	2,291,729	0.667	4.72	4.24
Florida	1,035,177	5.070	13,118,090	4.392	828,598	4.042	11,904,585	3.461	0.80	0.91
Georgia	743,574	3.639	9,646,074	3.163	582,502	2.842	9,041,412	2.630	0.78	0.95
Hawaii	54,510	0.267	764,786	0.256	122,350	0.597	3,042,620	0.885	2.24	3.98
Idaho	111,130	0.544	1,430,270	0.479	180,971	0.883	2,584,258	0.752	1.63	1.81
Illinois	694,896	3.403	12,501,341	4.186	729,693	3.560	14,077,584	4.095	1.05	1.13
Indiana	568,030	2.782	8,086,645	2.708	443,255	2.162	7,099,725	2.065	0.78	0.88
Iowa	232,938	1.141	4,085,989	1.368	252,475	1.232	4,718,747	1.390	1.08	1.17
Kansas	228,958	1.121	3,773,793	1.264	222,449	1.085	4,235,766	1.232	0.97	1.12
Kentucky	399,732	1.958	5,091,617	1.705	299,566	1.463	5,569,878	1.626	0.75	1.10
Louisiana	350,263	1.715	5,442,527	1.822	299,354	1.460	7,058,615	2.050	0.85	1.30
Maine	110,735	0.542	1,625,117	0.544	132,673	0.647	1,859,111	0.541	1.20	1.14
Maryland	344,634	1.688	5,209,742	1.744	453,520	2.212	7,996,887	2.326	1.32	1.53
Massachusetts	370,469	1.814	6,032,405	2.020	787,930	3.843	10,326,453	3.004	2.13	1.71
Michigan	689,964	3.379	11,050,375	3.700	636,385	3.104	10,093,973	2.936	0.92	0.91
Minnesota	288,655	1.414	5,296,828	1.774	347,546	1.695	6,848,994	1.992	1.20	1.29
Mississippi	269,181	1.318	3,756,637	1.259	217,920	1.063	3,843,984	1.118	0.81	1.02
Missouri	531,814	2.604	7,716,796	2.584	444,739	2.169	7,507,268	2.184	0.84	0.97
Montana	100,678	0.493	1,443,221	0.483	192,550	0.939	3,541,698	1.030	1.91	2.45
Nebraska	160,774	0.787	2,423,719	0.812	149,417	0.729	2,861,468	0.832	0.93	1.18
Nevada	138,502	0.678	1,482,337	0.496	134,909	0.658	2,392,847	0.696	0.97	1.61
New Hampshire	79,721	0.390	1,149,572	0.385	94,027	0.459	1,659,907	0.483	1.18	1.44
New Jersey	570,497	2.794	8,735,378	2.925	584,365	2.850	9,038,201	2.629	1.02	1.03
New Mexico	166,515	0.815	2,331,686	0.781	200,750	0.979	3,300,568	0.960	1.21	1.42
New York	904,465	4.429	14,972,854	5.013	1,097,971	5.356	18,225,346	5.301	1.21	1.22
North Carolina	639,323	3.131	8,638,113	2.892	523,951	2.556	7,482,096	2.178	0.82	0.87
North Dakota	74,497	0.365	1,096,175	0.367	140,621	0.686	2,146,783	0.624	1.89	1.96
Ohio	757,533	3.710	13,333,457	4.464	708,641	3.457	12,433,900	3.617	0.94	0.93
Oklahoma	348,204	1.705	5,134,760	1.719	275,192	1.342	4,476,186	1.302	0.79	0.87
Oregon	270,149	1.323	3,912,879	1.310	254,296	1.240	4,730,564	1.376	0.94	1.21
Pennsylvania	882,762	4.323	13,673,846	4.578	1,068,686	5.213	15,892,145	4.623	1.21	1.16
Rhode Island	55,313	0.271	963,699	0.323	116,830	0.570	2,176,359	0.633	2.11	2.26
South Carolina	383,896	1.880	4,614,722	1.545	198,150	0.967	4,159,438	1.210	0.52	0.90
South Dakota	75,269	0.369	1,165,687	0.390	139,918	0.682	2,305,328	0.671	1.86	1.98
Tennessee	495,851	2.428	6,881,871	2.304	402,426	1.963	7,031,446	2.045	0.81	1.02
Texas	1,583,125	7.753	22,863,463	7.655	1,293,611	6.310	19,862,698	5.777	0.82	0.87
Utah	160,045	0.784	2,065,098	0.691	153,762	0.750	3,550,613	1.033	0.96	1.72
Vermont	57,897	0.284	730,359	0.245	86,531	0.422	1,638,362	0.477	1.49	2.24
Virginia	571,718	2.800	7,549,919	2.528	420,138	2.049	8,896,048	2.588	0.73	1.18
Washington	375,358	1.838	5,407,531	1.811	291,589	1.422	8,736,024	2.541	0.78	1.62
West Virginia	162,736	0.797	2,431,962	0.814	243,195	1.186	5,007,164	1.456	1.49	2.06
Wisconsin	422,061	2.067	5,990,472	2.006	376,713	1.838	5,364,708	1.560	0.89	0.90
Wyoming	93,484	0.458	1,226,320	0.411	139,494	0.680	2,445,928	0.711	1.49	1.99
Total	20,419,365	100.000	298,654,594	100.000	20,371,503	99.369	342,149,683	99.522	1.00	1.15
American Samoa	-	-	-	-	4,256	0.021	45,074	0.013	-	-
Guam	-	-	-	-	14,368	0.070	120,518	0.035	-	-
N. Marianas	-	-	-	-	4,236	0.021	29,180	0.008	-	-
Puerto Rico	-	-	-	-	87,799	0.428	1,326,611	0.386	-	-
Virgin Islands	-	-	-	-	18,728	0.091	124,046	0.036	-	-
Grand Total	20,419,365	100.000	298,654,594	100.000	20,500,890	100.000	343,793,852	100.000	1.00	1.15

1/ Payments into the Fund include only the net tax receipts deposited in the Highway Account of the Federal Highway Trust Fund. Excluded are motor fuel taxes transferred to the Mass Transit Account of the Highway Trust Fund (1 cent per gallon from April 1, 1983 through November 30, 1990, 1.5 cents per gallon thereafter), the 0.1 cent per gallon tax dedicated to the Leaking Underground Storage Tank Trust Fund beginning January 1, 1987, and the tax designated for deficit reduction (2.5 cents per gallon from December 1, 1990 through September 30, 1995, 6.8 cents thereafter), and the tax from motorboat use of gasoline transferred to the Aquatic Resources Trust Fund and the Land and Water Conservation Fund. Apportionments include fiscal year 1996 interstate construction funds apportioned during fiscal year 1995.

2/ Total Federal Highway Trust Fund receipts are reported by the U.S. Department of the Treasury. Payments into the Highway Trust Fund attributable to highway users in each State are estimated by the Federal Highway Administration. Includes revenues from highway-user taxes only. Payments into the Fund are overstated by $1.59 billion due to a fiscal year 1994 error by the Treasury Department in reconciling estimated deposits to the actual tax revenue. The $1.59 billion was credited to the Fund in fiscal year 1995.

3/ Includes all funds apportioned or allocated from the Highway Trust Fund except for the following programs: Indian reservation roads, highway safety information, and local transportation assistance. These programs are either administered by other Federal agencies or are treated as administrative funds and cannot be easily attributed to individual States. Obligations are used to represent allocations for alcohol safety incentive grants and the Woodrow Wilson Bridge.

COMPARISON OF FEDERAL HIGHWAY TRUST FUND RECEIPTS INTO THE FUND BY STATE VERSUS FEDERAL AID APPORTIONMENTS AND ALLOCATIONS FROM THE FUND

[illegible] State	Payments into the Fund FISCAL YR. 1994[1]	% of Total Payments in	Apportionment FISCAL YR. 1994[illegible]	% of Total Apportionments	Difference of % Receipts in vs. Apportionments	Estimated $ Impact of Donor States	Return Rate [illegible]
Alabama	311,820	2.13%	277,472	1.63%	-0.50%	(84,253)	0.77
Alaska	46,947	0.32%	195,502	1.15%	0.83%		
Arizona	258,859	1.77%	220,913	1.30%	-0.47%	(79,375)	0.74
Arkansas	203,751	1.39%	183,597	1.08%	-0.31%	(52,783)	0.78
California	1,515,073	10.33%	1,538,762	9.05%	-1.29%	(218,790)	0.89
Colorado	189,707	1.29%	190,882	1.12%	-0.17%	(29,187)	0.87
Connecticut	154,295	1.05%	346,890	2.04%	0.99%		
Delaware	41,527	0.28%	74,119	0.44%	0.15%		
Dist. of Columbia	18,452	0.13%	94,433	0.56%	0.42%		
Florida	736,556	5.02%	652,997	3.84%	-1.18%	(201,441)	0.76
Georgia	556,244	3.79%	475,017	2.79%	-1.00%	(170,251)	0.74
Hawaii	37,217	0.25%	116,089	0.68%	0.43%		
Idaho	81,256	0.55%	101,036	0.59%	0.04%		
Illinois	572,144	3.90%	631,465	3.71%	-0.19%	(32,247)	0.95
Indiana	406,630	2.77%	371,136	2.18%	-0.59%	(100,573)	0.79
Iowa	174,121	1.19%	189,607	1.11%	-0.07%	(12,381)	0.94
Kansas	169,972	1.16%	196,403	1.15%	-0.00%	(772)	1.00
Kentucky	295,043	2.01%	240,837	1.42%	-0.60%	(101,426)	0.70
Louisiana	251,108	1.71%	225,328	1.32%	-0.39%	(65,968)	0.77
Maine	76,690	0.52%	87,414	0.51%	-0.01%	(1,550)	0.98
Maryland	253,121	1.73%	362,603	2.13%	0.41%		
Massachusetts	259,978	1.77%	1,139,327	6.70%	4.93%		
Michigan	516,125	3.52%	456,207	2.68%	-0.84%	(142,521)	0.76
Minnesota	240,098	1.64%	243,164	1.43%	-0.21%	(35,256)	0.87
Mississippi	189,644	1.29%	176,593	1.04%	-0.26%	(43,402)	0.80
Missouri	378,735	2.58%	343,342	2.02%	-0.56%	(90,007)	0.78
Montana	68,754	0.47%	148,659	0.87%	0.41%		
Nebraska	112,727	0.77%	133,204	0.78%	0.01%		
Nevada	96,123	0.66%	99,941	0.59%	-0.07%	(11,566)	0.90
New Hampshire	56,013	0.38%	81,761	0.48%	0.10%		
New Jersey	352,233	2.40%	536,497	3.15%	0.75%		
New Mexico	121,420	0.83%	161,842	0.95%	0.12%		
New York	658,943	4.49%	966,199	5.67%	1.37%		
North Carolina	437,162	2.98%	426,601	2.51%	-0.47%	(80,526)	0.84
North Dakota	51,653	0.35%	97,684	0.57%	0.22%		
Ohio	582,104	3.97%	597,971	3.52%	-0.45%	(77,295)	0.89
Oklahoma	239,949	1.64%	217,478	1.28%	-0.36%	(60,923)	0.78
Oregon	189,976	1.30%	236,760	1.39%	0.10%		
Pennsylvania	635,426	4.33%	938,773	5.52%	1.19%		
Rhode Island	40,069	0.27%	82,591	0.48%	0.21%		
South Carolina	251,792	1.72%	215,097	1.26%	-0.45%	(76,993)	0.74
South Dakota	53,287	0.36%	106,510	0.63%	0.26%		
Tennessee	355,789	2.43%	319,105	1.88%	-0.55%	(93,626)	0.77
Texas	1,112,966	7.59%	971,450	5.71%	-1.88%	(319,840)	0.75
Utah	109,360	0.75%	120,127	0.71%	-0.04%	(6,736)	0.95
Vermont	41,026	0.28%	75,067	0.44%	0.16%		
Virginia	402,885	2.75%	440,757	2.59%	-0.16%	(26,607)	0.94
Washington	270,566	1.85%	310,693	1.83%	-0.02%	(3,176)	0.90
West Virginia	117,148	0.80%	151,449	0.89%	0.09%		
Wisconsin	295,240	2.01%	300,786	1.77%	-0.25%	(41,706)	0.88
Wyoming	71,363	0.49%	106,143	0.62%	0.14%		
Total	14,659,999	100.00%	17,006,250	100.00%		(2,266,958) Total loss to Donor States	

[1] Federal Highway Statistics (Table S594 9610)

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U. S. DEPARTMENT OF TRANSPORTATION
FEDERAL HIGHWAY ADMINISTRATION

SUMMARY OF FY 1996 APPORTIONMENTS
PURSUANT TO THE NATIONAL HIGHWAY SYSTEM DESIGNATION ACT OF 1995

STATES	INTERSTATE REIMBURSEMENT	INTERSTATE MAINTENANCE	NATIONAL HIGHWAY SYSTEM	BRIDGE	SURFACE TRANSPORTATION PROGRAM	CONGESTION MITIGATION AND AIR QUALITY	DONOR STATE BONUS	APPORTIONMENT ADJUSTMENT	METROPOLITAN PLANNING	P.L 104-59 RESTORATION FUNDS	SUBTOTAL	MINIMUM ALLOCATION	TOTAL	FY 1996 FORMULA OBLIGATION LIMITATION
ALABAMA	8,332,787	46,253,035	55,809,450	37,897,532	68,975,267	4,787,648	75,773,967	22,790,091	7,511,762	4,797,404	256,423,934	1,415,200	257,899,134	270,670,341
ALASKA	-8,332,787	78,697,342	45,926,527	7,417,542	700,070,340	4,287,648	0	4,669,887	690,256	3,798,269	793,350,628	0	793,350,628	207,994,454
ARIZONA	8,337,787	57,691,310	38,950,345	5,538,709	49,857,550	77,500,708	13,574,934	729,835	7,782,335	3,877,277	786,098,484	77,680,428	779,178,977	796,433,083
ARKANSAS	8,732,781	76,977,387	33,427,535	25,577,749	39,493,773	4,787,648	9,296,077	14,338,826	690,386	3,784,679	166,700,177	76,051,815	187,752,002	175,359,047
CALIFORNIA	90,329,408	247,448,484	253,467,979	758,748,079	295,867,065	726,977,824	703,686,570	79,398,726	20,973,627	34,440,707	2,332,179,803	79,250,280	2,477,970,083	2,406,488,117
COLORADO	8,332,787	44,576,734	45,635,852	79,975,736	60,878,077	4,287,648	0	0	7,953,671	3,384,835	788,914,686	0	788,914,686	799,341,910
CONNECTICUT	95,160,425	30,556,038	49,414,677	35,878,089	97,437,768	20,757,398	0	0	3,071,663	4,637,490	335,736,888	0	335,736,888	353,689,457
DELAWARE	77,873,557	72,747,084	74,834,385	5,583,948	73,048,356	4,387,648	0	0	690,386	7,039,431	73,448,807	0	77,448,807	77,484,467
DIST. OF COL.	8,737,187	72,742,084	75,405,734	74,675,973	75,666,311	4,787,648	0	1,306,343	690,386	7,385,977	74,182,799	11	14,187,791	78,979,876
FLORIDA	9,337,777	91,207,687	774,525,643	40,305,379	787,082,716	25,607,854	48,948,369	35,327,034	8,367,795	70,767,506	567,470,371	87,171,710	649,671,101	598,880,413
GEORGIA	73,999,083	85,860,749	84,004,849	35,410,048	709,784,677	13,262,102	29,490,295	0	7,679,053	7,787,455	387,777,704	77,066,777	452,339,477	403,493,378
HAWAII	8,332,787	77,743,084	75,775,059	15,793,029	58,218,293	4,287,648	0	0	690,386	7,439,271	775,478,507	0	715,478,507	771,729,781
IDAHO	8,332,787	77,774,752	33,677,389	5,707,887	34,320,540	4,287,648	0	0	690,386	7,865,657	700,757,343	0	100,157,747	105,697,793
ILLINOIS	747,631,744	83,358,402	772,787,597	83,977,778	743,869,577	47,964,774	0	0	6,966,305	10,347,010	675,916,097	0	625,916,097	660,503,304
INDIANA	50,496,688	55,771,183	63,366,980	37,939,396	97,779,944	9,650,845	17,804,342	0	3,373,317	5,810,789	323,631,918	44,600,256	368,737,194	347,553,677
IOWA	8,332,787	33,845,760	45,635,852	32,936,029	58,406,681	4,387,648	0	0	774,508	3,384,835	781,604,700	0	181,604,700	197,960,778
KANSAS	30,664,655	34,345,000	47,566,477	34,255,036	45,387,747	4,287,648	0	0	836,977	3,071,703	794,349,508	0	194,349,508	205,057,435
KENTUCKY	9,499,377	47,826,887	47,967,746	27,725,436	62,754,877	6,297,833	23,098,277	0	7,049,096	4,011,193	213,900,770	24,910,601	238,871,577	325,744,638
LOUISIANA	8,332,781	44,393,956	48,257,920	57,976,604	35,877,061	4,287,648	0	34,477,237	1,830,595	4,057,141	773,366,950	0	773,366,950	735,698,506
MAINE	17,499,245	73,743,084	18,372,476	74,447,958	27,631,437	4,287,648	0	0	690,386	7,137,796	86,744,635	0	86,744,625	97,558,475
MARYLAND	45,496,950	40,707,744	45,635,857	29,307,526	56,050,487	26,586,683	0	0	2,942,679	4,477,571	751,660,838	0	751,660,838	765,587,718
MASSACHUSETTS	85,661,048	40,778,477	55,338,102	709,296,402	3,229,777	75,777,795	0	377,679,785	3,886,602	70,954,073	654,525,388	0	654,535,388	690,637,556
MICHIGAN	68,995,414	79,090,307	87,388,187	55,099,764	89,773,154	74,916,425	31,694,790	0	4,115,616	7,329,361	447,602,738	9,043,787	451,645,974	467,061,097
MINNESOTA	8,332,787	46,833,870	50,577,314	37,091,729	77,008,821	4,287,648	0	30,524,746	1,948,020	4,504,729	739,014,064	0	739,014,064	752,288,943
MISSISSIPPI	8,732,787	28,534,745	36,334,711	77,709,269	39,878,468	4,787,648	0	27,673,017	690,386	7,958,399	713,898,490	0	713,898,490	787,480,666
MISSOURI	32,498,574	66,131,183	70,934,509	12,319,721	56,626,563	8,497,075	0	32,631,933	2,786,368	6,016,177	371,992,588	0	777,993,588	756,657,256
MONTANA	8,332,787	31,491,854	37,974,764	10,719,735	39,962,972	4,287,648	0	11,158,977	690,386	2,418,659	146,762,536	0	148,762,536	754,849,787
NEBRASKA	8,337,781	79,635,775	31,707,747	73,747,296	42,529,447	4,787,648	0	0	690,386	7,705,577	137,830,944	0	777,830,944	139,083,765
NEVADA	8,732,787	37,056,027	27,381,915	5,528,109	34,921,361	4,787,648	0	0	748,519	7,839,005	99,095,411	0	99,095,477	704,575,407
NEW HAMPSHIRE	8,332,781	72,743,084	77,737,137	77,976,452	34,650,837	4,287,648	0	0	690,386	7,779,308	81,090,173	0	87,090,673	85,554,109
NEW JERSEY	106,826,326	26,848,011	75,865,971	133,746,630	59,674,277	49,403,831	0	0	5,446,999	7,677,547	453,814,598	0	453,834,598	478,928,677
NEW MEXICO	8,337,187	39,737,915	37,102,747	6,579,998	39,161,888	4,281,648	0	27,640,777	690,386	7,178,529	760,257,464	0	160,751,464	161,087,661
NEW YORK	781,714,887	86,977,307	758,708,724	371,734,343	176,740,583	90,744,829	0	0	77,598,099	14,158,950	998,111,709	0	998,117,109	7,044,889,784
NORTH CAROLINA	70,837,633	50,461,340	73,540,577	58,785,997	93,037,873	70,587,851	26,730,593	46,777,066	3,064,674	6,987,888	778,291,441	78,795,870	406,497,711	799,778,385
NORTH DAKOTA	8,733,787	78,537,778	77,800,567	5,528,109	35,847,069	4,287,648	0	0	690,386	1,705,744	96,723,628	0	96,773,618	707,063,697
OHIO	11,994,884	97,877,619	105,334,067	82,084,036	774,461,494	77,628,177	30,789,777	7,735,266	5,469,539	9,701,471	567,361,816	9,117,427	577,595,298	594,507,957
OKLAHOMA	27,664,853	33,265,525	44,413,156	35,703,490	53,599,570	4,287,648	22,140,474	0	7,717,167	7,674,105	715,817,117	75,926	775,948,058	171,105,314
OREGON	73,665,774	36,626,345	35,753,929	30,943,699	30,455,625	5,073,710	9,469,283	15,784,149	7,766,156	3,378,276	792,765,996	15,387,501	701,541,491	707,187,141
PENNSYLVANIA	701,759,638	63,655,240	179,461,704	773,351,922	47,580,479	57,113,848	0	0	5,937,863	17,779,556	676,055,110	0	610,055,610	660,889,230
RHODE ISLAND	8,732,781	77,747,084	75,775,059	73,858,526	79,452,870	5,014,940	0	5,257,538	690,386	7,497,526	81,757,156	0	81,351,656	85,850,798
SOUTH CAROLINA	8,332,787	47,641,656	43,079,784	73,899,179	52,543,497	4,282,648	24,474,843	6,896,168	7,172,745	3,784,679	200,052,965	17,551,711	717,106,242	777,129,779
SOUTH DAKOTA	8,333,787	33,483,936	24,125,960	7,837,803	35,963,577	4,787,648	0	0	690,386	7,839,005	105,555,636	0	105,555,636	111,379,537
TENNESSEE	8,337,781	60,648,376	63,948,328	44,777,095	70,419,048	9,563,375	28,486,349	25,253,924	1,822,377	5,330,449	308,676,702	7,126,735	315,757,831	325,653,806
TEXAS	60,662,687	780,983,271	798,739,877	90,069,037	213,295,467	85,774,358	0	79,785,400	9,343,726	76,557,047	973,444,751	0	973,444,151	984,970,138
UTAH	8,332,787	40,660,343	77,674,057	9,099,977	26,700,207	4,281,648	0	0	7,084,777	1,945,614	119,174,657	0	719,774,657	175,684,099
VERMONT	8,732,781	77,742,084	15,987,082	10,679,477	77,750,883	4,287,648	0	0	690,386	7,746,046	74,476,178	0	74,416,728	18,570,453
VIRGINIA	33,497,803	70,186,529	63,657,654	50,762,778	54,140,714	78,775,391	23,796,889	0	3,146,671	6,076,117	373,501,087	33,741,886	351,248,961	341,477,575
WASHINGTON	27,998,557	57,387,257	57,758,663	54,561,960	33,209,707	73,624,478	0	77,742,392	2,641,370	5,463,170	301,789,574	0	301,789,534	374,149,574
WEST VIRGINIA	8,337,781	79,527,953	35,757,929	43,333,021	36,411,757	4,287,648	0	0	690,386	3,065,008	750,466,989	0	750,466,989	758,809,884
WISCONSIN	8,332,186	33,134,523	48,833,269	77,579,677	78,383,362	70,746,307	25,779,696	57,564,797	7,025,017	5,067,926	776,437,403	22,007,045	798,434,448	791,759,938
WYOMING	8,332,786	29,673,666	24,775,960	5,528,709	71,767,704	4,287,648	0	0	690,386	7,131,796	705,417,655	0	705,477,655	777,781,043
PUERTO RICO	0	10,937,876	77,004,442	77,136,403	25,819,984	4,781,648	0	0	7,746,763	7,776,003	73,748,579	0	77,148,519	76,777,141
TERRITORIES	0	0	0	0	0	0	0	0	0	26,657	26,652	0	26,657	0
SUBTOTAL	7,666,174,070	2,471,207,615	2,904,857,805	3,237,107,354	3,406,475,248	857,529,504	477,614,879	799,475,897	738,077,738	266,537,436	75,777,776,080	491,117,792	15,618,887,717	15,956,845,917
SECRETARY OF INTERIOR	0	0	0	0	0	0	0	0	0	0	0	11	0	
WITHHELD SEC 157	0	0	0	0	0	0	0	0	0	0	0	0	0	
WITHHELD SEC 158	0	7,374,708	7,889,387	0	3,868,887	0	0	0	0	0	5,911,411	0	5,917,472	
WITHHELD SEC 159	0	0	0	0	0	0	0	0	0	0	0	0	0	
TOTAL	7,646,314,010	3,478,416,683	2,906,142,181	2,771,101,554	3,409,284,775	851,529,504	477,614,819	799,415,891	138,077,138	266,577,436	75,771,088,551	491,111,197	15,614,859,749	

TESTIMONY
OF
WAYNE SHACKELFORD, COMMISSIONER
GEORGIA DEPARTMENT OF TRANSPORTATION

No. 2 Capitol Square
Atlanta, Georgia 30334

(404) 656-5206

before

SUBCOMMITTEE ON SURFACE TRANSPORTATION
Representative Thomas B. Petri, Chair

July 11, 1996

TESTIMONY
OF
WAYNE SHACKELFORD, COMMISSIONER
GEORGIA DEPARTMENT OF TRANSPORTATION

before

SUBCOMMITTEE ON SURFACE TRANSPORTATION
Representative Thomas B. Petri, Chair

July 11, 1996

Mr. Chairman, members of the Subcommittee on Surface Transportation, I appreciate this opportunity to appear before you to discuss an issue critical to our nation's future. That issue is the financing of our national transportation program.

We are fast approaching the September 30, 1997 date that marks the end of surface transportation authorizations under ISTEA. The expiration of this landmark program provides an excellent opportunity to review and reaffirm the positive direction of our nation's transportation. This is an opportunity that we must take to assure not only adequate levels of financing, but equity in the distribution of highway user revenues as well.

When ISTEA was adopted, it represented a new vision for the national transportation program with both challenges and opportunities. ISTEA contains much to applaud. But there are also critical elements that need to be addressed. One of the most critical is the federal funding formulas which penalize high growth states trying to deal with rapidly increasing populations and expanding economies, such as my own state of Georgia.

During the decades of the 1970's and 1980's Georgia grew almost twice as fast as the nation as a whole. Over this same period, travel grew even faster: from two to three times faster than the population. Nearly 600 thousand people were added to Georgia's population between 1990 and 1994; and more than 274 thousand new jobs were created. The demand for transportation in Georgia continues to grow. Statewide we anticipate a 55% growth over the next 20 years. Pressures from this growth will be intense in our urbanized areas.

But, Georgia is a donor state, contributing more to the federal Highway Trust Fund than we receive in annual apportionments and allocations. And we are not alone. More than 17 other states, many of which are high growth states like Georgia, find themselves in the same position.

We believe the national interest can be served, and fairness and equity achieved, in the next reauthoriztion. A coalition of 22 states have joined in an effort to encourage Congress to adopt a more equitable, flexible and streamlined surface transportation program. It is widely recognized that ISTEA contains seriously outdated apportionment formulas. The GAO found that these formulas rely on nearly two decades old population figures and even older mileage concepts.

The STEP 21 proposal would not affect the federal funding for emergency repairs, safety, research and development or funding for federal administration of the transportation program. STEP 21 concept addresses the critical funding concerns of the donor states, and assures equity for all states. It recommends streamlining the more than 60 highway funding categories to include:

1) A National Highway System (NHS) Program that addresses the national interest and provides basic funding to support the 160,000 mile NHS and connectors. This program safeguards mobility and economic benefits for all states and the nation es a whole;

2) A Streamlined Surface Transportation Program (SSTP) that provides flexible block grant program funding to the states allowing them to respond to regional and local s, with less federal oversight;

3) An equity feature that assures all states receive at least 95% return on payments made to the federal Highway Trust Fund; and

4) An Access feature that ensures adequete resources for highways in lnw population density, lerge land area states and in small eree, small population states. This will assure support for road systems essential for national mobility, economic connectivity and national defense.

Mr. Chairman, members of the Subcommittee, the transportation progrem has bound us together as a nation. The connectivity provided by the Interstate System and other routes on the NHS brings us together, provides access and mobility to our citizens and commerce.

But wa cannot afford to continue with outdated federel funding formules that result in inequities like our stete, and others are experiencing. In 1994 Georgia contributed 3.65% of the revenues collected and interest earned nationwide for the federal Highway Trust Fund. But we received only 2.87% in national apportionments and allocations. Over the 10 year period from FY 1985 to FY 1994 Georgia experienced a shortfall of $1.13 billion in funding as a result of the formulas used to distribute funds from the Highway Trust Fund.

Other donor states suffer the same inequities. STEP 21 represents an attempt to address these shortcomings. I am sure that you are aware that Congress asked GAO to do a study in 1991 of the Highway Trust Fund distribution formula. The study took no stand although it agreed that the formula used antiquated factors. Earlier GAO studies recommended changing the formula. ISTEA offers us the opportunity to address this inequity.

We share the common bonds of a national vision for transportation. There is much in ISTEA that we can support and should continue, but the funding formulas must be addressed. STEP 21 represents a proposal to implement changes and make the transportation program more equitable and efficient.

I urge you to consider the recommendations of STEP 21 and to adopt those recommendations into the ISTEA reauthorization.

I will be happy to respond to any questions.

Thank you.

GOVERNOR PETE WILSON

SUBSTANTIAL DEVOLUTION: A Proposal to Empower States in Transportation Infrastructure Investment

Delivered by:
Dean Dunphy
Secretary of the State of California
Business, Transportation and Housing Agency

Testimony Before:
House Transportation & Infrastructure Committee
Reauthorization Hearing,
Washington, DC
July 11, 1996

Good morning and thank you for the opportunity to address this forum. We in California are very excited about the upcoming ISTEA Reauthorization and we have spent a lot of time recently thinking about government's role in transportation

In particular, we have been pondering two major questions: the first is, **Governance**. "What level of government is best suited to make transportation investment decisions in the period following completion of the Interstate highway system?"

The second question is, **Funding**. "In an era of limited resources, how much is needed to maintain, expand and diversify our nation's transportation system, and how should that resource be raised and spent?"

I plan to share with you today our developing thoughts on these questions as they relate to your task: reauthorizing our ISTEA transportation bill.

In short, I believe that the federal government should devolve the majority of its authority in transportation to states and their political subdivisions

HISTORICAL CONTEXT

In 1956 President Eisenhower embarked on an historic effort to build our national highway system. Initially, this system was justified by the need to rapidly move troops and material in the country's defense, however, the highway system evolved to become a major facilitating factor in the United States' unprecedented economic affluence and personal mobility.

The highway program was funded through a federally levied gas tax, collected by states and delivered to Washington D.C. The federal government used a fraction of this resource to ensure the nationwide system was built to uniform standards of engineering, safety and durability. Another portion was redistributed to complete linkages through less populous regions creating "donor states" (such as California, Florida, Texas, Georgia and Michigan) and "recipients states" (such as Montana, Idaho, and Wyoming).

This federal role was well justified in the development and construction of the system, and without it we would probably not have the national highway network we enjoy today. In fact, forty years and hundreds of billions of dollars since this massive investment began, the United States is now linked by one of the most comprehensive highway systems in the world.

Through the beneficial activities of a far-sighted Congress and many people in this room, and certainly because of the high standards of professionalism and expertise that was gathered at the FHWA and USDOT, the federal government has had a noteworthy success.

This consolidation of expertise and sustained focused investment was no less important to our nation's long term security than investing in the railroads in the late 19th Century, mobilizing the entire economy and population for two World Wars, or focusing the nation's will on traveling to the moon.

It is now time for the federal highway bureaucracy to declare victory and go home.

MATURE STATES

In 1956, states recognized the need for federal oversight associated with the construction of the Interstate Highway System and other federal aid highways. Since then, states have developed considerable expertise in the design, construction and preservation of transportation facilities. States no longer need federal oversight to operate and maintain our nation's transportation system.

ISTEA represented considerable progress toward providing states with greater discretion and flexibility in their transportation investments. However, while many ISTEA provisions were vast improvements over previous law, many new bureaucratic requirements crept in through US DOT's rule making and oversight. No matter how well intentioned Congress may be, it would seem that as long as our fuel taxes are processed through Washington, it is impossible to avoid unwanted and unnecessary oversight and regulation.

For instance, with increasing regularity, the federal government threatens withholding Federal Highway Trust Fund moneys to force states into certain policy directions which have a minimal transportation nexus. The air quality smog check program is a good example.

NEED FOR LOCAL RESPONSIBILITY

The National Highway System is now in place and it identifies those routes said to be of national and international significance. Today, transportation investments are largely made to accommodate local land use decisions and regional traffic patterns. We need to make local and regional officials responsible for balancing their land use decisions with their transportation investments.

In fact, in California, the Wilson Administration has proposed and our Legislature is considering, a sweeping reform in the way California's transportation projects are identified, planned, funded and delivered. The net result will be a dramatic shift from state to local and regional authority.

We hope you, and Congress, will follow California's lead, recognize the wisdom of this policy and agree to devolve much of your traditional authority to the states and their political subdivisions.

A MEASURED PROPOSAL

California has had the opportunity to study several devolution-type proposals. After preliminary review of initial financial estimates, at this time we feel that a combination of tax devolution and consolidated grants will likely be the best means to ensure that precious tax dollars are used most effectively at the state and local levels. Under our proposal an important but modest role will remain for the US DOT and FHWA.

SUBSTANTIAL DEVOLUTION/CONSOLIDATED GRANTS

Our proposal is designed to eliminate (or devolve) a major portion of the federal fuel tax.

States will then have the option to replace some or all of these former federal fuel taxes with a lesser or equal amount of state gas taxes. Additionally, states or localities could devise other means for maintaining their historic transportation funding levels via regional or local revenue mechanisms.

Excise and federal fuel taxes representing the balance of the existing federal program will be collected and distributed to states in the form of consolidated grants. These grants will be earmarked solely for the maintenance and preservation of the National Highway System, a limited research and development program, safety measures, and Emergency Relief funding for transportation.

PROPOSAL'S MERITS

Savings. There will be savings to states from a reduction in federal oversight. We will be providing the Congress with specific proposals for the elimination of many of the duplicative and unnecessary oversight requirements associated with federal administrative, environmental and historic preservation constraints. We also will reform similar laws and requirements in California.

Federal Take-downs. Funds collected at the state level will not be subject to federal "handling" charges, nor would they be redistributed to other states. We recognize some redistribution is necessary and appropriate to maintain the National Highway System, and we would expect to see this as part of our Consolidated Grant Program, albeit to a considerably lesser extent than currently.

Increased Flexibility. Funds collected at the state level provide maximum flexibility and thus increased value since they will be available for any transportation purposes as prescribed by state governors, legislatures and their political subdivisions.

Reduced Federal Oversight. With most transportation funds collected at the state level and most of the remainder distributed as consolidated grants for the NHS, the need for federal oversight will be greatly reduced. The federal government preferably through AASHTO and in cooperation with states, would set certain construction and maintenance standards.

We would no longer need armies of federal engineers reviewing the work of perfectly qualified state engineers. In fact, in the post-construction era, much of FHWA's role has become ministerial in purpose, and based on environmental review of state initiated projects. What value does this process add?

Transportation Taxes For Transportation. With the majority of transportation revenues raised at the state and local levels, diverting transportation funds for non-transportation purposes would take place only through legislative action of our representative state governments. The remaining federal highway funds would be granted to states solely for the National Highway System.

Total System Preservation. Inasmuch as turnback provides for the maximum flexibility in the use of funds, states will be in the best position to ensure that all components of the intermodal transportation system are properly maintained and preserved. Regions and localities will be in the best position to expand or improve their respective systems based on local land use decisions.

FILLING THE GROWING GAP

In recent years, federal general fund support for transit operating costs has declined significantly and it is expected to decline even further in the coming years. Some states can address this need by using flexible state or locally generated funds. For example, regional-option fuel or sales taxes can be dedicated to local transportation needs.

In California, pending legislation will create a notion of "regional choice." Simply translated, this will mean that 80% of all state controlled transportation funds will be allocated to and used at the sole discretion of regional and local government. By analogy, this is similar to what we seek from the federal ISTEA Reauthorization.

California is watching the gap between transportation demand and capacity to pay widen. Contributing to this gap are the unaddressed transportation needs associtaed with the NAFTA. As long as the federal government ignores its responsibility to address the effects of new program requirements, we will need maximum flexibility and creativity in order to accommodate these competing needs.

SUMMARY

In summary, the federal government's mission in building a national highway system is complete. We should use the reauthorization of ISTEA as an opportunity to reevaluate the need for a continued, massive federal transportation bureaucracy, and ask, "What value is added by this organization?"

I will argue now and in the future that the federal government has succeeded admirably in its original mission. Now keeping with the 10th Amendment of the U.S. Constitution we should devolve to states the responsibility to maintain, improve, diversify and tailor the transportation system to meet each state's respective needs.

In the final analysis I hope that the Congress will have the objectivity and courage to recognize that your mission is complete, and move aggressively toward downsizing the US DOT and devolving more authority to state and local governments.

Let's have more bridges and fewer bureaucrats.

Thank you for your consideration.

ADDITIONS TO THE RECORD

Testimony of Representative John Joseph Moakley
before
The Subcommittee on Surface Transportation
on
ISTEA Reauthorization
Maintaining Adequate Infrastructure: Federal Funding Distribution Formulas
July 11, 1996

Mr. Chairman, I commend you for holding these hearings so that we can begin a constructive dialogue on a crucial issue as we move into the 21st century. The title of this hearing is certainly appropriate -- "maintaining adequate infrastructure" -- since I think we all recognize what a vital role transportation plays in our lives and what a role transportation has played in the development of our nation. The expansion of roads, bridges and highways in the United States has brought us closer together, contributed to our economic growth and continues to link us closer and closer to different parts of the country.

As we move into the 21st century, Congress faces challenges ahead as we attempt to downsize our government and trim our federal spending. I have always and continue to believe that the federal government has a vital role to play in ensuring that our country maintains a solid infrastructure since our economic well being is contingent on it. The ISTEA legislation made a commitment to strengthening our nation's infrastructure and the federal government must preserve that pledge and be consistent in honoring that commitment.

There has been a great deal of discussion lately about changing the current distribution formula for federal highway funds to the States. There are Members who argue that the current funding formula is unfair and advocate a proposal where states would be guaranteed a 95% return on what states contribute to the highway fund. I would urge Committee members to thoroughly examine this approach and the consequences it could have on our nation's highway infrastructure as a whole.

In my state of Massachusetts, we have always had unique transportation needs. As you know, Boston is one of the oldest cities in America and if you ever drive in Boston, you'll see that. Boston, unlike New York or Washington, D.C., was not a planned city. Many of our roads were just paved over from where horse carriages and buggies once traveled. Hence, Boston area residents suffer from some of the worst traffic congestion in the nation. In 1991, as part of the ISTEA legislation, Congress and the federal government recognized Boston's unique needs and made a commitment to build a new highway to help alleviate the traffic congestion from which commuters in Boston suffer. Since it is estimated that travel nationwide will increase by 60%, the federal government needs to be consistent in its pledge to assuage the problem of congestion in and around our urban areas. If we fail to address this problem adequately, it will directly translate into growing costs to businesses and then ultimately to consumers.

Undoubtedly, Massachusetts along with other Northeast states have benefitted from the current funding formula under ISTEA. However, Massachusetts for many years passed up federal highway funds because there wasn't as great of a need for highway improvements as there is today. The premise that the original ISTEA legislation clearly recognized that some states will do better than others over different periods, depending on what highway improvements are needed.

The current system of ISTEA distribution formulas for states represents a balance between addressing the individual states' relative transportation needs and the relative amounts of federal taxes contributed by each state. To destroy this balance by ignoring the relative needs of the states and basing the apportionment of federal funds primarily upon the ability of each state to collect fuel taxes would fail to recognize the unique highway infrastructure needs of each state. Further, the highway program is the only federal program which even considers the revenue contributed by each state as a factor in distributing federal aid.

In other areas of aid, the federal government recognizes the unique needs that different states have. For example, states such as Florida and California need and deserve federal disaster relief. In many Midwestern states, farm subsidies are considered essential to the agriculture industry. Mr. Chairman, Massachusetts' unique needs are in the area of transportation infrastructure. I am asking that in the Reauthorization of ISTEA that the Congress continue to recognize Massachusetts' unique transportation infrastructure requirements and remain consistent with its federal committment.

The ISTEA legislation is a visionary measure that was overwhelmingly approved by bi-partisan majorities five years ago and is providing America with the intermodal transportation needed to effectively compete in the global economy. I believe for the most part, ISTEA is working very well and I would encourage you, Mr. Chairman, as well as members of the committee to carefully examine the ramifications of changing the current federal formula distribution.

We made a commitment to the American people five years ago that an investment in our nation's infrastructure is vital to preserving our competitive advantage throughout the world and maintaining the well being of our citizens. Let us continue to be consistent with that promise.

San Luis Obispo Council of Governments

Regional Transportation Planning Agency
Metropolitan Planning Organization
Congestion Management Agency

Arroyo Grande
Atascadero
Grover Beach
Morro Bay
Paso Robles
Pismo Beach
San Luis Obispo
San Luis Obispo County

July 10, 1996

The Honorable Andrea Seastrand
U.S. House of Representatives, District 22
320 Cannon House Office Building,
1st and Independence Ave SE,
Washington, DC 20515

RE: ISTEA Reauthorization and a California Proposal to Devolve the Federal Government from Transportation Infrastructure Investment

Dear Representative Seastrand,

We are writing to you regarding the Reauthorization of the Intermodal Transportation Efficiency Act (ISTEA), and specifically the July 11th hearing of the House Transportation and Infrastructure Committee. At that hearing, testimony will be presented by California Secretary of Business Transportation and Housing, Dean Dunphy, proposing to reduce the federal gas tax and turn back responsibility to states.

While we support many of the objectives Secretary Dunphy hopes to achieve in simplifying the federal regulatory process and returning more funding to the state, we believe there are some fundamental flaws in the proposal that will be detrimental to California and San Luis Obispo County. We request that you raise these issues and share our concern that this proposal should not be seriously considered until these problems have been adequately resolved and is supported by the California Transportation Community.

Our agency, as the metropolitan planning organization (MPO) for San Luis Obispo County, has worked in a partnership with member cities and the county, our counterparts throughout the state represented through the California Association of Councils of Governments, and the State to implement ISTEA. Our successful implementation has led to the enclosed consensus principles for the reauthorization of ISTEA. These principles were executed by Secretary Dunphy, Executive Directors of all the state MPOs, the League of California Cities, and the California State Association of Counties.

Secretary Dunphy's proposal to eliminate two-thirds of the existing federal gas tax and transfer the authority and responsibility for these funds back to the states was debated and was not included in our consensus principles and is not endorsed by our agency and the other signatories to the agreement. We agree with the overall objectives of Secretary Dunphy's proposal to devolve the federal government and further empower states in transportation infrastructure investment. However, we believe the proposal as drafted will be detrimental to California. We have three fundamental concerns with this proposal that has not adequately been addressed.

1. <u>Public Transit and Rail Investment</u>. California's Constitution limits state gasoline taxes to street, road, and highway-related projects and new rail infrastructure investment. It does not allow for the acquisition or operation of buses and trains. Transit is a major component of our transportation system, and rail is a newly emerging transportation option receiving widespread support throughout the state. While state fuel taxes are very restrictive, federal fuel taxes revenues are very flexible and can be used for almost any transportation purpose. If this proposal was enacted as written our county alone would lose $.90 million dollars annually in transit funds, and over $1.1 million of currently programmed projects would no longer be eligible for funding. This would have a dramatic impact in our county. Secretary Dunphy's proposal would require a change to California's constitution to use state gas tax for these purposes, a highly unlikely proposition, resulting in all likelihood in a significant cut in funding.

1150 Osos St. Suite 202, San Luis Obispo, CA 93401 ♦ Tel. (805) 781-4219 ♦ Fax. (805) 781-5703

2. Revenue Replacement. Secretary Dunphy's proposal is based on a premise that California or local governments can simply increase state or local taxes to make up the difference in the reduced level of federal funding. Current state law provides for a replacement of some but not all of the current federal gasoline tax if it becomes a state responsibility. Under the State's constitution, to recapture the remaining federal gas tax would require a two-thirds vote in the Legislature. Such a vote is very difficult to achieve, meaning that the likely result is a reduction in available revenues for transportation at a time when California needs a dramatic increase in funding to adequately maintain its existing infrastructure and to meet the needs to retain a competitive economy. The proposal claiming local governments could similarly enact replacement taxes would require a two-thirds vote of the local electorate, an even more difficult approval standard to meet. We do not believe this proposal should go forward unless the state legislates replacement funding.

3. Critical Federal Role for the Movement of Goods. The concept of turning back transportation responsibility from the federal government to the states is based on a recognition that the national interstate system is largely complete. This premise fails to account for the enormous challenge of moving goods, particularly those moving through our border crossings and our ports, through highly congested urban areas to reach customers throughout California and other states. This is clearly a shared federal/state responsibility and the importance and the cost of meeting these transportation needs appears to be understated by Secretary Dunphy.

We believe these are critical issues that must be addressed before this proposal is further considered. In a Statewide meeting, on July 8th, representatives of the State Business Transportation and Housing Agency agreed to meet with my counterparts throughout the state to determine whether or not these concerns can be resolved. We request that you raise these concerns when Secretary Dunphy presents his proposal to the House Transportation and Infrastructure Committee on Thursday, June 11th, and share our concern that this proposal should not be seriously considered unless and until these problems have been adequately resolved.

If you or your staff have any questions or would like more information about any of these issues or the potential local impacts, please give me a call at 805/781-4219. Thank you for your continuing support.

Sincerely,

Ronald L. De Carli

Ronald L. De Carli
Executive Director

c: Secretary Dean Dunphy
SLOCOG delegates.

California Consensus Policy Principles on the Reauthorization of ISTEA

Passage of the Intermodal Surface Transportation Efficiency Act (ISTEA) in 1991 represented a watershed event in the evolution of federal transportation policy. It marked the end of the Interstate Highway construction period and the beginning of an era emphasizing system preservation, the efficient operation of existing transportation networks, improved intermodal integration, and significantly increased state and local discretion and control over financing decisions. ISTEA firmly established the principle that transportation issues should be addressed on the basis of multi-modal systems rather than groups of competing modes, categories, projects, and jurisdictions.

California was instrumental in shaping the ISTEA of 1991 and is well advanced in applying many of the important changes which it advocated. It is in the interest of California's transportation sector to continue to influence national transportation policy. Accordingly, the following consensus policy principles on the reauthorization of ISTEA have been endorsed by the state and local government agencies identified below to guide the state's legislative efforts and to build on the fundamentals enacted in the original ISTEA.

- **FUNDING FLEXIBILITY**

  ISTEA Reauthorization should preserve the basic architecture of ISTEA's current program categories and refrain from creating any new funding pots, categories or take-downs for specific transportation modes or purposes. Transferability and flexibility should be expanded.

- **STREAMLINING FEDERAL REGULATORY OVERSIGHT**

  ISTEA Reauthorization should restrain the rulemaking authority of the US DOT and US EPA, reconcile the conformity requirements of the Clean Air Act of 1990 with the limited effect of transportation projects and programs on air quality, eliminate federal/state duplication (e.g. NEPA/CEQA), limit review of state and local activities, and (to the maximum extent possible) provide for the increased self-certification and delegation of current federal regulatory authority to the State, metropolitan planning organizations (MPOs), regional transportation planning agencies (RTPAs), cities, counties, and other local agencies.

- **NATIONAL HIGHWAY SYSTEM**

  ISTEA Reauthorization should reflect a significantly reduced federal oversight role while ensuring the effective functioning of a limited National Highway System that supports intercity corridors and national defense, as well as both interstate and international mobility. Cities and counties acting through the MPOs and RTPAs should have full authority and flexibility to integrate the NHS with other public and private modes, metropolitan systems, and rural roads to ensure the effective movement of goods, services, people and information.

- **FEDERAL MANDATES**

  ISTEA Reauthorization should restrict or eliminate federal sanctions and fully fund transportation mandates imposed by Congress through legislation or the Executive Branch through administrative regulation. Federal mandates and regulations should be required to demonstrate their cost-effectiveness. Full funding should not be at the expense of other transportation programs.

- **FEDERAL/STATE/LOCAL RELATIONSHIPS**

  The federal role in transportation policy should be reduced and state/local decision making should be strengthened. Accordingly, ISTEA reauthorization should limit federal involvement principally to strategic planning, transportation safety, and applied research and development. ISTEA Reauthorization also should continue the requirement for joint state/local approval of the Transportation Improvement Program (TIP) designed to expend federal funds.

- **FUNDING DEDICATION AND EQUITY**

  ISTEA Reauthorization should ensure that all federally imposed transportation excise taxes and fees are devoted exclusively to transportation purposes by returning all fuel tax revenue diverted for other purposes to the Highway Trust Fund, removing the transportation trust funds from the unified federal budget and spending down the available balances in the trust funds. ISTEA Reauthorization should reestablish that federally imposed transportation excise taxes and user fees will be equitably assessed and equitably distributed. Donor states should receive minimum allocations of no less than 95%.

- **INNOVATIVE FINANCING**

  ISTEA Reauthorization should authorize and encourage state and local jurisdictions to apply innovative solutions including privatization, public-private partnerships, intelligent transportation systems, joint development projects, and public agency toll pricing as ways to address the growing transportation financing gap and to encourage the rapid deployment of transportation technology.

- **DEMONSTRATION PROJECTS**

  ISTEA Reathorization should limit highway demonstration projects to state TIP projects that meet strictly applied state criteria, including approval by local and state transportation authorities.

- **SYSTEM PRESERVATION**

  Consistent with ISTEA's declaration of National Transportation Policy and fiscally sound management practices, ISTEA Reauthorization should recognize the preeminent importance of maintaining the existing transportation system. Accordingly, state and local officials should be able to program maintenance and rehabilitation projects of all modes in the TIP, exempt from the conformity requirements.

DEAN R. DUNPHY
Secretary
Business, Transportation
& Housing Agency (BTH)

ROBERT A. WOLF
Chairman
California Transportation Commission
(CTC)

(signatures continued...)

JAMES W. VAN LOBEN SELS
Director
California Department of Transportation (Caltrans)

MIKE NEVIN
President
CA State Association of Counties (San Mateo County)

SEDALIA SANDERS
President
League of CA Cities
Mayor, El Centro

VICTOR SCHAUB
President
CA Council of Governments (CaLCOG)
Chairman, Humboldt County COG

JESSE BROWN
Executive Director
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RONALD E. BRUMMETT
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Kern Council of Governments

JON A. CLARK
Executive Director
Butte County Assoc. of Governments (BCAG)

LAWRENCE D. DAHMS
Executive Director
Metropolitan Transportation Commission (MTC)

(signatures continued...)

RONALD L. DECARLI
Executive Director
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GARY C. DICKSON
Executive Director
Stanislaus Area Association of Governments

BARBARA GOODWIN
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TIM DOUGLAS
Executive Director
Placer County Transportation
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Chairman, Rural Counties Task Force

ISTEA REAUTHORIZATION: INNOVATIVE FINANCING

THURSDAY, JULY 18, 1996

U.S. HOUSE OF REPRESENTATIVES,
SUBCOMMITTEE ON SURFACE TRANSPORTATION,
COMMITTEE ON TRANSPORTATION AND INFRASTRUCTURE,
Washington, DC.

Tha subcommittee met, pursuant to notice, at 9:31 a.m. in room 2167 Rayburn House Office Building, Hon. Thomas E. Petri (chairman of tha subcommittee) presiding.

Mr. PETRI. Ths committee will come to ordar.

This morning we continue our series of hsarings on the reauthorization of ISTEA and take an in-depth look into the innovative financing of highway and transit projects.

Thare hava been several recent devslopmsnts in this area that havs received a lot of attention: Congress has provided $240 million in contingent loans to Orange County, California, to construct toll roads; the National Highway System Designation Act authorized a ten-State State infrastructure bank pilot program; and tha House-passed fiscal year 1997 Department of Transportation appropriations bill provided a $400 million loan to the Alameda Corridor.

These initiatives hava created a lot of excitement within ths transportation community. They show that the Faderal Government can help get projects built through nsw and innovativa approaches.

Innovative financing, howsver, is not painless. It's not a panacea for all of our country's transportation infrastructure ills and it cannot create monsy out of thin air.

Furthermore, I'd urge that we proceed with caution whenever deht financing is involved. Innovative financing exposes the highway and transit programs to substantial new risks. Financing options developed to date are not appropriate for most transportation projects. While it may prove to ba an effective supplament, innovative financing will not replace the basic program.

I'm pleased to welcome the many distinguished witnesses that will be testifying before the subcommittee today, and I would also like to welcome our colleague from Connecticut, Representative DeLauro. We will bs hearing from her in a minute.

We'll also hear from Mortimer Downey, the Deputy Secretary of the Department of Transportation. Sir, welcome. Hs will be accompanied by the Assistant Secretary for Budget and Programs, Louise Stoll, and the Deputy Administrator of the Federal Highway Administration, Jane Garvey.

37-734 97 - 21

We're pleased that all of you could join us today to share your perspectives on innovative financing. I know that you have very busy schedules, and we'll try to operate as quickly and as expeditiously as we can.

We'll then hear from a panel of witnesses representing transportation projects that are using innovative financing approsches, and we'll also hear testimony from the perspective of the financial community and from the trucking community.

I look forward to hearing from our distinguished panelists and learning their views on innovative financing, as well as their recommendations for improvements in the future.

At this point I'd like to yield to the ranking democrat on the subcommittee, Congressman Nick Rahall.

Mr. RAHALL. Thank you, Mr. Chairman.

Let me ssy first, Mr. Chairman, it is, indeed, a relief, however temporary it may be, to be done with the hearings on highway fund apportionment formulas to the States.

[Laughter.]

Mr. RAHALL. Last Thursday or Tuesday, whenever it was, was not a very delightful day.

But at last week's hearing, to say the least, the donee States were severely outnumbered by the forces that have gathered behind the step 21 proposal. Coming from a rural State such as West Virginia, which traditionally elects democrats, I never thought I would say, Thank God for George Pataki and the State of New York.

[Lsughter.]

Mr. RAHALL. But we did hear excellent testimony from the commissioner of the New York Department of Transportation, John Daley. We found common ground. But I must admit at times I felt a bit lonely carrying the donee State banner.

But you and I, Mr. Chairman, also had the opportunity to discuss these issues with our Nation's governors on Monday at their National Governors Association meeting. Our former colleague and now governor of Tennessee, Don Sundquist, wss particularly supportive of the donor State view of the highway program, to say the least.

But hopefully all of us will be able to work out the apportioned formulas issue in a fair and equitable manner—and I think you know what I mean by "equitable," Mr. Chairman.

But the focus of today's hearings presents us with an almost equal challenge ss the donor/donee State controversy. Without an increased emphasis on innovative financing schemes, I fear that the amount of resources we have to combat our crumbling highway infrastructure will continue to dwindle. This is, then, a particularly important hearing.

Unfortunately for myself, the health and safety of our coal field residents is coming under attack in another subcommittee upon which I serve, and I'm going to have to excuse myself in a few minutes to go over there and defend against some rather outrageous proposals.

But, as you can see, when you represent a donee State, Mr. Chairman, life is not particularly easy.

So I thank you and I do want to welcome our colleague from Connecticut, Ms. DeLauro, to kick off today's hearings, as well as the panel of experts that will be following her from the DOT, people with whom we've worked with over a numher of years and relied upon their professionalism a numher of times.

Thank you, Mr. Chairman.

Mr. PETRI. Thank you.

[The prepared statement of Mr. Rahall follows:]

Nick Rahall

OPENING REMARKS OF U.S. REP. NICK RAHALL
Ranking Democrat Member
Subcommittee on Surface Transportation
July 18, 1996, Hearing

Mr. Chairman. First, let me note that it is somewhat of a relief, at least temporarily, to be done with the hearing on highway fund apportionment formulas to the States.

At last week's hearing, to say the least, the donee States were severely outnumbered by the forces garnered by the Step 21 Coalition.

Coming from West Virginia, a rural State which traditionally elects Democrats, I never thought I would say: thank god for George Pataki and the State of New York.

New York DOT Commissioner John Daly and I found common ground at our last hearing, but I must admit, at times I felt a bit lonely carrying the donee State standard.

You and I, Mr. Chairman, also had the opportunity to discuss these issues with our Nation's governors on Monday, at the National Governor's Association meeting in Puerto Rico.

Our former colleague, and now governor of Tennessee, Don Sundquist, was particularly supportive of the donor State view of the highway program, to say the least. But hopefully, all of us will be able to work out the apportionment formula issue in a fair and equitable manner.

And I think you know what I mean by equitable, Mr. Chairman.

The focus of today's hearing presents us with an almost equal challenge as the donor/donee State controversy.

Without an increased emphasis on innovative financing schemes, I fear that the amount of resources we have to combat our crumbling highway infrastructure will continue to dwindle.

This is, then, a particularly important hearing. Unfortunately, the health and safety of coalfield residents is coming under attack in another Subcommittee which I serve on and I am going to have to excuse myself to attend that markup in a few minutes.

As you can see, when you represent a donee State, life is never easy.

Thank you, and I do want to note that I will review the transcript of this hearing with great interest.

Mr. PETRI. Statements by the chairman of tbe full committee, Mr. Shueter, and Mr. Oberstar, if submitted, will be included in the record.

[The prepared etatement of Mr. Sbuster followe:]

OPENING STATEMENT
HONORABLE BUD SHUSTER
SUBCOMMITTEE ON SURFACE TRANSPORTATION
ISTEA REAUTHORIZATION HEARING
MAINTAINING ADEQUATE INFRASTRUCTURE
IN AN ERA OF SCARCE RESOURCES:
INNOVATIVE FINANCING
THURSDAY, JULY 18, 1996
9:30 A.M. 2167 RHOB

- I WANT TO WELCOME ALL OF THE WITNESSES, MANY OF WHOM HAVE TRAVELED QUITE FAR, TO ANOTHER ONE OF THIS SUBCOMMITTEE'S HEARINGS ON THE REAUTHORIZATION OF ISTEA. TODAY'S HEARING WILL HIGHLIGHT INNOVATIVE FINANCING OF SURFACE TRANSPORTATION PROJECTS.

- MANY EXCITING DEVELOPMENTS HAVE OCCURRED IN THIS AREA. THE PRIVATE SECTOR, THE STATES, AND LOCAL GOVERNMENTS HAVE BEEN USING NON-TRADITIONAL METHODS OF FINANCING TRANSPORTATION PROJECTS. THEY ARE DOING THIS TO FINANCE PROJECTS THAT OTHERWISE COULDN'T BE BUILT AND TO STRETCH SCARCE PUBLIC FUNDS.

- THERE UNDOUBTEDLY WILL BE MUCH WIDER USE OF INNOVATIVE FINANCING IN THE FUTURE. TODAY WE WILL TRY TO DETERMINE HOW THE FEDERAL PROGRAM CAN ENCOURAGE THIS, OR PERHAPS ASCERTAIN HOW TO GET THE FEDERAL GOVERNMENT OUT OF THE WAY.

- INNOVATIVE FINANCING, HOWEVER, IS NOT THE TOTAL ANSWER FOR OUR INFRASTRUCTURE PROBLEMS. IT IS USEFUL IN CERTAIN SITUATIONS, BUT WE ALSO NEED TO MAKE SURE THAT THE TRADITIONAL PROGRAMS ARE NOT NEGLECTED OR UNDER FUNDED.

- FINALLY, I AM CONCERNED THAT INNOVATIVE FINANCING WILL BE USED AS A RATIONALE TO CUT FUNDING OR TO TRY TO HIDE BUDGET CUTS. IF INNOVATIVE FINANCING IS MISUSED IN THIS WAY, I FEAR THAT LEGITIMATE INNOVATION WILL BE HURT. IT IS IMPORTANT TO REMEMBER THAT THIS IS AN ADDITIONAL TOOL FOR THE STATES, NOT A REPLACEMENT FOR OTHER TOOLS.

- I LOOK FORWARD TO HEARING FROM TODAY'S WITNESSES. AS IS OFTEN THE CASE, I AM SURE THEY WILL PROVE THAT PEOPLE OUTSIDE WASHINGTON ARE AT THE CUTTING EDGE AND WE HAVE MUCH TO LEARN FROM THEM.

- I ALSO WANT TO WELCOME REPRESENTATIVE DELAURO WHO HAS KEPT US FOCUSED ON THIS ISSUE FOR A LONG TIME AND DEPUTY SECRETARY MORT DOWNEY WHO HAS BEEN A LEADER ON THIS ISSUE.

Mr. PETRI. Mr. Poshard, do you have an opening statement?

Mr. POSHARD. Mr. Chairman, I'd just ask unanimous consent to submit an opening statement for the record.

Mr. PETRI. Sure.

[The prepared statement of Mr. Poshard follows:]

COMMITTEE ON TRANSPORTATION AND INFRASTRUCTURE

HEARING ON THE REAUTHORIZATION OF ISTEA: INNOVATIVE FINANCING

Opening Statement of Congressman Glenn Poshard

July 18, 1996

Mr. Chairman, it is a pleasure to be here today. The regularity and depth of our meetings in regard to the reauthorizatico of ISTEA show not only the importance of this legislation but this Committee's dedication to it. I appreciate your efforts and those of the Ranking Minority Member, Mr. Oberstar, in this regard.

The bottom line for us today is that there are more infrastructure projects than funds to complete them. Hence, it is utterly appropriate that we broach this issue early. I believe it is also important, in light of last week's hearing, that we should not let the issue of apportionment of federal transportation funds to the states disguise the fact that we need to increase the size of this pie, not just how it is allocated. We must ensure that our highways and bridges are safe, and to do this we should explore every possible means of financing for feasible solutions to our funding problems.

Mr. Chairman, I would like to thank all of our panelists today, especially our colleague Representative Delauro, for their help in getting to these answers. I look forward to hearing their ideas and insights on our way toward our mutual goals.

Mr. PETRI. And now, Representative DeLauro, welcome. We look forward to your statement.

TESTIMONY OF HON. ROSA DELAURO, A REPRESENTATIVE IN CONGRESS FROM CONNECTICUT

Ms. DELAURO. Thank you very, very much, Mr. Chairman. I want to say thank you to you and to Ranking Member Rahall and the other members of the subcommittee. Thank you for inviting me to testify this morning.

First I know we all share the sorrow of the families who lost friends or loved ones in flight 800, the TWA crash last night, a horrendous event. Our hearts and our prayers are with the families of those people today.

I want to commend my colleagues on this subcommittee for recognizing the importance of leveraging Federal resources to attract investments by State, local, and private interests.

I think we all concur that our economic future in this country relies heavily on our ability to be able to find creative approaches to financing infrastructure projects, and we all also know that innovative financing can create hundreds of thousands of new jobs in this country and give our Nation the modern infrastructure that we need to be globally competitive.

Innovative financing means more projects will be built with less of American taxpayers' dollars, and, in many cases, one dollar of Federal investment has the potential to provide a return of $10 or more from other public or private investment sources.

I just would like to take a few minutes to explain my own plan for leveraging Federal investments in infrastructure, and I offer this approach as a potential strategy for creating innovative financing tools in the ISTEA reauthorization.

On March 27, 1996, I re-introduced the National Infrastructure Development Act, which I first introduced at the end of the 103rd Congress. The bill contains the financial tools necessary to create more than $250,000 jobs and to help mend our Nation's crumbling infrastructure.

It works by leveraging a limited public expenditure to attract other public and private capital for infrastructure projects.

I might add, in looking into this area 2 or 3 years ago when we first proposed this effort. They there was a variety of investment of private capital in the infrastructure of other countries in the Pacific Rim and elsewhere. The notion was, "Why can't we have that kind of capital being invested—private capital—in our own country's infrastructure, when it is in serious need of having that kind of investment?"

Economic instability and stiff international competition have created a great need for new jobs.

I also come from the State of Connecticut, where we've had to begin to think about how to be innovative in financing with regard to creating jobs, since we have been reliant on a defense industry and an insurance industry as the primary generators of jobs in the State. With the insurance industry consolidating and, as we all know, the Defense Sector downsizing, we need to think about how to expand creatively the jobbase in the State. This also led me to this effort.

We need to make investments in our roads and our bridges, our airports, our sewers, our schools, to make our Nation more competitive.

The bill accomplishes both job creation and infrastructure development objectives.

Also, we know thst infrastructure creates good and high-paying jobs, and enables businesses to perform at full capacity.

What the National Infrastructure Development Act will do to achieve these ends is to invest in and insure infrastructure projects through a Government-controlled corporation in order to reduce public and private investment risks.

The National Infrastructure Corporation would be funded by an annual $1 billion Government investment over a 3-year period.

As projects begin to produce revenue through tolls and user fees, taxes, and other revenue-producing mesns, the corporation would be repaid with interest, and eventually become self-sustaining, much like the recently-privatized U.S. Enrichment Corporation. Over time, the taxpayers' initial $3 billion investment in the corporation would be repaid.

Its end product is to be self-sustaining and not to continue to have Government funding.

Construction or repair of roads, highways, bridges, tunnels, airports, mass transportation vehicles or systems, and psssenger rail vehicles or systems are smong the potential kinds of corporation investments.

The legislation also targets the pension community and other institutional investors as funding sources for infrsstructure projects. The investors represent about $4.5 trillion in investment potential.

The bill would ensble public and private investors to offer bonds to pension funds for infrastructure construction. The bonds, called "public benefit bonds," would be attractive investments for pension funds because the bonds enable them to pass on the tax benefits to pensioners. The bonds would be revenue neutral, and studies show that they are likely to be revenue positive.

There are a variety of benefits, I think, from this kind of an approach. American workers benefit through good jobs, American businesses benefit from reliable infrsstructure, American taxpayers benefit from better modes of transportation for fewer tax dollars and better environmental quality, and pension investors benefit because they can look for investment opportunities in the United States instead of oversess.

In conclusion, I know that we in Congress, and I think that the American public are ready to take a look at new and creative ways to deal with infrastructure projects and how we can finance these projects. In my view, the combination of the private and public dollars working together can help us to meet the needs that we have in that shortfall of infrastructure project funding that we know exists out there.

I will tell you that when we first put forward the bill we had overall support of the effort from some of the public securities groups and industry, some of them, as well as from labor and other quarters. My hope at that time was that we could move forward in the 104th Congress to advance this measure. It's why I'm really very excited by the prospect of this hearing today and what we might, in fact, be able to accomplish in the area of innovative financing. I think it can only help us get the needed infrastructure that we want and also put people to work in this country and help to invest in and to grow the economy.

Thank you for the opportunity to be able to talk about this effort this morning.

Mr. PETRI. Thank you.

Ms. DELAURO. Sorry I went over my time.

Mr. PETRI. That's all right. Thank you for your leadership in this important area.

Mr. Rahall?

Mr. RAHALL. Thank you, Mr. Chairman.

Thank you very much for your testimony today. It's a very interesting concept and I'm certainly appreciative of your bringing it to our attention.

I'm just kind of curious about where the ideas for this approach came from. Is it something that has perhaps been tried in your State of Connecticut, or are you aware of other States that may be experimenting with this concept?

Ms. DELAURO. I do not know about the experimentation in States. It is not being tried. Quite honestly, I just read a lot of the literature about how we respond to the absence of the kinds of $50 billion to $60 billion to hundreds of billions of dollars that the Congress could appropriate for these kinds of projects that was not likely to happen. I decided we needed to think about how we begin to attract private capital rather than just meeting our needs with the public funding was available.

There was a lot of literature in the area. People like Felix Rotayn and others have engaged in this kind of debate for a while, and I was trying to think about how we could, again, maintain control of that public funding. I also looked at how we could make such an entity self-sustaining in the future, and how we involve States and localities and investors through the use of public benefit bonds.

It really, for my part, came out of reading the literature in the area of trying to look at ways in which we could not have to totally rely on taxpayers' dollars for this kind of an effort.

Mr. RAHALL. Very good. Thank you.

Ms. DELAURO. Thank you.

Mr. PETRI. Mr. LaTourette, do you have any questions?

Mr. LATOURETTE. Not at this time, Mr. Chairman.

Mr. PETRI. Mr. Poshard?

Mr. POSHARD. Thank you, Mr. Chairman.

Rosa, I just wonder, with respect to your bill, what additional benefits would we obtain from a national program of the scope that you're talking about compared to an expanded State infrastructure bank program?

Ms. DELAURO. As I say, I think we're looking at approaches. We're trying to figure out how we can best get to this goal of funding the infrastructure financing shortfall.

I think it's a bit more efficient than the State infrastructure banks concept. The State Infrastructure Bank's can only finance transportation projects, as I understand it, at the moment. This National Infrastructure Development Act finances a variety of other kinds of infrestructure projects that can collect revenue through tolls, user fees, and other means.

You can take a look et schools and a whole variety of other kinds of projects, I think, that can be folded into this kind of concept.

I think it's worth exploring which route is better. I think that that's a national epproach is a wonderful road to go down when we're looking at potential options for this effort. I, for one, would be delighted to engage in conversations and work sessions, if you will, where we can take a look et whet might be the better route to go.

I understand the State revolving loan concept. I'm a big supporter of thet. I think that it hes worked very well. But I think thet we need to be as expansive es possible in this concept and to be bold, if you will. I think we're ready for an epproach thet takes what money we can put up here and deals with trying to attrect funding from other sources.

There is a substantial proportion of that $4.5 trillion from the pension funds of institutionel investor—that is a potential out there that we heve not begun to tap into for infrastructure improvements. We need to find ways to encourage people to invest in what we're trying to do here in a broed array of projects.

Mr. POSHARD. Thank you.

Thank you, Mr. Chairman.

Mr. PETRI. Thank you.

Ms. DELAURO. Thank you very, very much. I look forward to working with the committee.

Mr. PETRI. Thank you very much.

[The prepared statement of Ms. DeLauro follows:]

THE HONORABLE ROSA L. DELAURO
INNOVATIVE FINANCING
AND THE ISTEA REAUTHORIZATION
July 17, 1996
An Approach to Creating Jobs and Building Infrastructure

I commend my colleagues on the Surface Transportation Subcommittee for recognizing the importance of leveraging federal resources to attract investments by state, local and private interests. America's economic future will rely heavily on our ability to find creative approaches to financing infrastructure projects. Innovative financing can create hundreds of thousands of new jobs in this country and give our nation the modern infrastructure we need to be globally competitive.

Innovative financing means more projects will be built with less of the American taxpayers' money. In many cases a one dollar federal investment has the potential to provide a return of ten dollars or more from other public or private investment sources (according to a Lehman Brothers source).

I would like to take the next few minutes to explain my own plan for leveraging federal investments in infrastructure. I offer this approach as a potential strategy for creating innovative financing tools in the ISTEA reauthorization.

On March 27, 1996, I reintroduced the "National Infrastructure Development Act," which I first introduced at the end of the 103rd Congress. This bill contains the financial tools necessary to create more than 250,000 jobs, and help mend our nation's crumbling infrastructure. It works by leveraging a limited public expenditure to attract other public and private capital for infrastructure projects.

Economic instability and stiff international competition have created a great need for new jobs. At the same time, we need to make investments in our roads, bridges, airports, sewers and schools to make our nation more competitive. This bill accomplishes both objectives.

Investments in infrastructure create good, high paying jobs, and enable businesses to perform at full capacity. With a small federal investment, the tools created by the National Infrastructure Development Act will improve our nation's infrastructure and create 250,000 to 500,000 new jobs.

The National Infrastructure Development Act will do this by investing in and insuring infrastructure projects through a government controlled corporation in order to reduce public and private investment risk. The National Infrastructure Corporation would be funded by an annual $1 billion government investment over a three year period. As projects begin to produce revenue through tolls, user fees, taxes, or other revenue producing means, the corporation would be repaid with interest, and eventually become a self-sustaining, privately controlled corporate financing mechanism much like the recently privatized U.S. Enrichment Corporation. Over time, the taxpayers' initial $3 billion investment into the Corporation would be repaid.

Construction or repair of roads, highways, bridges, tunnels, airports, mass transportation vehicles or systems, and passenger rail vehicles or systems are among the potential types of Corporation investments. These investments would strengthen the U.S. economy, and improve our nation's infrastructure.

The legislation also targets the pension community and other institutional investors as funding sources for infrastructure projects. These investors represent $4.5 trillion in investment potential.

The bill would enable public and private investors to offer bonds to pension funds for infrastructure construction. These bonds, called Public Benefit Bonds, would be attractive investments for pension funds because the bonds enable them to pass on tax benefits to their pensioners. These bonds would be revenue neutral, and studies show that they are likely to be revenue positive.

This is a "good government" bill that benefits every American.

o **American workers benefit through good jobs.** Under my bill, every dollar in federal investment will result in ten dollars of actual construction. So each billion dollars in federal investment will create 240 to 450 thousand new jobs.

o **American businesses benefit from reliable infrastructure.** Businesses depend on airports, roads, wastewater treatment facilities, and clean-water projects. Stronger infrastructure will aid economic expansion.

o **Amarican taxpayers benefit from batter modes of transportation for fewar tax dollars**, and better anvironmental quality.

o **Pension invastors benefit bacausa they can look for investment opportunities in the United States instead of overseas.**

In conclusion, the American people are ready, willing and able to get to work to tackle the big challenges facing our country. It is up to us to summon the will and the leadership to create opportunity and get this job done.

I urge this subcommittee to consider the financing tools craated by the National Infrastructure Development Act to determine how it could impact current ISTEA projects. Now is the time for us to move this important piece of legislation.

Mr. PETRI. On our second panel is Mr. Mort Downey, deputy secretary of the U.S. Department of Transportation, accompanied, as I indicated earlier, by Louise F. Stoll, the assistant secretary for budget and programs, chief financial officer, Department of Transportation; and Jane Garvey, deputy administrator, Federal Highway Administration.

Welcome. Feel free to proceed as you wish.

TESTIMONY OF MORTIMER L. DOWNEY, DEPUTY SECRETARY, U.S. DEPARTMENT OF TRANSPORTATION, ACCOMPANIED BY HON. LOUISE F. STOLL, ASSISTANT SECRETARY FOR BUDGET AND PROGRAMS/CHIEF FINANCIAL OFFICER; AND JANE F. GARVEY, DEPUTY ADMINISTRATOR, FEDERAL HIGHWAY ADMINISTRATION

Mr. DOWNEY. Good morning, Mr. Chairman.

Let me also echo the remarks of Ms. DeLauro with respect to last night's tragedy. Much of our Department is fully involved in that matter this morning—the Coast Guard is deployed, the FAA is part of the investigation.

We certainly express our condolences to the families.

We will keep you advised of any developments that do occur.

I welcoma the opportunity to testify on something that, in fact, has been one of our high priorities and we think a significant achievement—leveraging the Federal dollar to increase transportation invastment and maximize the benefits in an era of limited funds.

With me today, as you introduced, are two of our key participants: Louise Stoll, our assistant secretary for budget and programs; and Jane Garvey, deputy administrator of the Federal Highway Administration.

Mr. Chairman, I have a longer statement which I would submit for the record, if I could just briefly summarize it. Thank you.

With your help we have invested in the Nation's infrastructure at record levels but, as we all know, the demand for investment continues to out-pace our dollars.

State, local, and Federal government investmants in total are in a range of $45 billion a year, but that is still below what we could productively be investing in projects that would improve our transportation service and increase the performance of the economy, so we have tried to find other ways in recent years to enhance that investment.

Let me first summarize what Federal Highways has done. We launched an innovative effort more than 2 years ago. The Highway Administration asked the States to bring in their high-priority projects and their ideas within existing dollars as to how those projects could be moved along more quickly. We were very encouraged by the response of the States.

To date in this initiative, Federal Highway has approved more than 74 projects in 31 States. Their total value is over $4.5 billion. We have identified $1.2 billion of increased public and private investment above and beyond what might otherwise have been available, so we really are bringing in new dollars.

The efforts have also advanced the construction of the projects. They are moving ahead more quickly as we find new resources and new waya to manage them.

Recognizing that, we're very pleased that the Congress, in the National Highway System Designation Act, made part of permanent law a number of the approaches that we had innovated and tested. Under that law, States can now match credit for private donations in projects, they can loan their Federal funds to toll facilities or non-toll facilities, and the principal interest in issuance and insurance cost of bonds can be financed with Federal aid.

Federal Highway can now approve State applications for what we call "advanced construction," even in the last year of an authorization period—a very important issue as we approach the new bill. We can put projects out there today against the expectation of future funds if those projects are part of the State's transportation program and if they are willing to take the risk.

There are some good examples of what has been working. One good highway example is the State Highway 190 Turnpike in Dallas, a major project to link together elements of that city's transportation system. It was initially proposed in 1964, and by 1995 it was still stalled because of a lack of financing. It's now moving ahead, jointly financed and constructed by the Texas Department of Transportation and the Texas Turnpike Authority.

What these bodies did was figure out how to use their apportioned Federal funds to strengthen their capacity to access the capital markets on a favorable basis and move the project ahead on a basis of affordable interest rates. They believe they will complete this project 11 yeara earlier than would have happened under the conventional approach.

Other modes have benefitted, as well. In the rail area we worked with the city of Cincinnati where, again, for years there was a problem of congestion—four railroads trying to cross the Ohio River on two tracks, with backups that affected both rail and highway traffic.

Using Federal aid congestion mitigation and air quality funds and private rail funds leveraged by their availability, the State was able to construct a third track. It is in operation and reducing congestion today.

There have been valuable initiatives in the transit area, including the major turn-key projects that are being done with private sector involvement in San Juan, Puerto Rico, and in northern New Jersey.

We have worked in the aviation area to explore innovative tecbniques. Most recently, we have determined that, with some minor changes in the way Federal Aviation Administration manages the program, the passenger facility charge collections that are now paid by users at various airports can serve as backing for debt.

As an outgrowth of all of these innovations, the Department has worked to implement the state infrastructure bank pilot program that was authorized in the National Highway System Act. Under that program, each State can capitalize its SIB with up to 10 percent of its regularly-apportioned transit capital and Federal-aid highway funda, subject to specified outlay limitations. States are required to match these funds with a minimum 20 percent local share. The States can then use these seed funds to loan money to transportation projects, or use the funds as a credit enhancement, or to subsidize the interest rates for a project. Loans will be repaid to the SIB through project revenue streams; then, with the replenished funds, the State could use the SIB to advance a new round of projects, and so on, to recycle these funds and further increase transportation infrastructure investment. We think it has strong potential.

We have sent legislation to you proposing that we increase the number of pilot participants, and we have requested some direct funding to capitalize these banks, again, to get a good test of their availability. In fact, the Senate Appropriations Committee has granted that request in their markup of our appropriations bill, providing funding.

As we look to reauthorization, we think there will be value to look at a number of ideas, both based on the things we have done and based on ideas such as we've heard from Ms. DeLauro and others. Recent innovations have raised good ideas about how we can help develop projects.

Our experience in working with the Orange County Transportation Corridor Agencies and with the Alameda Corridor Transportation Authorities show that there are ways that a Federal role can help pull together all of the participants in a project with real potential and get it moving.

As we move into the next century, which that authorization bill will do, we need to reinforce the idea that the value of our earlier transportation investments is not lost. We need to be building new things at the same time we maintain the overall system, and so we need to find ways to bring new dollars to the undertaking.

As you said in your opening statement, Mr. Chairman, the regular program, grant reimbursement, will continue, should continue as the major Federal aid financing tool, but for a number of projects that have revenues associated with them or have interests who are committed to seeing them happen and willing to put dollars into them, there are opportunities out there for innovative financing, and we think we should and must explore them if we are going to meet our transportation needs.

I thank you. My colleagues and I are ready to answer any questions you have.

Mr. PETRI. Thank you.

Mr. Rahall, do you have any questions?

Mr. RAHALL. I don't have any at this time.

Mr. PETRI. Mr. LaTourette?

Mr. LATOURETTE. Thank you, Chairman.

Just briefly, I would like to express my appreciation to the Department, to the Secretary, and the Administration for selecting Ohio as a participant in the SIB. Already in our District, through John Platt, who is going to testify a little later from the Ohio Department of Transportation, we have seen the ability of a State to engage in infrastructure improvements that, but for that item in the NHS bill of 1995, wouldn't have occurred.

I'm excited about the opportunities that it is going to create for enhancements within Ohio's infrastructure, and I think everyone involved in NHS—the Congress, the Administration, and the Department—deserve credit for it. I'm excited about the future.

I thank you for your participation. I also thank you that you provided this matrix of the different State applications. I found that to be fascinating. I thank you, Mr. Downey, for that, as well.

Thank you, Mr. Chairman.

Mr. PETRI. Thank you.

Mr. Poshard?

Mr. POSHARD. No questions.

Mr. PETRI. Mr. Borski?

Mr. BORSKI. None.

Mr. PETRI. Mr. Horn?

Mr. HORN. Thank you very much, Mr. Chairman.

Mr. Secretary, we appreciate very much what you and the Secretary have done over the years in your commitment to the Alameda Corridor. You mentioned it in passing. Just to give us an example of how this State infrastructure bank works, I'd like you to walk us through it.

We have the bill out of the House where we didn't mention the State infrastructure bank. It has been added by the Senate, so your friends in the House would like to know how this is going to work out compared to what we originally had in the House language.

Mr. DOWNEY. Just to put a piece of background on this, the Alameda Corridor is a rail and highway project in Los Angeles/Long Beach aimed at improving access to the port—a very important undertaking inasmuch as the port handles—

Mr. HORN. Two ports.

Mr. DOWNEY.—a very bigh proportion of—

Mr. HORN. It's actually plural.

Mr. DOWNEY. Two ports.

Mr. HORN. It's the Port of Long Beach.

Mr. DOWNEY. Right.

Mr. HORN. Number one in the country, and the Port of Los Angeles, number two in the country.

Mr. DOWNEY. Right. As a former official of the Port of New York, we have tc recognize our effective competitors.

We want to see access to those ports improved, and tbe State and the local entities involved want to consolidate the rail lines and eliminate many of the conflicts that now exist with highway grade crossings.

It is a project that has good revenue potential. The possibility of user charges from the railroads make it, long term, a very supportable and bankable project, but, like any such undertaking, its difficult times are in the early years when construction is underway and the revenue flows have not started.

Our budget proposal was conditioned on a Federal loan, which would be an early inflow of funds into the project, matching up with project finance and State contributions eitber from State funds or Federal funds, but it would fill that critical need for early year financing.

We would do it on the basis of a stand-by credit for the project, who would borrow the funds and would come to the Federal Government for repayment. We would have the ability to repay it out of Federal resources.

Under the scoring rules, and given the positive nature of the project, we are able to assess the risk, and the appropriations necessary to back such a loan are in the neighborhood of $53 million. That was the appropriation we sought this year, and that was the appropriation granted in the House version of the bill.

The Senate has come back with the concept of financing it through the State infrastructure bank. We're going to work with the Senate as to whether that is a viable way to go. We prefer the approach of directly supporting the project because we think it is a project of national significance and that this is a workable approach.

But our main goal, as I think we're all seeing the main goal, is to get the project done, so we're willing to work with all the parties on a way that assures that it can happen, and hopefully hreak ground this year and see it finished in a relatively short period of time.

Mr. HORN. Well, we appreciate that. What concerned me is how the capitalization for the State infrastructure bank would relate, and if that would mean suddenly there are 20 other competing projects with limited resources as opposed to one national infrastructure project that everybody, on a bipartisan, bicameral basis I thought was agreed upon.

Mr. DOWNEY. Right. And that, again, was our preference.

Mr. HORN. Let me mention one other area. Are you familiar with the law that provides for a tax benefit when you're undertaking reconstruction/construction of wharfage in ports? I don't know if the Department has had any dealing with that. I do have a bill in on that that has been supported on a bipartisan basis.

A lot of ports throughout America are sort of interested in that where we could define the wharfage as a 20-mile extension, helping us on that rail line and the highway, etc., because those rail cars are moving from the freight assembling yards in a straight line right up next to the ship to settle things in moving produce, and other things that are mostly in containers, around the Nation, because those two ports affect all mainland 48 States economically, as we've shown in numerous studies.

I didn't know if you'd taken a look at that legislation as to how something that has been on the books a long time could be an innovative financing method, as the major ports of the country and the smaller ports take advantage of that to get their facilities up to speed with what other international ports such as Singapore and Hong Kong are already doing.

Mr. DOWNEY. We are familiar with the bill, Mr. Horn. The issue of definitions of wharfage is a tax code issue and Treasury Department is the lead department on that, but we have provided our views to them on the transportation elements of that and other such proposals, and the needs that such a change in tax policy or an interpretation would meet, and have urged their favorable thoughts about it.

Mr. HORN. Yes. The bill is H.R. 1790. So if I ask your Congressional relations people they can get me a copy of your comments?

Mr. DOWNEY. Yes.

Mr. HORN. Great.

Thank you, Mr. Chairman.

Mr. PETRI. Mr. Mascara?

Mr. MASCARA. Good morning.

Mr. DOWNEY. Good morning.

Mr. MASCARA. Welcome. I realize time is of the essence, so I'll be brief.

I would like to know whether or not a project in my District that's the size of $1.8 billion—it's a 68-mile stretch of highway from the West Virginia border at I-68 to Pittsburgh, Pennsylvania.

My question is: we're trying to be innovative in the approach to funding this project. We have either committed or have raised $705 million to date. There is $24 million of Federal funds in the project compared to the total of $705 million. We're using the bonding of dedicated State tax gas, 14 mills, which generates about $40 million a year plus the interest. We have toll revenues and revenues that are going to be used for bonding. We have a public/private partnership that we're trying to develop in that region, and, of course, the user fees also.

My question is this: would you like to see special funding in the next round of ISTEA that would certainly help projects of this nature where you see a great deal or a disproportionate amount of local and State monies being invested in a project in ISTEA, that you would reward those kinds of efforts in projects of that nature?

Mr. DOWNEY. Ms. Garvey, do you want to comment on that?

Ms. GARVEY. Well, let me say I am familiar with that project, and we've actually been working—our division office has been working closely with some of the project proponents to look at some of the elements that you've talked about.

Actually, as we are looking at some of the innovative financing projects that come in, we, in fact, do give sort of extra credit, if you will, to those projects that bring additional private dollars or bring additional dollars to the table, and I think that's an interesting concept, and as we work through reauthorization, thinking in terms of incentives, it's certainly something that we're looking at.

I must say that projects, particularly the size of that one—and there are many other projects like that—we really do need to look at new approaches so that we can encourage some additional dollars to the table, as well.

Mr. MASCARA. I thank you for your response.

The other—is there any recognition for an area like that where you have economic decadence, where this highway is an economic development highway—if you look at the demographics in that particular corridor, there is a tremendous amount of human suffering. In some areas of the valley you have double-digit unemployment. Is there going to be something in ISTEA that will take a look at those specific areas to deal with economic development, an economic development highway?

Ms. GARVEY. That has certainly been part of some of the discussions we've had to date—how do we deal with some of those areas that really do have particular economic needs? But we're also seeing that many members of the private sector, as they are looking at projects, are using that as one of the reasons why they are investing in certain areas.

So, again, I think one way to approach it is through the incentives, as you suggested.

Mr. MASCARA. Thank you.

Thank you, Mr. Chairman.

Mr. PETRI. Thank you.

I have just a couple of questions.

First, some eyebrows have been raised because the Administration permitted a State infrastructure bank pilot project to fund an air cargo facility, when I think the intention was that we would try to leverage highway funds for highway projects. I wonder if you could indicate under what authority that was done or how that tied into the scope of the State infrastructure bank.

Mr. DOWNEY. I was just consulting with my colleagues. I am not aware of any—first of all, none of the State infrastructure banks have actually been chartered yet or made their first project grants, but none of us are aware of any proposed financing for aviation projects, at least in the applications that we've approved.

Mr. PETRI. All right. Well, someone is rummaging through some paper. Maybe they'll find it. Here it is. Rickenbacker Air Cargo Facility, Franklin County, Ohio.

Mr. DOWNEY. We can take a look at that and provide you information.

Mr. PETRI. If you would provide that for the record.

Mr. DOWNEY. That may have been one of their proposed ideas. The applications ask for examples. Our approving an application for a State did not mean that we approved every project that was in there. There still will be eligibility issues and the like that we'll have to deal with.

Mr. PETRI. Good. Then another question: I think, in reviewing your full testimony, you advocated capitalizing the State infrastructure bank program. I just wonder if you would have in mind opening it up to all 50 States, or else how would we justify to the 40 or so that aren't participating, taking money from the pot where they would have access to it and putting it in a pot where it wouldn't potentially benefit.

Mr. DOWNEY. Ultimately we believe all the States should have an opportunity to use the infrastructure bank device. Our proposal that would recognize the ten States that have been approved and open up to ten more had associated with it an initial $250 million capitalization level.

It was our sense that this rewarded initiative and actually rewarded State participation. We would expect the States to continue to put some of their regular funds in, as well as this initiative.

The goal was to move ahead more quickly to fully demonstrate the concept, and in a future round of legislation there could well be opportunity to deal with that equity issue for other States.

Mr. PETRI. And one last area—I'd be remiss if I didn't raise it—and that is that we're always very happy when we're spending money. Basically the secret to all of this is a Federal guarantee to enable a project to go forward and get financing out in the marketplace at lower rates than it probably otherwise would, or if it could get it at all, and that means someone, somewhere, has to make some sort of assessment or charge. I know at OMB they're trying to do that with a lot of different programs, so that when, a fraction of them come to grief, there is some insurance or some money set aside or something to bridge the gap. Otherwise, we're just happily spending today, pretending to be prudent and handing the bill to future taxpayers.

So I wonder if you could discuss that a little bit. Who, at the end of the day, has to pay if one of these projects does not generate the revenue it's expected to do, or if a State infrastructure bank ends up not having the resources to honor its obligations.

Mr. DOWNEY. The way the current program is structured, risk is shouldered by the States. The front-end contribution that they put in of their Federal money, or, if it's capitalized under our proposal, that Federal capital, is a limited contribution.

The States will need to run the State infrastructure bank on a businesslike basis. They'll need to make good loans. They'll need to have appropriate reserves. But they ultimately will be the ones shouldering the risk.

In the case of the Federal project we talked about, the Alameda Corridor, that is, again, a limited Federal contribution. We know what that exposure is, and, on the basis of risk analysis and sound economics, we have proposed setting aside an amount equivalent to that risk.

I think anyone who is running this kind of an operation does need to make appropriate provision for risk. If it was just issuing a lot of debt and worrying about paying it back later, this would not be a sound approach.

Mr. PETRI. So the Federal risk is limited to the—

Mr. DOWNEY. To our initial contribution.

Mr. PETRI.—the initial contribution to the State banks?

Mr. DOWNEY. Right.

Mr. PETRI. And has thought been given to working with the States to attempt to develop methodologies so that they know what they're doing?

Mr. DOWNEY. Yes. And, in fact, in a couple of the applications that have been made, we have responded with conditions that we think they need to put in place. Given the techniques that they proposed to use, we want to be sure that, even though we are not guaranteeing or standing behind the risk, we want to make sure that they are not getting out on a limb that might force them to come back and say we can't deal with it. So we are putting what we hope are appropriate conditions in place.

Mr. PETRI. But, in any event, it's clear to everyone that there is no full faith and credit of the Federal Government involved.

Mr. DOWNEY. No full faith and credit.

Mr. PETRI.—in any way?

Mr. DOWNEY. Right.

Mr. PETRI. Very good.

If there are no other questions, we want to thank you very much for coming here.

Mr. DOWNEY. Thank you, Mr. Petri.

Mr. PETRI. The next panel is made up of: Mr. Ray Chamberlain, vice president of freight policy of the American Trucking Association; Mr. K. Michael O'Connell, counsel, Owner-Operator Independent Drivers Association, who is accompanied by Mr. Dorsey Musselman, who is a member of the board of directors of that association.

Gentlamen, I don't know which of you—perhaps, Mr. Chamberlain, if you'd like to begin, and then Mr. O'Connell.

Mr. CHAMBERLAIN. All right.

TESTIMONY OF RAY CHAMBERLAIN, VICE PRESIDENT OF FREIGHT POLICY, AMERICAN TRUCKING ASSOCIATIONS, INC.; AND K. MICHAEL O'CONNELL, COUNSEL, OWNER-OPERATOR INDEPENDENT DRIVERS ASSOCIATION, INC., ACCOMPANIED BY DORSEY MUSSELMAN, BOARD OF DIRECTORS, OWNER-OPERATOR INDEPENDENT DRIVERS ASSOCIATION, INC., AND CEO, CENTRAL PENNSYLVANIA TRUCKERS ASSOCIATION

Mr. CHAMBERLAIN. Thank you, Mr. Chairman and members of the committee.

My name is Ray Chamberiain. I'm vice president for freight policy of the American Trucking Association. I thank you for the opportunity to testify on the important issue of innovative financing initiatives for surface transportation.

What I propose to do is summarize the written testimony that I've submitted.

For the record, the American Trucking Association is the national trade association for some 35,000 trucking companies. The trucking industry employs 8.9 million people in jobs related to it. It's an industry that we estimate in 1996 will pay about $10 billion in Federal highway user taxes, or approximately 40 percent of the Federal highway trust fund taxes in that year. This excludes tha $0.043 per gallon that we pay to the general fund.

In a summary commant, the ATA supports cost-effective, innovative financing that supplements a maximum feasible investment of traditional user revenues, such as fuel taxes, that are already being collected.

Tha FHWA's periodic assessment of highway needs clearly shows such a great need that we believe highway user fees should go to highways, with a minimum of divarsions, and the investment be optimized under modern business practices.

Yet, in spite of all of this, it seems clear that it is still essential to use creative, innovative financing to stretch the utility of the revenues available because the backiog of need is so great, running into hundreds of billions of dollars into the next couple of decades.

As you know, the highways of America are the basic infrastructure for the trucking industry, for American tourism, for national defense, and for general mobility.

Specifically, DRI McGraw-Hill estimates, even with aggressive intermodal usage, that the trucking industry revenues will grow, supporting American jobs, by some $75 billion a year in the next 10 years, or grow to nearly $440 billion annually by 2004.

So, in this context the American Trucking Association strongly believes that the U.S. Department of Transportation and the respective State DOTs truly need a portfolio of innovative financing mechanisms to meet the unique structural needs of each State.

We applaud the Congressional action in ISTEA and the 1995 national highway system bill as being extremely valuable and foresighted in initiating a number of innovative financial opportunities. We congratulate this committee for its role in those legislative initiatives and we further thank the FHWA and its umbrella organization, the USDOT, and a number of States for effective use of some of the creative tools that have been made available.

There are some special circumstances as an industry, however, that we'd like to lay on the table with this committee.

Generally, the American Trucking Association is opposed to tolls being newly created on highways that are already in use and that have been paid for by traditional revenues. This is especially so if such new revenues might be considered as essentially substitution for historical revenues to that facility.

We do, however, believe that there are truly essential major bridges, tunnels, and high-volume, newer replacement facilities which may warrant significant innovative financing involvement if traditional sources clearly are inadequate even when diversions are minimized.

So, in that context, we support language that allows selective use of unobligated balances to hslp in creative financing. Further, we believe that there ~~are~~ creative ideas for enhancing the use of State infrastructure bank pilot programs, as was discussed by the prior witnesses, cre~~ated~~ in the 1995 NHS bill. This needs to be followed closely and tben modified from experience to further improve its role in innovative financing for transportation in the years ahead.

ATA also supports more scenarios for public/private partnersbips to generate revenue from the use of the national highway system right-of-way, as an example, as long as safety is not compromised.

So, in sum, the trucking industry, some 5 percent of tbe gross domestic product, is crucial to America's quality of life and needs, but, especially in terms of Federal emphasis, a high-quality, safe national highway system with good pavement and bridges is essential as the capstone of America's highway system.

We're prepared to continue to pay our fair share of essential highway investment that supports economic productivity and safety.

Ths FHWA has validated needs that are so high as to warrant pursuing a significant number of innovative financing scenarios, but we assert that innovative financing should not be a substitute for reducing diversions of user fees that we currently object to, and it should not substitute for continuing efforts through ressarch, technology, and administrative best practices to get more life cycle productivity from present revenues.

Further, innovative financing initiatives should not be a substitute for a failure to invest the user fees already collscted.

Thsrefore, Mr. Chairman, the American Trucking Association and Mr. Tom Donahue, its presidsnt and CEO, strongly support cost-effective, essential supplemental highway funding through several innovativs financial tools. This would provide a means to sustain a dynamic American economy supported by a safe and productive trucking industry.

We look forward to continuing to work with the Congress and we thank you for this opportunity to present our point of view. If you have any questions, we'll be pleased to respond now or later, as you wish.

Thank you, Mr. Chairman.

Mr. PETRI. Thank you.

Now, before recognizing Mr. O'Connell, I just wanted to indicate that my colleague and chairman, Bud Shuster, wanted me to extend a particular welcome to Mr. Musselman. I know they've worked together on a number of projects over many years. We welcome you here today.

Mr. O'Connell?

Mr. O'CONNELL. Thank you, Mr. Chairman and members of the committee and committee staff.

My name is Michael O'Connell, and I'm counsel to the Owner-Operator Independent Drivers Association. OOIDA has more than 34,000 members nationwide and represents the interests of the small business trucking community.

I appreciate the opportunity to appear today. I'm accompanied by Dorsey Musselman, who has already been recognized. Dorsey is a member of OOIDA's board of directors and hails from Pennsylvania. He's also the CEO of the Central Pennsylvania Truckers Association.

My comments will be brief and directed primarily towards financing mechanisms and our feelings on the toll road issue. Dorsey will describe for the committee what I think will be of some interest—an economic survey that he recently completed along I-80 in northern Pennsylvania.

In an era of reduced fiscal resources and escalating construction and maintenance costs, the wise use of investment in our highway infrastructure has taken on a far greater significance than when we originally built the interstate system. In fact, one commentator has suggested that if the United States were to undertake construction of the current system today, it would be unable to do so because it would be cost-prohibitive.

One of the major users of our highway system is the trucking industry. While Mr. Chamberlain has provided some statistics on the trucking industry and its importance to the economy, one of our members sums it up in a way that is, I think, a little easier to understand. He says, "If you live in it, eat it, read it, or wear it, it came to you by truck." So we have an important interest in the highway system.

For that reason, OOIDA generally supports allowing the States the maximum flexibility in funding of highway projects. We have reviewed the recent innovations in the ISTEA bill and the National Highway System Designation Act, and we agree with the innovations, and we feel that it's important to allow the States and continue to be responsive to the States, and that the committee should find ways of allowing the States to budget their resources effectively.

While we feel that the States should be permitted that flexibility, we still argue for a strong Federal role in oversight of the highway system and not allowing the States to make decisions. It is still a national system. It is a system that we feel must be maintained at the national level in order to be efficient and unified.

We are concerned, however, with the use of tolls as a mechanism for funding additional road construction, and our concern in that area is two-fold.

First, all citizens arc required to pay both Federal and State fuel taxes for fuel consumed by their vehicles on the toll roads, as well as roads that are non-toll roads.

Second, they create very substantial safety hazards—the toll roads, themselves.

Any increase in the reliance on toll roads will likely magnify both problems.

Our members are particularly concerned that while they are traveling a toll road—and the toll is different. For a motorist the toll may be a small cost of traversing the highway. For a trucker it's a very significant amount of money.

While they're traveling that toll road, the toll ostensibly pays for the construction of the road and it pays for the maintenance of the road. They are also paying both Federal and State fuel taxes. That seems, to the industry, to be a particularly unfair issue.

Secondly, on the issue of safety, when toll roads have been constructed using exit ramps as the toll facilities, they cause a minor annoyance in that they can sometimes cause backups and make exiting from the highway difficult. However, in those situations whsrs the toll booth actually spans the highway, there is a significant safety problem.

As a trucker or a motorist tbat is approaching the toll booth coming down a highway perhaps 20 or 30 miles without any interruption in the traffic flow suddenly encounters a toll barrier—and, in fact, there have been a number of fairly spectacular and tragic accidents at the toll plazas.

I believe one of the factors in Connecticut's dscision to remove the cross-highway toll plazas was the fact that they had had a number of accidents there. Now the Connecticut roads are free of the toll plazas.

We think that tolls are a bad idea and we think that the investment in the infrastructure at the Federal levsl pays off in many ways.

First off, when you look at the question of construction of a road, don't just look at the cost of construction, look at the economic benefit.

Mr. Musselman—if we can take a few more minutes, Mr. Chairman, Mr. Musselman would like to describe the results of the survey that he conducted along Interstate 80 in Pennsylvania that I think really will shed soms light on what the investment in our infrastructure is actually yielding.

Mr. MUSSELMAN. Thank you.

I would like to compliment anybody that was ever involved, from back in the Eisenhower Administration up to the present, for building this interstate system we have today. We have peopls claiming up our way there that they can't afford Interstate 80. And Mr. Mascara up in his area there has a serious problem, and that's the stretch he wants.

What we have found, we can't afford not to have these highways.

We went up and we went across Interstate 80 in Pennsylvania this spring. We visited every business along there in a half-mile stretch either way we called the "Golden Mile." We'vs got actual statistics of over 4,000 people this has employed from all the business, $40 to $50 million revenue bringing into the State, in an area where there was nothing. This was farmland and hunting camps. There was no industry, no nothing. And out in Mr. Mascara's area we have the same kind of terrain.

These interstates do bring economic growth, and before we come down too hard on what our interstate system has done for us, after 36 years of trucking and knowing what roads were in the 1960s as compared to the 1990s, I really think this Congress and everybody down here over the years have done a wonderful job building us these highways.

Certainly we would like to see it continued and for the Federal Government to have a strong hand in it, because if we've got 50 States doing something, no matter how good their intentions are you have 50 ideas, and it hurts. I think that's why the interstate system has been so successful for us and for the motoring public—because it has really brought this country out of the dark ages, transportation-wise, into the future.

We look forward to working with you in the future on this. It is a good thing.

Mr. PETRI. Well, it's clear that we've come a long way since the beginning of the Pennsylvania Turnpike and initial ideas. The interstate highway system is becoming more and more beautiful in many parts of the country, too, which is an unexpected plus for the whole program.

Are there questions on the—Mr. Borski?

Mr. BORSKI. Mr. Chairman, do you want to proceed now, or are you going to break for the vote?

Mr. PETRI. If there are going to be questions, maybe we should break and come back, unless they're brief. We have about 4 minutes.

Mr. BORSKI. I'd be happy to proceed, if you like.

Mr. PETRI. Are there others who have questions of this panel? There are. Let's break then and come back in 15 minutes. We'll be back at 10:45.

This hearing is adjourned until 10:45.

[Recess.]

Mr. PETRI. If you'll reassemble we'll start the hearing again.

I think we just completed the testimony of the third panel but had not started questioning. I know there were several of our members who did have questions, and I assume they will be here, but let me ask those who are here if they have any questions of this panel, first. Mr. Horn, do you?

Mr. HORN. No.

Mr. PETRI. Mr. LaTourette?

Mr. LATOURETTE. No, Mr. Chairman.

Mr. PETRI. Mr. Kim?

Mr. KIM. No.

Mr. PETRI. I have one or two that I was going to ask at the end, but I'll ask them now.

I think both of you expressed considerable enthusiasm about the growth of the trucking industry that lies before us, and that means we're going to have to expand—not only maintain, but probably add to our transportation infrastructure to help accommodate that growth in the country to move goods. Yet, I think you both also expressed a lot of skepticism about tolls.

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I wonder if you could indicate how you think we should pay for all of this, since we can't keep up with our infrastructure investment needs with current revenue streams. We seem to be falling behind.

Secondly, and related to that, what is your thinking about new technology in toll collection, whether there will be a savings for the traveling public if you have more roll-through tollways and other simpler, more high-tech ways of collecting the revenue?

Mr. CHAMBERLAIN. Thank you, Mr. Chairman. I'll respond first to that.

Yes, we have reservations about tolls, but we ~~accept~~ that there are circumstances under which they make merit.

Our general advocacy is the belief that license fees and things of that nature, when coupled with fuel taxes, really constitute the most efficient way of raising the revenues, but we have concerns when the revenues are collected but not reinvested.

So our first advocacy is a reduction of diversions to any practical minimum and the utilization of the full receipts that are collected.

Then, if there are very special facilities—and I'll use, as an example, the Woodrow Wilson Bridge right here in this area—where it appears to be a project of such magnitude and of such significance that it cannot reasonably be financed out of these revenue streams that we've been talking about, then, as an industry, we're willing to talk about carefully-crafted tolls that are dedicated specifically to that facility in order to make it feasible to be designed, built, and put in operation in a time frame necessary to meet public need.

Insofar as the second part of your question regarding the collection of tolls, we truly believe that electronic technology has been making great strides in recent years in making it possible to more efficiently and more safely collect tolls if they are going to be collected along a particular reach of highway.

It is sufficiently affirmative, as we judge the technology, that we believe, in many cases, our trucks, as well as cars, can be kept at reasonable speed so that there is not congestion induced by at least that part of the toll facility.

Technology should contribute to the improvement in efficiency in which tolls are collected, but we think it is a long, long time in the future before there is anything much more efficient to meet revenue needs than fuel taxes and typical license fees.

Mr. O'CONNELL. I'd like to respond to the—I think we're in general agreement with my colleague from ATA on the first issue, that the current funding mechanisms are the appropriate mechanisms and that tolls should only be considered in extreme cases.

We do not have an objection to private toll roads; however, the results have been mixed, at best, with private toll roads.

Where we would take exception is the question of electronic collection of tolls.

We are very concerned generally with the intelligent highway system technology in that it presents an opportunity, especially when coupled with the Government, for basically real-time monitoring of citizens. The electronic capability—the fact that we may be able to do it does not necessarily mean that it's a good idea.

We're concerned about the deployment of that technology and even the Federal role in developing that technology because it raises some very substantial privacy concerns. In addition to tracking the truck, for an owner-operator who owns that truck and who is operating it, it's basically like tracking your privately-owned vehicle. We know who is driving that truck, or the Government should know who is driving that truck, and that type of information we think is a real civil liberties issue that we're very, very concerned about.

Frankly, we've looked at the issue. We've participated in the ITS and we've participated in a number of panels on that subject and we've looked at the issue, and we don't think it will withstand Constitutional challenge if it were fully deployed. That may happen some day and the court may disagree with us, but at this point I think the state of the law is such that that would not be tolerated.

That is not something we view as an option for collecting tolls.

Mr. PETRI. So you're not eager to have us pare back on the traffic police ranks by just mailing people a speeding ticket off satellite information?

Mr. O'CONNELL. No, we're not. And I would draw an example just even very close to home.

Originally, for security, I believe, the Capitol was considering going to access passes for people that would come in and out—like myself, that would come in and out and visit different offices. The idea was largely—it was overwhelmingly opposed by people like myself and members of the press and so forth because they didn't want that monitoring. We feel the same way. I think there is a direct analogy there. It is not something that we want to see deployed because once it is deployed we don't know where it could lead.

We have computers now that are capable of—we could type in a name and tell an exact location. A lot of trucks actually have GPS and the capability to do that. We can tell exactly where someone is at any time.

For toll collection or even enforcement issues, we don't think the trade off of civil liberties for that is worth it.

Mr. PETRI. Just one other point I wonder if you could address. If we do rely on—which I think we probably will—basically on gasoline and diesel fuel taxes for the bulk of our program, we've seen in the last 10 or 15 years a marked increase in fuel efficiency. In my area, Schneider Trucking I think indicates they have gone from about 2.8 miles per gallon to around seven or eight.

That means the roads are still being used, but we're only getting half or a third as much revenue to pay for the whole system.

Do you have any comment on that? Can we justify increasing the gas and diesel fuel taxes because on a per mile basis they have been declining or stagnant over the last couple years?

Mr. O'CONNELL. I have a comment, and then I think Mr. Musselman would like to comment.

We do agree on the issue of diversion, that there is too much diversion from what is being paid in now and the money is not being invested as it should be.

We would be glad to come back and discuss with the committee and the Congress at the time that the diversion has been eliminated and the trust fund has been spent down the appropriateness of fuel taxes if we're still in need of addressing that issue at the time, but that's where we think that should come first. That's one of the reasons we're having shortfalls now, because money is being diverted from the people that are paying it, ostensibly for roads.

Mr. Musselman would also like to comment.

Mr. MUSSELMAN. On the more fuel-efficient vehicle, we've checked into that pretty close, and definitely everybody knows we've got more-efficient vehicles today. But when we checked with the American Petroleum Institute and some different people and our own local suppliers, there are more petroleum products being used in motor vehicles today than there ever was because the vehicles have increased.

We see a grave area of enforcement. There is a lot of cheating. We've got to get some more enforcement that people are not buying truckloads of fuel and gas and having them dumped at night from out of State, or whatever, and not paying the tax on it. There is a major problem in that area.

Also, on funding, the $0.04 a gallon that's going to deficit reduction, we feel that should have never happened in the first place. Now there is talk about taking it off, and it should not be taken off. It should be put into the highway trust fund and spent. We're already living with it, and that $0.04 would build a lot of highways.

While I could sit here all day and compliment everybody on what you've done for us in the highway system, all over the country we find too many games are being played with our money. When you're playing games with what we're paying and diverting it and doing other things with it, we never will be able to build highways.

If you did that with any other industry, they'd be in trouble.

In Pennsylvania, the reason we can't afford Mr. Mascara's roads, our license fees are too cheap on our cars. My granddaughter lives in North Dakota. They're in the military. She'd love to buy a license tag in North Dakota for $24. How do I do it? Well, you can't legally. That's just one example.

My daughter lived in Kansas for a few years. There were paying triple more than we pay in the States that don't have the money and the economic growth we have.

In some areas we're not paying our fair share and we've got to look at some of that stuff and bring some of that up so we can afford these highways.

Mr. CHAMBERLAIN. Mr. Chairman, reinforcing their comments, but adding one supplemental sector, we believe that there is a possibility of considerable payoff for all of us if some of our resources continue to be invested in the kind of pavement and bridge material, research, and maintenance in order to improve the effectiveness with which our current investments are made and maintained so that it's not solely just a matter of raising more revenue. But beyond that, we generally are supportive of the comments made by my colleagues.

Mr. PETRI. Thank you.

Mr. Poshard, do you have any questions?

Mr. POSHARD. Yes. Thank you, Mr. Chairman.

My cousin owns a trucking firm, and we're always talking about this. I know sometimes—well, of course there are improvements that can be made in both our highway system and our financing system, also, but I think if you compare this country to any other country in the world with respect to the cost of energy that it takes us to move and what we maintain with that cost of gasoline and other kinds of fuel oils and so on in terms of the surface transportation system, particularly, in this country, it's pretty good. It measures up pretty well. That's not to say we can't have improvements.

I also represent and area that has—about 17 of the 27 counties I represent have small, independent stripper oil companies. They are a lifeblood of the community. They are all out of business because of the cheap oil imports into this country, which hold down the price of energy for everybody else.

That's just a little side comment there.

Let me ask you, we had an opportunity or we completed a study for a toll road in my district a couple years ago, a feasibility study, and at the public meetings we had a lot of folks show up and say, "Well, if you put this thing in we're just going to use alternate routes because we're not paying the tolls."

Do you see that happening in the trucking industry very much—people diverting to alternate routes that maybe aren't built for the increased traffic volume that diverts to them? And does that present a safety problem for us?

If we're going to look at toll roads, what are the consequences of that? Can somebody just comment on that?

Mr. MUSSELMAN. Yes. If Mr. Clinger was here, he would be very familiar with the example I'm going to give you.

I still occasionally—and over the years have done it a lot—load out of Cleveland, Ohio, and come into this area or Philadelphia, into the east coast out of Cleveland.

Right now I come in Interstate 80 to Clearfield and cut down to Bedford, use Bud Shuster's 99, since that's been opened. It takes me a half hour longer in my truck to do it, but I save $38. For a half hour, that's pretty good wages. The truck doesn't use much difference in fuel. We checked it. It's maybe $1 or $2 or a gallon or two difference. ~~That's~~ it.

When you put tolls in 80, I'm going to come through Philipsburg, which is going ~~through~~ the roof right now, and some of those other towns up there. I'm not even going to use 80 if there are other alternative routes. But it's only 15 minutes longer. I'm only going to do 15 minutes to save the $38.

The reason I'm using the half hour now, the interstate highway is safer. You're driving on interstate, and it's just a much better way to go.

Yet, economics forces you to do, in any business, what you have to do to survive. You take a load out and take a load back and that $38 converts into $76, so that buys my meals and would buy me a motel for the night, so why would I want to spend this on these exorbitant tolls, and when the interstate right now is in better shape than the turnpike as far as rough?

That's only one example of what these tolls do, especially exorbitant tolls like the Pennsylvania Turnpike is now.

Mr. POSHARD. So they displace traffic then in some places?

Mr. MUSSELMAN. Absolutely. And you put it in the small towns and boroughs and two-lane highways where it's not the safest environment for anybody, but the big thing is the congestion that you add to it. Here we've got these nice four-lane highways. Why aren't we using them? But economics plays a part in any business or you soon won't be in business, no matter what you're in these days.

Mr. POSHARD. Thank you, Mr. Chairman.

Mr. PETRI. Mr. Kim, any questions?

Mr. KIM. No.

Mr. PETRI. Mr. Horn?

Mr. HORN. Thank you, Mr. Chairman.

I'd like to ask both the independents and the American Trucking Association the following question: do you have data as to how many of your trucks are stolen—of your member trucks are stolen in a year and how many are recovered?

The reason I asked that is, it seems to me, with some of the modern technology that Mr. O'Connell wasn't too pleased with, that might be one way to find your stolen truck. I'm just curious what the data are.

Mr. CHAMBERLAIN. I do not know. I can ask—

Mr. HORN. Could you provide that for the record and file it for the record, then?

Mr. CHAMBERLAIN. Yes.

I'll ask some of our people what data we have and——

Mr. HORN. Sure. And did they ever get their truck back, or was it just wrecked completely?

Mr. CHAMBERLAIN. I can give you a specific example there of one of our people who had a truck and driver disappear. It had a GPS system operating within it, and when they finally got to the tractor it had no tires, no wheels, and so on.

The fact is, they were able, by GPS, since the people didn't happen to know enough to turn it off in stealing it, to locate it. The cops were there in a matter of 30 minutes. Absent GPS, they consider it probably would have taken them two or three days to find out where it had gone.

So in that case they consider that on that one tractor it saved them several thousand dollars, simply because they got it all back except for the tires and wheels.

Mr. HORN. How about you, Mr. O'Connell? We'll just go right down the line. Mr. Musselman next.

Mr. O'CONNELL. OOIDA actually has, as one of its member benefits, an insurance program for its members, and underwrites, through another company, physical damage on the trucks.

The owner-operators generally tend to operate high-end equipment, higher end than a company fleet because they need to spec it in order to be able to haul anything that might come their way, as opposed to a regular line haul, and so that equipment—and also it's their home away from home, and they tend to be almost truck hobbyists, so that seems to be the type of equipment that would be stolen probably more frequently than a fleet-type vehicle.

We find that the problem of theft of the vehicles that are not recovered, even without the low-jack or GPS-type systems, is minimal.

Probably less than a half of 1 percent of the total number of trucks that are insured are stolen in any given year, and most of those——

Mr. HORN. This would be in your association?

Mr. O'CONNELL. Yes, but I would think that the numbers we're talking about—I think we have 22,000 or 23,000 members participating in that program, so I think you'd have a good statistical base to look at that.

I believe the number is less than a half of 1 percent are actually stolen, and most of those are recovered.

Mr. HORN. Well, if you could give us for the record—

Mr. O'CONNELL. I'd be glad to.

I might add tbat one of the significant areas is that a lot of the trucks that are stolen are going into Mexico, and those are the ones that we're not able to recover. That seems to be the new popular thing is to move them very quickly across the border.

Mr. HORN. Well, I saw that "60 Minutes" piece on the Federales doing some of the stealing, so if you check behind the police departments down there you might find some of them.

Mr. O'CONNELL. Yes.

Mr. HORN. Mr. Musselman?

Mr. MUSSELMAN. Yes. I'm glad you asked that question, Congressman, because some of our guys—and we've kicked this around some, and we can see where that would probably be a boon to thieves. You've got a bunch of equipment parked in a parking lot, and I'm going to rip one off, and I'm going to take that transponder out and maybe snap it onto another one sitting there, and you're going to think your truck sat in your parking lot all weekend while I took it down to a chop shop and disposed of it. You're going to have your guard down.

So we can see it as maybe going in the wrong direction for helping stolen vehicles. It could work to the thief's advantage. Only a dumb thief is going to get caught anyhow and take one with an operating satellite in it. The first thing any—these thieves today are really sophisticated. They know what they're doing. They're going to squash that thing or do something with it before they steal the truck, we feel.

Mr. CHAMBERLAIN. In a broad context, Congressman Horn, thievery of the goods being shipped in the truck is more frequent and of greater financial magnitude than the loss of the tractor and trailer, itself. Those numbers are, I think, better known through some of our insurance connections than the vehicles. But it is certainly far from a trivial issue, as you indicate in raising the question.

Mr. O'CONNELL. If I might add also, Congressman, the numbers for a truck are matched. The components for the trans-axle for the engine, for the body, and so forth, are all matched as a set. So even when you get into a chop shop setting it's not like an automobile. When those parts start show up, the insurance companies find out about them. When you go to insure a truck they look at the trans-axle number, and if it doesn't match the original "birth certificate," if you will, of the truck, then they won't insure it and it becomes impossible to dispose of them because they are much higher-value items. A truck engine may be $20,000 or $25,000.

So the insurance companies have gotten very wise to that, and without the electronic surveillance it's very difficult to chop one and use it and get away with that for a long period of time. When they start showing up at body shops and the numbers don't match, people automatically report that.

Mr. HORN. That's interesting.

Thank you, Mr. Chairman.

Mr. PETRI. Mr. Mascara?

Mr. MASCARA. Thank you, Mr. Chairman.

As a former county commissioner in Washington County, Pennsylvania, for a lot of years, I served as chairman of the Southwestern Pennsylvania Regional Planning Commission in southwestern Pannsylvania, which included the city of Pittsburgh. I Chaired that commission six of the 15 years that I served as a member of the board of directors. I served as chairman of the Plan Policy Committee, which had the responsibility of implementing the 1991 ISTEA and the national higbway system. So I have a pretty good understanding of transportation.

Where I'm going with this is I have, over the years, been opposed to those who want to use the trust fund to mask the Federal deficit.

As a co-chair of a public/private sector, we came down to D.C. and asked that the $0.025—some of you might have forgotten that there was $0.025 that went to deficit reduction, and we met with Members of Congress and asked them to return that to the trust fund, and they did that on October 1st, 1995.

Then we had the $0.043. I realize I may be preaching to the choir here, but this is leading me to an eventual question.

I supported Bud Shuster and H.R. 842, which takes the trust fund off budget, which I think should happen.

I realiza there is competition among the committees about who will have the ultimate responsibility of saying where that money is spent, but I supported that and, in fact, worked on the House floor with Bud to promote that legislation, which passed handily, and I hope the Senate will act expeditiously to pass that.

So thare has been a history of using trust funds for the deficit, for deficit reduction. I agree with Mr. Musselman that those funds should not be used for anything else other than highways, highway infrastructure, and that somehow we have to wean ourself away from using those funds to mask the Federal deficit.

But there is a move afoot in the Congress now to reduce the involvement of the Federal Government in highway programs by taking $0.07 of the gasoline tax and returning it to the States in the form of block grants—October 1, 1997, $0.07, and then on 10/1/98 an additional $0.05, taking $0.12 of the current $0.143 cents, and disengaging the Federal Government in highway programs.

Although Mr. O'Connell may have already answered that, I was wondering whether each of you have a comment about what your position is on that legislation that would, in effect, make all of what we're talking about moot.

Would you care to comment on that?

Mr. CHAMBERLAIN. Sure. We have devoted, as a lot of other people have, considerable time to trying to think our way through what the various alternatives might be.

Our guess is there would probably be another 15 or 20 ideas that will emerge in the coming few months, as well.

But our general posture is the belief that the Federal interest is concentrated on the national highway system, on bridges, safety, Federal lands, and research and technology, and that that level of activity ought to continue to be under Federal guidance and supervision, and then block grants used for the balance, as long as the resources collected are actually spent.

If the money is simply going to sit in the till, then we think it should be repealed and the States be free to do their own thing.

So our proposition, in sum and substance, then, is that the Federal interest is significant, it should be continuing, but there are aspects where devolution makes sense. However, complete devolution we do not think is practical, just because of the national interest in everything from defense to connectivity for commerce, and so on.

Mr. O'CONNELL. Our position is articulated in our written comments. We believe strongly that there is a Federal role. In fact, the Constitution, as we point out, in Article One talks about that Congress shall be charged with developing post offices and post roads, which I'd like to think are the predecessors of our interstate system.

Giving that power to the States we're concerned will lead to some vulcanization, to unwise projects, and we think that the Congress is the best place to balance the interests of the various States and to develop what is truly a national highway system, which is what we've just designated, I believe, last year. How can you have a national highway system when the control over that system is given to the individual States? We would object to that.

Mr. MUSSELMAN. Mr. Mascara, I would really emphatically tell you, while home rule and States' rights and everything is important, and while we all bash the politicians in Washington as a national pastime, when it comes right down to it, there are some things the Federal Government does better than anybody else, believe it or not.

I don't think we'd want to see the post office turned over to 50 different States. We have trouble getting a letter now in a week; we'd have trouble in a year.

When it comes to highways, what you people have done and what you can do to relinquish that power and authority and financing I think would be a serious mistake to this country.

You fellows have too good a track record on that, and building these roads.

Just like the Bud Shuster I-99 took a lot of beating from a lot of people, that's going to turn out to be a national treasure with NAFTA.

I live right within a mile of that. I'm not thrilled with it. I don't like congestion. It's going to put congestion in my back yard. But the economic growth and the benefits for the Nation that we are going to get from this—20 years from now everybody is going to say, "Where in the world would we be without it?"

Anything that doesn't grow dies, and our national highway system should grow. I mean, it is the lifeline of the country.

Mr. MASCARA. Well, I concur. We held earlier hearings where we had donor States—Members of Congress who represent donor States here appearing before the subcommittee, and while I sympathize with their plight, and their problems were in some cases the return on their dollar is not significant, and other States is maybe double what they contribute, I said to them that yes, we need equity and parity and to be even-handed in dealing with those States who are donor States.

We need the amend ISTEA, we don't need to end it, and we don't need to end the Federal Government's involvement in highway and infrastructure development in this country, because we certainly have a national interest.

Eisenhower and the Federal Highway Act did a great deal for this country, and we need to maintain those highways, but we also need to develop other highway programs where it will benefit economic development, because every study around the world has indicated strong correlation between highway and infrastructure development and sustained economic growth.

I think to walk away from our responsibility and to turn over to 50 diverse States would just be nonsense.

Mr. BAKER [assuming Chair]. Well, so much for innovative financing.

[Laughter.]

Mr. MASCARA. Well, there will be no innovative financing without ISTEA.

Mr. BAKER. I hope we'll also recapture the $0.043 tax that was put in the 1993 Tax Act and get it back to the roads, too. There's an innovation for you.

Remember, there has to be a balance, and we did have a long hearing on the devolution plans, and there are a million of them. There are as many plans as there are Members. Please study them before you give us your opinions, because you don't have to run all the money through Washington. We don't do the bidding and we don't do the paving. The States do.

So, assuming we have some money for interstate highways, we can leave some with the States who do the maintenance and the support of the national highway system. It doesn't all have to come here and be run through the bureaucracy and give $0.80 or $0.90 back to the States.

We'll find a balance, but that wsr will be fought next year.

In the meantime, Mr. Kim wants to ask a question; is that correct?

Mr. KIM. No questions.

Mr. BAKER. Does anyone else have any comments for this panel, then?

[No response.]

Mr. BAKER. Okay. Thank you very much for coming and thank you for your testimony.

Mr. MUSSELMAN. Thank you very much.

Mr. CHAMBERLAIN. Thank you, Mr. Chairman.

Mr. BAKER. Mr. Kim would like to introduce the first panelist of the next panel, and then I'll introduce the next two.

Mr. KIM. Thank you, Mr. Chairman.

I would like to welcome Mr. Walter Kreutzen from the Transportation Corridors Agencies in Orange County, California, which I represent part of.

We're talking about innovative financing in relation to the highways. Mr. Kreutzen is a champion.

I have to tell you that he has done a tremendous job. Let me give one example.

Just last fall I was able to include language in the NHS designation bill that secured the agency a $120 million line for credit of the eastern transportation corridor. Guess what happened then? Mr. Kreutzen went out and raised more than $33 billion of private funds. That's almost like a thirty-to-one ratio—that's an incredible accomplishment.

So he has done a tremendous job raising money and building the roads, and, again, just next week the San Joaquin Corridor will open ahead of schedule and on budget. This amazed me because Orange County was suffering from a bankruptcy, and also we had such a delay with environmental clearances. I don't know how he did that ahead of schedule and on budget, while raising that kind of private funds.

I'd like to thank you again for doing such a wonderful job, and I look forward to hearing your testimony.

Thank you, Mr. Chairman.

Mr. BAKER. Mr. Kim, coming from an engineer, that's quite a compliment. I hope you don't allow this word to get out that we're within budget and on time. It could irreparably harm our reputation here in Washington.

Let me please introduce Mr. Carney Campion, president of the International Bridge, Tunnel and Turnpike Association, but, more importantly to me, he's general manager of the Golden Gate Bridge, Highway and Transportation District.

It's an honor to have you here today.

We'll also hear from Mr. John R. Platt, who is chief of staff of the Ohio Department of Transportation. You may wish to answer the previous panel as to why you need to keep the money and spend it more wisely.

And then we'll hear from Mr. Dick Brasher, deputy manager of the Denver Public Works Department on behalf of Denver Mayor Wellington E. Webb.

Mr. Brasher, Mr. Platt, Mr. Campion, and Mr. Kreutzen, it is an honor to have you. Just call it in the air, whoever wants to start, if you've discussed it between you. Do you care?

Mr. KREUTZEN. Why don't we go right down the line?

Mr. BAKER. Okay. Mr. Kreutzen, why don't you lead then? From Orange County in the private transportation area, let's hear from you.

TESTIMONY OF WALTER D. KREUTZEN, EXECUTIVE VICE PRESIDENT FINANCE AND ADMINISTRATION, TRANSPORTATION CORRIDOR AGENCIES, ORANGE COUNTY, CALIFORNIA; CARNEY J. CAMPION, PRESIDENT, INTERNATIONAL BRIDGE, TUNNEL AND TURNPIKE ASSOCIATION AND GENERAL MANAGER, GOLDEN GATE BRIDGE, HIGHWAY AND TRANSPORTATION DISTRICT; JOHN R. PLATT, CHIEF OF STAFF, OHIO DEPARTMENT OF TRANSPORTATION; AND DICK BRASHER, DEPUTY MANAGER, DENVER PUBLIC WORKS DEPARTMENT, ON BEHALF OF DENVER MAYOR WELLINGTON E. WEBB

Mr. KREUTZEN. Thank you, Mr. Chairman and members of the committee.

I will limit my oral testimony to 5 minutes, and I appreciate the fact that my entire statement will be made part of the record.

On behalf of the Transportation Corridor Agencies, or TCAs, as we are known, I thank the subcommittee for the opportunity to submit this testimony. Your topic, "transportation finance in an era of scarce resources, innovative financing," reflects a critical and difficult challenge tbat we at the TCA have faced since our inception.

Thus far, with the invaluable assistance of this subcommittee, the full Transportation Committee, the Appropriation Committees, and many other Federal and State governmental entities, we have met this challenge.

Over a decade ago it became clear to a number of public and private citizens in Orange County, California, that we were confronted with a fundamental dilemma. We had a desperate need for additional roads, and there was no reasonable prospect of public funds to build them. Inadequate road systems were beginning to choke off development, limit economic and job growth, and cause considerable personal hardship.

To overcome this dilemma, we had to be innovative and we had to find a way to access private capital. We have done that, selling to date over $2.7 billion in bonds backed by toll revenues and not taxes to finance a public toll road project that is on time, on budget, and, with one segment open and another to open next week, already improving the lives of tens of thousands of people.

In this process we have helped create, modify, and perfect a unique method of highly-efficient, highly-leveraged Federal assistance to privately-financed public infrastructure projects.

Our 67 miles of toll road projects in Orange County were first authorized in 1987 by legislation which originated in this subcommittee to establish a pilot program of nine projects selected to be experiments in Federal aid to toll roads.

Subsequently, working hand in hand with the Transportation Committee, its Senate counterparts, and the Appropriation Committees, as well as the Department of Transportation, the Federal Highway Administration, and the Office of Management and Budget, we have crafted and implemented two stand-by lines of credit tbat, at a total cost of $17.6 million in Federal budget authority, provide $240 million in backup credit.

These, in turn, have made possible the realization of the $2.7 billion in funds we have garnered from the private capital markets. The ultimate ratio produced by these figures—that is, the ratio of private investment leveraged to total Federal Government cost—is roughly 150-to-1. This is a concrete measure of the potential power that creative Federal assistance offers to privately-financed infrastructure projects.

We are proud to say that we are an ongoing successful example of an innovative financing approach that takes a modest slice of the scarce shrinking public infrastructure funds and uses them to tap the abundant and growing capital private markets in order to build our public infrastructure.

Let me briefly outline the role and structure of our stand-by line of credit mechanism.

Even after other risks, such as construction overruns and delays, have been managed and controlled, there remains a fundamental obstacle to the sale of bonds or other debt backed by future toll revenues on a road that has yet to be built. This risk is often referred to as "ridership risk—" the chance the drivers will not use the facility, especially in the early years or ramp-up period at the levels projected.

In the long run, all highways will fill. Usage in the early years, however, is notoriously difficult to predict.

This risk can be greatly mitigated by care and intelligence in the design and performance of ridership studies. Nonetheless, capital markets bulk at unmitigated ridership risk. It presents itself as one of the most troublesome structural impediments to the sale of toll revenue bonds for start-up, as opposed to established facilities.

The solution to this is the Federal stand-by line of credit, pioneered in conjunction with our project. This line of credit became known, in fact, as the "Federal ridership risk line of credit." It is available to be drawn on if ridership is far below expectations in the early years such that we cannot meet interest or principal payments on the bonds or such that we cannot make certain other required payments.

The line of credit, if used, must be paid back to the Federal Government, along with interest assessed, at a non-subsidized rate once traffic builds up to sufficient levels.

The existence of this extra layer of security against payment default due to a longer-than-expected ramp-up period in ridership was an essential element in making the sale of the bonds a success.

The line of credit mechanism represents a particularly appropriate tool for the Federal Government's leveraging of private funds in transportation projects. The Federal Government can afford to take the long view and, indeed, must take the long view.

If projections of ridership are so wrong that the line of credit must be accessed, the Federal Government is in a better position than any other entity to be a long-term, flexible lender.

A default on nonrecourse bonds, by contrast, as a result of the ridership risk projection error, would badly damage the ability to finance toll roads with private capital in today's markets.

For the TCA, the credit line has helped make possible our successful, innovative financing, which, in turn, has become a model for a number of other infrastructure projects.

We are deeply and genuinely committed and grateful to all of those involved with the development and perfection of our stand-by line of credit. Many in Congress, at FHWA, at DOT, and OMB have given their time, effort, and intellectual energy to create something new and powerful for our benefit and the benefit of the Nation's public infrastructure.

One of the lessons we have learned is that new, governmentally-related mechanisms for innovative finance cannot work without a willingness on the part of individuals in the Federal Government to break the mold, examine new ideas, and even assume a little institutional risk, themselves. In this case, they have certainly done all those things.

Mr. Chair, again, thank you for the opportunity to testify. I would, of course, be happy to answer any questions you might have.

Mr. PETRI [RESUMING CHAIR]. Thank you very much.

That highway is open now?

Mr. KREUTZEN. Part of it is. We open another seven miles next Wednesday, another seven miles in December, and another 25 miles in 1999.

Mr. PETRI. And are you meeting, on the first stretch, your expectations on ridership?

Mr. KREUTZEN. We are currently at about 8 percent below revenue projections, but we are not concerned at this point in time. We don't have a direct interconnect to an existing State route or interstate.

I think we've proven—one of the many questions I had to answer to the markets is, "You're the land of the freeways in California. Will they pay tolls?" The answer is yes, and they'll pay them at the high end of the urban continuum toll rate.

Mr. PETRI. Thank you.

Mr. Campion, Golden Gate Bridge Authority.

Mr. CAMPION. Thank you, Mr. Chairman and members.

We appreciate this opportunity to offer our comments as you begin work on reauthorizing the Intermodal Surface Transportation Efficiency Act.

IBTTA represents the worldwide toll industry, with a membership consisting of toll authorities in 24 countries on five continents. Among these are more than 50 toll agencies in the United States, whose facilities carry over 3.6 billion vehicles a year.

Toll financing has played an integral part in the development of America's surface transportation system. Though touted as an innovative funding mechanism, it could be argued that tolling is one of the most traditional mechanisms in use.

We believe that toll financing represents one of the best available tools for State and local governments to use in addressing the growing backlog of transportation needs.

The development of toll roads continues at a strong pace. IBTTA surveys identify proposals for over 2,000 miles of new road and bridge facilities in the United States at a projected cost in excess of $34 billion.

Without toll financing, many of these needed transportation projects could advance only if additional State or Federal taxes were imposed to support larger transportation improvement programs.

In 1995, toll facilities spent almost $2.5 billion on capital improvements to their facilities, $460 million on maintenance and

$2.1 million on operations. Clearly, tolls have become an important element in the finance mix to build, maintain, and improve our transportation facilities.

The question put to us by the subcommittee staff when we were invited to testify was: what hurdles does toll financing face?

Number one, the main problem limiting the broader use of toll financing has been the reluctance of State and local governments to take up the practice. States have historically been slow to consider toll projects, though surveys of State highway agencies last year showed a growing degree of interest in toll finance projects.

One of the largest hurdles to the broader use of toll financing involves public mis-preconceptions about the likely extent of tolling.

We would argue that toll financing is an appropriate and viable mechanism only in specific circumstances and locations where there was enough traffic and local demand for improved or new surfaces that users would be willing to pay for the service.

A frequent concern about toll financing goes to the collection process, itself. We noted the subcommittee's interest in electronic tolling, as expressed in earlier hearings, and have submitted for the record a recent survey of our members' activities in implementing electronic toll and traffic management—ETTM—systems.

For many agencies, ETTM allows more-efficient toll collections, while it offers drivers the potential for quicker passage, since tolls are paid electronically, allowing a motorist to pass through a plaza in some cases without stopping.

At present, 30 U.S. toll authorities are already using ETTM systems, or will be in the near future.

Let me summarize IBTTA's recommendation for reauthorizing ISTEA.

One, maintain existing innovative finance programs. ISTEA gave the States and toll agencies greater flexibility in funding transportation projects, and the Federal Highways has done a commendable job identifying and expediting innovative funding methods and practices. We strongly support the continuance of this effort.

Two, the Federal infrastructure bank. Last year Congress passed the State infrastructure bank demonstration program, allowing ten States to create these banks. We encourage Congress to consider creating a Federal infrastructure bank that could work much the same way, with a portion of the highway trust fund balances made available to States as loan or loan guarantees to leverage and support transportation investments.

Three, broader use of tolling. This subcommittee has been instrumental in expanding the potential use of tolling to almost any road in the Nation, except for the interstate system. Our critical national needs may require that States be given the flexibility to place tolls on these roads. If so, we would recommend that Congress allow the States to consider tolling existing interstates with rigid controls so that toll surplus revenues after maintenance, operations, and bond repayment cost are addressed to be used solely for transportation purposes.

Four, maintain the Federal role. We would urge that the Federal role in developing innovative practices and information sharing like Federal Highway's innovative financing efforts or the development of intelligent transportation systems be maintained.

Five, support broader border facilities. We would urge that border crossing and trade corridor infrastructure financing be expanded under sections 1089 and 6015, as contemplated in the Federal Highway's report to Congress.

Our suggestions are designed to provide State and local governments with greater incentives to use toll financing. The States have critical road needs for existing demand, as well as the future, that they may not be able to meet without greater reliance on tolls.

It is our desire to work with State and local governments to make toll financing work for governments, for toll agencies and, above all, for the motorists who must, one way or another, pay for their roads.

Mr. Chairman and members of the subcommittee, we appreciate this opportunity to offer these comments for your consideration, and we'd be pleased to offer any further information that might be useful to you, Members, and staff.

Thank you very much, sir.

Mr. PETRI. Thank you. And I guess you get a gold star for timing yourself.

Mr. CAMPION. Thank you very much.

Mr. PETRI. Mr. Platt?

Mr. PLATT. Thank you, Mr. Chairman.

I'm from the State of Ohio, the home of air cargo facilities, which are, incidentally, Mr. Chairman, financed 100 percent by the State general fund. I wanted to alleviate the committee's concern about that. It is a multi-modal project, our State infrastructure bank, and we're proud to say that our State General Assembly had appropriated $30 million, put it into the State infrastructure bank to help capitalize it, and believes strongly in it.

We're also the State known for devolution interest, and I welcome the opportunity to speak before you.

We've had a very good experience in Ohio with innovative financing. The two major items we felt have been very helpful to us is the increased speed in which projects have been delivered from approval to completion, and, of course, the second being the ability to finance projects that we otherwise could not have financed and did not fit well within the so-called "traditional" mechanism and traditional ways of thinking.

In fact, in the TEO-45, we had three of the initial 30 projects that were considered and approved, and two of these three have been completed in a record time of 12 months from the time of approval to the actual completion of the project, and these were not simple projects. They were projects that could not have been financed without innovation.

Our goal Mr. Chairman, is that one third of our major new construction program in Ohio, which is about a $250 million annual program—one-third of that would be financed through innovative approaches. So it is not just a tool in the toolbox, but it is a major part of the toolbox, itself.

One of the projects that has been successfully completed is an intermodal rail highway facility. It utilized $11.2 million as a loan to a public/private partnership. It is being paid back using a toll of $10 per lift, whether it's a container or a trailer that moves on to a rail car, and that will pay that back over a period of time.

It created 630 new higher-wage jobs and will ultimately create an additional 1,000 jobs and private investment of over $100 million, so we were able to leverage that project.

The second project was mentioned by Deputy Secretary Downey this morning about the 3.5 mile third main rail in Cincinnati, which helped move a lot of traffic there, and it is also a project that was begun and ended in 12 months and is now in use.

So we've used innovative financing, and we look at innovative financing to allow us to realize a paradigm shift, and that's that economic development can be used to help pay for financial—the transportation facility, itself.

In fact, the innovative financing has allowed us to go from a traditional mind set of pay as you go to something more accurate called "pay as you grow." In other words, taking the economic success generated by the transportation facility, itself, to help pay for that facility. That's the way we're going in Ohio.

And so, in terms of what has been some of the ideas, we're fortunate that we are a pilot State for the State infrastructure bank program, and one of the things that has been important is that, as these loans are made for various projects, the monies are paid back and they are now considered State funds, and we think that's an indirect source of the devolution idea in that it gives us the authority to do that, because we are a strong proponent of devolution because the Federal Government does not maintain any of Ohio's roads and bridges; the State and local government maintains that.

We're looking at a 21st century approach to funding needs.

We also feel that all States, because of our experience in innovative finance, all States should be allowed, at their option, to establish State infrastructure banks. We think it's a proper approach. Remembering that this is going to be reauthorization for a period of 5 years, we think all States should have that option.

We would also like to suggest that Congress allow up to six interstate compacts to be formed on a regional basis in kind of the spirit of what Representative DeLauro commented this morning about—to cooperate on a project financing basis.

These interstate compacts could provide a financing vehicle to issue revenue bonds for a region, and then that region could then use a portion of each State's future funding requirements to pay off those bonds, and that would be another way to make the dollars go further.

Finally, Mr. Chairman, I would like to illustrate some power of leveraging, and I think Wally had talked about that earlier.

If you would take the $0.025 of Federal fuel tax that was to come back to the highway trust fund October 1, 1995, that would raise something like $3.25 billion. I would propose using that as a stand-by letter of credit in allowing the States to issue revenue bonds for using that as a stand-by letter of credit. We would then be able to issue, for that $3.25 billion, some 32.5, or 10 times the amount, for needed projects.

Of course, in the scoring that the Congressional Budget Office uses, they would score that as somewhere between $0.10 and $0.15 on the dollar, so you could take a $325 million part of the domestic spending cap, issue $3.25 billion as letter of credits only, and then leverage some $32.5 billion in projects.

The risk—the only risk would be the $3.25 billion, and that would be 10 percent. The States would take the other 90 percent of the risk.

Remember that the uses of those $32.5 billion would be for projects that generate revenue, and that would be the primary source of paying off those bonds.

I wanted to let you know what innovative financing has done in Ohio, and I thank you for the opportunity.

My written testimony has been filed.

Mr. PETRI. Thank you.

Mr. Brasher?

Mr. BRASHER. Yes, Mr. Chairman and distinguished members of the committee, I want to thank you for providing this opportunity for me to testify today and discuss innovative financing in the context of the reauthorization of the ISTEA.

My name is Dick Brasher. I'm the deputy manager of public works for Denver. I'm here to deliver the statement of Denver Mayor Wellington E. Webb. The mayor very much wanted to be here and to deliver the statement in person and is sorry he could not do so.

Denver and Colorado have benefitted greatly from the current ISTEA, and we are pleased that the committee is moving forward with early reauthorization.

ISTEA caused more sharing of the planning and decision-making between the metropolitan areas and the State. This was a helpful step toward cities that are still not fully able to plot their own infrastructure programs. Denver is hopeful that the new ISTEA will assist us directly in solving some of our most vexing transportation problems.

The goals the committee has set for the next reauthorization process are exactly what we need.

I also looked with great interest to your facilitation of innovative public/private partnership to compensate for shrinking discretionary dollars.

Denver is now working towards a transit project which we call the "air train." This project will bring a private sector group together with the city to build a commuter rail type service between downtown and Denver International Airport. Truly local planning and financing flexibility could make this project happen.

Denver faces challenges with this project. The first is financing. We are in a metropolitan area where transit consists of the bus system and the 5.3 mile light rail line. The RTD is seeking funds to build an extension to this light rail system, and the city supports their efforts.

Because of the size of our State, traditional Federal funding for transit cannot be stretched to encompass the light rail project in addition to the air train.

The traditional answer to the dilemma is to politely get in line; however, the Denver International Airport is open, with greater revenues than expected and bringing more visitors to Denver than ever. Now is the time to have transit available to take tourists, business travelers, and even workers to and from the airport.

The Denver metropolitan area is one of the fastest-growing in the country. A report released this week states that 80,000 people have moved to Colorado in the past year, with most resettling in the Denver area. It is a regional transportation hub. All roads, rail lines, and most flights in the Rocky Mountain region go through Denver. It is a center of tourism.

The city of Denver is quickly outgrowing its existing transportation infrastructure. We are struggling to absorb the great demands the sprawling suburban population places on the city, which serves as its hub.

Denver has made great strides in dealing with its air quality problems, but continued air quality restrictions on capacity improvements to our roadways have made it even more imperative that we look to other modes to complement our road system.

We would be interested in any of the tools that ISTEA-II could provide, such as the Federal loan guarantees—I won't go into detail. I think we've talked about those today.

Increased flexibility—all funds should be used flexibly to support multi-modal investment. We find that air quality restrictions in the center city make it all too easy for the region to shift funds away from us and concentrate it in the suburbs. We would welcome some shift to metro area transit, but cities need funds to make improvements or core cities will die.

Tax policies or use of special assessment districts to facility development; value capture to help pay for construction; some relaxation of legal constraints to funding options such as the present airport revenue diversion law that limits the city's flexibility to use dedicated airport revenues to build a project that will directly serve the airport simply because parts of the project will not be built on airport property.

I keep returning to the example of air train project because I believe it is a prime example of the types of projects which will be needed in the next few years. It addresses the needs to find innovative solutions to the problems of population growth, the reduction in Federal dollars, and the complexities of both Federal and regional transportation policy development.

I believe this project can serve as a model for public/private partnership to enhance transit infrastructure and to substantially alleviate road congestion, automobile pollution, and transit needs that continue to confront the people of Denver.

I recognize, Mr. Chairman, that I have described an Olympian task for you and your committee. I wish you well. I stand ready to help in any way I can to provide any information that you need.

Thank you.

Mr. PETRI. Thank you.

Mr. Horn?

Mr. HORN. Thank you very much, Mr. Chairman.

I don't know if panel four was in the room when Mr. O'Connell mentioned the concerns about privacy that some of his membership might have with the introduction of new technology, but I'm interested in just sort of going down the line, starting with the Orange County tollways. Are trucks permitted on that tollway?

Mr. KREUTZEN. Yes, they are.

Mr. HORN. Have you had any complaints from any truck drivers—well, let me ask you the technology applied. Do you have a billing system or a scanning of licenses at all that relates to that in any way?

Mr. KREUTZEN. Yes, we do. We have something called "automatic vehicle identification," which is a scanning of a transponder. It's optional. As a driver, you can choose to have it implemented or not. It's a scanning device.

Mr. HORN. Okay. So it doesn't scan everybody, then? It just scans those with certain equipment, or what?

Mr. KREUTZEN. That is correct. If you choose to use the AVI device, you have to subscribe to it. Then you have the scanning capabilities. If not, you use a traditional staffed or automatic coin machine booth.

Mr. HORN. Do you find many people driving the large trucks subscribing to it?

Mr. KREUTZEN. No. We haven't seen a large truck population yet.

Mr. HORN. Do you have anybody subscribing to it that drives large trucks?

Mr. KREUTZEN. Yes. Some.

Mr. HORN. Some.

Mr. KREUTZEN. It's not a predominant use of the AVI system, itself. Our roads are predominantly autos at this point in time. We do not have high truck usage.

Mr. HORN. I'm just getting at getting a feel for if there are complaints from the grassroots on the privacy aspect.

Mr. KREUTZEN. We've dealt with that with autos as opposed to trucks, and our response is, "You have the option to use the automatic vehicle identification. If you choose not to, you have another alternative," which are what I term the traditional either staffed or coin machine lanes, and you aren't tracked at that point.

Mr. HORN. Now, I take it when that works you can flow rapidly through that area, you don't have to stop and put change in?

Mr. KREUTZEN. Correct. At freeway speeds at 65 miles an hour.

Mr. HORN. So does that mean they don't stop at all?

Mr. KREUTZEN. That's correct.

Mr. HORN. Good. Well, I would think that would save you time over a long stretch of road.

Mr. KREUTZEN. We are seeing, during peak period, 67 percent of our usage is AVI during peak period right now, and 50 percent overall.

Mr. HORN. Translate "AVI."

Mr. KREUTZEN. Automatic vehicle identification, the scanning device.

Mr. HORN. Right. And is that coming into common practice around the country that you're seeing in new tollways?

Mr. KREUTZEN. Yes. New tollways, especially, since they are being built primarily with these systems in place, are seeing very good utilization of the technology.

Mr. HORN. Now, do you have any technology related to global positioning?

Mr. KREUTZEN. No.

Mr. HORN. Do you know of any that are occurring in the States at all where they see a use for this? I mean, some people are just buying it for their own protection to find whatever is stolen from them, but I'm just curious if you see much of move in your colleagues wanting to encourage that.

Mr. KREUTZEN. I don't, but some of these other gentlemen may have more direct experience.

Mr. HORN. Mr. Campion, how about it on your technology on Golden Gate Bridge?

Mr. CAMPION. Two facets to your question, sir.

First, by State law in California the Golden Gate Bridge has been prohibited from installing a system, or we would have had one of the first systems in the United States in about 1991.

Mr. HORN. Why did the legislature, in its wisdom, which Mr.—

Mr. CAMPION. It's a rather long story, but until they—they wanted the systems in California for all toll bridges. We are the only bridge that is outside the State of California toll bridge system. They wanted all systems to be able to be bid competitively and be compatible.

California has had an extraordinarily long problem in developing a system, and it is being tested at the present time on the Carquinas Bridge in California.

As soon as that system is proven, within the next 18 months to 2 years, if that system works, we would install the system.

To the other question as far as truckers and—

Mr. HORN. Excuse me a minute. I thought the Golden Gate Bridge was under its own jurisdiction and not under the State.

Mr. CAMPION. That's correct.

Mr. HORN. Did you just agree to it, or how did—

Mr. CAMPION. No, sir. We were in—enabling legislation by the California Legislature permitted the formation of a special district, and under a special section in the California streets and highways code we are mandated as to how and such ways our board of directors is established and other operations.

There were amendments made to that streets and highways code by Senator Quinton Cobb that prohibited us from going into this system until there was a compatible system, even though we had $1 million in our budget and we're ready to go.

We're anxious. I've been involved, personally, as chairman of IBTTA's ETTM Ad Hoc Committee for 5 or 6 years, and the experience throughout the United States is one—in most cases there is privacy available. In other words, if you have three friends that you don't want the know where they are to the other, you can come in and you can buy your tag, $50, $100, or $200, and you can be anonymous in the system and just come back and pick up that tab.

The others prefer to have accountability, such as getting a monthly statement at the end of the year for tax purposes. That accountability is optional and most people do prefer it. A trucker could do the same thing in most systems.

Mr. HORN. You had the second point you wanted to make. Did you make it?

Mr. CAMPION. I think the first one was what the Golden Gate Bridge was, and then, secondly, this issue of privacy that you questioned on other facilities around the country.

Mr. HORN. Mr. Platt, Mr. Brasher, want to finish the response?

Mr. PLATT. Yes. Thank you, Congressman Horn.

The State of Ohio is one of six States involved in what's called "advantage I–75," which has a voluntary program for trucking interests to put a transponder on their truck to have a weigh-in-motion type operation so they can bypass some 15 truck weighing stations along that 6-State corridor.

Again, I emphasize it's a voluntary program and it's designed to provide the information for those who want to save time by being able to go by and bypass those weigh stations. It was actually a program that was suggested from various trucking companies, such as Schneider and Hunt Brothers and others who, of course, employ transponders and GPS to keep track of where the goods are for the convenience of the customers. I think that's one of the aspects that maybe has not been mentioned—the convenience of the customers.

Certainly in the rail industry most of the rail industry and the class ones already use that kind of information to keep track of where the trains are, from a safety standpoint as well as for the customer, so this is not anything new in that term.

But I think our position is, if it's a voluntary program and you want to choose, instead, to go through the 15 weigh stations to remain anonymous, that's fine.

Mr. HORN. Mr. Brasher?

Mr. BRASHER. Yes. The State of Colorado doesn't have a lot of tolls. We just have the one, which is called "E-470," and it's administered under a road authority. They do have the scanning device that they can place in the window and do that, but that is something that they pre-pay and it's a voluntary thing, as was mentioned earlier, that they could use it that way, and it's convenient for some people. Otherwise, they don't have to do it.

Mr. HORN. Thank you.

Thank you, Mr. Chairman.

Mr. PETRI. Mr. LaTourette, do you have any questions?

Mr. LATOURETTE. Thank you very much, Mr. Chairman.

Mr. Platt, I'd like to chat with you for a little bit, if I could.

Before I ask my questions about the Transportation Empowerment Act that was sort of mentioned during the last panel by our friend from Pennsylvania, Mr. Mascara, I would like the record to reflect a couple of things.

I'm a newcomer to Congress, but during the time that I've been here in the 104th Congress I have never had a greater sense of cooperation than I have had with you, personally, and the officials at the Ohio Department of Transportation.

I would tell my colleagues that if every State had a Department of Transportation as responsive as the one run by Mr. Ray and Mr. Platt, they would be happier Members of Congress.

I thank you very much for all that you've done.

Mr. PLATT. Thank you.

Mr. LATOURETTE. And already in our District we've seen the benefit of Ohio's foresight in applying for and becoming part of the State infrastructure bank, as there was a restructuring or reprioritization of transportation projects recently concluded in the State of Ohio.

Some people that had been waiting for projects for a long time were told that those projects probably wouldn't be built in their lifetime, or well into the next century, but Mr. Platt and his staff are the type of people that, rather than bringing you bad news, they say, "Well if one avenue is blocked or we have a road block, we're going to figure out a way to get around it and make it happen." I want you to know I very much appreciate it.

On a personal note, I live in a town of about 2,000 people—Madison, Ohio. Right before Memorial Day, a bridge on I-90, which is a major, major artery in our part of the world, interstate highway, dropped two inches. Our town with 2,000 people had 36,000 visitors that weekend, as that was the re-routing of the Memorial Day traffic.

When I went home from Congress that weekend I thought, "Boy, people have finally discovered the wineries and all of the chicken wings and the wonderful things that bring us to Madison," but it turned out to be this detour.

Again, ODOT jumped to the challenge and had the crossover done in record time by hiring a contractor who worked day and night, and those of us in that part of the world appreciate that.

But, to the point, and to talk a little bit about what Mr. Mascara was talking about, Mr. Kasich, who is greatly respected by myself and others in this Congress, has developed something called the "Transportation Empowerment Act" with Senator Connie Mack. The proposal, as I understand it, during the first 2 years would return in block grant form $0.07 of the Federal gas tax to the States, and in the last year, 1999, would completely repeal all of the Federal gas tax but for $0.02 that would then be maintained by the Federal Government for its involvement in the national highway system.

As a donor State, Ohio being a donor State, this obviously has a great deal of appeal, and I understand that our governor, Governor Voinovich, is supportive of this. If he doesn't become the vice president of the United States, I assume he's going to continue to work with Mr. Kasich on this project.

The question that I have is this: has Ohio, if $0.123 is returned, or whatever the figure is, to the State of Ohio, have you or ODOT or the State prepared any documents or given any thought as to what portion of that $0.12 the State might be interested in replacing as a State fuel tax to deal with Ohio's infrastructure needs?

Mr. PLATT. I thank you for the kind words, Congressman LaTourette. It's a pleasure to work with you on those many, many projects, and we have many more to do.

You talked about the $5 billion worth of projects, and we've had to pare that down on a priority system, and that's one of the reasons why we're very interested in the Transportation Empowerment Act, because that $0.12—and I've talked with members of our general assembly, and they've indicated very much a desire to whatever would be devolved from the Federal Government to take that up once again and make that a State tax, because that's certainly an issue with us.

We send some $1 billion annually to the Federal Government from our motor vehicle fuel taxes, both diesel and gasoline, and we receive back about $625 million, so there is quite a bit of difference between those two numbers.

We have examined the $0.12, and it would give us about $90 million additional if the general assembly would enact an exact amount of the $0.12.

We feel that there are ways that that tax could be put together for both transit and highway interests, and we're one of the States that has a constitutional limitation that says only for—the motor vehicle fuel taxes, State motor vehicle fuel taxes, are for highway use only, but we feel that in the passage of legislation at the Federal level it could be done in such a way as to be termed as a Federal redirected tax rather than a state tax.

So it would be quite a bit to us. It would mean the $90 million additional each year we would actually be putting into our major new construction and highway projects. We certainly have got quite a number to work from. We have them ranked. We're ready to go.

We think it's time to look to a 21st century funding solution to—a program that has worked very well, actually, for 40 years, but the interstate system is now complete and it's being maintained by the States.

Mr. LATOURETTE. Here's the question that I have. I don't remember the issue—I think it was cigarettes. We were talking about in Ohio one time a sin tax. The discussion was that if Ohio raised its cigarette taxes, everybody would run across to Linesville, Pennsylvania, and run their cigarettes. We're really cutting off our nose to spite our face, because we wouldn't receive the bump-up in revenue that we're talking about.

My concern in turning back the $0.12 to the States completely is that same dilemma. If Ohio replaces all $0.12 and it gives us all the money we need in Ohio to dedicate to road projects and the State of Pennsylvania does $0.08, for instance, for whatever reason, is there a concern on your part, or has ODOT engaged in any revenue analysis that would ward off sort of a gas war between States?

Mr. PLATT. Yes, Congressman LaTourette. We monitor very closely what the other States are charging and we certainly—Kentucky, Michigan, Indiana, and Pennsylvania particularly—and, of course, there is some concern, although when we look at the overall volume of vehicle miles traveled, most of that is intrastate traffic and would be, we think, for a few cents, going across the border and expending multi gallons of gas to save a few cents would not be very appropriate.

We do try to keep somewhat close. We think that the other States would certainly want to, if there was a $0.12 redirection of Federal tax, would want to also utilize that within their State.

Mr. LATOURETTE. Thank you, Mr. Platt.

Thank you, Mr. Chairman.

Mr. PETRI. Mr. Baker, any questions?

Mr. BAKER. Yes. Thank you very much.

Mr. Kreutzen, was your project authorized under AB-680?

Mr. KREUTZEN. No, it's not.

Mr. BAKER. It's a separate, private/public toll facility?

Mr. KREUTZEN. That is correct.

Mr. BAKER. And where does it go? It goes from Orange County to San Bernadino, or—

Mr. KREUTZEN. Actually, there are three different corridors constituting the 67 miles. The largest of the two, which are referred to as the "foothill eastern corridors," will take you from southern Orange County at the San Diego/Orange County border, and bring you northerly all the way to the Riverside/Orange County border, as well as several points internal to Orange County, itself.

Mr. BAKER. Are you also in charge of the one that goes into San Bernadino, the Diamond Lane Toll Road?

Mr. KREUTZEN. No, we are not.

Mr. BAKER. Are you familiar, though, with their usage?

Mr. KREUTZEN. Yes, I am, and I think Mr. Pfeffer is here on the next panel to discuss that project.

Mr. BAKER. Okay. Fine. I just want to make sure that—I think we have a pretty good usage, and you mentioned you were within 8 percent of your projections, even though you don't reach major objectives yet.

Mr. KREUTZEN. That is correct.

Mr. BAKER. So you're pretty optimistic about the usage in this project?

Mr. KREUTZEN. Yes.

Mr. BAKER. Thank you very much.

Mr. Platt, you mentioned taking the $0.025 gas tax from the disastrous 1990 tax increase, and instead of putting it in the general transportation fund recycling it out to the States to match. Do you anticipate matching that with your own 3.25 in the State and then having $60 billion to spend?

Mr. PLATT. Mr. Chairman and Congressman Baker, that's an interesting proposal and idea.

We certainly feel that going with the $3.25 billion standby letter of credit and being able to leverage $32.5 billion is probably enough of a stretch at this point because we would also be assuming 90 percent of the risk of that.

In other words, the only risk of the Federal Government would be the amount of the stsndby letter of credit at $3.25 billion. The State would then take on the risk for the other 90 percent of that, or the difference between about $30 billion.

Again, as that initial capitalization takes place and we loan out the proceeds of those bonds for projects and they begin to pay that money back, certainly we can then have a second what's called "traunch" of issues of revenue bonds without asking any more from a letter of credit, but taking the revenue streams coming back from the payment of those loans to have another issue of revenue bonds. I see that could go over numbers of times and be very significant dollars for our infrastructure system.

Mr. BAKER. Would you anticipate that being an annual event then that we would permanently authorize the $3.25 billion to the States?

Mr. PLATT. I proposed that be a 1-year issue, but I think that with the success of 1 year Congress hopefully would see that success and want to continue that on, but I didn't want to propose that be the case until you have a chance to taste the sweetness of success.

Mr. BAKER. I agree with you, but I think the States ought to match it and—

Mr. PLATT. I agree that we will match that and we can match that. Again, if you're looking at the $32.5 billion, you might say it's a 10 percent Federal, 90 percent State match. I guess that's my point.

Mr. BAKER. I'm looking at the 30 going to 60 is what I'm looking at.

Mr. PLATT. And I say that could be the next round, but, again, that's some situation whereby the State could also, through the general revenue fund—we have $30 million that was appropriated in June from our general assembly of general revenue funds to help capitalize the bank, and I think they would be interested in a matching program very much.

Mr. BAKER. Good. Thank you.

Mr. Campion, in your experience as a general manager of a major toll facility, do you see any limit on the innovative financing programs that we've been discussing here, any changes that ought to be made in the program?

Mr. CAMPION. Through the Chair to Congressman Baker, I think that probably the Golden Gate Bridge is a unique facility when we talk about limits in the area of innovative financing. It's a special district with no taxing authority, and, at the same time, we do not participate in any of the State or Federal apportionments to the State of California for any of our programs.

Our partnership—

Mr. BAKER. Who authorizes your tax, then? Somebody—

Mr. CAMPION. We have no tax base.

Mr. BAKER.—authorized that $3.

Mr. CAMPION. That's the toll that's established by the board of directors. We have a $3 toll, as you know, as opposed to $1 by the other State bridges.

In 1991, we raised the toll 50 percent to $3 in order to begin to put together the local match for what hopefully would be the 80/20 match to do tbe $175 million seismic retrofit.

Thanks to this subcommittee and the full committee's help in the national highway system bill, the soft match provision was included, and, as a result of that, we will go to bid in the next 30 to 45 days using $35 million that we have raised in our tolls.

We are hopeful that, as reauthorization is viewed, that, with our inability to participate in any of the Federal funds coming to California, that again the partnership would be considered as it was previously in the replacement of the bridge deck, as you recall, when we put on orthotopic surface for about $70 million, plus there is $5.9 million in the total of $13.2 million of ISTEA funds for our design and engineering, which will be completed this month.

So we feel that there are some limits as far as innovative financing, predicated upon the type of district that we are and our limitations of obtaining funds to do this critical project, particularly for a project that, if the bridge had to be replaced, could well be $1.4 billion.

We would like to share in innovative ways to go, but we are hamstrung in many respects and would hope that we could continue the Federal partnership in making this project a reality.

Mr. BAKER. So if we were drafting this legislation, you could probably put a fix in there that would allow your district to be involved with all the others; is that correct?

Mr. CAMPION. It would take, I believe, line item authorization to name, if we were to participate in Federal apportionments coming into California; otherwise, we would not receive it.

In other words, block grants and that type of apportionment would not be a place in which we could participate short of authorization by line item, as well as at the appropriations level.

Mr. BAKER. All right. My time is up, so I have to hurry.

Mr. Brasher, you mentioned using airport authority funds for metro—I assume metro rail or air rail projects off-site from the airport. We protect very carefully the airline fees and the airport fees; however, noting the language in the BART SFO project put in the budget restricting this project, I'm getting less and less interested in protecting the airline fees.

What was your—in one line, what was your thought on using those fees for what kind of a project?

Mr. BRASHER. Well, the—what we were hoping was a funding package that would be a potpourri of many, many funding sources, innovative funding sources.

Of course, one—since the air train or this commuter rail serves primarily downtown to the airport, it was our hope that at least the committee would consider the relaxation of some of the legal constraints that would prohibit the use of these funds that would be off-airport primarily.

I think the current law allows you to use them for stations that would be on airport property or any rail system within the airport property, but when you leave that then there are some prohibitions there for allowing that.

I'd just like the committee to consider that in their deliberations.

Mr. BAKER. Thank you.

Mr. PETRI. Thank you.

I have just one question, building on what Mr. LaTourette was discussing.

Mr. Rahall and I talked with a number of the governors at the National Governors Association earlier this week about the Kasich-Mack proposal and a number of other ideas people had for rearranging or paring back on the scope of the Federal highway program, and they seemed to think that if something were done of that sort it would make a lot of sense.

Rather than having a phase-out of the Federal gas tax or a part of it over a 2- or 3-year period, as Representative Kasich I think is suggesting, we keep the gas tax but give States a credit. If they want to replace the $0.08 at the State level, they could get the $0.08 credit. It would be the same for the traveling public. If they chose not to do it because someone characterized it as a tax increase or whatever, then the money would continue coming out here to Washington.

They thought that would solve their political problems at the State level where many of them have said they would not back any kind of tax increase, and they were afraid, even though the number would be the same, it would be called by some a tax increase if it went up $0.08 in Ohio or Vermont or whatever, even though it dropped $0.08 on the Federal level.

Do you have any comment on that? That's done with the State taxes. I assume we probably could do the same thing, but I'm not sure.

Mr. PLATT. Yes. Mr. Chairman, I think that's a very—I always like the term "voluntary" and "optional" rather than mandatory. We certainly always advocate that, and I'm sure that there can be some technical way that tbat could be done.

I think it's an exciting idea, and it does overcome some of the issues that may be in various States, and I certainly think that that's something that we want to work with both Congressman Kasich and, of course, our Governor Voinovich has been very much speaking for about a year and a half about that very issue.

We recognize that there are some problems in various States. Even though in the State of Ohio it may be everyone's ready to do this, others may not want to.

Being optional and being able to say that if a State decides to go ahead and take a redirected approach to the Federal tax and take that on, on a voluntary basis, fine. If not, it continues as is. I think that's an exciting idea.

Mr. PETRI. All right.

Thank you all very much for the time you spent with us and for your testimony. We appreciate it.

The last panel consists of: Robert Rich, vice president of J.P. Morgan Securities; Gene McCormick, senior vice president, Parsons Brinckerhoff, representing Project America, the Coalition to Reinvest in America's Infrastructure; Gerald S. Pfeffer, senior vice president, United Infrastructure Company; and Daniel V. Flanagan, Jr., chairman and chief executive of the Flanagan Consulting Group.

Gentlemen, you've been very patient, and we look forward to your summary remarks.

Mr. Rich, would you like to start?

TESTIMONY OF ROBERT A. RICH, VICE PRESIDENT, J.P. MORGAN SECURITIES, INC.; GENE MCCORMICK, SENIOR VICE PRESIDENT, PARSONS BRINCKERHOFF, INC., REPRESENTING PROJECT AMERICA, THE COALITION TO REINVEST IN AMERICA'S INFRASTRUCTURE; GERALD S. PFEFFER, SENIOR VICE PRESIDENT, UNITED INFRASTRUCTURE COMPANY; AND DANIEL V. FLANAGAN, JR., CEO OFFICER, THE FLANAGAN CONSULTING GROUP

Mr. RICH. Thank you, Mr. Chairman.

I'm pleased to be here today to provide comments on the reauthorization of ISTEA. I am Robert Rich, a vice president with J.P. Morgan Securities, and I'm an investment banker specializing in transportation finance. My comments today will come from that perspective.

Given the widening gap between Federal funds and transportation needs, a Federal transportation funding program must provide not only a mechanism to stretch those Federal dollars, but also a means to leverage the capital market financing alternatives that are increasingly being examined as a means to expedite projects that are not stuck in State transportation improvement programs for lack of funds.

In evaluating a transportation funding program that will help bolster capital markets' participation, three characteristics—flexibility, capacity, and leverage—are important to me—flexibility in the sense that there will be available multiple financial products that can be tailored to meet the needs of the individual transaction. Also, flexibility in the sense of timing. A funding product should be ready to take advantage of market timing.

The program should be capitalized in an amount that's sufficient to provide level of funds that can improve the transaction, and the program should also leverage its funding so that each of the limited dollars provided for the program are being used to their fullest potential.

The enactment of ISTEA marked a significant change in the direction of how transportation funding had traditionally been programmed and allocated. The NHS Act took a major step forward, providing the States with the ability to offer other financial products, which better leveraged Federal dollars and provide more useful tools for capital markets transactions.

The Government may not play a role in every project, but I think it has been clear from the testimony previously that it can make a different to the projects in which it chooses to participate.

The tools provided to State and local government in its investment bankers by NHS Act must continue to be expanded and developed, consistent with the growth and development of the capital markets, the limits on available revenues, and the shift to project-specific financings have made structuring flexibility a key component to successful capital markets transactions.

Enhancing the flexibility provided by ISTEA and NHS is critical to funding the growth and maintenance of the transportation system.

The SIB program of flexible and efficient funding alternatives should be expanded to all 50 States, and also allowed, I think, for multi-State infrastructure banks.

In an effort to encourage creating a SIB, Congress should consider providing funds for its capitalization.

The Federal Government is in a strong position to evaluate some of the credit risks on proposed transportation projects. The process of obtaining some of these Treasury loans, however, often takes time. The Treasury loans such as the TCA and the Alameda Corridor required specific legislation.

The Congress might want to consider streamlining the process by providing regulatory ability in the Treasury and the DOT to commit these types of transactions in a more timely fashion.

It, again, would enhance the flexibility and better position the States and their investment bankers to take advantage of market opportunities.

With respect to multi-State issues, technology has come to the forefront as one that should be considered. In this regard, smart highways, electronic toll collection systems, need to have multi-State coordination and planning to ensure seamless movement of goods and people.

One suggestion which the committee might want to consider is to develop a multi-State planning and financing process similar to the MPOs in certain areas that require multi-State coordination.

There are a couple of Tax issues which I just wanted to touch on that I've had some experience with that have acted as obstacles in some of the financings, and particularly with respect to taxable toll roads.

Right now debt service coverage in the early years of a toll road is achieved by deferring debt service through the use of deferred interest bonds In the taxable markets, the interest that is deferred is, in fact, taxed to the investor, so it limits the investor market on the taxable side and often can make the economics of the transaction much worse by not having the investor market available to you and having to use other higher-cost either subordinate lien securities or equities in order to complete a project.

A second area that has been evolving has been a consolidation among generally governmental entities who operate different toll facilities, and there are also some impediments within the tax code which impede these consolidations, some of which are for more efficient management, better economies of scale, and also reductions in cost.

Let me conclude by saying that Congress should not be discouraged if projects don't immediately jump off the drawing board into the capital markets and then on to construction. The changes at the Federal level have marked a major change in the way States and local governments must think about using Federal resources for transportation projects. The governments are in the midst of a learning process, with each considering the financing structure best for its particular needs.

And the markets I think have demonstrated a willingness to invest in start-up toll road projects and are eager to invest in more.

The investor education process also takes time, however, as each project is different and requires different aspects to be explained.

The SIB, a new concept, will also need to be explained to the capital markets, but they have consistently demonstrated the ability to understand some of these new concepts and different financial products, and there is no reason that the capital market shouldn't continue to do so in the future, Mr. Chairman.

I thank you for the opportunity to come forward. My remarks are included in the record.

Mr. PETRI. Thank you.

Mr. McCormick?

Mr. MCCORMICK. Thank you, Mr. Chairman. Good morning Mr. Chairman and members of the committee. My name is Gene McCormick. I'm with Parsons Brinckerhoff, and appreciate very much the opportunity to be with you this morning to share thoughts regarding innovative financing.

In terms of Parsons Brinckerhoff, we are the United States' largest transportation design firm. We have approximately 5,000 employees located in 150 offices around the world.

Project America that I'm representing this morning is a coalition to reinvest in America's infrastructure. We are nonpartisan, nonprofit, and the coalition is in its early formulative stages, but our goal and our objective is to help this subcommittee's effort in reauthorization next year, as well as otber broader infrastructure efforts.

Certainly financing is a critical part of next year's reauthorization, so we commend the chairman and the committee for holding this hearing on innovative financing. It has been interesting this morning to hear some of the things that are going on across our land as a result of ISTEA and the national highway system legislation last fall. It certainly indicates that I think we're pressing the threshold of traditional bounds, and I think that's in our best interest in terms of transportation.

I'd like to take my time to kind of reinforce what I know you fully understand in terms of the context of reauthorization from a financial standpoint.

If we look at the 1995 Department of Transportation's condition and performance report on our Nation's surface transportation system, it provides a very sobering picture.

If you look just at the highway portion of that picture, you'll see that that analysis says that if we, as a Nation, continue to invest in capital on our highway system, as we are today, we need to increase that investment by 50 percent in order to keep pace—in order to keep pace, stop from falling further behind. We need to double that investment if we are truly going to make inroads on the backlog of the highway system needs.

Of course, that is only the highway system, and that builds on a base of about $35 billion per year being spent on capital investments in our highway system, so financing and finding new innovative tools to help us in that challenge I think is absolutely essential.

Also, we all recognize full well the significance of our transportation system in this country. In my judgment, it is truly a treasure and an asset that, in fact, we are dis-investing in.

Transportation is important to our economy. We, as a Nation, spend over $1 trillion a year on transportation. Transportation accounts for 12 percent of our gross domestic product. It accounts for 18 percent of our average household expenditures. And it creates 13 million jobs in this country.

So transportation is important. We are dis-investing in the system. We need innovative financing.

Bringing the power of the private sector to bear in this challenge I think is absolutely essential. I commend Congress, I commend committee members—and many of you were around during the ISTEA days—taking that first step to allow revolving loan funds, to allow commingling of toll and regular highway funding. Those were significant first steps—steps that were further reinforced in last fall's national highway system bill, steps that must be taken now another step further.

Reduce the barriers and create incentives that can bring private investment to bear on the problem.

My written testimony gets into details that outline three general areas to perhaps focus upon.

One is to broaden the tax-exempt financing for public use infrastructure investments. Tax code changes—we realize full well that jurisdiction is beyond just this committee, but we also realize full well this committee's leadership in tackling issues that are beyond its jurisdiction, perhaps best illustrated by the current effort off-budget for the trust funds.

Secondly, we need to soften and eliminate some of the restraints that exist in terms of privatizing existing physical facilities that have had Federal investments made in them in the past. We need to create incentives and not throw up barriers.

And the third general area has to do with what Congresswoman DeLauro mentioned this morning. One component of her proposed legislation pursued the viability and possibility of public benefit bonding.

We believe those three sets of areas can yield significant contributions to solving our disinvestment problems.

So we, as Project America, and our coalition look forward to working with you next year as you tackle the problems of reauthorization and we create a path for continued innovative financing.

Thank you all.

Mr. PETRI. Thank you.

Mr. Pfeffer?

Mr. PFEFFER. Thank you, Mr. Chairman. Good afternoon, Mr. Chairman and members of the Subcommittee on Surface Transportation.

My name is Gerald Pfeffer. I'm head of transportation at United Infrastructure Company, a partnership of Bechtel and Kiewit. We develop, finance, and operate toll roads, airports, and water facilities.

Mr. Chairman, I've submitted written testimony and will, with your permission, keep my remarks brief.

I'd like to use our recent toll road experience to make three key points: public/private partnerships can supplement limited public funds; American drivers will pay to avoid congestion; and Federal leadership is needed to get the most from this concept.

As noted earlier, Mr. Chairman, we are driving more miles than ever in the most fuel-efficient cars and trucks in history. That means more wear and tear on our highways, but lower fuel tax revenues.

Many States can't maintain their existing roads, much less build new ones. One solution: private investment.

Since 1990, our parent companies have arranged over $10 billion in financing. Billions more are available for the right opportunities. If we don't employ this capital, it will probably flow overseas, where many nations are using private financing to modernize. Ironically, a lot of this money comes from U.S. institutions. Isn't it time we found ways to keep this capital and these jobs in America?

To illustrate this approach, I'd like to relate some recent experience on two projects, the 91 express lanes in southern California and the Tacoma Narrows Bridge in Washington State.

Our affiliate, California Private Transportation Company, holds a franchise to finance, build, and operate the 91 express lanes. This is one of four franchises enabled by legislation sponsored by Assemblyman—now Congressman Bill Baker, a member of this subcommittee.

As illustrated in my testimony, we've added four lanes in the median of the existing 91 freeway for a ten-mile stretch from Anaheim, in Orange County, to the Riverside County line. This $126 million project is the world's first fully-automated toll road, and America's first test of congestion pricing.

Using design/build methods, we shaved 13 months off CalTrans' construction schedule. Operations began in December, 15 years before State funds were available. Over 250,000 cars a day use this corridor. Before we opened, traffic operated at level of service "F," stop-and-go, 6 hours each day. During peak hours, our customers save over 20 minutes per trip.

Even those who choose to stay on the free lanes benefit, since we've cut about an hour off the morning and evening peaks.

The 91 express lanes is a toll road without toll booths. Electronic transponders are used to deduct tolls from customers' accounts at 65 miles an hour. With more than 54,000 transponders in use, we are months ahead of plan.

There is not a dollar of Federal or State money in this project. In fact, we'll spend about $120 million for private maintenance and police services that would otherwise have been paid by the taxpayers.

In 1993, the Washington State Department of Transportation was authorized to award up to six franchises. Our company was selected to negotiate an agreement for the SR-16 Tacoma Narrows Corridor. State Route 16 is the primary link between Seattle and the Olympic Peninsula. The Tacoma Narrows Bridge, completed in 1950, is now congested about 4 hours each day.

Working closely with our legislative delegation, we've been able to address and resolve some of the problems encountered by other Washington State projects.

I'm pleased to report that we recently signed a contract with the Washington State Department of Transportation and are now hard at work on the technical, financial, and environmental studies for this important project.

As you can see, private funds can help reduce gridlock, but to make more of these projects a reality we need Federal leadership.

We would urge Congress to include three key provisions in the ISTEA reauthorization bill: provide meaningful incentives for States to adopt the public/private concept, authorize the use of tolls to finance new and rebuilt sections of the interstate system, and establish national standards for electronic toll collection systems.

My written testimony includes additional recommendations in the tax, environmental, and legal areas.

In addition, we urge this subcommittee to support H.R. 1907, which will help to clarify the relationships between privately-financed and Federally-financed facilities.

Mr. Chairman, public/private partnerships offer a win/win/win opportunity. They are good for the public sector, they are good for private investors, and, most of all, they are good for our Nation's motorists.

By encouraging the States to pursue public/private partnerships, Congress can trigger billions of dollars in private investment.

Thank you for allowing us to share our views with you. I'd be happy to answer any questions.

Mr. PETRI. Thank you, Mr. Pfeffer.

Mr. Flanagan?

Mr. FLANAGAN. Thank you, Mr. Chairman. It is a pleasure to be here.

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I'm speaking today as the chairman of the Infrastructure Investment Commission, which was required under the ISTEA act back in 1991 to explore how to bring private capital into our infrastructure sector, including transportation but going beyond in the general areas of infrastructure.

Our report was completed and released in early 1993. It's entitled, "Financing the Future." Former Secretary of Transportation Neal Goldschmidt served on the commission, as did now Senator Kay Bailey Hutchinson. We held seven hearings, 46 witnesses.

In the interim, I have been fortunate to give a number of talks around the country, and during that time this concept of public/private partnership I think has received increasing recognition for its importance in growing the pie in terms of America's infrastructure needs.

In fact, the Construction Writers Association for the United States honored our commission report in terms of its innovative financing techniques, which meant a lot to us.

As to our findings, clearly there is a definitive need, particularly in the pre-construction area, market entry, new technology. There have been a number of studies besides ours, including Fragile Foundations, etc., prior to the 1991 act, that documented these needs.

We were looking at the time, in terms of private capital investment—particularly our huge savings in America in our pension fund sector, over $4 trillion. Being tax exempt, as they are, and with the bulk of our infrastructure investment today being done either through State or Federal grant programs or through the municipal bond sector, there was obviously a mismatch in terms of the ability of pension funds to invest in American infrastructure.

In fact, the State of Colorado testified before our commission that 7 percent of their pension fund assets were invested in Colorado, and that they had a goal of investing at least 20 percent of those assets in Colorado, and they endorsed our recommendations because they saw no way to get beyond that initial 7 percent.

When we talk about private capital investment, we're talking about growing the pie. In fact, I've coined the phrase "PCI" to get around this concept of how to encourage private capital to look at infrastructure.

Specifically, our recommendations had to do with the area of credit enhancement. We compliment the State infrastructure bank concept. Congresswoman DeLauro's bill, 3166, represents a good deal of what we recommended in our report.

Specifically, we suggested a Federal approach wherein there would be a national infrastructure corporation that would provide to the States development risk insurance, reinsurance of projected revenue streams, subordinated debt, if possible, and also the public benefit bond approach.

To give you an example, architectural and engineering firms testified and said it's very difficult for them to act as entrepreneurs in infrastructure because really you're asking them to take risk in an unknown territory, and the idea of being able to buy an insurance product that would allow them to guard in terms of that development risk, that initial planning, that entrepreneurial stage of infrastructure, would be very useful to them.

That allows you to stay the course, so to speak, as the planners, the developers, the environmental community, etc., can look at a project and identify the future revenue stream.

And then that next step is to reinsure that revenue stream in the future to enhance and to allow the market to look at the project, to do the due diligence that's necessary for the lenders to support the developers on the project.

Many insurance companies have come up to me and said, "Well, we provide insurance, construction risk, etc." I said, "Yes, construction risk—weather, that sort of thing. But not preconstruction."

It's interesting. We provide, through OPIC—the Overseas Private Investment Corporation, and now the Export/Import Bank is doing it, and now the World Bank—but we provide essentially development risk insurance for American investment overseas, but we do not do that in our own country.

I had the occasion to visit the House Banking Committee when the Middle East Development Bank Corporation concept was being debated, and a number of the Members, noting the testimony from the Administration about leverage and co-financing and development risk, a number of the Members said, "You know, when we go on the floor of the House, they like the idea, we all support these. These are good things. But why can't we do this in our own country?"

Well, we've had a different tradition, particularly through the municipal bond side, where looking at tax-exempt financing—that industry, as we all know, is—there is very little activity there now, and we need to start looking at ways to bring in our pension funds.

Now, as far as project finance, when we held our hearings we had a hard time finding an American firm back in 1992 that was engaged in project finance. Today I am delighted to tell you that, through the phenomena of the independent power industry building power plants overseas, which is a new phenomena since 1993—that was illegal, more or less, prior to the passage of the Energy Policy Act—we now have a thriving project finance industry in this country, and that will be very useful in this whole affair.

Recently I looked at the annual report for AIG, one of our largest insurance companies, and they laid out six different infrastructure funds that they were committed to, one of which had been fully funded in the amount of $1 billion, one of which enjoyed an upfront OPIC guarantee.

Those funds are devoted to infrastructure projects overseas in China and elsewhere—not one for the United States.

The concepts behind development risk—credit enhancement, leverage—are very important, and we recommended in our report that, in terms of the next reauthorization of ISTEA, that some consideration be given in this area because we feel that it is very important in the development of new product for investors, particularly institutional investors, to look at.

I've been told many times by American pension fund trustees, administrators, investment managers, they want to invest in American infrastructure, but we need to give them product.

So our focus in our report is how to provide those support mechanisms, how to leverage.

I think some day the private sector will be able to come in in this area of development risk. Premiums are paid. These should be self-sustaining mechanisms.

But we look to leverage in the amount of 18-to-1 in terms of the Federal dollar being expended on these types of techniques.

In essence, as was mentioned earlier, the opportunity for roll-overs, because as the projects reach construction maturity and go into actual operation and the revenue streams take place, you then can roll over. You're out of that. The credit enhancement is over and you take it and you move it into the next project and the next project.

So, in conclusion, I'd like to—we're delighted to be here. We enjoyed preparing this report, and we hope it will be helpful to the committee.

I'd also like to tell you professionally that we have been very involved in the project finance for MagLev in Germany, the Hamburg-to-Berlin line. It's very interesting the way the government has structured that in terms of private capital investment and payback, and I'd like to submit a statement for the record on that, as well, sir.

Mr. PETRI. Thank you. We look forward to that statement.

Mr. Baker, any questions?

Mr. BAKER. Yes. Very briefly, Mr. Pfeffer, how many people use the facility, 91? I'm not familiar with the Washington Bridge.

Mr. PFEFFER. Today the 91 freeway in total is carrying about 255,000 cars a day, and we're getting, in peak hour, as much as 15 or 20 percent of that ridership now on the privately-financed toll lanes.

We don't really want a lot more than that, and we vary our prices in order to moderate demand and provide our customers with premium service, for which they gladly pay.

They can drive at 65 miles an hour on our lanes, even if the adjacent publicly-financed lanes are in absolutely bumper-to-bumper conditions.

Mr. BAKER. You mentioned prior to this that they were at level "F" for 6 hours a day. Has the addition of your lanes improved the public lanes, as well as your lanes, in moving during the day?

Mr. PFEFFER. Absolutely. CalTrans will tell you that the 91 freeway hasn't operated this smoothly in years. We shaved about an hour off of the morning peak and another hour off the afternoon peak.

Mr. BAKER. Are trucks allowed on your private lanes?

Mr. PFEFFER. No, sir. Under California law, 18 wheelers are not allowed on left-hand lanes on any freeway facility. We do accommodate step vans and smaller utility vehicles. We get quite a few of those—a lot of individual subcontractors and other people to whom time is money and can see their opportunity to get another job in by traveling on our lanes.

Mr. BAKER. You mentioned it would be some time before public funds would have been available for this additional lane capacity. How long was that, again?

Mr. PFEFFER. At the time that we financed the project, the estimate was about 15 years because of continued problems in finding money in California budget for projects like this. We've been told tbat the project probably would have gone on indefinite hold.

Mr. BAKER. Mr. Chairman, to clarify the problem in California, we—and I was one of the four co-authors, along with Mr. Kopp and Katz, the chairman of the Transportation Committee, and Senator Bill Campbell, who now runs the Manufacturers Association—the four of us authored 111/108, the two laws that went on the ballot for rail and roads.

We raised the gas tax from $0.05, escalating $0.01 a year until $0.09, bringing our total to $0.18 in California. But, as part of that, because we knew that would raise $20 billion and we had about $100 billion worth of projects, we authorized four privatization projects, of which I think three will be completed and the fourth is ensnarled in local politics and environmental concerns—ironically, the one in my own back yard.

But I am happy to see that these experiments are beginning to bear fruit, and in such a positive way.

Last question, Mr. Flanagan. You asked for Federal backing of some privatization projects here in America, just like we do all over the world. What makes you think we're better than a Banana Republic?

[Laughter.]

Mr. BAKER. Obviously you haven't seen our balance sheet.

Mr. FLANAGAN. No. We recommended an investment in insurance, a credit enhancement. We hope some day the private sector will step in, but at this point in time we think it would be a good investment to sponsor development risk insurance in the United States, pre-construction, so that the revenue streams can be ascertained.

It's difficult for the entrepreneur, the small architectural firm, engineering firm, to spend hundreds of thousands of dollars on an idea that may, in fact, have a very legitimate revenue stream ahead of it.

Mr. BAKER. I think Mr. Kreutzen mentioned that on a previous panel, tbat it's very difficult—

Mr. FLANAGAN. I enjoyed the commentary in the earlier panel. Our report came out in early 1993, and I was really—in terms of overseas, what I'm saying there is that significant billions of dollars are being committed by American pension funds in infrastructure projects overseas, but in our own country, again, the product is not there. I mean, there are examples. It's getting better. But we need to start looking at product.

The pension funds are very interested in looking at this, and are committed to it. Calpers, for example, has dedicated 10 percent of its assets to alternative investments, and I know for a fact that they would like very much to look at infrastructure, but it's the entrepreneur that's missing in many instances, although we're seeing more and more of that. And what they need is development risk insurance. Pay a premium. It's not a freebie. It's a market-oriented approach.

Once you have that development risk insurance in place, it allows everyone that is around the community of the project to find the revenue stream, to have the plebescite to reach that acceptance level in the political arena that kicks in, that there is recognition.

Then you have to reinsure that future revenue stream, that it will happen, so that construction can begin.

Mr. BAKER. Doesn't not having insurance cause you to be a little more careful in the projects you select?

Mr. FLANAGAN. Yes. One of the great things about private capital coming into infrastructure is it doesn't come in unless the project is going to work.

One of the things about governmental funding is the projects don't always work, and this is, we feel—there is very little risk inherent here, and I think the experience of FIGC and MBIA, etc., bears that out. They have been very profitable. And we hope some day to see them come into this market on taxables in terms of providing development risk insurance.

I could easily see it marketed through your various trade associations—the architectural trade associations, engineering, wastewater treatment. I think it would spawn a whole new line of entrepreneurial activity in infrastructure.

Mr. BAKER. Thank you very much.

Mr. PETRI. I had just—thank you all very much for your testimony.

Mr. Rich, you mentioned the need to try to not deal with problems on a one-by-one basis through legislation, but, instead, to give some more authority to the Treasury Department, or maybe through regulations, to try to streamline financing.

Could you expand on that some or give us some idea, maybe some model? How do we do that? We need some help.

Mr. RICH. Well, the—my comments were made, I think, in reference to just how the capital markets operate. It's a very dynamic market. Interest rates change by the minute.

Mechanisms which take time, take considerable amount of time, may lose an advantageous market in which to do financing.

I know, from tbe standpoint of the Alameda corridor, alone, the TCA, Federal operating lines of credit, took specific legislation which took time to work through both houses of Congress and then to be signed by the President.

A mechanism which could allow the Treasury, in conjunction with the DOT possibly, to have a process in which they could review projects, commit funding within a statutory framework, might expedite that process so that once we get the structure in place we can execute the transaction much more quickly in a more advantageous market.

Mr. PETRI. All right. Thank you. There seems to be a lot of interest in this sort of approach, not only for direct public infrastructure investment like we've been discussing here, but also in the railroad industry, which is starting to grow again and is looking for some way to try and better finance modernization and improvement of their rails, which are hard to get under traditional financing.

Mr. RICH. I think also that many of the risks in the initial phases of a project are those which are quite understandable by the Federal Government. They happen to be environmental risks. There are traffic risks, as well, that need to be evaluated, and the transportation entities are quite capable of evaluating those risks.

Mr. PETRI. All right.

Well, thank you again. We appreciate your taking the time to be with us today, and look forward to working with you as we try to develop something in ISTEA–II, that embodies some of your suggestions.

[Whereupon, at 12:50 p.m., the subcommittee was adjourned, to reconvene at the call of the Chair.]

IBTTA

INTERNATIONAL BRIDGE, TUNNEL & TURNPIKE ASSOCIATION

Statement of the

International Bridge, Tunnel and Turnpike Association

to the

Surface Transportation Subcommittee

of the

Transportation and Infrastructure Committee

U.S. House of Representatives

Carney J. Campion

President
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and

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and Transportation District

Subject: Transportation Finance in an Era of Scarce Resources
Hearing Date: July 18, 1996

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REPRESENTING THE WORLDWIDE TOLL INDUSTRY • There are no free roads.™

Mr. Chairman and members of the subcommittee, my name is Carney J. Campion. I am president of IBTTA and general manager of the Golden Gate Bridge, Highway and Transportation District in San Fráncisco, California.

We appreciate this opportunity to offer our comments as you begin the process reauthorizing the Intermodal Surface Transportation Efficiency Act. We commend you, Mr. Chairman, for your leadership and for focusing the committee's attention on this issue in such a timely manner.

IBTTA represents the world-wide toll industry, with a membership consisting of toll authorities in 24 countries on five continents. Among these are more than 50 toll agencies in the United States, whose facilities carry over 3.6 billion vehicles a year.

In the interests of time. I would like to limit my remarks to several points which we hope will help the Committee as it considers future transportation legislation:

- In its 1995 Conditions and Performance report, the U.S. Department of Transportation makes a compelling case about the shortfall in our national transportation investment. Even removing the Trust Funds from the unified budget and funding ISTEA at fully authorized levels would not provide adequate funding to maintain our existing transportation system and invest in new capacity for the future.

- We are at a critical juncture in our transportation history, with the Interstate system behind us, the National Highway System now in place, yet demand for transportation continues to grow with a resulting waste of huge amounts of resources and personal time. The next highway bill gives us an opportunity to provide funding sources and mechanisms to meet our future needs.

- Tolls financing has played an integral part in the development of America's surface transportation system throughout our nation's history, from colonial times through the Interstate system, and now as a part of the National Highway System. We firmly believe that toll financing represents one of the best available tools for state and local governments to use in addressing the growing backlog of transportation needs.

- The development of toll roads continues at a strong pace. Recent IBTTA surveys identify proposals for more than 2,038 miles of new road and bridge facilities in the United States at a projected cost in excess of $34 billion. Toll projects greatly reduce the demand for public financing via the state's federal-aid apportionment. Without toll financing, many of these needed transportation projects could advance only if additional state or federal taxes were imposed to support larger transportation improvement programs.

- In 1995, toll facilities spent almost $2.5 billion on capital improvements to their facilities, $460 million on maintenance and $2.1 billion on operations. Clearly, tolls have become an important element in the finance mix to build, maintain and improve roads.

The question put to us by the subcommittee staff when we were invited to testify was "what hurdles does toll financing face?" Let me offer our thoughts.

- In short, the main problem limiting the broader use of toll financing has been the reluctance of state and local governments to take up the practice.

  The states have historically been slow to consider toll projects, though in recent years we have seen a change in that attitude as it has become apparent that the responsibility for transportation system maintenance and development of new resources will fall even more fully on the state and local governments. Surveys of state highway agencies last year showed a growing degree of interest in toll-financed projects.

- One of the largest hurdles to the broader use of toll financing involves public misperceptions about the likely extent of tolling, suggesting whole-scale privatization of existing free systems if broader freedom to impose tolls is permitted. We would argue that toll financing is an appropriate and viable mechanism only in specific circumstances and locations where there is enough traffic density and local demand for improved or new services that users will be willing to pay for the service.

- A concern raised periodically by members of this subcommittee relates to who has control over setting toll rates and who determines what the revenues derived from the tolls will be used for. This is a very serious concern for toll facilities as well, who have little interest in becoming tax collectors for state or local governments.

  Classically, toll rates are determined by the funding needed to pay for the operation and maintenance of the facility, and to repay the bonds which financed the original construction or later renovations. Toll authorities are typically state-chartered entities whose rates are subject to state oversight and control. This means that toll rates, in most cases, are subject to public review, and are not arbitrarily set.

- Another concern about toll financing is the toll collection process itself. We noted the subcommittee's interest in electronic tolling as expressed in the earlier hearing on Intelligent Transportation Systems. We are submitting for the record a recent survey of our members' activities in implementing Electronic Toll and Traffic Management (ETTM) systems. Since toll agencies have a very strong incentive to satisfy their customers as well as bond-holders, they are often on the forefront of adopting new technologies and practices which improve traffic flow and safety, as well as reducing operating and development costs.

  For many agencies, ETTM allows more efficient toll collections, while for drivers it offers the potential for quicker, easier passage since tolls are paid electronically, allowing a motorist to pass through a toll plaza without stopping. At present, some 30 of the 50 toll authorities in the United States are already using an ETTM system, or are planning for the installation of a system in the near future.

  While electronic tolling and other applications of Intelligent Transportation Systems hold great promise for easing traffic congestion and improving the efficiency of our surface transportation systems, these applications rely on access to adequate radio spectrum frequency in which to operate. The Federal Communications Commission has had great success in raising new revenues through radio spectrum auctions, and there have been recent suggestions that further spectrum could be sold to offset forgone fuel taxes. The prospect of ongoing spectrum sales raises concerns among many facility operators and technology suppliers that the ranges they currently use, or plan to enter in the future, may be auctioned at some point, requiring enormously complicated and expensive efforts to shift the toll system hardware, not to mention the potential replacement of millions of tags on individual vehicles.

  We realize this is not an issue which would fall under this subcommittee's jurisdiction but we feel it important that you be made aware of the potential impacts that could occur. We are currently surveying our members as to the specific frequencies they are using so that we can work with Congress and the FCC to preserve the environment they currently use, and/or to reserve a commonly identified range that the industry could move to in the future.

Let me summarize IBTTA's recommendations for reauthorizing ISTEA:

- Maintain Existing Innovative Financing Programs. ISTEA contains provisions that allow states and toll agencies greater flexibility in funding transportation projects. The Federal Highway Administration later relaxed its original interpretation of these provisions while undertaking an aggressive effort to identify and expedite innovative funding methods and practices. We would like to commend the FHWA efforts and we strongly support the continuation of existing ISTEA innovative financing provisions and the incorporation of relaxed procedures into law.

- Federal Infrastructure Bank. Last year, Congress passed a state infrastructure bank demonstration program that allows 10 states to create these banks. The states can deposit a portion of their federal transportation dollars into their bank to make loans and provide other support to transportation projects.

  We would encourage Congress to consider the creation of a federal infrastructure bank that could work much the same way, with a portion of Highway Trust Fund balances made available to states, as loans or loan guarantees, to leverage and support transportation investments. We would be happy to work with you and the members of the subcommittee to develop this proposal in greater detail.

- Expanded Reimbursement Program. ISTEA contains a provision (sect. 1044) which gives states funds to reimburse a portion of their expenses for roads they built which were incorporated in the Interstate System. Many of these original roads were toll roads, yet the reimbursement is made back to the state, with no pass-through to the toll facilities themselves. If Congress were to extend this program, we would urge that toll agencies should receive some recognition of their role in this process, and could receive directly a portion of any such funds made available.

- Broader Use of Tolling. Some have advocated an expansion of the toll concept to allow its use on existing Interstate Highways. Our critical national needs may require that states be given the flexibility to place tolls on these roads. If so, we would recommend that Congress allow the states to consider placing tolls on existing toll-free Interstates, with rigid controls so that toll "surplus" revenues, after maintenance, operations and bond repayment costs are addressed, be used solely for transportation purposes, including capacity expansions, highway renovation, restoration, rehabilitation and related activities. Again, IBTTA would be happy to work with the subcommittee to help develop such proposals.

- Maintain Federal Role. While some are advocating a fundamental restructuring of federal role in the transportation system we would urge that the federal role in developing innovative practices and information sharing (such as the innovative financing efforts of FHWA noted earlier, or the development of Intelligent Transportation Systems) be maintained.

- Support Border Facilities. Many of the roads and bridges bringing traffic across the U.S. borders are toll facilities, and they were very gratified by the inclusion in ISTEA of a border infrastructure needs study (Sections 1089/6015). The 1993 FHWA report to Congress recommended greater investments in these facilities and suggested that program options to improve them be incorporated in the future authorizations, and we recommend this finding to the subcommittee. We would urge that border crossing and trade corridor infrastructure financing be expanded under Sects. 1089 and 6015 as contemplated in the FHWA report to Congress.

Our suggestions are designed to provide state and local governments with greater incentives to use toll financing. The states have critical road needs — for existing demand and for the future — that they may not be able to meet without greater reliance on tolls. It is our desire to work with state and local governments to make toll financing work for governments, for toll agencies, and above all, for the motorists who must, one way or another, pay for their roads.

Mr. Chairman and members of the subcommittee, we appreciate this opportunity to offer these comments for your consideration and we would be pleased to offer any further information that might be useful to the members and staff.

Before the

U.S. HOUSE OF REPRESENTATIVES
TRANSPORTATION AND INFRASTRUCTURE COMMITTEE

SURFACE TRANSPORTATION SUBCOMMITTEE

July 18, 1996

Statement of the

AMERICAN TRUCKING ASSOCIATIONS, INC.

On

Innovative Financing Initiatives

Ray Chamberlain, PhD., P.E.
Vice President-Freight Policy
Washington, D.C.

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Executive Summary

The American Trucking Associations (ATA) appreciates the opportunity to testify on innovative financing initiatives. ATA commends the Transportation and Infrastructure Committee and the Surface Transportation Subcommittee for the inclusion of innovative financing language in the Intermodal Surface Transportation Efficiency Act (ISTEA) and the National Highway System Designation Act of 1995. ATA believes investment in the highway program should be as follows:

- o All highway user fees, including interest payments, should be spent annually on projects to improve highways and bridges. These funds should be sufficient to cover, without diversion, the present Core Highway Program, which contains the National Highway System; Interstate Maintenance Program; a separate Bridge Program; the Federal Lands Program; the Highway Safety Programs including the Motor Carrier Safety Assistance Program (MCSAP); and research to support these programs.

- o Innovative financing initiatives can be used to increase the resources available to expand capacity, invest in major safety initiatives, and for significant bridge and tunnel projects.

- o Tolls should not be allowed on existing Interstate system roads for which we have already paid.

- o Unobligated balances should be used to capitalize State Infrastructure Banks or provide credit enhancement for specific projects.

I. ATA Represents the Trucking Industry

The American Trucking Associations, Inc. (ATA) is the national trade association of the trucking industry. The ATA federation includes affiliated associations in every state and 14 specialized national associations. Together, ATA represents every type and class of motor carrier in the country. Combined with ATA's direct membership, we are a federation of over 34,000 member trucking companies.

All across the country, ATA represents businesses whose survival depends upon a high quality and productive work place - the highway network. ATA has a strong interest in making sure that all highway-user fees, including interest payments, are annually invested in building and maintaining highways.

II. Trucking Plays a Vital Role in the Economy

The trucking industry is the prime mover of American goods. It is three times larger than all ~~other freight transportation~~ modes combined, and ten times larger than the next largest competing and complementary mode, which is rail. Shippers spent 78% of their freight dollars, or $360 billion, on trucking in 1994. Trucking revenues account for 5% of the gross domestic product (GDP).[1]

The trucking industry employs approximately nine million Americans to provide the benefits of timely and efficient freight services to American industry. This benefits our country by allowing American industry to compete more effectively in an increasingly global marketplace by reducing inventories, operating plant and equipment more economically, and achieving economies of scale.

III. Trucking Industry Pays Its Fair Share

A. Contribution to the Highway Trust Fund

Commercial trucks will consume over 40 billion gallons of fuel this year--24.3 billion of diesel fuel and 16.1 billion of gasoline. At current Federal tax rates of 24.3 cents per gallon for diesel fuel and 18.3 cents for gasoline, that means commercial trucks will contribute $8.8

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[1] DRI/McGraw-Hill, *U.S. Freight Transportation Forecast...to 2004*, Executive Summary, February, 1996. p 6.

billion in fiscal 1996 in fuel taxes, of which $7.1 billion will go to the Highway Trust Fund. Commercial truck owners will pay an additional $3.1 billion to the Highway Trust Fund in highway-user taxes on new tires, trucks, and highway use. This brings the total revenue commercial truck owners pay into the Highway Trust Fund to $10.2 billion, or 42% of the total Highway Trust Fund taxes in fiscal 1996[2]. These figures do not include the current 4.3 cent general fund fuel tax. Fuel costs account for anywhere from 4% to 20% of a trucking company's operating revenue, depending on the nature of the company's vehicles, customers, and length of haul.

Although trucking companies have cut operating expenses to a minimum (passing most of these savings on to customers), profit margins for the trucking industry were less than 1.5% in 1995.

Because trucking -- and a sound highway system -- are essential to the efficient flow of goods and services that keep the economy running smoothly, it is in our nation's best interest that truckers recapture the benefits of highway-user tax expenditure in the increased productivity that results when these taxes are appropriately spent on improving the highway system. The cost of doing less is widespread, affecting both the manufacturing and service sectors of the economy.[3]

B. Trucking Industry's Future Highway Needs

The U.S. Freight Transportation Forecast... to 2004 prepared by DRI/McGraw-Hill[4] finds that the volume of freight moved by the trucking industry will increase 19.1% by 2004, from 5.5 billion tons to 6.5 billion tons, and the value of freight moved will increase 20.6%, from $362 billion to $437 billion.[5] Intercity truck tonnage, a subset of total freight volume, increased over 50% over the last decade.[6]

Improvements in national productivity result in the increases in freight volumes moving across the Interstate highways. Economist M. Ishad Nadiri, of New York University, examined the rate of return of the highway investment on 35 different industries, and found that the

[2] The Treasury Department estimates total taxes to the Highway Trust Fund will be $24.6 billion in FY 1996. This estimate was submitted to the Administration for use in determining the Administration's FY 1996 Budget Proposal.

[3] See ATA testimony before the Surface Transportation Subcommittee, *The Importance of the National Highway System Within Highway Reauthorization*, May 7, 1996.

[4] Available from ATA. Call Karen McClure, 703-838-1788.

[5] Ibid. pp 9-10.

[6] The Eno Transportation Foundation, *Transportation in America*, 1994, 12th Edition. p. 44.

economic benefits of investing in highways are distributed across all sectors of the economy.[7] These benefits are realized by industry through reliable and efficient trucking.

The widely recognized link between economic growth and increased freight volumes emphasizes the need for the Federal government to invest all available resources in the Core Highway Program's maintenance and improvement. Further, this system is essential to tourism, defense, and numerous forms of emergency aid, irrespective of state borders.

IV. Investing in the Core Highway Program

The Federal government has an obligation to invest all highway-user fees, including interest payments, annually on projects to improve highways and bridges. These funds should be sufficient to cover, without diversion, the present Core Highway Program. The Core Highway Program is comprised of the National Highway System; the Interstate Maintenance Program; a separate Bridge Program; the Highway Safety Program including MSCAP; and research to support these programs. States also should have access to use of innovative financing initiatives to supplement Highway Trust Fund revenues.

A. FHWA Conditions and Performance Report

Current Federal funding levels do not come close to providing the investment required to halt further deterioration of the nation's major highways. For example, the NHS is authorized at $3.6 billion for FY 1997. The FHWA Conditions and Performance Report estimates that a $29.6 billion annual investment by all levels of government in the NHS is required to improve the system and receive the greatest cost-benefit in terms of reduced congestion, improved safety, and reduced vehicle costs[8]. Even if all the $3.6 billion NHS funds authorized were made available, this would cover only 12% of the $29.6 billion investment required to improve the NHS.

As staggering as FHWA's periodic report indicates highway investment needs are, the figures presented above do not tell the whole story. FHWA used ad hoc methods to artificially suppress the demand for additional highway capacity in the 33 largest urbanized zones by assuming that a full 30 percent of the additional highway demand could be diverted to mass transit in response to transportation demand management (TDM) strategies.

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[7] M. Ishad Nadiri and Theofanis P. Mamuneas, *Highway Capital Infrastructure and Industry Productivity Growth*, forthcoming, 1996.

[8] FHWA, *Conditions and Performance*, p. 178. Note the costs to improve the NHS are less than the costs to improve all of the nation's highways because the NHS does not include major and minor collectors, minor arterials, or local roads.

ATA is concerned that states are not increasing highway capacity in accordance with increased citizen and commercial demand, that TDM strategies will not be fully effective, and that insufficient highway capacity will limit future economic growth.[9]

B. Surplus in the Highway Trust Fund

The surplus in the Federal Highway Trust Fund should be spent down. Last year, only 92.1% of FY 1995 income to the Highway Trust Fund highway account was actually spent. Final figures for FY 1995 show that income to the Highway Trust Fund highway account amounted to $20.9 billion--versus a total disbursement of $19.5 billion. The annual surplus of $1.4 billion brings the total surplus in the highway account of the Highway Trust Fund to $9.4 billion at the close of the 1995 fiscal year, or a 17.5% increase.

The Congressional Budget Office (CBO) estimates that 1996 tax revenues to the Highway Trust Fund should be $23.7 billion. An additional $1.3 billion in interest income brings the total revenues to the Highway Trust Fund to $25 billion. By 2002, CBO estimates tax revenues will increase to as much as $27.2 billion, with interest income rising to $2.4 billion for a total annual income of $29.6 billion. If highway spending is held at current levels, the surplus in the Highway Trust Fund will reach $52 billion by 2002[10].

The surplus in the Highway Trust Fund should be spent now, when underinvestment in the nation's highways and bridges, especially in growing areas of the United States, has the potential to limit future economic growth.

V. Innovative Finance Supplements Highway Trust Fund Revenues

A. Expand Capacity, Safety Projects, and Bridge and Tunnel Projects

Innovative financing initiatives can be effectively applied to supplement Federal investment in the Core Highway Program by providing funds for projects that expand capacity, improve safety, and for building or repairing bridges and tunnels.

Innovative financing initiatives can now be used to leverage a variety of revenue streams and improve the timing and availability of Federal grant money. This allows states to distribute available resources over a larger number of highway projects and to begin projects sooner.

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[9] The current belief that latent demand will cancel the benefits of additional highway capacity is belied by the facts. In the 1980's, the three cities that saw a reduction in their Traffic Congestion Index (TCI), as compiled by the Texas Transportation Institute, all added lane capacity: Phoenix (reduced TCI 10%) added 302 lane miles, Houston (reduced TCI 10%) added 378 lane miles, and Detroit (reduced TCI 3%) added 171 lane miles. Source: Shrank, Turner, and Lomax, vol. 1, pp. xv, 21.

[10] Robert Sunshine, Deputy Assistant Director of the Budget Analysis Division, Congressional Budget Office, ISTEA Reauthorization Testimony before the Transportation and Infrastructure Subcommittee, May 16, 1996.

ATA cautions that private sector investment is not a substitute for government funding and that the rate of return for some projects deemed essential to the national interest will not be sufficient to attract private investors.

ATA is concerned that states continue to make the maximum use of traditional resources to meet transportation needs and make limited use of tolls and innovative debt financing techniques to fill in the gaps. Current Federal and state gas taxes are the most efficient means of taxing highway users and should be set at levels sufficient to build and maintain the roadways.[11] ATA supports forms of innovative financing, such as special tax districts, as a way to generate funds for needed projects where fuel taxes are inadequate.

B. Tolls

The maintenance and improvement of the Interstate system is a shared Federal and state responsibility which requires that the Interstate system remain largely toll-free.

Tolls are warranted on other roads only if other traditional sources of funding are insufficient and if the value added by a toll to maintain, reconstruct, or improve the highway's capacity or safety performance is proportionate to the toll revenue that is generated. These criteria limit ATA's support of tolls to:

- o Roads that supplement capacity along high volume urban corridors where the number of motorists willing to pay tolls is sufficient to cover the costs of building and maintaining the project. Viable toll-free roads must be adjacent to toll roads.

- o Bridges and tunnels on high volume corridors, where existing resources are insufficient to build or rebuild the facility.

ATA agrees that allowing tolls on new roads that increase capacity would expedite construction that otherwise might be delayed several years. An example of a toll project ATA supports is the development of S.R. 91 express lanes in Orange County, California. The non-Interstate express lanes coexist with a free alternative and allow HOV free access to express lanes. Highly variable tolls are collected based on congestion in the adjacent lanes. Users are paying a toll proportional to the time benefit of using the facility with the net result of reduced congestion on all lanes. Trucks are not allowed on the express lane. Tolls provide the guaranteed revenue stream needed to issue bonds to finance the project, which otherwise would not have been built.

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[11] Total collection costs for tolls is 18% of gross revenue, while the collection costs of motor fuel tax is 1% of gross revenue. *Understanding Highway Finance Evolution/Revolution*, American Association of State Highway and Transportation Officials, 1987, p. 78.

When a project is tolled, the toll revenue should be used to pay for the capital and maintenance costs of the tolled project. Once the road has been paid for the toll should be eliminated or reduced to cover maintenance and improvement costs only. Congestion pricing should only be implemented with a free alternative.

ATA believes that automatic vehicle identification technology can reduce user resistance to toll roads by eliminating long waits at toll plazas. However, we do not believe tolling should be extended to charge users for external costs, such as noise pollution, or that toll revenues should be used for non-highway investments.

The Federal government's influence over highway spending and pricing depends on public support for a system in which highway-user fees are paid in return for a well-maintained highway system with adequate capacity. ATA is concerned that as the number of highway projects financed by tolls increases, public support for highway-user fees will decrease and fuel tax evasion may increase.

ATA supports the use of toll revenue collected on highways not on the Interstate, and bridges and tunnels, as credit towards the non-Federal matching share requirement made possible in Section 1044 of ISTEA. ATA would support modification of the maintenance of effort criteria (MOE) to ensure that states do not reduce their level of highway funding.

ATA commends the Subcommittee for language in the National Highway System Designation Act of 1995 which allows states to lend up to the full Federal share to projects with dedicated revenue sources other than tolls. We encourage the Subcommittee to develop investment credits for this type of financing that would be similar to the ISTEA Section 1044 toll investment credits. These credits can be used as state matching funds "to build, improve, or maintain highways, bridges, or tunnels that serve the public interest of interstate commerce." [12]

Section 311 of the National Highway System Designation Act allows the use of Federal money to reimburse states for bond and other debt instrument financing. A key element of toll financing is the interest costs of borrowing funds, which can increase the capital costs of a toll project. Because funds are usually borrowed before the design/construct period, the project is still risky and interest rates are high. Significant savings in overall interest costs can be made if the project is initially financed using high interest short-term securities which are converted to long-term revenue bonds as the project advances and the risk is reduced. ATA encourages the Subcommittee to examine methods to ensure that states have sufficient incentive to keep borrowing and issuance costs at the lowest feasible level.

ATA encourages the Subcommittee to review existing procurement guidelines that require states to accept the lowest bid rather than life-cycle costs as they apply to the toll projects.

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[12] ISTEA, Section 1044.

C. Unobligated Balances to Capitalize Transportation Revolving Loans

NHS legislation made it possible for states to designate part of their unobligated balances to projects under Chapter 1 of Title 23[13]. Title 23 allows states to issue bonds under agreements between FHWA and the project sponsor and to use Federal funds to assist in servicing the debt.

ATA believes better use could be made of the $12.5 billion in unobligated balances available as of September 30, 1995.[14] We encourage the Subcommittee to expand the NHS language and explore recent proposals to allow states to use their accumulated "contract authority" or unobligated balances to capitalize State Infrastructure Banks or provide credit enhancement for specific projects.

Projects that increase highway capacity are often delayed for years, even if they have received environmental approval, because their high costs use a significant portion of a state's annual apportionment. States would be more likely to issue bonds backed by unobligated balances if the repayment stream was directed to a transportation revolving loan. This would free up a state's apportionment for projects that are unlikely to attract private investors.

D. State Infrastructure Banks

ATA supports the pilot program for State Infrastructure Banks (SIB) created in the recent NHS legislation. However, further changes should be limited to the use of unobligated balances as capitalization until Congress has had the opportunity to review the results of those pilot activities.

ATA is also concerned that freight mobility and safety interests should be fully considered by SIBs during the project selection process. Although each state would decide how to manage its SIB, SIB financial and technical program management will likely be managed by combinations of several state agencies, due to the uniqueness of the structure of each state. It is important that SIBs retain the expertise required to respond to the needs of the freight industry.

E. Grant Programs

ATA supports the financial opportunities made available in ISTEA with respect to Federal grants and the elimination of the limitations on Advance Construction included in NHS legislation. Both legislative initiatives have allowed states to distribute Federal funding earlier to a larger number of projects. States can match the time Federal funds are released more efficiently to their own needs.

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[13] Section 204 (b). National Highway System Designation Act of 1995.

[14] Federal Highway Administration, HFS-30, *Summary of FY 1996 Apportionments Pursuant to the National Highway System Designation Act of 1995*, December, 1995.

F. **Innovative use of Interstate Rights-of-Way**

ATA supports private-public partnerships to generate income along the Interstate rights-of way that do not compromise safety. For example, interstate rights-of-way could be leased for subsurface communication lines.

VI. Conclusion

A. **Innovative Financing Initiatives Complement Wise Investment of Highway Trust Fund Dollars**

The trucking industry makes a vital contribution to the United States economy and the Federal Highway Trust Fund. Because the trucking industry's ability to provide American industry and its customers with timely, efficient, and well-priced freight services depends on a well maintained Core Highway Program, it has a strong interest in making sure Federal Trust Fund revenues are spent as efficiently as possible.

States should continue to make the maximum use of traditional fuel tax revenues to meet transportation needs. Innovative financing initiatives can be used to fill in the gaps and increase the overall level of highway infrastructure investment by making better use of available Federal funds by improving the grant process and through leveraging. Innovative debt financing should be viewed with caution and as a supplementary means, only, of extending fuel tax revenues. The Federal and state governments should continue to honor their obligation to spend highway user fees to maximize the efficiency and safety of the national highway system. The Federal government should fulfill its obligation to spend the annual income to the Highway Trust Fund, including the interest, on the Core Highway Program, for the benefits of innovative financing initiatives to be fully realized.

ATA thanks the Subcommittee for the opportunity to present its views.

**STATEMENT OF MORTIMER L. DOWNEY
DEPUTY SECRETARY
U.S. DEPARTMENT OF TRANSPORTATION
BEFORE THE
HOUSE TRANSPORTATION AND INFRASTRUCTURE COMMITTEE
SUBCOMMITTEE ON SURFACE TRANSPORTATION
JULY 18, 1996**

INNOVATIVE FINANCE AND STATE INFRASTRUCTURE BANKS

Mr. Chairman, I welcome this opportunity to testify on something that is one of the Department's highest priorities: how to leverage the Federal dollar to increase total funding for transportation infrastructure investment. To maximize the benefits of our limited Federal funds, the Department is pursuing multiple innovative financing strategies, including the State infrastructure bank (SIB) pilot program. All of our transportation modes have been involved, sometimes in partnership with each other, recognizing the intermodal nature of today's transportation projects. With me today are two of our key participants: Louise Stoll, Assistant Secretary for Budget and Programs, and Jane Garvey, Deputy Administrator of the Federal Highway Administration (FHWA).

Highway Innovative Finance Initiatives

Although we have invested in our Nation's infrastructure at record levels, demand continues to out pace investment. The resulting shortage of capacity has led to increased congestion and delays and threatens to erode the safety gains we have made in recent years. Conventional transportation financing for capital improvements to our Nation's highways, bridges, and transit systems by all levels of government totals $45 billion annually, but traditional public sector financing alone is not meeting our infrastructure needs. Innovative financing is an important complement to conventional forms of financing, helping to attract greater private sector and non-

Federal public sector investment in transportation projects. These strategies have made a real difference, reducing project costs and making more total money available faster to meet needs in all transportation modes

Let me first summarize the work of FHWA to date. We launched that innovative finance effort more than two years ago, in April 1994. The FHWA asked States to bring in their high priority projects and their best proposals on how to finance them. We explained that we were not offering any "new" money. Instead, we asked States to work with the formula dollars they had available, recognizing that we were prepared to approve new ways to use those funds to finance projects.

We were extremely encouraged by the States' response. Initially, the FHWA received proposals from over 30 States with projects ranging from only a few thousand dollars up to $1 billion. These proposals showed real creativity--and brought forth a wide range of concepts and financing tools. We saw great ideas on providing incentives to increase private and non-Federal public investment and how to enable States to more flexibly use their own funds.

As of today, through FHWA's innovative finance test initiative, Test and Evaluation 045, FHWA has approved more than 74 projects in 31 States worth over $4.5 billion. The initiative has generated about $1.2 billion in increased public and private investment, above and beyond what would have been available through conventional financing. Because of the increased flexibility offered to States, many projects will advance to construction an average of 2 years ahead of schedule--some even more quickly.

The NHS Designation Act's Innovative Finance Provisions

I am particularly pleased that Congress recognized the multiple benefits offered by innovative financing and included many of the innovative finance techniques tested by the States in the National Highway System Designation Act of 1995. As a result of your action in this area, States can now receive matching credit for donations of private funds, materials, and services on federally-assisted projects through the regular Federal-aid highway program. States can also use their regularly apportioned Federal funds as loans to toll facilities and non-toll facilities with dedicated revenue sources. In addition, the principal, interest, and issuance and insurance costs of bonds and other forms of debt instruments are now eligible for reimbursement as construction expenses. Also as a result of the landmark legislation you passed late last year, the FHWA can now approve State applications for advance construction in the last year of an authorization period, provided that the approved project is included in future years of the State's transportation improvement program. Taken together, the opportunities made widely available under the NHS Designation Act promise to generate significant and sustained returns to the Nation for many years to come.

FHWA TE-045 Examples: SH 190 in Dallas, Texas and Stark Intermodal Facility, Ohio

One highway example of how well innovative finance is working is the State Highway 190 Turnpike in Dallas, Texas. One of the most exciting aspects of this project is how Texas used its apportioned Federal funds to strengthen its capacity to access the capital markets, thereby reducing its borrowing costs.

The State Highway 190 Turnpike will be the northern half of a circumferential route around the City of Dallas, linking four freeways and the Dallas North Tollway. It was initially proposed in 1964 but was stalled due to lack of financing until 1995. However, through innovative financing, this $700 million project is being jointly financed and constructed by the Texas Department of Transportation (TxDOT) and the Texas Turnpike Authority (TTA). TTA was able to issue highly-rated revenue-backed bonds because the project also received a $135 million low-interest loan of

Federal grant funds from TxDOT. The flexibility of the loan allows TTA to defer repayments on the loan until after the road has opened and has begun collecting tolls and generating revenue in 2005. This developmental period has traditionally been the deterrent to project financings. The lower interest rates on the bonds and loan also translate into lower tolls for drivers. Innovative financing enabled Texas to have the *flexibility* to use its anticipated Federal reimbursement of funds and in turn to loan those funds to TTA. And, most importantly, innovative finance has meant that project will be completed 11 years earlier than it would have been under conventional financing.

Many of the other innovative finance projects managed under the FHWA's program have been equally creative. The projects have spanned the United States, affecting rural, suburban, and urban areas, and many of the projects are multimodal, involving highways, rail, transit, or airports. One intermodal project of particular interest is the Stark County Intermodal Facility project. Ohio DOT has constructed an intermodal truck-rail interchange through a public-private partnership. The intermodal facility enables the loading and unloading of truck trailers and freight containers onto railroad flat cars. The overall development was $35.2 million. The truck off-loading fees will function as a dedicated revenue source to re-pay the loan under the provisions of section 129 of title 23, United States Code. The project has attracted $24 million in private funds and could create as many as 1,000 manufacturing jobs in the State.

Rail Innovative Finance Initiatives

We have also used innovative financing techniques to strengthen our railroad transportation system which serves as a vital link in our multi-modal system. On September 24, 1994, the Federal Railroad Administration (FRA) published its Innovative Financing Request for Assistance. This notice described the Department's ongoing efforts to identify innovative financing techniques and specifically focused on FRA's efforts to identify State and locally supported rail and rail-related projects that were potentially eligible for Intermodal Surface Transportation Efficiency Act (ISTEA) funding but were stalled due to regulatory or administrative limitations or a lack or financing.

FRA has worked very closely with FHWA and the Federal Transit Administration (FTA) to identify publicly beneficial projects with rail components. In response to the notice, FRA received recommendations from a number of State, local, and private sources. Rail projects can involve: new or enlarged publicly owned intermodal terminals and new access roads to public or private facilities; elimination of double stack clearance restrictions; and closings of highway-rail grade crossings or construction of grade separations that provide a safer and less congested driving environment and improved rail reliability and air quality.

Rail projects represent an important opportunity for private-public partnerships that can effectively leverage limited public funds and offer State and local officials another source of funding to address critical public sector infrastructure issues. To date, about a dozen rail and rail-related projects have been approved under this initiative. One notable example involved the City of Cincinnati where for many years four railroads tried to cross the Ohio River using two tracks. Trains were backed up as far as 60 miles and delays were frequent for railroads and for highway traffic at grade crossings. Using $5.1 million of Congestion Mitigation and Air Quality funds, this project leveraged $9.9 million in private rail funds. The State has completed construction of 3.5 miles of a third track that was two-thirds paid for by private railroads. Rail and highway congestion has been eliminated, transportation is flowing more efficiently, and air quality is improved.

Transit Innovative Finance Initiatives

On September 12, 1994, the FTA launched a similar innovative financing initiative for transit projects. To date, FTA has funded eight innovative financing projects with a total of $2.4 million in discretionary funding. This level of funding is projected to leverage over $7.6 million in local public and private funding for transit infrastructure. That is a leverage rate of 3:1.

In addition to this initiative, FTA has actively supported turnkey contracts for several major transit projects. One of the largest is the Tren Urbano super turnkey project in San Juan, Puerto Rico, which innovatively uses Federal funds in partnership with the Puerto Rico Highway and Transportation Authority. The Tren Urbano project, estimated to cost $1.2 billion, consists of a 10.4-mile long rapid transit line between downtown San Juan and the major residential center of Bayamon. The project will be built with several turnkey component contracts involving design, build, operation, and transfer of the system. This approach will allow greater opportunity for smaller local contractors to participate in this large project. The contractor that is selected to carry out the systems design and construction will also serve as overall turnkey management contractor for the entire project. The project financing will come from three major sources: Surface Transportation Program (STP) funds, FTA New Start funds, and local funds. The $300 million of STP funds will be used to secure long term bonds to reduce the cost of borrowing. The $307 million in New Start FTA funds was appropriated in fiscal year 1996. An additional $509 million will come from the Puerto Rico Highway and Transportation Authority that derives revenue from gasoline and oil taxes, vehicle licensing fees, tolls, and investment income.

Aviation Innovative Finance Initiatives

In the area of aviation finance, we've taken several steps. First, we've submitted a study to

Congress on the pros and cons of several types of specific financing tools, such as using Airport Improvement Program (AIP) funds for credit enhancement, debt service reserves, or to back loan guarantees. Second, following up on that study, and as part of the 1996 AIP reauthorization, we have asked Congress to a thorize the test and evaluation of innovative finance techniques.

Third, perhaps the most important recent development has been the issuance of investment grade airport revenue bonds supported solely by Passenger Facility Charges (PFCs). Working with the bond rating agencies and the airport community, FAA has developed safeguards that have permitted rating agencies to provide investment grade ratings to stand alone PFC-backed bonds for the first time since PFCs were authorized in 1990. Little Rock issued the first PFC stand alone debt in March 1996, and Chicago is likely to issue this month.

Finally, at the same time that we are pursuing reauthorization of the revenues that fund the Aviation Trust Fund, our FAA reauthorization proposal calls for establishing a Select Panel to comprehensively evaluate a wide range of methods for financing the FAA in the future.

State Infrastructure Banks

As a direct outgrowth of these project-oriented innovative financing efforts, the Department has been working to implement the SIB pilot program authorized in section 350 of the NHS Designation Act. The pilot program permits State transportation departments to put initial "seed" money into a special "bank" established specifically to finance transportation infrastructure investments.

Section 350 enables each State to capitalize its SIB with up to 10 percent of its regularly apportioned transit capital and Federal-aid highway funds, subject to specified outlay limitations. States are required to match these funds with a minimum 20 percent local share. The States can then use these seed funds to loan money to transportation projects, or use the funds as a credit enhancement, or to subsidize the interest rates for a project. Loans will be repaid to the SIB through project revenue streams. Then, with the replenished funds, the State could use the SIB to advance a new round of projects, and so on, to "re-cycle" these funds and further increase transportation infrastructure investment.

Since we first asked States to apply for the pilot through a *Federal Register* notice published last December 28, we have seen an unexpected level of enthusiasm from States. Fifteen States have applied for the 10 pilot designations available. On April 4, eight States were selected to participate in the pilot: Arizona, Texas, Oregon, Florida, South Carolina, Ohio, Oklahoma, and Virginia. The remaining seven applicants were asked to supplement their initial applications and, as a result of these revised applications, on June 21 the Secretary designated California and Missouri to participate in the pilot. Each of the 10 States is currently in the process of entering into a cooperative agreement and will soon begin to capitalize its SIB. With the projects identified in all applications, these States anticipate assisting over $6 billion in total construction value.

The Department is particularly pleased to note that of the 10 States designated as SIB pilot States, nine plan to establish both transit and highway accounts. Two of the notable examples in this regard are Virginia and Ohio.

Virginia will use existing State authority under its Public Private Partnership Transportation Act of 1995, and its Toll Facilities Revolving Fund, to establish a SIB with both transit and highway accounts. Projects that will be supported by the Virginia SIB include construction of an additional parking deck at the Vienna Station on the Washington Metro's Orange line. This project will be privately built and operated for profit by a private developer on property leased to it by Washington Metro. At the end of the lease term, the property and improvements will revert to Washington Metro. The increased transit ridership generated should help reduce congestion along the I-66 corridor.

Ohio proposes that its SIB use existing legislative authority and State general revenue funding to support a wide variety of projects in many modes. As of March 1, 1996, Ohio had identified 10 projects worth over $300 million for support from its SIB. Of these projects, just over half would begin to produce revenue within three years, thus enabling a quick turnaround of the funds in the revolving fund program Of the 10 projects identified, five are for transit, multimodal, or air cargo facilities. For example, Ohio's SIB will provide a $12 million construction loan for the I-670 Development Cap/Platform Project. This will be a multi-use platform to be constructed using the air rights over I-670 in downtown Columbus to accommndate private-public development of transit-related amenities, parking facilities, retail space, and a hotel. The SIB financing will be repaid with private take-out financing of $9 million and an additional $3 million in subordinate financing.

We are also pleased that every application went beyond tbe initial SIB concept of a revolving loan fund and included the possibility of offering credit enhancements. Through credit enhancement, a SIB can serve as a capital reserve, subsidize interest rates, ensure letters of credit, and finance purchase and lease agreements. For example, Oregon contemplates providing credit enhancement to a revenue bond issue for at least one project. Such credit enhancements, as in the Oregon bond issue, may reduce a project's borrowing cost by as much as 2 full percentage points. On a $100 million project, that is a reduction in interest costs of $2 million per year.

The applications to participate in the SIB pilot reveal a diversity of innovative financing ideas. States have outlined a variety of approaches to developing their SIBs. No applicants have identical approaches; each one emphasizes the financial assistance features best suited to its State's transportation needs. Including additional participants in the program would enable States to

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explore an even wider variety of creative solutions to their financing needs. In addition to the 15 applications received, four other States have expressed interest in the concept through letters to the Department, and numerous other States have directly communicated their interest in the SIB concept but were unable to prepare applications in the short time frame allotted.

Without an increase in the 10-State limit, a number of these worthy applications have been and will continue to be turned down. We have therefore proposed to increase the number of pilot participants to 20, with an eventual goal of having well-functioning SIBs in every State wishing to establish and support them. In order to accommodate the number of States interested in the SIB pilot and to ensure that the pilot is fully effective, we have also proposed that an additional $250 million be authorized to expand the pilot. We submitted legislation to the Congress on May 17 to implement these two proposals. Under the SIB program authorized by the NHS Designation Act, the pilot States are permitted to capitalize their SIBs with a portion of their regular Federal-aid funds, but most of these funds are already committed to projects approved under the planning process required by ISTEA. Without further catalytic funding by the Federal government to capitalize the banks and allow the initial projects to proceed, effective implementation of the pilot program will be slower than we would like. Such a delay will either defer increased investments in transportation infrastructure or will force States to pull back from prior project commitments in order to capitalize their SIBs. Both of these consequences run counter to the aim of the SIB pilot to maximize the benefits of each dollar invested in transportation projects. We expect that an expanded and funded SIB pilot program will better enable the Department to evaluate this new infrastructure investment opportunity in advance of ISTEA reauthorization next year.

The Department and the States are excited about the possibilities that SIBs offer for expanding investment in transportation and for partnering with the private sector. The States have identified many specific projects that they will advance with SIBs, and many of them involve the private sector. We will continue to provide technical assistance and support to the States to help realize these possibilities

Innovative Finance Proposals for Reauthorization

We have learned from the States that they would like more information on the potential of the innovative financing provisions that Congress provided in the NHS Designation Act. To meet this need and to ensure that the provisions are fully utilized, FHWA and FTA are providing training to over 1,700 participants on those provisions this year alone. As the innovative financing provisions of the NHS Designation Act become more familiar to the States, there may be value in further tailoring some of the innovative financing techniques such as the loan provision.

If the SIB pilot program is a success--and I am very optimistic that it will be--we will propose to you next year that the SIB pilot program be extended. We will be exploring the potential of financing opportunities provided by the SIBs in the coming months and expect to learn the areas to which the SIBs are best suited and where the innovative financing provisions might provide other complementary solutions.

We have encountered various issues raised by the 10 designated States in setting up the cooperative agreements. We have been reviewing a number of those questions in the Department, such as whether artificial annual limits on disbursements of Federal funds to capitalize the SIBs should continue; many of the States have said such limits prevent them from capitalizing their SIBs in the amounts they would like to.

In addition to the SIB pilot program, recent innovations in public-private ventures have raised additional questions from States, particularly the direct Federal role in helping to finance unique projects sponsored by the Orange County Transportation Corridor Agencies and the

Alameda Corridor Transportation Authority in California. Specifically, one issue is whether there is an ongoing Federal role in providing direct assistance to transportation investments of national significance, beyond the recently expanded financing mechanisms. Although the potential of SIBs and other innovative provisions of the NHS Designation Act is just now being explored, some observers have suggested that the Federal government could play an even more valuable leveraging role by targeting direct credit--such as flexible loans or lines of credit--to certain types of beneficial investments that otherwise would have difficulty in obtaining financing through the markets. As part of our reauthorization process, we will examine the possibility of providing limited direct Federal assistance to leverage opportunities available through the capital markets.

Conclusion

This year as we celebrate the 40th anniversary of the Interstate Highway System and the 35th anniversary of Federal transit assistance we are reminded that the United States has created one of the finest transportation systems in the world through an aggressive combined effort of all governmental levels and the private sector. As we move into the 21st Century, economic prudence and concerns for efficiency strongly reinforce the need for continued vigilance to ensure that the value of these earlier investments is not lost. While grant reimbursement will continue as a major Federal-aid financing tool, there are real opportunities for States to take innovative approaches to meeting transportation finance needs.

Thank you. My colleagues and I will be happy to answer any questions you may have.

July 18th
Innovative
Financing

Summary Matrix Of State Infrastructure Bank Applications for First Ten Designated States

This summary is based on the State Infrastructure Bank (SIB) pilot program applications submitted March 8, 1996 and re-submitted May 6, 1996. Under the pilot program, each SIB is expected to evolve considerably as the states develop their cooperative agreements, and as they identify additional projects to receive SIB assistance.

State	Planned Initial Capitalization ($millions — see table notes for fiscal years)			Identified Projects					Structure of Fund and Nature of Assistance[5]
	Federal	State and/or Local	Total Low	Count	Construction Cost ($millions)	Range ($millions) Low	High	Loan Amount ($millions)	
Arizona[1]	64	7.5	71.5	5	67	2	22	20	Leveraged loan fund; bank will also be authorized to provide credit enhancements. Principal initial form of assistance will be loans.
California	TBD	TBD	TBD	10	5134	30	1862	Credit enhancements	Bank will be authorized to provide credit enhancements. Principal initial form of assistance will be credit enhancements to revenue generating facilities.
Florida[2]	TBD	TBD	TBD	1	472	22	240	>7	Unleveraged loan fund, bank will also be authorized to provide credit enhancements. Principal initial form of assistance will be loans to provide indirect interest cost subsidies for revenue bond issues
Missouri[2]	>7.0	>1.75	8.75-25.0	3	72	11	40	>7	Unleveraged loan fund, bank will also be authorized to provide credit enhancements. Principal initial forms of assistance will be loan. Bank is also likely to provide credit enhancement to support bonds issued by the city and/or county.
Ohio[3]	46	19.5	65.5	10	356	3	156	100	Leveraged loan fund, bank will also be authorized to provide credit enhancements. Short-term construction financing and long-term permanent loans comprise the principal forms of initial assistance
Oklahoma[4]	72	18	90.0	1	196	–	190	30	Unleveraged loan fund, bank will also be authorized to provide credit enhancements. Principal initial form of assistance will be loans to support sale-leaseback arrangement.
Oregon[4]	9	3.5-14	12.5-23.0	6	279	0.6	120	>6	Unleveraged loan fund, bank will also be authorized to provide credit enhancements. Principal initial form of assistance will be loans. Bank will also provide credit enhancement to a revenue bond issue for one project.
South Carolina[3]	TBD	TBD	TBD	4	286	15	160	TBD	Unleveraged loan fund, bank will also be authorized to provide credit enhancements
Texas[4]	>135	TBD	>135	3	884	59	696	>135	Unleveraged loan fund, bank will also be authorized to provide credit enhancements. State will consider leveraging the bank later.
Virginia	TBD	TBD	TBD	5	637	10	255	TBD	Unleveraged loan fund
TOTAL	333-348.5	50.25-62.1	>383.25-410.6	54	8,383			>305	

Table Notes appear on following sheet.

Table Notes:

[1]Arizona's capitalization amounts cover three years (calendar years 1996 through 1998, inclusive). Estimated loan amount is specific to 1997.

[2]Florida's application indicated a series of potential projects for future consideration. Note also that Florida's loan amount ($7 million) applies to only two of the three identified projects.

[3]Missouri's capitalization amount cover 2 years (fiscal years 1996 and 1997). The $7 million loan amount indicated for Missouri is limited to just one of three projects. Note also that Missouri's application identified 7 additional projects with a combined cost of $57 million for future consideration.

[4]Ohio's capitalization amounts cover three years (state fiscal years 1997 through 1999, inclusive).

[5]Oklahoma's capitalization amounts cover two years (calendar years 1996 and 1997). Note also that Oklahoma's application indicated a series of potential projects for future consideration.

[6]Oregon's capitalization amounts cover the first year of SIB operation, additional seed capital will be credited to the bank in following years. The amount of assistance to be provided by the bank ($6 million) primarily represents preconstruction financing. The state expects to provide additional loans to cover a share of construction costs. Note also that Oregon's application indicated a series of potential projects for future consideration.

[7]South Carolina's application indicated a series of potential projects for future consideration.

[8]Texas' capitalization amount represents the value of an ISTEA Section 1012 loan that will be brought under the SIB framework upon creation of the bank. Note accordingly that Texas' capitalization and loan amounts apply to only one of the three identified projects. In addition to the three identified projects, Texas' application indicated a series of potential projects for future consideration.

[9]An unleveraged loan fund refers to a state revolving fund with a fund corpus comprised of capitalization grants and, eventually, principal and interest repayments. A leveraged loan fund refers to a state revolving fund in which initial capitalization grants have been used to support a bond issue; the resulting bond proceeds supplement the initial fund corpus and thus permit the bank to offer a larger volume of loans sooner. Like loans, credit enhancements can be provided by either leveraged or unleveraged banks. "Credit enhancement" is an umbrella term representing an array of financing tools that help strengthen the capital markets' comfort level with a given debt issuance; common forms of credit enhancements include letters of credit, capital reserves, interest cost subsidies, and guarantees. By strengthening the security of a debt issue, credit enhancements can help lower the cost of financing major projects.

Summary of State Infrastructure Bank Application:

ARIZONA

This summary is based on the State Infrastructure Bank (SIB) pilot program application submitted March 8, 1996. Under the pilot program, the SIB is expected to evolve considerably as the State develops its cooperative agreement, and as it identifies additional projects to receive SIB assistance.

Proposed SIB Structure

- Enabling legislation: Currently, the state DOT is building loan capabilities into its existing program through administrative means. Legislation authorizing the SIB (SB 1041) passed the state Senate during the recently completed legislative session, but companion legislation did not pass the state House. Arizona DOT is hopeful that enabling legislation will pass both houses of the state legislature in the next session.

- Account structure: Initially, within the SIB, only a highway account will be established. In the future, if a transit account is established, the highway and transit accounts will maintain their distinct modal identities in both sources of capitalization (i.e., highway funds will only be used to capitalize the highway account) and in the types of projects to which they provide assistance (i.e., the transit account will provide assistance only to transit projects).

- Administering agency: Arizona DOT will administer the bank, with investment services to be provided by the State Treasurer. Recommendations on candidate projects to receive financial assistance from the bank will be made by the State Transportation Board on candidate projects to receive financial assistance.

- Eligible recipients: Under existing law, the SIB will be authorized to provide financial assistance to eligible projects on the state and local highway systems. These could include: local governments, state agencies (including Arizona DOT), other public and certain private entities, and Indian tribes.

- Types of assistance to be offered: The bank account will be authorized to provide loans, subsidized loans, letters of credit, other credit enhancements, security for bonds, and assistance with bond issuance costs. In addition, funds held by the bank will be authorized to serve as a capital reserve for debt issuance.

Proposed Financial Plan

- Source and amount of initial capitalization: Arizona's infrastructure bank will be capitalized with federal and state funds. For the federal share, Arizona will draw the full permissible 10 percent of obligational authority from the following programs: NHS, STP, IM, BR, and MA. In accordance with the sliding scale match permitted for federal lands states, the state will match the federal funds as indicated in the following capitalization plan.

SIB Capitalization Plan

(Dollars in millions)

Year	Federal	State	Subtotal
1996	20.00	2.00	22.00
1997	22.00	2.75	24.75
1998	22.00	2.75	24.75
Total, 96-98	64.00	7.50	**71.50**

- Leveraging plans: With the passage of legislation, from 1996 through 1998, the State Transportation Board is expected to leverage the bank by issuing $100 million in bonds off the fund corpus of $71.5 million.[1] Therefore, during the banks first five years, the anticipated flow of funds into the bank will derive from three sources:
  1. initial capitalization from federal and state funds ($71.5 million);
  2. bond proceeds ($100 million); and
  3. interest earnings and partial principal and interest payments on the first-round loans ($78 million).

- Nature and timing of assistance: Arizona currently contemplates that loans will form the cornerstone of the infrastructure bank's menu of financial services. The state anticipates that the first cycle of loans from the SIB will begin January 1997, with about $20 million being lent to transportation projects in that year. On the basis of the state's bonding strategy (described in the preceding paragraph), the state estimates that the infrastructure bank will have offered about $100 million in loans by the end of the year 2000. As repayments of principal and interest on these loans begin to flow back into the fund, the bank will be positioned to make additional loans. Looking ahead 20 years, the state estimates that the bank potentially will have made $260 million in project loans, all deriving from an initial capital investment of $71.5 million in federal and state funds and bond proceeds totaling $100 million and interest earnings.

Proposed Projects

A summary of proposed projects is attached.

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[1] Leveraging refers to a financial strategy in which a state issues bonds to increase the pool of funds it has available to lend from its infrastructure bank. The bond issue is secured by a portion of the banks initial capitalization as well as by anticipated revenues that the individual projects will generate. Because loans can be made from bond proceeds as well as from the majority of the initial capitalization, leveraging permits a bank to make loans well in excess of the amount initially deposited in the bank.

Arizona Transportation Infrastructure Development Fund: Proposed Projects

Project and Description	Constr. Cost (millions)	SIB Assistance: Type and Amount	Project Sponsor(s)	Construction Start Date	Status	Revenue Source
Red Mountain/SR 87 Bridge, Maricopa County (new construction of a 0.25-mi. segment of bridge connector).	2.2	Loan (amount to be determined).	Loan recipients are to be determined.	Mid-1997 (without SIB, 2004).	EIS has been approved. Design is underway and right-of-way is currently being acquired.	Alternatives are under consideration.
SR90/I-10 to Kartchner Caverns, Cochise County (reconstruction of 9.4-mi. segment of SR 90).	16	Loan (amount to be determined).	Loan recipients are to be determined.	Mid-1997 (without SIB, 1998).	EA and design concept report are underway. Completion of project design is expected for late 1996.	Alternatives are under consideration.
US 93, Santa Marie River to Wikieup (reconstruction and widening of 4.8-mi. segment of US 93).	21.9	Loan (amount to be determined).	Loan recipients are to be determined.	Late 1997 (without SIB, 1998).	EA is underway; design is 30% complete.	Alternatives are under consideration.
SR 95, Mohave County (new construction of 11.5-mi. highway).	14.9	Loan (amount to be determined).	Loan recipients are to be determined.	1997 (without SIB, 1998).	EA is almost complete, with approval expected for mid-1996. Design concept report is complete; final plans are expected to be completed in December 1996.	Alternatives are under consideration.
Gila River crossing for 116th Ave. Bridge, Maricopa County (new construction of 2250 bridge).	12	$6 million loan.	Maricopa County, City of Avondale, and private partner.	1997 (without SIB, currently not scheduled).	EA and design are complete.	The most likely revenue stream will be a surcharge on raceway admission.
TOTAL	66.6					

Summary of State Infrastructure Bank Application:

CALIFORNIA

This summary is based on the State Infrastructure Bank (SIB) pilot program application submitted March 8, 1996, and an amendment to that application submitted on May 6, 1996. Under the pilot program, the SIB is expected to evolve considerably as the State develops its cooperative agreement, and as it identifies additional projects to receive SIB assistance.

Proposed SIB Structure

- Enabling legislation: California has legislative authority in place to create a SIB under the existing California Economic Development Financing Authority. The Authority is authorized to provide loans and credit enhancements to a variety of projects, and is also empowered to issue revenue bonds. The legal relationship between the SIB and the Authority will be further clarified through a memorandum of agreement between Caltrans and other entities. Anticipated legislative action by the California Assembly will confer statutory authority on the substance of the memorandum of agreement.

- Account structure: California's SIB will include both highway and transit accounts.

- Administering agency: The California SIB (to be termed the Transportation Finance Bank) will be part of the California Economic Development Financing Authority. The SIB will be under the direction of the Authority's board of directors, which includes the state's Director of Finance, the State Treasurer, and the Secretary of Trade and Commerce. Caltrans and the California Transportation Commission will also play key roles in the operation and management of the bank.

- Eligible recipients: Private consortia and public entities will be eligible to receive credit support from the SIB.

- Types of assistance to be offered: The bank will be authorized to provide assistance and services including, but not limited to, equity investment, letters of credit, loan guarantees and other debt security, certificates of participation, and direct loans. The state's application notes that during the bank's early years, it will focus exclusively on offering credit enhancements, primarily in the form of guarantees. In this way, cash outlays will only be required in the event of a default.

Proposed Financial Plan

- Source and amount of initial capitalization: Rather than depositing cash in the bank to provide a pool of up-front seed capital, Caltrans proposed that the SIB be "capitalized" with a credit based on the principles of advance construction.[1] Credit advanced to the bank in this fashion would total $100 million, divided equally between the highway and transit accounts. Other sources of

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1. Under the standard FHWA advance construction program, states may undertake projects with their own funds while still preserving the projects' eligibility for federal assistance. The projects may then be converted to federal-aid status at a later date, and reimbursed with federal funds.

capitalization may include grants and premiums or other fees paid into the account by recipients of SIB financial assistance. For example, project sponsors receiving loan guarantees will be required to make annual cash payments into the bank for as long as the guarantee is in place.

- Leveraging plans: Because California's SIB is initially to be seeded with credits rather than cash, it will not be directly leveraged on the bond market.[2] However, as noted above, cash is expected to accumulate in the bank in future years. Once the bank has some cash on hand, bank managers will have the opportunity to leverage the fund should they decide to do so, as the California Economic Development Financing Authority (and thus the SIB) is already expressly authorized to issue bonds.

- Nature and timing of assistance: As noted above, the SIB's proposed capitalization structure demands that, at least initially, credit enhancements constitute the principal form of financial assistance offered by the bank. In the future, letters of credit, direct loans, and other more immediate forms of assistance will be possible as well. Caltrans has identified ten projects that would be eligible for assistance from the SIB and could likely benefit from SIB support, although it is not yet certain whether all could prove sufficiently credit worthy to obtain SIB support. Some of these projects are already underway and others are scheduled to go to construction within the next few years.

Proposed Projects

A list of ten projects that could potentially benefit from SIB assistance is attached.

2. Leveraging refers to a financial strategy in a fund's cash holdings are treated as a reserve against which to issue bonds. The bond issue is secured by a portion of the bank's initial capitalization as well as by anticipated revenues that the individual projects will generate and repay into the fund. The resulting bond proceeds supplement the funds already available in the bank, and thus permit the bank to provide more assistance sooner.

California Transportation Finance Bank: Potential Projects

Project and Description	Constr. Cost (millions)	SIB Assistance: Type and Amount	Project Sponsor(s)	Estimated Construction Date	Status	Revenue Source
Alameda Corridor, Los Angeles County (widening of and improvements to an existing arterial and elimination of rail grade crossing conflicts).	1862	Credit enhancement to support additional privately-issued revenue bonds.	Caltrans with private consortium.	The target date for project completion is 2001.	A decision on the final EIS is expected for May 1996.	Debt service on the bonds supported by the SIB will be paid through cargo fees charged to shippers.
BART Extension, San Francisco and San Mateo Counties (construction of 4 new stations, including parking facilities).	1110	Guarantee of a short-term commercial loan. BART would obtain the loan to cover cash flow shortfalls.	Bay Area Rapid Transit.	Project completion is scheduled for late 2000.	Preferred alternative was selected in November 1995.	Revenue stream to repay the short-term loan guaranteed by the SIB is presently undefined.
Eastern Corridor, Orange County (new construction of a 24-mi. tollway and 2-mi. segment of the Foothill Corridor).	715	$25 million line of credit to replace an existing contingency fund. The purpose of the fund is to cover any potential cost overruns.	Caltrans with private consortium.	Portions of the project are scheduled to open to traffic in late 1999.	Portions of project are already under construction.	If accessed, the line of credit would be repaid through excess toll revenues.
Ferry Building, San Francisco County (renovation of an existing commuter ferry terminal).	63	Credit enhancements to assist private developer in securing a $25 million-$35 million commercial loan.	Caltrans.	Construction is scheduled to begin in January 1997.	Conceptual design and engineering are currently being completed.	Operating income from the facility will be used to repay the loans supported by the SIB. Fees on the loans and guaranteed would be repaid by ground lease and parking lot revenues.
Foothill Corridor SR 241, Orange County (northern and southern segments of a new toll road).	746	$15 million loan.	Caltrans with private consortium.	Construction for the northernmost portions of the project will be complete in 1999; remaining phases of the project will stretch into the 2000s.	Portions of the northern segment are currently open or under construction. EIS is being prepared for the remainder of the project.	The SIB loan would be liquidated with proceeds from a bond issue. The issuance is expected to occur in 1999.

Project and Description	Constr. Cost (millions)	SIB Assistance: Type and Amount	Project Sponsor(s)	Estimated Construction Date	Status	Revenue Source
Commercial Roadside Rest Areas, statewide (commercial development of privatized roadside rest areas).	Project costs will vary by site.	Credit enhancements and loan guarantees to assist private developers in securing project financing.	Caltrans with private developers.	The initiative is in conceptual stages.		Profits earned by private developers partners would repay the loan.
San Diego and Arizona Eastern Railroad, San Diego County (repair and modernize existing rail line; construct intermodal facility; and make other improvements).	>100	Guarantees to support financing obtained by the Metropolitan Development Board are the most likely form of assistance for this project.	San Diego Metropolitan Transit Development Board.	Construction depends on identification of a complete financing package and resolution of ownership.	Economic feasibility study completed in March 1996.	Revenue stream is to be determined.
San Joaquin Corridor interchange, Orange County (new construction of a 15-mi. freeway extension with total project costs of $817 million).	30	Credit enhancements to support an additional bond issue to finance construction of a $30 million interchange. Project sponsors were unable to secure financing for the interchanged under the initial project financing.	Caltrans with private consortium.	Construction of the complete $817 million project began in September 1993. One segment will open in mid 1996. The entire project is scheduled for completion in March 1997.		Debt service on the new bond issue would be repaid with excess toll revenues or other funds.
SR 905, San Diego County (construction of a new freeway or widening of an existing road to freeway standards).	210	If the project is pursued as a public-private partnership, the SIB could provide credit enhancements to assist private consortium's ability to secure financing.	The project could be pursued as a public-private partnership, or alternatively, as a Caltrans project.	An initial feasibility study has been completed, but further progress on the project depends on identification of a funding package.		If the project is pursued as a public-private partnership, tolls could serve as a means for repaying loans and for covering fees on the guarantees.
SR 125, San Diego County (construction of a new 10-mi. toll road).	300-400	Credit enhancement to support privately issued debt.	Private consortium.	Construction is to begin in late 1996 or early 1997. The project is scheduled to be complete by early 2000.	The final draft EIS will be submitted in May 1996.	Toll receipts would form the likely revenue stream for this project.
TOTAL	$134					

Summary of State Infrastructure Bank Application:

FLORIDA

This summary is based on the State Infrastructure Bank (SIB) pilot program application submitted March 8, 1996. Under the pilot program, the SIB is expected to evolve considerably as the State develops its cooperative agreement, and as it identifies additional projects to receive SIB assistance.

Proposed SIB Structure

- Enabling legislation: The State's existing Toll Facilities Revolving Trust Fund is already empowered to provide start-up loans to expressway authorities and local governments. Also, the Department is permitted to use state tax revenues to cover operation and maintenance costs for expressway authority, new facilities, and expansions. The 1996 Legislature recently passed a similar provision to permit state tax revenue to cover operation and maintenance costs on the Turnpike system, effective July 1, 1996.

- Account structure: A separate account will be created for each project supported by a loan or credit enhancement agreement. Collectively, these accounts will comprise the state's SIB.

- Administering agency: Florida's SIB will be established as a series of escrow accounts within the State Treasury.

- Eligible recipients: Expressway and bridge authorities, the Florida Turnpike District, local governments, and transportation and transit authorities will be eligible to receive credit support from a SIB.

- Types of assistance to be offered: It is expected that ultimately, the bank will be chartered to provide a full complement of loan and credit enhancement services. In the short term, however, FDOT has elected to concentrate the SIB's services in one area -- loans to provide indirect interest cost subsidies. Loans would be set to amounts equal to all or part of the annual interest cost incurred on revenue bonds issued for a given toll project.

Proposed Financial Plan

- Source and amount of initial capitalization: Because the SIB will be an aggregate of individual escrow accounts, the SIB will be capitalized on a project-by-project basis. For example, for the first project proposed for SIB assistance (SR 80, with project costs totaling $22 million), about $7 million federal-aid and state matching funds will be deposited in the appropriate escrow account. The $7 million figure is approximately equal to the interest-only component of the first five years of debt service on this project. For the second project (Seminole Expressway II, with total project costs of $240 million) about $20 million will be deposited; equal to the interest-only component of the first seven years of debt service on the project. Further escrow accounts will also be capitalized in accordance with their respective projects' individual needs. Florida DOT notes that the source of state matching funds may include state transportation tax revenues, bond proceeds backed by state tax revenues, toll revenues, or toll credits (as permitted under Section 1044 of ISTEA). The source of federal-aid capitalization funds will be determined on the basis of the program category(ies) for which each project is eligible.

- Leveraging plans: Initially, Florida is not currently considering plans to leverage the individual escrow accounts comprising the SIB, meaning that no account will issue debt that is secured by its own capitalization. Rather, most projects supported by the escrow accounts will be partially financed with debt issues by the Florida Department of Transportation Turnpike District, by an expressway authority, or by one of the other eligible recipients listed above.

- Nature and timing of assistance: The SIB will lend funds to cover the interest portion of debt service on toll road revenue bonds during a given project's construction phase and during the first five years of operation. Repayment of the SIB loan is expected to begin in the sixth year of operation. Right-of-way acquisition for the first identified project (SR 80) is anticipated to commence in November 1996, and right-of-way acquisition is underway for the second identified project (Seminole Expressway II).

Proposed Projects

A summary of proposed projects is attached.

Florida State Infrastructure Bank: Proposed Projects

Project and Description	Constr. Cost (millions)	SIB Assistance: Type and Amount	Project Sponsor(s)	Estimated Construction Start Date	Status	Revenue Source
SR 80, Palm Beach County (construction of an interchange and ramp toll facilities; reconstruction of an existing bridge).	22	$7 million loan. The loan would indirectly subsidize the interest component of debt service on revenue bonds issued for this project by the Turnpike District.	Florida DOT and Florida DOT Turnpike District.	Right-of-way acquisition is anticipated to start in November 1996. Construction is to begin in October 1998, and toll equipment is to be installed in February 2000. The project is anticipated to be opened to traffic in August 2000.	Preliminary design and environmental study is complete. Design of the interchange is about 60 percent complete. The bond sale for the project is anticipated for November 1996.	Loan to be repaid from a blend of toll receipts from the project, system-wide toll receipts, and state transportation funds.
Seminole Expressway, Orlando (6-mi. new construction to complete a 56-mi. Beltway).	240	$20 million loan. The loan would indirectly subsidize the interest component of debt service on revenue bonds issued for this project by the Turnpike District.	Florida DOT, Florida DOT Turnpike District, Seminole County Expressway Authority, Seminole County.	Construction is likely to be let as early as mid-1998, with project completion to occur by mid-2000.	Environmental permits were issued in 1991. Final engineering is nearly 60 percent complete.	Loan is to be repaid from a blend of toll receipts from the project, system-wide toll receipts, and state transportation funds.
Western Beltway, Orlando.	210+	The most suitable form of SIB assistance for this project is still under consideration.	Sponsors are to be determined.			Source of repayment is under consideration.
TOTAL	472					

Other Proposed Projects

Public transportation and multimodal projects.	Recent creation of the Florida Transit Association Finance Corporation offers opportunities for the state to deploy innovative financing techniques, such as certificates of participation, for transit purposes. A future partnership between the Corporation and the Florida SIB may help the state assist more transit projects in a greater variety of ways.
Non-toll highways.	The state expects that the SIB will help FDOT build on the strong financial relationship it currently enjoys with local governments throughout the state. SIB provision of interest cost subsidies, for example, could help lower the costs of financing that currently face local governments.
Additional toll facilities.	Further projects akin to SR 80 will be identified through the Florida Turnpike District's 20-year plan and the Expressway and Bridge Authority long range plans.

Project and Description	Constr. Cost (millions)	SIB Assistance: Type and Amount	Project Sponsor(s)	Estimated Constructio n Start Date	Status	Revenue Source
Highway 34, I-5 to Lebanon, Linn County (widen and improve existing city and county road).	15.1	$2.4 million loan.	Oregon DOT, County, and City.	April 1997 (completion expected for April 1999).	The portions of the project for which the state and county are responsible are in final design. The city's element of the project is on hold pending identification of a source of funding.	City's share of State Transportation Equity Account or other local funds will be used to pay off the SIB loan.
Tone Bridge, Tillamook County (reconstruction of bridge access and repaving of flood-damaged road).	0.6	$60,000 SIB loan (10% of project cost).	County.	August 1996 (completion expected for October 1996).	Project is ready for final design, pending identification of a local funding source.	County road funds will be used to pay off the SIB loan.
Cedar Hills Boulevard Extension, Washington County (new construction of a 7,100-foot County arterial).	11.3	Credit enhancements to support $3.6 million revenue bond issue.	County.	July 1996 (completion expected for December 1997).	Pursuit of this project is pending vote on local tax to support revenue bond issue.	Principal and interest on the bonds will be paid out of the County gas tax and the County's share of state motor vehicle fund revenues.
TOTAL	279					

Summary of State Infrastructure Bank Application:

MISSOURI

This summary is based on the State Infrastructure Bank (SIB) pilot program application submitted March 8, 1996, and an amendment to that application submitted on May 6, 1996. If selected as part of the pilot program, the Missouri SIB would evolve considerably as it develops its cooperative agreement, and as it identifies additional projects to receive SIB assistance.

Proposed SIB Structure

- Enabling legislation: Missouri has legislation in place to permit creation of a Transportation Corporation. The Corporation would be authorized to provide loans and other financial assistance to transportation projects and would serve as the institutional structure for the SIB.

- Account structure: The SIB will include both highway and transit accounts. As required by federal legislation establishing the SIB pilot, the highway and transit accounts will maintain their distinct modal identities in both sources of capitalization and in the types of projects that they support. In addition to these modal accounts, the SIB will also include a separate loan repayment account to accept principal and interest payments generated from the first round of individual project loans.

- Administering agency: The Missouri Highway and Transportation Department will manage the SIB on behalf of the Transportation Corporation and the Missouri Highway and Transportation Commission. Additional financial expertise will be offered by the state Treasurer's Office and the Office of Administration.

- Eligible recipients: Missouri's SIB will provide financial assistance to entities including local governments, local transportation agencies and development authorities, and public/private consortia.

- Types of assistance to be offered: Missouri's SIB will offer loans and credit enhancements. The state anticipates that most loans will be made at below-market rates. Varieties of credit enhancement under consideration by the state include capital reserves to support debt financing, letters of credit, and guarantees on local debt issuances. In addition, the SIB may support lease-financing arrangements for highway and transit projects (e.g., for a major bus acquisition).

Proposed Financial Plan

- Source and amount of initial capitalization: The state intends to capitalize its SIB highway account with federal highway funds (probably STP) and state highway funds. The SIB's transit account will be capitalized with federal transit funds granted by FTA and local funds. For 1996 and 1997, the structure of initial capitalization is planned as follows:

SIB Capitalization Plan

(Dollars in millions)

	Highway	Transit	Total
Federal	Range: 7-12.5	Up to 10	Range: 7-22.5
State	Range: 1.75-3.10	0	Range: 1.75-3.10
Local/Private	0	Up to 10	Range: 0-10
Total	Range: 8.75-15.6	10	Range: 18.75-25.6

Note: Total funding to be deposited in the transit account is estimated to be $5 million per year. It is likely that a blend of federal and local funding will capitalize the transit account, but the percent split between federal and local funds has not yet been indicated.

- Leveraging Plans: Missouri does not have immediate plans to leverage its SIB, but may, in future years, consider bonding as a strategy for augmenting the bank's capitalization.[1]

- Nature and timing of assistance: The bank will offer both direct loans and an array of credit enhancements. Missouri's application indicates three projects that are prepared to receive SIB assistance in 1996 and 1997. The state has also identified four additional projects that provide a point of departure for a second round of projects.

Proposed Projects

A summary of proposed projects is attached.

[1] Leveraging refers to a financial strategy in which a state issues bonds to increase the pool of funds it has available to lend from its infrastructure bank. The bond issue is secured by a portion of the banks initial capitalization as well as by anticipated revenues that the individual projects will generate. Because loans can be made from bond proceeds as well as from the majority of the initial capitalization, leveraging permits a bank to make loans well in excess of the amount initially deposited in the bank. In the absence of a bond issue, a bank is considered unleveraged. This means that the amount of loans or other assistance that a bank can offer is limited to the amount of seed capital initially deposited in the bank. Over time, project sponsors repay the bank loans, and the principal and interest repayments replenish the fund so that it can support a new round of loans or other assistance to a new generation of projects.

Missouri State Infrastructure Bank: Proposed Projects

Project and Description	Constr. Cost ($ millions)	SIB Assistance: Type and Amount	Project Sponsors	Estimated Construction Start Date	Status	Revenue Source
Gateway Multimodal Center, St. Louis (new construction of facility serving buses, light rail, passenger rail, and airport traffic).	40	$7 million loan to public agency plus a potential additional low-interest loan to the private sector partner selected to finance the parking facility.	City of St. Louis and Bi-State Development Agency.	Project start date is to be determined. With SIB support, project completion is likely to be accelerated by 2 to 3 years.	Preliminary design work and a feasibility analysis have been completed. Some engineering work has been completed for the facility.	Local tax revenues and parking fees will form the likely revenue strea :a used to repay the SIB loans.
North Hanley Metrolink Station/Parking Facility, St. Louis (new construction of 1800-space parking facility, with additional commercial space).	11.2	The nature and extent of SIB assistance for this project is still under consideration.	Bi-State Development Agency.	Project start date is to be determined.	Feasibility study is underway; state plans to solicit proposals in June for private equity partners.	Options include airport parking fees, concession fees, and public-private joint development projects.
Highway 179 from Highway 50 to Route B, Jefferson City (new construction of connecting highway).	20.8	Credit enhancement to support bonds issued by the city and/or county.	Cole County and Jefferson City.	Construction can start as soon financing is in place, resulting in a five-year acceleration of the project.	Final EIS will be completed this summer.	Revenues used to service the city and county bonds are still under consideration.
Subtotal	72					

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Potential Projects

Project and Description	Constr. Cost ($ millions)	SIB Assistance: Type and Amount	Project Sponsors	Estimated Construction Start Date	Status	Revenue Source
Capital Transit Project, St. Louis (purchase of 10 light rail cars).	<25	Up to $15 million loan.	Bi-State Development Agency.	Commitments to purchase the rail cars could be made by the end of 1996, assuming availability of SIB assistance.	Purchase commitments can be made almost immediately npon completion of the detailed financial plan.	Local transportation sales tax revennes would form the revenue stream to repay a SIB loan.
Delmar MetroLink Park-Ride and Station Enhancements, St. Louis (new construction of park&ride facility; purchase and rehabilitation of station; and related enhancements).	9	Credit enhancement to support bonds issued by Bi-State Development Agency.	Bi-State Development Agency.	The first phase of the project ($1 million) is nnderway. The second phase ($8 million), for which SIB assistance is songht, is not yet on the STIP due to a lack of an identified funding source. It is expected that the project will get underway sooner if SIB assistance is forthcoming.		Sales tax funds and parking fees wonld be used to support the bond issue.
Highway Projects, Springfield (grading, widening, resurfacing, and relocation projects for five existing highway segments).	23.3 (Construction costs for the individual projects range from $2.7 million to 46.7 million)	SIB would support a pooled bond issuance for the five projects.	Greene County and City of Springfield.	The construction timing for these projects depends on identification of a funding source. It is assumed that financial assistance from a SIB would accelerate each of the projects by about 3 years.		Local tax revenues would likely be used to support the bond issue.
Route 210 Upgrade, Kansas City (removal and rebuilding of interchange, road relocation, and new construction of pavements).	>38.6	The nature and extent of SIB support for this project is to be determined.	Private interests in Kansas City are considering creation of a transportation development district to support this project.	Without SIB assistance, project would be constructed in latter part of state's 15-year plan; with SIB assistance, construction is likely to be accelerated by about 5 years.	Project is in preliminary stages.	Tax receipts from a new transportation development district wonld form a likely revenue stream.
GRAND TOTAL	>168					

Summary of State Infrastructure Bank Application:

OHIO

This summary is based on the State Infrastructure Bank (SIB) pilot program application submitted March 8, 1996. Under the pilot program, the SIB is expected to evolve considerably as the State develops its cooperative agreement, and as it identifies additional projects to receive SIB assistance.

Proposed SIB Structure

- Enabling legislation: Under existing law, Ohio DOT may lend funds to support highway and intermodal projects, so the state can establish an infrastructure bank through a cooperative agreement. Legislative authority for the state to lend general revenue funds to transit projects is less clear-cut, but the state DOT expects that if further statutory authority is needed to make transit projects eligible for SIB assistance, the required legislation would be introduced and enacted.

- Account structure: The SIB will be authorized to provide assistance to highway, intermodal, and eventually transit projects, through a series of separate accounts. In keeping with current requirements that only federal highway and transit funds may be used to capitalize SIBs, the state's aviation and intermodal accounts will be capitalized solely with state funds. In addition to these modal accounts, Ohio DOT will maintain a separate loan repayment account within its SIB to accept principal and interest payments generated from individual project loans.

- Administering agency: Ohio DOT will manage the bank. The state Office of Budget and Management and the state Attorney General's office, respectively, will provide due diligence and legal services.

- Eligible recipients: Under existing law, Ohio DOT may provide loans to agencies, organizations, and persons for the purposes of acquiring, developing, or constructing transportation facilities. The state is also authorized to enter into financing agreements for leases with up to five transportation improvement districts. Recent legislation also reinforced the state's authority to provide financial assistance to local communities.

- ..pes of assistance to be offered: The bank will be authorized to provide loans (including construction and permanent financing), short term anticipatory notes, interest rate subsidies, credit instruments (such as loan guarantees, letters of credit, pledges, and gap leases), debt service cash reserves, and lease financing.

Proposed Financial Plan

- Source and amount of initial capitalization: The bank will be capitalized with federal and state funds. For the federal share, Ohio will draw on Surface Transportation Program, Minimum Allocation, and Donor State Bonus funds for a total of about $37 million over fiscal years 1997 through 1999. In addition, about $9 million will be drawn from urban transit funds. Finally, if future federal legislation permits states to use aviation improvement funds to capitalize SIBs, Ohio plans to do so. The state share over fiscal years 1997 through 1999 will total $19.5 million, and draw from the state's general revenue fund, sinking fund cash reserve (deriving from motor fuel tax revenues), rail development funds, and aviation improvement funds. Total SIB capitalization is projected as follows:

SIB Capitalization Plan

(Dollars in millions)

Years	Federal	State	Subtotal
Total 1997-1999	46	19.5	65.5

Of the total of $65.5 million, approximately $52 million is identified for highway use, $7 million for transit and rail combined, and $6 million for aviation.

- Leveraging plans: Ohio plans to leverage its infrastructure bank by issuing revenue bonds.[1] The bonds will be secured by three funding sources: (1) revenues from SIB loan repayments; (2) a cash reserve from the initial SIB capitalization (equal to one year's debt service on the bonds); and (3) anticipated annual appropriations from the state legislature to augment the banks initial capitalization. The state DOT projects that on the basis of its leveraging strategy, the SIB will be positioned to make loans of about twice the initial bank capitalization, or in other words, achieve a leveraging ratio of about 2:1. It is envisioned that these full leveraging effects will be realized about three to five years after the bank is established.

- Nature and timing of assistance: Short-term construction financing and longer-term permanent loans comprise the principal forms of financial assistance that Ohio's infrastructure bank will provide in its early years. The state's application identifies 10 projects, with total construction costs of about $356 million, as likely candidates for receiving the first round of SIB assistance. Ohio DOT estimates that about $100 million

[1]Leveraging refers to a financial strategy in which a state issues bonds to increase the pool of funds it has available to lend from its infrastructure bank. The bond issue is secured by a portion of the banks initial capitalization as well as by anticipated revenues that the individual projects will generate. Because loans can be made from bond proceeds as well as from the majority of the initial capitalization, leveraging permits a bank to make loans well in excess of the amount initially deposited in the bank.

worth of loans will be made to these 10 projects, and that of this $100 million, a total of about $53 million will have cycled through the bank within three years of its establishment. In this way, the state has structured its initial portfolio of loans and repayments to yield prompt returns, in turn permitting the bank to make a second generation of loans around the year 2000.

Proposed Projects

A summary of proposed projects is attached.

Ohio State Infrastructure Bank: Proposed Projects

Project and Description	Constr. Cost (millions)	SIB Assistance: Type and Amount	Project Sponsor(s)	Estimated Constr. Start Date	Status	Revenue Source
SR 73 Bypass, Wilmington (realignment of 5.8-mile bypass).	12	$6 million construction and permanent loan.	City of Wilmington and Tax Increment Finance District.	To be determined.	To be determined	Loan will be repaid with revenues payable to the tax increment financing district.
US 250, Erie County (widening of 4.6-mile highway connecting SR 2 to the Ohio Turnpike).	19.5	$7.5 million construction and permanent loan.	Erie County.	1998	EIS is nearing completion.	Loan will be repaid with revenues from a parking exactment at amusement park and 1% hotel/motel bed tax.
SR 129, Butler County (series of realignment, widening, and interchange projects).	118.9	$30 million construction loan.	Butler Transportation Improvement District.	To be determined.	Environmental and design work for the various project phases are scheduled for 1996 through 1998.	Loan will be liquidated through a permanent takeout revenue bond issue. The revenue bond will be backed by toll receipts.
I-670 and Spring/Sandusky interchange, Columbus (new construction to complete corridor and enhance existing state route).	156.2	$7 million construction loan.	City of Columbus.	1996	Design engineering is nearing completion.	Loan will be liquidated through a permanent takeout bond issue in 2003. The bond will be backed by City's income tax.
SR 43, Steubenville (widening of 0.8-mile boulevard).	3.2	$3.2 million construction loan followed by 2-year permanent loan.	City of Steubenville.	1997	Preliminary engineering and design are underway.	Loan will be repaid out of MPO's future allocation of STP funds.

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Project and Description	Constr. Cost (millions)	SIB Assistance: Type and Amount	Project Sponsor(s)	Estimated Constr. Start Date	Status	Revenue Source
Great Lake Science Center Parking Facility, Cleveland (construction of 500-space parking facility).	7.3	$7.3 million construction loan.	City of Cleveland	1996	Environmental clearance has been granted and design engineering is complete.	Of the $7.3 million construction loan, $4 million will be liquidated through a permanent private loan; the $3.3 million balance will be converted to permanent financing subordinated to a private loan.
I-70 Intermodal Interchange, Muskingum County (new construction of a truck-to-rail transfer facility).	7.2	$7.2 million loan.	Muskingum County Transportation Improvement District (after construction, project will be leased to a private operator).	1997	Environmental analysis has begun.	Loan will be repaid from lift fees charged to users of the intermodal facility.
I-670 Development Cap/Platform, Columbus (new construction of a pedestrian walkway over existing Interstate).	12	$12 million construction loan.	Ohio DOT, City of Columbus, and private partners.	1998	Feasibility analysis has begun.	$9 million of the construction loan will be liquidated through a permanent private loan; the $3 million balance to be converted to permanent financing, which will be subordinate to private mortgages on the platform and facilities.
Lima to Springfield Rail Line and Intermodal Facility, Lima (acquisition of 64-mile rail line; track rehabilitation).	10	$10 million permanent loan.	Western Central Ohio Port Authority and Springfield MPO.	1997	Environmental analysis to begin in June 1996.	Lease payments from a short line railroad using the newly acquired rail line are a likely option for repaying the loan.
Rickenbacker Air Cargo Facility, Franklin County (construction of parking ramps and taxiways; renovation of existing maintenance facility).	10	$10 million permanent loan.	Rickenbacker Airport Port Authority.	1997	Project design is underway.	Loan will be repaid from building rents and state general funds.
TOTAL	356.3					

Summary of State Infrastructure Bank Application:

OKLAHOMA

This summary is based on the State Infrastructure Bank (SIB) pilot program application submitted March 8, 1996. Under the pilot program, the SIB is expected to evolve considerably as the State develops its cooperative agreement, and as it identifies additional projects to receive SIB assistance.

Proposed SIB Structure

- Enabling legislation: Creation of a SIB within the Oklahoma Turnpike Authority is permitted under existing law. Additional legislation specifically permitting the sale-leaseback approach highlighted in Oklahoma's SIB application has passed the state Senate and is pending in the state House. The pending legislation would also give the Turnpike Authority the power to intercept state fuel tax revenues or apply tolls to a given facility to provide financial backstops for projects undertaken through a sale-leaseback arrangement.

- Account structure: The SIB will incorporate a series of accounts, including highway, construction, loan repayment, bond repayment, and reserve accounts. Separate subaccounts for individual projects are also anticipated.

- Administering agency: The bank will be housed within the Oklahoma Turnpike Authority, with joint policy-setting by Oklahoma DOT. It is expected that Oklahoma DOT will have primary responsibility for all aspects of SIB operation other than funds management and debt issuance.

- Eligible Recipients: The bank will be authorized to provide assistance to Oklahoma DOT, the Oklahoma Turnpike Authority, local governments, and private entities.

- Types of assistance to be offered: The bank will be authorized to provide loans, interest rate subsidies, lease financing, and credit enhancements (including debt reserve funds and credit pooling). Pending legislation will also permit SIB facilitation of the sale-leaseback financing strategy detailed in the attached project descriptions.

Proposed Financial Plan

- Source and amount of initial capitalization: The bank will be capitalized with federal and state funds. For the federal share, Oklahoma expects to commit federal-aid funds totaling $48 million and $24 million in 1996 and 1997, respectively. The state match will be 20 percent of the total capitalization. Total SIB capitalization is projected as follows:

SIB Capitalization

(Dollars in millions)

Year	Federal	State	Subtotal
1996	48	12	60
1997	24	6	30
Total, 96-97	72	18	90

- Leveraging plans: Oklahoma's application does not indicate any immediate plans to leverage the SIB through debt issuance.[1]

- Nature and timing of assistance: While the SIB will be empowered to provide an array of financial services, loans are the principal form of assistance envisioned in Oklahoma's application. The initial round of loans will be concentrated in the preconstruction phases of a single project. The SIB will lend $60,000 to this project in 1996, and $30 million over 1997-1998. With preconstruction complete in 1999, the Turnpike Authority will issue $200 million in revenue bonds to repay the SIB loan and finance the construction phase of the project. The revenue bonds will be backed by the three following funding sources: (1) lease payments from the DOT to the Turnpike Authority on the use of the road; (2) a potential intercept of state highway revenues; and (3) potential tolling of the road in the event that neither of the previous two options is available or sufficient to cover debt service requirements. It is considered very unlikely that the Turnpike Authority would utilize the latter two options.

  On the basis of the repaid loan, the SIB will be positioned to initiate a second round of loans to other projects. In this way, the initial loans made by the bank will cycle through the bank quickly, permitting further loans to be made within just a few years.

Proposed Projects

A summary of proposed projects is attached.

[1] Leveraging refers to a financial strategy in which a state issues bonds to increase the pool of funds it has available to lend from its infrastructure bank. When a bank is unleveraged, the amount of loans or other assistance that it can offer is limited to the amount of seed capital initially deposited in the bank. Over time, however, project sponsors repay the bank loans, and the principal and interest repayments replenish the fund so that it can support a new round of assistance to a new generation of projects.

State Infrastructure Bank of Oklahoma: Proposed Projects

Project and Description	Constr. Cost (millions)	SIB Assistance: Type and amount	Project Sponsor(s)	Construction Start Date	Status	Revenue Source
Broadway Extension, Oklahoma City (widen existing 7.5 mile road and construct new interchange).	196	Loan of about $30 million to cover preconstruction costs. The loan recipient will be the state DOT, which is responsible for constructing the project as a free road. After completing the project, the state DOT will sell the road to the Turnpike Authority. At this point the SIB loan will be liquidated with proceeds from revenue bonds issued by the Turnpike Authority. After the sale and loan takeout, the state DOT will lease the road back from the Turnpike Authority for a 15-year period. After the 15 years, the road will revert to free-and-clear ownership by the state DOT.	Oklahoma Turnpike Authority and Oklahoma DOT.	Upon completion of the NEPA process, preconstruction work (including ROW acquisition and utility relocation) could begin immediately. Accordingly, construction is expected to begin in 1997.	An EA has been submitted, but no further action has been taken due to lack of financing options for this project. The EA process will be reactivated upon finalization of a financing plan.	The preconstruction loan will be repaid with proceeds from revenue bonds issued by the Turnpike Authority. The Authority will cover debt service on the bonds with OKDOTs lease payments on the road. OKDOTs lease payments will derive from federal-aid apportionments and state matching funds. If lease payments are unavailable, an intercept of state fuel tax revenues and imposition of tolls could serve as fallback revenue sources.
Broken Arrow Expressway (SH 51), Tulsa (widen existing road).	A similar sale-leaseback arrangement is envisioned for this project, but specifics on the terms and timing of the project and the SIB assistance remain under consideration.					
			Potential Future Projects			
US 283 (SW Oklahoma).						
US 75 (NE Oklahoma).						
US 70 (SE Oklahoma).						

Summary of State Infrastructure Bank Application:

OREGON

This summary is based on the State Infrastructure Bank (SIB) pilot program application submitted March 8, 1996. Under the pilot program, the SIB is expected to evolve considerably as the State develops its cooperative agreement, and as it identifies additional projects to receive SIB assistance.

Proposed Structure

- Enabling legislation: Legislative and administrative authority for Oregon to establish and implement a SIB highway account is already in place. Additional research has established that the state also has legal authority to establish a transit account within its SIB.

- Account structure: The SIB's highway account will be housed within the State Highway Fund. The account will include subaccounts linked to specific sources of state and local capitalization funds. It is envisioned that the bank will also include a repayment account, presumably also within the State Highway Fund, to accept principal and interest payments on outstanding loans as they come due. After confirming or securing required statutory authority, the state also intends to establish a transit account. The separation of accounts by mude will ensure the state's compliance with requirements included in the federal legislation establishing the SIB pilot.

- Administering agency: Oregon DOT will provide day-to-day management of the SIB. Additional policy guidance will be provided by the Oregon Transportation Commission.

- Types of assistance to be offered: The SIB may provide projects with financial assistance through loans, subordinated debt, funding to secure bond insurance, direct loan guarantees, letters of credit, interest rate subsidies, and debt service reserves to support the bond financing of individual projects.

- Eligible recipients: Entities eligible to receive SIB assistance are expected to include state agencies, local governments, road commissions, public and private sector transportation providers, and other private sector entities involved in the development of highway and/or transit facilities.

Proposed Financial Plan

- Source and amount of initial capitalization: The bank will be capitalized with federal, state, and private funds. Oregon's application lays out the following capitalization plan for the highway account's first year:

Highway Account Capitalization - First Year

(Dollars in millions)

Source	Amount
Federal (STP)	8.9
State (Highway Trust Fund	1.1
State (Immediate Opportunity Funds)	Range: 2-7
Private (North Lincoln City)	Range: 0.5-1
Private (Grand Ronde Indian Fund)	Range: 0-5
Total	**Range: 12-23**

- Leveraging plans: The state's short-term plan is to operate an unleveraged bank. However, after establishing a financial track record and a better sense of the extent and nature of demand for SIB services, Oregon DOT may decide to leverage the bank by investing the fund corpus either with the State Treasurer or alternatively through the trustee that manages Oregon DOT's other funds.[1]

- Nature and timing of assistance: With no legal impediments standing in the way of immediate establishment of the bank, Oregon DOT expects to have its SIB capitalized and operational within 1996. The six projects Oregon has identified as likely candidates for SIB assistance are all in the project development stage or beyond. Three are expected to break ground in 1996, one in 1997, and the two remaining projects in spring 1998. Even for the latter projects, the SIB will provide immediate up-front assistance through loans covering 100 percent of the project development costs. While preconstruction and permanent loans form the core of the financial services immediately envisioned for the Oregon SIB, the state has also identified an opportunity for the SIB to help projects secure more favorable financing terms by providing credit support to a revenue bond issue.

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[1]Leveraging refers to a financial strategy in which a state issues bonds to increase the pool of funds it has available to lend from its infrastructure bank. The bond issue is secured by a portion of the bank's initial capitalization as well as by anticipated revenues that the individual projects will generate. Because loans can be made from bond proceeds as well as from the majority of the initial capitalization, leveraging permits a bank to make loans well in excess of the amount initially deposited in the bank. In the absence of a bond issue, a bank is considered unleveraged. This means that the amount of loans or other assistance that a bank can offer is limited to the amount of seed capital initially deposited in the bank. Over time, project sponsors repay the bank loans, and the principal and interest repayments replenish the fund so that it can support a new round of loans or other assistance to a new generation of projects.

Proposed Projects

A list of proposed projects is attached.

Oregon State Infrastructure Bank: Proposed Projects

Project and Description	Constr. Cost (millions)	SIB Assistance: Type and Amount	Project Sponsor(s)	Estimated Construction Start Date	Status	Revenue Source
Newberg-Dundee Bypass, Newberg (new construction of a 6- to 11-mile bypass).	120	A $1.1 million construction loan will cover all project development costs. The loan is expected to be repaid upon the start of construction (April 1998), and it is anticipated that the SIB will also provide a second, long-term loan for the construction phase of the project. Permanent financing provided by the SIB will be subordinate to bonds issued on the project.	Oregon DOT.	Spring 1998 (project completion expected for late 2000 or early 2001).	Preliminary project development phases began in February 1996; preliminary engineering, environmental studies, and final design are expected to be completed by December 1997.	Proceeds from bonds issued at the start of construction will pay off the short-term loan. Toll receipts will be the likely repayment source for future SIB assistance.
Tualatin-Sherwood Expressway, Tualatin (new construction of a 6-mile bypass).	120	A $1 million construction loan will cover all project development costs. The loan is expected to be repaid upon the start of construction (April 1998), and it is anticipated that the SIB will also provide a second, long-term loan for the construction phase of the project. Permanent financing provided by the SIB will be subordinate to bonds issued on the project.	Oregon DOT.	Spring 1998 (project completion expected for late 2000 or early 2001).	Preliminary project development phases began in February 1996; preliminary engineering, environmental studies, and final design are expected to be completed by December 1997.	Proceeds from bonds issued at the start of construction will pay off the short-term loan. Toll receipts will be the likely repayment source for future SIB assistance.
Stafford Interchange and Commerce Circle, Wilsonville (rebuild interchange and reconstruct freeway ramps).	12.4	$1 million loan.	Oregon DOT and Local Improvement District	April 1996 (completion expected for Spring 1997).	The majority of the project is designed and ready to go.	Local improvement district funds will be used pay off the SIB loan.

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Summary of State Infrastructure Bank Application:

SOUTH CAROLINA

This summary is based on the State Infrastructure Bank (SIB) pilot program application submitted March 8, 1996. Under the pilot program, the SIB is expected to evolve considerably as the State develops its cooperative agreement, and as it identifies additional projects to receive SIB assistance.

Proposed SIB Structure

- Enabling legislation: The state assembly is expected to enact enabling legislation by June 1996.
- Account structure: South Carolina's infrastructure bank will include separate federal highway, federal transit, state highway, and state transit accounts. The separation of accounts by mode will ensure the state's compliance with requirements included in the federal legislation that established the SIB pilot.
- Administering agency: The SIB accounts will be held in trust with the State Treasurer. The SIB will be governed by a 5-person Board, including members appointed by SCDOT, the State Treasurer, and the Governor.
- Eligible recipients: The SIB will be authorized to provide financial assistance to persons, public authorities, political subdivisions (such as counties), municipalities, and private entities.
- Types of assistance to be offered: South Carolina's SIB will be authorized to offer loans, provide credit enhancements, subsidize interest rates, serve as a capital reserve for bond financing, and provide related financial services.

Proposed Financial Plan

- Source and amount of initial capitalization: South Carolina is currently in the process of determining the mix of funds to be used to capitalize the SIB. Probable sources of initial capitalization include loans from SCDOT, state funds provided by the state legislature, and a small portion of the current year federal-aid apportionment. In future years, the state anticipates directing about $10 million in federal-aid apportionments annually to the bank. The $10 million would be used in one of two ways: as direct capitalization of the bank, or alternatively, as a reserve to back debt service on SCDOT borrowings used to finance the SIB.
- Leveraging plans: Although it is likely that proceeds from bonds issued by SCDOT will be used to help capitalize the bank, the bank is not currently contemplating issuing debt on its own

behalf. The authorizing legislation currently under consideration by the state assembly, however, would permit the SIB to be leveraged in this fashion.[1]

- Nature and timing of assistance: Like the other states participating in the SIB pilot, South Carolina expects that loans will initially constitute the principal form of assistance that its SIB will provide. SCDOT estimates that four of the eight projects it has identified as potential recipients of SIB assistance could advance to the point of project financing by the end of 1996.

Proposed Projects

A summary of proposed projects is attached.

[1]Leveraging refers to a financial strategy in which a state issues bonds to increase the pool of funds it has available to lend from its infrastructure bank. The bond issue is secured by a portion of the banks initial capitalization as well as by anticipated revenues that the individual projects will generate. Because loans can be made from bond proceeds as well as from the majority of the initial capitalization, leveraging permits a bank to make loans well in excess of the amount initially deposited in the bank.

South Carolina Transportation Infrastructure Bank: Proposed Projects

Project and Description	Constr. Cost (millions)	SIB Assistance: Type and Amount	Project Sponsor(s)	Estimated Construction Start Date	Status	Revenue Source
Southern Connector, Greenville (new construction of 16-mi. 4 lane limited access highway).	160	Loan and/or letter of credit (estimated at $20 million).	Connector 2000, a tax exempt public-purpose corporation.	Construction start in Spring 1997, assuming project financing is in place.	Draft environmental documents have been completed. A request for proposals was issued in August 1995 for a construction and operation of the facility. SCDOT expects a developer agreement to be finalized in summer 1996.	Loan to be repaid with or letter of credit to be backed by project toll receipts.
Sea Island Expressway, Johns Island (new construction of 15-mile 4-lane limited access highway).	120	Loan.	Loan recipient is to be determined.	Construction start in 1997, assuming project financing is in place.	SCDOT issued a request for proposal in August 1995. Scope of the project has expanded from the original $30 million to include an additional $90 million for the Mark Clark expressway extension. DOT is evaluating the next course of action.	Loan to be repaid with project toll receipts.
Fantasy Harbor Bridge, Myrtle Beach (new bridge crossing).	15	Loan (amount to be determined).	Loan recipient is to be determined.	Construction start in 1996, assuming project financing is in place.	Identification of a financing plan and negotiation of a design/build contract is projected for fall 1996.	Admission tax at Fantasy Harbor entertainment complex is a potential source of repayment for a SIB loan.
Cross Island Connector, Hilton Head (new construction of 4 lane limited access toll highway).	81	SCDOT is currently issuing bonds with plans to lend the proceeds to the state Turnpike Authority. The loan will be transferred to the SIB after the fact.	Loan recipient is to be determined.	Construction start in 1996. Project completion date is November 1997.	Project is underway. Bond issue July 1996 (initial $45 million.). Final contract let in April 1996.	Toll receipts will be used to repay the loan.
Subtotal	376					

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		Other Potential Projects
Bobby Jones Expressway, North Augusta.	40	
Carolina Bays Parkway, Myrtle Beach.	700	
Grace Bridge Replacement, Charleston.	330	
GRAND TOTAL	1,446	

Summary of State Infrastructure Bank Application:

TEXAS

This summary is based on the State Infrastructure Bank (SIB) pilot program application submitted March 8, 1996. Under the pilot program, the SIB is expected to evolve considerably as the State develops its cooperative agreement, and as it identifies additional projects to receive SIB assistance.

Proposed SIB Structure

- Enabling legislation: Texas DOT has existing legislative authority to make loans to the Texas Turnpike Authority, meaning that the Texas SIB can be immediately established to support transactions between these two agencies. New legislation will be introduced in the 1997 session of the Texas legislature to expand the scope of the Texas SIB. Key areas of expansion will include forms of financial assistance the SIB offers, eligible recipients for SIB assistance, types of eligible projects, and potential sources of capitalization for the bank.

- Account structure: Under current law, the Texas SIB will focus on loans and credit enhancements to tollways, which will in turn require that the bank include just one modal account. The state may establish separate subaccounts within the bank for individual projects. If Texas DOT secures legislative authority to provide a broader array of SIB services to a wider variety of types of projects including transit, the state will establish separate modal accounts (e.g., highway and transit), as required by the federal legislation that established the SIB pilot.

- Administering agency: Texas DOT will have principal responsibility for day-to-day management of the bank. Policy guidance and additional assistance in operating the SIB will also be provided by the Texas Transportation Commission.

- Eligible recipients: Under existing law, Texas' infrastructure bank can provide financial assistance to the Texas Turnpike Authority for toll road projects. Legislation anticipated for 1997 would extend to counties, cities, towns, private entities, and quasi-public entities (such as other toll authorities or road utility districts) for a variety of transportation projects.

- Types of assistance to be offered: Under existing law, Texas' infrastructure bank can provide project assistance in the form of loans, various types of credit enhancements, and interest rate subsidies. Legislation anticipated for 1997 would expand this menu of financial services so that the bank could offer letters of credit and provide capital reserves to support debt financing.

Proposed Financial Plan

- Source and amount of initial capitalization: Texas DOT envisions that it will capitalize the SIB with a share of eligible federal-aid funds as well as state highway funds. Potential sources of state match include state motor fuel taxes, registration and license fees, and other revenues dedicated to the State Highway Fund.

- Leveraging plans: Under existing law, Texas' SIB will be unleveraged. Assuming enactment of the new legislation discussed in the preceding paragraphs, Texas DOT will consider leveraging the bank by placing future years capitalization funds in a reserve against which revenue debt would be issued. SIB loan repayments would serve as the dedicated revenue stream securing the debt.[†]

- Nature and timing of assistance: On the basis of a well-developed relationship between Texas DOT and the Texas Turnpike Authority, one existing project will be brought into the SIB framework and two related projects may be initiated using SIB assistance. While both new projects are still several years away from breaking ground, Texas DOT anticipates that a SIB could be of material assistance in supporting the preconstruction phases of the projects, including major investment and feasibility studies. In the near term, loans are the most likely form of project assistance to be provided by the Texas SIB.

Proposed Projects

A summary of proposed projects is attached.

[†] Leveraging refers to a financial strategy in which a state issues bonds to increase the pool of funds it has available to lend from its infrastructure bank. The bond issue is secured by a portion of the banks initial capitalization as well as by anticipated revenues that the individual projects will generate. Because loans can be made from bond proceeds as well as from the majority of the initial capitalization, leveraging permits a bank to make loans well in excess of the amount initially deposited in the bank. In the absence of a bond issue, a bank is considered unleveraged. This means that the amount of loans or other assistance that a bank can offer is limited to the amount of seed capital initially deposited in the bank. Over time, project sponsors repay the bank loans, and the principal and interest repayments replenish the fund so that it can support a new round of loans or other assistance to a new generation of projects.

Texas State Infrastructure Bank: Proposed Projects

Project and Description	Constr. Cost (millions)	SIB Assistance Type and Amount	Project Sponsor(s)	Estimated Construction Start Date	Status	Revenue Source
SH 190 - Core project, Dallas metropolitan area (26-mi. northern segment of semi-circumferential beltway north of Dallas, with total project costs exceeding $1 billion).	696	A $135 million loan has already been made to the project under Section 1012 of ISTEA. Texas DOT intends to bring this existing loan under the framework of the SIB as soon as the SIB is established.	Texas DOT and Texas Turnpike Authority.	Project will be constructed in four phases, spanning March 1998 through July 2004.	Project has been in process since 1987 and is currently in the final stages of preconstruction.	Toll receipts form the likely revenue stream to repay the loan.
SH 190 - Western Extension, Dallas metropolitan area (segment of semi-circumferential beltway).	59	Loan of unspecified amount to support feasibility studies and preliminary design. Further loans to assist in right-of-way acquisition, environmental studies, final design, and construction may also be pursued.	Texas DOT and Texas Turnpike Authority.	2004 (without SIB assistance, likely 2010).	Feasibility study is underway.	Tolls and other revenue sources are under consideration.
SH 190 - Eastern Extension, Dallas metropolitan area (segment of semi-circumferential beltway).	129	Loan of unspecified amount to support feasibility studies and preliminary design. Further loans to assist in right-of-way acquisition, environmental studies, final design, and construction may also be pursued.	Texas DOT and Texas Turnpike Authority.	Project start date assuming SIB assistance is under consideration (without SIB assistance, likely 2010).	Major investment study and feasibility studies have been authorized and are expected to begin soon.	Tolls and other revenue sources are under consideration.
Subtotal	**884**					

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		Potential Future Projects
SH 121, Fort Worth (potential 32-mile toll road).	400	
Kennedy Causeway, Corpus Christi.	33	
Northside Highway and Rail Corridor, Corpus Christi.	33	
US 183A, Austin.	93	
Southwest Freeway HOV lanes (US 59), Houston.	45	
SH 99, Houston.	600	
GRAND TOTAL	**2,088**	

Summary of State Infrastructure Bank Application:

VIRGINIA

This summary is based on the State Infrastructure Bank (SIB) pilot program application submitted March 8, 1996. Under the pilot program, the SIB is expected to evolve considerably as the State develops its cooperative agreement, and as it identifies additional projects to receive SIB assistance.

Proposed Structure

- Enabling legislation: Virginia's Public-Private Transportation Act of 1995 authorized the state and most of its subjurisdictions to contract for the private provision of transportation facilities of all modes. Companion legislation also established the Toll Facilities Revolving Account as an account of the state's Transportation Trust Fund. With these two pieces of legislation, Virginia has the necessary statutory authority for creation of a SIB.

- Account structure: The SIB will be housed as a federal account within Virginia's existing Toll Facilities Revolving Account. The SIB is likely to include both highway and transit subaccounts. The separation of accounts by mode will ensure the state's compliance with requirements included in the federal legislation that established the SIB pilot.

- Administering agency: Virginia DOT will administer the SIB.

- Types of assistance to be offered: Virginia identifies three principal forms of loan-based financing that its SIB will offer: (1) low- or no-interest loans (subordinate to other financing sources); (2) ramp-up loans (wherein the loan payments in the early years of the repayment period are held low, but ramp up in later years); and (3) contingent loans (covering the early phases of a facility's operation).

- Eligible recipients: Private entities under contract to public agencies (including the state and all political subdivisions with jurisdiction over transportation facilities) will be eligible for SIB assistance.

Proposed Financial Plan

- Source and amount of initial capitalization: The bank is likely to be capitalized with federal and state funds. The state is currently considering options for redirecting a share of its federal highway and transit funds away from direct grants and instead toward capitalizing the SIB. In addition, another potential source of seed capital for the bank is a share of receipts from existing revenue-generating projects in Northern Virginia.

- Leveraging plans: Virginia does not envision leveraging the bank initially, but may do so in the future.[4]

- Nature and timing of assistance: At its inception, the bank's principal role will be to provide loans in support of public-private partnership projects. Five projects (three highway and two intermodal) are currently identified. Of the five, one project is already underway using FTA funds, two are in the request-for-proposal stage, and the final two were proposed by private consortia and are currently being evaluated by VDOT. Despite these projects' relatively well-defined and ready-to-go status, the dim outlook for sufficient public funding to complete them makes it unlikely that any will proceed to construction if forced to rely on traditional financing mechanisms. Thus, in all five cases, VDOT considers anticipated infrastructure bank support to be a major catalyst in advancing the projects to construction within the coming few years.

Proposed Projects

A summary of proposed projects is attached.

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[4] Leveraging refers to a financial strategy in which a state issues bonds to increase the pool of funds it has available to lend. When a bank is unleveraged, the amount of loans or other assistance that it can offer is limited to the amount of seed capital initially deposited in the bank. Over time, however, project sponsors repay the bank loans, and the principal and interest repayments replenish the fund so that it can support a new round of assistance to a new generation of projects.

Virginia SIB: Proposed Projects

Project and Description	Constr. Cost (millions)	SIB Assistance: Type and Amount	Project Sponsor(s)	Estimated Construction Start Date	Status	Revenue Source
I-895 Connector, Richmond metropolitan area (new construction of connector).	225	Loan (amount to be determined).	VDOT with private consortium.	The start date is currently unknown, pending project approval by VDOT and determination of a funding package.	Original EIS was completed in 1984. Design is underway; the principal obstacle to progress on this project has been lack of funding. VDOT is currently evaluating the project proposal initiated by the private consortium.	Alternatives are under consideration.
Route 288, Richmond metropolitan area (new construction of a link in a circumferential highway).	255	Loan (amount to be determined).	VDOT with private consortium.	The start date is currently unknown, pending project approval by VDOT. A phased approval process is expected over a 9-12 month period, with a fast-track construction period estimated at 30 months.	EIS was completed in September 1989; the principal obstacle to progress on this project has been lack of funding.	The SIB loan will most likely be repaid with toll receipts.
Route 168 South, Chesapeake (new capacity on 10.2-mile street).	115	Loan (amount to be determined).	City of Chesapeake.	To be determined.	City is evaluating private proposals to build, operate, and finance the project. Environmental reports have been provided to the Corps of Engineers in compliance with NEPA. The MIS is complete.	Alternatives are under consideration.

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Project and Description	Constr. Cost (millions)	SIB Assistance: Type and Amount	Project Sponsor(s)	Estimated Construction Start Date	Status	Revenue Source
Washington Metro Parking Deck, Vienna (construction of 1000-space parking deck).	10	Loan (amount to be determined).	Virginia Department of Rail and Public Transportation (DRPT).	To be determined.	DRPT is drafting a request for proposals for private entities to design, construct, operate, and maintain the facility for a specified period of time.	Alternatives are under consideration.
Downtown Richmond Multimodal Transportation Center, Richmond (improvements to station, highway access, and parking; construction of bus terminal).	32	Loan (amount to be determined).	Virginia Department of Rail and Public Transportation (DRPT).	To be determined.	Project is currently receiving $2 million in FTA grants, but availability of future funding to complete additional project phases is uncertain.	Alternatives are under consideration.
TOTAL	637					

TESTIMONY SUBMITTED BY

DANIEL V. FLANAGAN, JR.

CHAIRMAN & CEO
THE FLANAGAN CONSULTING GROUP

BEFORE THE

HOUSE
COMMITTEE ON TRANSPORTATION AND INFRASTRUCTURE

SUBCOMMITTEE ON SURFACE TRANSPORTATION
JULY 18, 1996

Mr. Chairman, Members of the Subcommittee, it is an honor to have been invited to testify before you today as the Chairman of the Infrastructure Investment Commission created by Congress in the Intermodal Surface Transportation Efficiency Act (ISTEA) of 1991, and also as the Construction Writers Association of America's 1993 Construction Man of the Year for the "Innovative recommendations of the Commission." I am delighted to be here recognizing your interests in alternative financing techniques for infrastructure.

I note that the House held similar hearings last year and covered many of the issues that our Commission had looked at as well, particularly the matters surrounding the decline in infrastructure spending in this country.

Our Commission held seven public hearings in the Fall of 1992 with 46 witnesses from various financial institutions, development firms, pension funds, project sponsors, and public officials. Our report was submitted to the President and Congress on February 23, 1993. We have briefed the leadership of Congress and the Chairmen and Ranking Members of the appropriate committees. We are excited that our recommendations will be considered in-depth during the course of the review of the ISTEA legislation during the years 1995 and 1996. We believe they are particularly applicable as Congress also addresses the issue of "privatization" which I prefer to call, as a more descriptive term, "private capital investment".

It is my pleasure to inform the Members of this Committee that on numerous occasions, perhaps 30 or more, I have been asked to give speeches around the country on the subject and the reception has been very positive. I think there is an intense desire to provide for new opportunities for private capital infrastructure investment in both new facilities and those already in existence where government does not have the means available for modernization, compliance, and savings.

By way of perspective, I think it is worth noting that the major federal infrastructure initiatives that began in the post cold war era have now reached a point, 40 years later, where there is a certain maturity. Last year Secretary of Transportation Pena spoke about the 40 year old vacuum tubes which are the principle element of our air control system around the country. He suggested the need for the Air Services Corporation as a vehicle for private capital to invest in the modernization of those facilities. Coincidentally, that is the time when the Federal Highway System, under President Eisenhower, was initiated as were many other of our Federal infrastructure activities. During that same period, most of the infrastructure funding in this nation was devoted to either grant programs, at both the Federal and state levels, or in the municipal bond area.

Interestingly enough during the course of these speeches, it was pointed out to me by a World Bank panelist that, not only was the United States the only nation in the world to provide for a municipal bond/tax exempt approach - with a federal tax subsidy - for our infrastructure, but that the rest of the world was geared toward a project finance approach and we were not. Through this historical devotion to grant programs and municipal bond finance - which moves exclusively through the political process - we have inadvertently prevented the private sector from playing a role. What is that role? I would tell you it is taking risk, it is introducing new technology, and it is providing alternative innovative financing. Most importantly, when we talk about "privatization", there is private capital available with a willingness to invest in suitable infrastructure product if available.

Fortuitously, the Department of Energy and the Department of Defense are actively considering recommending to Congress a new credit enhancement facility to encourage private capital investment in government owned energy facilities. There is significant private sector interest in what would be a new energy generation market for them and a decided savings for the Departments. This proposal is described in the attachments and is currently referred to as the Forrestal Corporation (after the Department of Energy's headquarters facility) and has its origins in the Commission's recommendations and the current evolution of the electric utility industry and independent power production; which I am intently familiar with going back to the Energy Policy Act of 1992.

Another current example is a proposal, again deriving from our recommendations, by the National Education Association to create "Eddie Mac" as a vehicle for our nation's pension funds to invest in securities dedicated to the rebuilding of our nation's schools.

Our over arching goal is to "grow the pie". This is not an either/or but rather an additional outlet on the financing artery of infrastructure. One of the reasons that American pension funds can invest in products overseas in China and elsewhere is that there is a global tradition of project finance. What we need in this country today, is that same product deriving from that same discipline. Historically, we have provided a tax exempt status for pension funds, coincidentally, beginning after World War II. As a result, we now have a tremendous build-up of capital which is probably the largest in the world. Since we have never taken the time to design an infrastructure product for this vast resource of capital, it has looked for its investment opportunities elsewhere.

I must tell you Mr. Chairman, that American institutional investors want to invest in their own nation's infrastructure; but they cannot because we have not, to date, responded to that interest. Colorado's public employee retirement system testified as to their trustees desire to have 20% of their assets invested in Colorado - but they were only at 7% and had exhausted what intra-state infrastructure opportunities existed. They heartily endorsed our recommendations as a way to increase the supply of infrastructure investment opportunities in Colorado. The same story occurs in every state in America. That is my underlying message here today.

There should be no mandates; we said that in our report. Frankly, the whole subject of economically targeted investing, ETI as it's called, is counter-productive. The issue is not on the pension fund side, it is on the product side. What is needed in terms of the federal and state government activity is to address the availability of development risk insurance, user fee re-insurance, and credit enhancement to get the product to the marketplace prior to actual construction. The financial institutions will do their own due diligence and will make the investments accordingly stimulating over time the creation of a new, liquid market in security instruments that are also attractive to pension fund investors. These would be at non tax-exempt yields sufficient to attract such investment since pension funds are already tax-exempt and will not purchase tax-exempt municipal bonds. We provide risk insurance for American investment abroad through the Overseas Private Investment Corporation, and now through the Export-Import Bank, it is time to do the same in our own country.

Mr. Chairman, it was my pleasure to serve as Chairman of the Infrastructure Investment Commission and to appear before you today. I look forward to working with you and your staff during the coming months, particularly as Congress reviews the Intermodal Surface Transportation Efficiency Act; and how our Commission's recommendations will spur innovative financing techniques for both new and existing infrastructure, whether publicly or privately owned. I would hope that could be the vehicle for action on our recommendations. It should be understood, that while transportation might be the leading edge for our proposals - they do incorporate other infrastructure modes and whatever legislation is drafted should not be generically exclusive but rather focus on the marketplace and new ideas that can evolve throughout the infrastructure spectrum.

I can assure you that, just as American firms are actively involved around the world in energy and telecommunications infrastructure projects, with the experience of project finance in these other modalities of infrastructure, those global markets - particularly in environmental infrastructure - will also enjoy American expertise. As I noted earlier, there is a great deal of discussion now about "privatization". The lesson from our report is, "How does government encourage private capital investment?" That is the key. The answer is, once again, by fostering product through modest Federal investment in development risk insurance, "user fee" reinsurance, and credit enhancement prior to construction. As a result, leveraging those Federal dollars some twenty-fold by the entry of private capital.

Attached are addenda providing supplementary testimony and, particularly, a question and answer section that is provided for clarity purposes.

Thank you very much. I look forward to your questions.

ADDENDUM A:

Questions and Answers as to the Recommendations of the Infrastructure Investment Commission

Question 1: What innovative or alternative financing techniques does the Infrastructure Investment Commission recommend for infrastructure projects?

Our recommendations for packaging a product for institutional investors are as follows:

1) The federal government would provide several tools to state revolving funds including development risk (pre-construction) insurance, which is essentially coverage for architectural fees, environmental studies, permits etc., against the various risks inherent in the political process. We do provide political risk insurance for American investment abroad through the Overseas Private Investment Corporation but there is no such entity today on the American scene. If we are increasingly shifting to revenue-supported projects utilizing a user fee, there must be a public confidence factor and plebiscite involved. Therefore, a premium/deductible purchase of development risk insurance allows for the entry of a "community of interest" around a project, to stay the course and establish the user fee base.

2) With the user fee established through a plebiscite or some other public action, you then have the opportunity to provide the second tool, i.e., to reinsure that the user fee provides credit rating/credit enhancement opportunity for the project. This is all done as part of the pre-construction financing stage which is the most crucial part of infrastructure. Once the project is up and running and generating revenue, the unique phenomena of infrastructure is that in the downstream years, the project only enhances its economic value.

These tools will secure the interest to seek additional diversification in investment strategies and innovative projects across the spectrum of the American economy for possible investment. This has become increasingly evident with pension fund managers which has never happened before. Through accidents of history we have shaped our infrastructure spending around grant programs; and we are unique in the world in providing significant federal subsidies to underwrite in the municipal market. We need to add a third leg which is private capital investment looking at the basic parameters of domestic project finance now done all over the world.

3) The other recommendation, to help in the pre-construction finance phase, is to multiply the provisions in ISTEA having to do with subordinated debt as that may be necessary to complete the financing of a project noting that the user fee will be in place eventually.

Question 2: Can these innovative financing techniques be further developed and successfully applied given the existing statutory framework?

All of this requires a small agency to serve as the administrator of this program providing these tools to state revolving funds and hence, the creation of the National Infrastructure Corporation is suggested. This would be a modest sized entity serving as the financing intermediary with the states and ultimately taking the program to its next step, which is to sponsor, with the states, a securitization of these projects and a resultant secondary market for liquidity purposes to increase the opportunity for institutional investment.

The testimony that the Commission heard from pension managers is that they seek diversification in their portfolios, and that they are prepared to do their own due diligence based on risk reward ratios; but right now there is no product available. The challenge of the federal government is to provide those tools which would be at relatively modest cost in this era of the "hard freeze." We would anticipate that the private sector would be co-investors in these insurance-type activities. We modeled our recommendation as to credit enhancement after the federal sponsorship of Connie Lee, which specializes in small college facility financing. Indeed, they have leveraged $18 million of a Department of Education investment along with other private investment into $5 billion worth of current projects on their books.

We say in our report that $1 billion/year for five years would allow leverage (at the ratios of 10 - 1 and eventually 18 - 1) to the point where the Corporation could maintain an infrastructure pipeline of economic activity of approximately $100 billion. Indeed, this is a laudable objective and the cost to the Treasury would be modest.

Question 3: How would a proposed national infrastructure corporation and an infrastructure insurance company work and how can they be implemented?

The Commission has proposed offering three types of credit assistance for projects: (1) being a lender of subordinated debt to project sponsors; (2) establishing a credit enhancer to provide financial guarantees to third-party lenders; and (3) providing insurance against non-completion for development phase expenses. These functions would be provided through a newly-created, Federally-charted organization which we are calling the National Infrastructure Corporation (NIC). For purposes of analysis, let's assume a Treasury line of credit of $1 billion would be needed to support NIC's loans, guarantees and insurance, although this is somewhat conjectural.

Each of NIC's activities would require initial capitalization from the general federal budget but is expected to be self-sustaining thereafter. We are assuming $1 billion per year over three years. The Commission somewhat arbitrarily assumed that the split among the three programs would be 65% - 25% - 10%, respectively. The budget impact analysis should calculate the fiscal impact for each dollar that is appropriated to each program, allowing us to adjust the relative allocation of funds.

1) <u>Funding Subordinate Project Loans:</u> NIC would fund $650 million of subordinate debt at an assumed blended taxable and tax-exempt rate of ten percent with $650 million of appropriations. Subordinated debt may be supplemented by public or private sponsor equity. Based on the assumption that the subordinated debt will represent up to 25% of project costs, this $650 million initially would induce nearly $2.6 billion of projects. However, since the Corporation itself acts as a revolving fund, there is a multiplier effect of secondary loan activity generated by loan payments. Based on rating agency analytic models of potential default experience in a "depression era" scenario for BB caliber debt, we have assumed that up to nine percent of the subordinated debt portfolio could become non-performing. Assuming that there is a two-year construction period before repayments commence, the Corporation would receive $70 million per year from 1995-2000, which in turn, could be relent. These monies would result in over $350 million of second round revolving loans. (In addition, the Corporation would seek to monetize the remaining balance of its performing loans after five years seasoning by borrowing against or selling off its portfolio, generating further lendable funds.)

2) <u>Credit Enhancement:</u> The infrastructure insurance subsidiary would provide a primary insurance financial guarantee on debt service payments for infrastructure projects of BBB caliber, similar to operations of Connie Lee. The credit enhancer could also provide reinsurance to existing bond insurers to free up additional capacity for them. Due to its higher profile, the credit enhancer would probably need to adhere to more strict standards than Connie Lee's 50:1 debt service exposure to capital ratio. We have assumed a 30:1 ratio, which is roughly midway between the leverage ratios used by rating agencies

to assess credit enhancer portfolios of commercial real estate mortgages and highly leveraged transactions. The 30:1 debt service-to-capital ratio corresponds to a 15:1 ratio for the par amount of bonds insured to capital. Assuming that half of the debt woold be tax-exempt and half would be taxable, the credit enhancer would be insuring issues with an average borrowing rate of 7.5% for 20 year borrowings.

3) <u>**Development Risk Insurance (Pre-Construction):**</u> It assumed that NIC would insure the project sponsor against loss on development costs, with a 30% deductible (i.e., a 70% coverage) similar to the Overseas Private Investment Corporation's "political risk" insurance program. If development phase costs are assumed to equal five percent of total project costs, the $100 million in seed capital could ultimately induce $2.8 billion of activity. Projects might still need funding assistance at the construction phase through the guarantor lender, so the induced activity may not be additive to the total. Due to the speculative nature of project development, we have assumed 1:1 reserves against total development risk exposure. The amount of insurance written for any single project would be capped to prevent undue concentration of risk.

<u>**Question 4: What obstacles are hindering the use of innovative or alternative financing for infrastructure projects? What can be done to overcome these obstacles?**</u>

In my addenda, Mr. Chairman, I talk about the lessons of PURPA (Public Utility Regulatory Policy Act - 1978) and how through a certain federal action concerning a subsidy for co generation, an independent power generation industry was created. We oftentimes find ourselves looking at a mature industry segment in our economy and look for a way to encourage private capital to reinvest and revitalize. The obstacle with infrastructure is that it has been historically wedded to the political process and in a sense is a regulated industry. We addressed similar challenges in telecommunications, natural gas, electricity/power generation, and the same applies to infrastructure. The obstacles are that we have been weaned on grant programs and municipal bond finance, all part of that regulated political process.

As a result, the entrepreneurs who seek to invest in America's infrastructure - the architects, engineers, etc. - are discouraged and will not move forward because of the lack of one-stop shopping, etc. That's why the tools that we have suggested here will unleash - and I can tell you that we have talked to many people who want to do this - considerable economic activity, e.g. environmental waste treatment plants, high technology toll roads, and even telecommunications.

For example, the National Education Association recently testified as to their desire for retirement systems to have the opportunity to invest in telecommunications infrastructure for schools. They have suggested certain approaches and funding techniques that are very similar to the recommendations contained in our report.

Development risk insurance, credit enhancement, etc. are the basic concepts and I think you would be amazed at what could happen. My thought is that it would mushroom once people saw the full potential. I would also say that the traditional investment banking firms are beginning to explore these new concepts, but it is taking some time. Pension funds have been tax exempt since their inception and as a result they do not communicate with nor are they interested in - except for trading purposes - purchasing municipal bonds. Therefore you have this great chasm between the public finance officials on Wall Street who have dealt exclusively with municipal bond tax exempt finance and the pension funds. Pension funds are so enormous in size in numerous instances that many have their own staff and are perfectly capable of performing due diligence and investing in infrastructure on their own if product is available.

Question 5: What can be done to encourage the use of innovative or alternative financing for infrastructure projects?

The establishment of a National Infrastructure Corporation would be a very positive step. We were always impressed with the history of Connie Lee and how - with $18 million as a minority investment in that entity - so much was accomplished of a positive nature. I must repeat, Mr. Chairman, that we are at the end of an era - the end of the post cold war economy - and we are frankly looking for new ways for capital to replenish and augment our thinning infrastructure across the land. We need in some instances to bring a new paradigm into place so as, with minimal government investment, to maximize potential private capital funding. While I point out in my testimony that the private sector is certainly in a position to establish facilities for development risk insurance etc. - at a minimum, the federal government should begin a process to do likewise because we cannot afford the luxury of waiting any longer. I don't think we want a command and control effort in terms of the design of the financing instruments etc. - it is important that the marketplace be allowed to discern that. The fundamental problem is that entry into infrastructure is the challenge. We must understand that entrepreneurs, who would spend millions of dollars on development fees need assistance, as a revenue stream must be established for that project and there is always political uncertainty. Therefore, the government has to recognize this and provide the tools to address this uncertainty.

Question 6: What are the appropriate roles of Federal, state, and local governments and the private sector in developing innovative and alternative financing?

The National Infrastructure Corporation would serve as an administrative agency providing the aforementioned tools of development risk insurance, credit enhancement, etc. They would perform this task for their "clients" who would be state revolving funds. In order for states to participate in the program they would have to establish a revolving fund of a multi-agency nature, not exclusively transportation, so as to encourage project development in a variety of areas including environmental. It would be assumed that states could add additional funding to their programs; and I personally know that several states are considering that, particularly California. It is true that these same tools could be initiated by state government; but what we are discussing is a national policy and a role where federal dollars can encou.age significant private capital investment. Therefore, we would envision state revolving funds serving as the project facilitator for these types of financings. In other words, if a project from a particular state desires to purchase development risk insurance, they would contact the state offices to do so. We would actively discourage and recommend against a centralized national facility because that would inevitably create a giant bureaucracy. We want the credibility of programs being maintained by the state and that the federal entity - The National Infrastructure Corporation - be kept to a modest size exclusively serving state revolving fund clientele.

Earlier studies, such as Fragile Foundations, endorsed state infrastructure revolving funds. It is practical that the state determine which of their projects can establish the appropriate revenue stream for certain developments. Governor Blanchard (now Ambassador) suggested that the tools available from The National Infrastructure Corporation would have allowed him to decipher what projects were prepared to establish a separate revenue stream that would have given him the opportunity to then decide how to readjust his grant program/tax exempt finance strategies to deal with projects that could not garner such a revenue stream, e.g. inner city and rural areas.

Essentially, the federal role is to provide the three tools of credit enhancement, development risk insurance, and subordinated debt to the state revolving funds who in turn serve as service centers for the project sponsors, which can include, typically, a very complete group of local officials, architects, environmentalist, etc.

It should be pointed out that the lenders for such projects, both for the short term construction lending and the longterm financing, will expect significant information prior to and during the construction phase of the project. I have personally witnessed the scrutiny upon which such projects must undergo. When private capital is being placed at risk in construction finance, particularly in a situation where the revenue stream does not commence until after the construction phase has been completed - the lenders will be very exact in their requirements. This gives great security to the project because, unlike a grant program where there is 100% risk to the government sponsor and no guarantee of on time completion, here there is every incentive to perform on time. The federal government as a result, in providing these tools to state revolving funds, takes very little risk. The lenders, and the credit rating agencies who are involved through the credit enhancement process, bring disciplines that in many ways provide self insurance to the Corporation's activities.

We can assure you that our witnesses were very impressive as to the innovations that they would sponsor. That is their business, working in inventive ways, so that the project can be considered by the private sector for innovative financing techniques.

The subordinated debt provisions mentioned earlier are brought into play as a loan when in some instances the project is close to financing but needs to add to its equity side. This is the one area where we would assume a modest amount of loss, but we made such assumptions when determining what the leverage would be for our program.

Financing by the federal government, in this instance, is essentially a one time phenomenon as to equity investment in these insurance disciplines. Assuming significant success, Congress may want to increase the amount of financing, particularly on the subordinated debt side. Once a project begins receiving revenues from the services being rendered, it no longer is part of The National Infrastructure Corporation Revolving Fund enterprise - and is spun off to begin its commercial life thus allowing the resources from the Corporation and the revolving fund to be replenished and to resume discussions of financing for other projects.

ADDENDUM B:

During the course of our hearings, I was struck by the fact that one witness, Bill Chew from Standard and Poors - a nationally recognized expert on bond ratings made the comment that what we were doing reminded him of PURPA, which stands for the Public Utilities Regulatory Policy Act. The Act spawned the independent power industry at a time when virtually all power plants were "built" by utilities. The perception was that no one else could do it. Today we find that the bulk of our power plants are being built by independents injecting new technology and private capital. It is an interesting analogy and one I am personally familiar with having led in the Public Utility Holding Company Act (PUHCA) reform effort. In fact, earlier efforts in related industries only further my confidence in our recommendations. The key is entry. Private capital has the attribute of encouraging entrepreneurs, something that we have not had very much of in our nation's regulated infrastructure. While the best at systems management, the United States is falling behind in our infrastructure technology according to recent studies. There has been this discussion of public/private partnerships which I salute. Real benefits will come from a marketplace approach that will provide intrinsic competition to the existing infrastructure networks and, in the long run, elevate infrastructure matrix to a higher standard.

Our recommendations have no real opposition. We have put together suggestions that have been very well received and, as a result, I would urge you to consider them seriously. Additionally, there is nothing in the law that precludes the private sector from pooling their resources and developing similar tools to those recommended for the federal government. The private sector can easily form private development risk insurance companies, credit enhancement facilities, etc.. The problem, to date, is that they have not for non-tax exempt investment securities. The federal government, as a result, should take the initiative here in the context of leveraging the federal dollar. A modest stipend for this activity on the federal side will multiply to a significant extent what the federal dollar can do through the states. In truth, you can more readily address the needs of the inner city and rural America by bringing on this additional capacity of user fee application. You do grow the pie.

Years ago, I had the pleasure of the friendship of Mr. Ray Lapin, a fellow San Franciscan, who had been the head of Federal National Mortgage Association (FNMA) in the Johnson Administration and while there, established the GNMA program. At the time I had just returned from Naval service in VietNam and was a young investment consultant working with pension funds around the country. Ray and I were talking about this activity back in our own home town during a political campaign and Ray noted that GNMA's would be the perfect investment opportunity for pension funds. Mind you this was in 1971. No one knew what a GNMA was in those days and of course the rest is history. I have explained many times, particularly to Senator Moynihan who had a significant role in ISTEA, that what Ray Lapin had in mind with GNMA for housing - we must find something similar for infrastructure.

There are numerous projects across the land, e.g. rebuilding bridges, that can stand the test of a time-certain user fee and with a funding scheme allocated over a 30 year depreciation period the cost to the consumer will be on a par with the current financing techniques. The point, as always, is that we must do more. We cannot afford, as a nation, to freeze out the vast resources contained in America's institutionally managed accounts, particularly the pension funds. During our testimony the state of Colorado made it very clear, in terms of their public employee retirement system, that they had an in-state investment goal of 20% (i.e, funds from their pension funds would be helping the economy of that state to the amount of 20% of their portfolio). They were only at seven percent at the time and had run out of ways to invest in their own state of Colorado. I would imagine that would apply throughout the country and that there is a certain urgency to taking action on the recommendations we have suggested.

The Infrastructure Investment Commission was created with this challenge in mind, performed extremely well, and had exceptional expertise including former Secretary of Transportation Neil Goldschmidt. After numerous hearings we delivered our recommendations to Congress in 1993. To summarize those recommendations, let me simply say that private institutional capital invested in our own nation's infrastructure is long overdue.

The Flanagan Consulting Group, Inc.
Washington, D.C., USA
Domestic & International Strategic Planning for Economic Development

July 18, 1996

Congressman Thomas E. Petri
Chairman
Surface Transportation Subcommittee
House Transportation and Infrastructure Committee - RHOB 2165
United States House of Representatives

Dear Mr. Chairman:

It is a pleasure and privilege to appear before the Subcommittee to present testimony as to the findings of the "Infrastructure Investment Commission" chartered by Congress in the 1991 Intermodal Surface Transportation Efficiency Act. As Chairman of that Commission, we do hope our recommendations are helpful to your Subcommittee's deliberations as to "innovative financing" and the upcoming renewal of that Act.

We focused a good part of our time on the subject of project finance and, in my professional activities, noted the very interesting financing strategy that Germany has adopted in committing to the construction of a high speed MagLev line from Hamburg to Berlin under the Transrapid sponsorship. May I enclose, as an addendum to my testimony, a description of that particular financing as an example of how similar high speed MagLev infrastructure might be financed in the United States.

Sincerely,

Daniel V. Flanagan, Jr.

Enclosures

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"Public Policy Solutions Foster Economic Opportunities"

TRANSRAPID Project Berlin - Hamburg: Project Organization and Financing Concept

1. Introduction

The German Federal Government's decision to build a superspeed maglev system between Berlin and Hamburg has opened a new chapter in the history of transportation. Current challenges in the transportation sector can not be mastered with conventional solutions alone. New approaches are necessary. The Transrapid, with its non-contact operation, high transportation performance, and unique environmental friendliness offers significant advantages over other ground transportation means. It is extraordinarily quiet, energy efficient, and through its high acceleration and cruising speeds, can achieve extremely short trip times without sacrificing ride comfort. And these short trip times are the decisive factor in diverting traffic from environmentally undesirable road and air corridors to the Transrapid. In addition to improving the regional traffic situation, this also frees up capacity on the competing transportation means.

Like most western countries, Germany is in a state of transition. The economy, industry, and society are in flux. Traditional markets, competitive advantage, and profits are no longer guaranteed. This situation is exasperated in Germany by the burden of rebuilding the New German states (former East Germany). Understandably, the Federal Government has come under extreme pressure to reduce spending, lower taxes, become more efficient, but not reduce services or weaken the social safety net.

Within this context, the Transrapid Berlin-Hamburg Project stands out again. Along with the Transrapid technology, the organization and financing of the project are also innovations. Traditionally, infrastructure has fallen within the public sector domain. Whether roads, railroads, or airports, financing and construction has been provided by the public hand. For the first time in German history, the private sector will have a substantial role in a major infrastructure project and a substantial amount of private capital will be utilized for the financing.

Ideally, it should be possible to accomplish major transportation projects without public assistance, but the realities of inadequate ridership revenues, difficult acquisition of the right of way, long time periods required for project planning, construction, and start-up, „unfair" competition from other transportation means, and the general risk of project delays, court challenges, and unforeseen events prevent this from becoming a reality.

This situation is welled documented in the US through recent attempts by highly accredited groups to make high speed ground transportation a reality. Whether the Los Angeles - Las Vegas Maglev Project (1990), Florida Maglev Demonstration Project (1993), or Texas Triangle HSR Project (1994), the difficult task of providing private financing was each project's ultimate demise.

This reality provides the backdrop for the innovative Berlin-Hamburg Project financing.

2. Berlin - Hamburg Project Overview

To better understand the project's organizational and financial magnitude, a brief overview of the project is provided as background.

The Transrapid Berlin-Hamburg Project has surpassed numerous hurdles since being first proposed in 1991. These include:

- Inclusion in the 1992 Federal Master Transportation Plan (approved July

1992): this is the prerequisite in Germany before a transportation project can be considered for approval and realization

- Creation of the public/private financing concept (December 1993)
- Approval by the Federal Cabinet of the project and the public/private financing concept (March 1994)
- Approval by both Houses of Parliament of the project and the public/private financing concept (September 1994)
- Approval by Parliament of the four laws which provide the legal basis for the commercial use of maglev systems in Germany and the Berlin-Hamburg Project. These are:
  - Superspeed Maglev Systems Planning Law (September 1994)
  - General Magnetic Levitation Systems Law (May/June 1996)
  - Maglev Systems Requirements Law (May/June 1996)
  - Maglev Systems Construction and Operations Ordinance (foreseen for 1997)

An overview of the project data used for the financing concept is shown Table 1.

3. Project Organization

The organizational and financing concept of the superspeed maglev system Berlin-Hamburg is nationally and internationally without precedent and goes significantly further than the over 100 year old traditional practice in transportation investments.

The concept ultimately chosen for the project is similar to the structure used for the privatization of the Deutsche Bahn AG (DB AG: German Railways). It contains an organizational and economic division between the track/guideway or permanent portion of the route and its vehicles and operation.

Route length	285 km (177 miles)
Stations	Hamburg Central Station Hamburg-Moorfleet Schwerin Berlin-Spandau Berlin-Westkreuz
Revenue speed, maximum	430 km/h (270 mph)
Travel time	less than one hour (with 3 intermediate stops)
Trip interval	10 minutes / 6 trips/hour/direction
Vehicle fleet size	15 trainsets + 3 reserve, 4 sections each
Trainset capacity	332 seats
Start of:	
Planning	1994
Construction	1998
Revenue operation	2005
Ridership volume (year 2010)	14.5 million passengers/year
Transportation performance	4.1 billion passenger-km/year

Table 1: Project Data Overview

Three corporations are being created to plan, build, and operate/maintain the maglev route:

- Planning Corporation
- Operations Corporation
- Guideway Corporation

Due to the inherent challenges involved in integrating this new transportation mode into the existing public network, it is imperative that the government be involved. The entrance routes into Berlin and Hamburg and the station locations are crucial to the success of the project. Also the realization of the forecasted ridership volume is only possible when the government, states, and communities as well as the DB AG work together to ensure the superspeed maglev system is efficiently connected to the existing long distance and regional transportation systems.

3.1 Public Legal Planning Process

The Planning Corporation was formed jointly by the government and the industrial partners in October 1994 in Schwerin, Germany (the location of the third station along the route). The Planning Corporation has the responsibility for the planning and approval activities leading up to the construction of the route. This process culminates in the public legal approval process required of all infrastructure projects in Germany.

An overview of the Planning Corporation is shown in Table 2.

The responsibilities of the Planning Corporation include:

- Preliminary planning with recommendation of a preferred route alignment (map scale 1: 25 000)
- Regional planning process (Raumordnungsverfahren) includes environmental compatibility and risk studies and detailed route evaluation by the responsible government, state, and local authorities (map scale 1: 5 000)
- Detailed technical and operational concepts
- Detailed project cost estimates with periodic review
- Planning approval process (Planfeststellungsverfahren) includes a more detailed environmental evaluation and local public hearings to allow all voices to be heard and responded to (map scale 1: 1 000)
- Preparation work for project construction
- Request for quotation process

Shareholders:	Public Sector (50%) German Federal Government Private Sector (50%) ADtranz (ABB Daimler-Benz Transportation GmbH) Bilfinger+Berger Bau AG (replaced Dyckerhoff & Widmann AG) Deutsche Bahn AG Hochtief AG Philipp Holzmann AG Siemens AG Thyssen Industrie AG
Offices	Schwerin, Hamburg, Berlin
Planning Budget	DM 490 million
Equity Capital	DM 140 000
Employees	20 (max. 30 foreseen)

Table 2: Planning Corporation Overview

Many of these planning activities will not be undertaken by the Planning Corporation itself, but will be contracted to engineering offices and members of the private sector consortium (consortium leader: Thyssen Industrie AG). After completion of the public legal planning and approval process (foreseen for 1999), construction of the route will begin immediately and the Planning Corporation will be incorporated into the Guideway and the Operations Corporations.

3.2 Project Construction and Commercial Operation

In parallel to the final stages of the planning approval process, construction of the route will begin. To minimize the time required for construction, the route will be divided into segments and constructed and commissioned in parallel.

The Operations and Guideway Corporations will cooperate in a joint venture and contract the overall construction responsibility to a general contractor. Supplying the system will be an industrial consortium made up of, among others, the industrial companies involved in the Planning Corporation. These companies will have to compete for the contracts though in a public request for quotation process, to comply with European Union regulations.

The Guideway Corporation, a public entity, will be responsible for the construction and maintenance of the guideway. It will be formed in early 1997 and be financed and solely held by the government. The risks associated with construction approval, land acquisition, and „acts of God" are carried by the Guideway Corporation.

The Operations Corporation, a completely private entity, will be formed in late 1996. It will procure the non-guideway portion of the system and privately operate the route upon completion. Its shareholders will include the members of the industrial consortium, Deutsche Bahn AG, Deutsche Bank (and other leading banks), and private investors.

The Operations Corporation will be responsible to its private investors and therefore expected to meet the high requirements of private sector, profit-oriented, non-subsidized companies. The risk of constructing and operating the route will be carried exclusively by the Operations Corporation. The operation of the maglev route will be contracted to the Deutsche Bahn AG.

Accompanying the entire planning, construction, and commissioning processes are the German safety regulation authority (TÜV) and the Federal Railroad Authority (Eisenbahn Bundesamt), to ensure the system meets the necessary safety and operational regulations.

4. Project Financing

The government's decision to build the superspeed maglev route Berlin-Hamburg was linked to the condition of a public/private partnership in financing the project. The public/private financing plan was developed jointly by the industrial partners and the Federal Ministries of Transport and Research and Technology.

The overall project investment of DM 8.909 billion consists of an interest-free load of DM 5.6 billion from the government for the guideway and DM 3.3 billion in private capital from the Operations Corporation (all costs in 1993 DM). This is in contrast to the traditional financial practice for public infrastructure projects in Germany, in which the government paid the entire investment cost. The government's portion will be paid for out of the Federal Ministry of Transport's budget.

The Operations Corporation will lease the guideway from the Guideway Corporation and thereby pay the government back for its loan. The lease payments will be equal to the annual depreciation of the guideway plus an additional, free cash flow-oriented sum.

The funds for the capital investment covered by the Operations Corporation will be generated through the equity capital supplied by the corporate shareholders and outside credit. The corporate shareholders contributing to the equity capital are shown in Table 3.

The utilization of the capital market to raise the approximately 500 million DM share capital from private and institutional investors for the Operations Corporation is unusual in Germany, in that the given project involves the first large-scale application of a technical innovation. Also because the capital market is to be accessed a number of years before the commissioning of the route and the first ability of the Operations Corporation to distribute dividends. The stockholders will first receive dividends on their investment with the start of revenue service in 2005. To make the investments more attractive, tax incentives and/or preferred dividends will be arranged for the investors. The final decision on the appropriate method to raise the investment capital will be made after formation of the Operations Corporation.

Industrial and construction companies involved in the project	DM 500 million
Deutsche Bahn AG	DM 300 million
Banks and insurance companies	DM 200 million
Private and institutional investors	DM 500 million
Total Equity Capital	DM 1.5 billion

Table 3: Operations Corporation Shareholders

The Operations Corporation will be funded primarily through the ticket revenues. With these, it will cover the annual operating and maintenance expenses of DM 243 million per year and repay the total system investment. Additionally after about 25 years in revenue service, reinvestments will be made for all non-guideway components (vehicles, propulsion, operation control, station interiors, etc.).

The data for the financing concept are summarized in Table 4.

The results of the financing concept are summarized in Table 5.

5. Conclusions

The Transrapid superspeed maglev route Berlin-Hamburg will provide a multitude of economic, transportation, and employment benefits.

Operations Corporation
(Private entity)

	Billion DM
Investment:	
Capital investment	3.288
Escalation + interest	1.512
Total financing	4.800
Sources of funds:	
Equity capital	1.500
Bank credit	3.300
Total	4.800

Guideway Corporation
(Public entity)

	Billion DM
Investment:	
Capital investment	5.621
Escalation + interest	1.827
Total financing	7.448
Sources of funds:	
Government	7.448

Financing Parameters (Price level 1993):

Total capital investment (without escalation and interest)	DM 8.909 billion
Total capital investment (with escalation and interest)	DM 12.248 billion
Total operating costs/year	DM 0.243 billion
Equity capital (Operations Corp.)	DM 1.5 billion
Revenue per passenger kilometer	DM 0.28 / km (DM 80 / one way trip)

Table 4: Financing Concept Data

Ridership will shift away from short haul airplanes and automobiles to this environmentally friendly ground transportation system. Economic development will occur near the stations and along the route. New industries will spring up to maintain and supply components for the route. The distance between the capital city, Berlin and the shipping/trading city, Hamburg will become inconsequential. All of these events will positively effect system ridership. Additional revenue potential also exists through transport of high value and express goods during off-peak operating periods as well as through secondary use of the terminals (shopping areas, etc.).

The construction and operation of the Berlin-Hamburg route will have significant economic and supporting infrastructure effects on the states along the route, Brandenburg, Mecklenburg-Vorpommern, and Schleswig-Holstein. It is estimated that nearly 10 000 jobs will be created or retained during the six year construction and commissioning period- in the civil engineering and construction industries, vehicle construction, and the electronic and electrical industries. The actual employment effects during the construction phase though, will vastly exceed the primary effects due to the multiplication factor.

With the start of commercial operation, there will be primary employment effects through the Operations Corporation (train personnel, administration, service/maintenance, etc.) and in the industries supporting the system (power generation, component suppliers, commerce, etc.). There will also be jobs created in the areas surrounding the stations (commerce, service, etc.). Through primary and multiplication effects, there will be approximately 2800 permanent jobs created.

The realization of the Transrapid route Berlin-Hamburg will have a significant effect on Germany. The Transrapid has become a symbol for high technology in Germany. Too often, new technologies have been developed only to see another country achieve success in the market place. The Transrapid is considered to be a technology with great export potential. The domestic application Berlin-Hamburg, is a crucial step for the successful marketing of the system abroad. To be successful though, these international applications will require local contents of up to 80% and therefore benefit the recipient countries as much if not more than the supplying one.

The Transrapid, the next generation in ground transportation systems, is fast, quiet, flexible, and benign to the environment. The perfect complement to the 21st century. Ready for application. Today.

Coverage ratio (minimum after taxes)	1.4
Credit period (maximum)	18 years
Time periods for financing concept:	
Total	50 years (1994- 2043)
Revenue	40 years (2004- 2043)
Internal rate of return:	
Before taxes	16.93%
After taxes	12.41%
Return on equity (after taxes)	13.51%
Total profit after taxes (revenue period)	DM 35.443 billion

Table 5: Financing Concept Results

San Joaquin Hills Corridor Agency
Chairman:
Patricia Bates
Laguna Niguel

Foothill/Eastern Corridor Agency
Chairman:
Scott Diehl
San Clemente

TRANSPORTATION CORRIDOR AGENCIES

William Woollett, Jr.
Chief Executive Officer

Walter D. Kreutzen
Executive Vice President
Finance & Administration

Gregory G. Henk
Executive Vice President
Design & Construction

TESTIMONY OF

WALTER O. KREUTZEN
EXECUTIVE VICE PRESIDENT
FINANCE AND ADMINISTRATION

TRANSPORTATION CORRIDOR AGENCIES

BEFORE THE

SURFACE TRANSPORTATION SUBCOMMITTEE
OF THE
HOUSE TRANSPORTATION AND INFRASTRUCTURE COMMITTEE

HEARINGS ON
TRANSPORTATION FINANCE IN AN ERA OF SCARCE RESOURCES –
INNOVATIVE FINANCING

JULY 18, 1996

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TESTIMONY OF WALTER D. KREUTZEN
EXECUTIVE VICE PRESIDENT
FINANCE AND ADMINISTRATION
TRANSPORTATION CORRIDOR AGENCIES

BEFORE THE

SUREACE TRANSPORTATION SUBCOMMITTEE
OF THE
HOUSE TRANSPORTATION AND INFRASTHUCTURE COMMITTEE

HEARINGS ON
TRANSPORTATION FINANCE IN AN ERA OF SCARCE RESOURCES –
INNOVATIVE FINANCING

JULY 18, 1996

On behalf of the Transportation Corridor Agencies ("TCA"), I thank the Subcommittee for the opportunity to submit this testimony as part of your hearing on "Transportation Finance in an Era of Scarce Resources -- Innovative Financing." This topic reflects a critical and difficult challenge that we at TCA have faced since our inception. Thus far, with the invaluable assistance of this Subcommittee, the full Transportation Committee, the Appropriations Committees and many other federal and state governmental entities, we have met that challenge.

Over a decade ago it became clear to a number of public- and private-sector citizens in Orange County, California, that we were confronted with a fundamental dilemma: there was a desperate need for additional roads and there was no reasonable prospect of public funds to build them. Inadequate road systems were beginning to choke off development, limit economic and job growth, and cause considerable personal hardship. People were spending inordinate amounts of time stranded in traffic, at the expense of their families and their jobs. Local roads, freeways and interstates were caught in an interlocking downward spiral. Local traffic was combining with through traffic, and vice versa, and everything was getting slower.

To overcome this dilemma, we had to be innovative, and we had to find a way to access private capital. We have done that -- selling, to date, over $2.7 billion in bonds backed by toll revenues, and not taxes, to finance public toll road projects that are on-time, on-budget, and, with one segment open and another to open in July, already improving the lives of tens of thousands of people. In the process, we have helped create, modify and perfect a unique method of providing highly efficient, highly leveraged, federal assistance to privately financed public infrastructure projects.

Our interconnected toll road projects in Orange County were first authorized in 1987, by legislation which originated in this Subcommittee, to establish a pilot program of nine projects selected to be experiments in federal aid to toll roads. Subsequently, working hand-in-hand with the Transportation Committee, its Senate counterparts and the appropriations committees, as well as with the Department of Transportation, the Federal Highway Administration, and the Office of Management and Budget, we crafted and implemented two "stand-by" lines of credit that, at a total cost of $17.6 million in federal budget authority, provide $240 million in back-up credit, which, in turn, has made possible the realization of the $2.7 billion in funds garnered from the private capital markets. The ultimate ratio produced by these figures, the ratio of private investment leveraged to total federal governmental cost, is roughly 150 to 1. This is a concrete measure of the potential power that creative federal assistance offers to privately financed infrastructure projects. We are proud to say that we are an ongoing, successful example of an innovative financing approach that takes a modest slice of the scarce and apparently shrinking public infrastructure funds and uses them to tap the abundant and growing private capital markets, in order to build our public infrastructure.

The TCA and the Orange County Toll Road Projects

Let me step back and describe our organization and our projects. We are actually two public joint powers agencies with two separate boards of directors, managed by a common staff. The San Joaquin Hills Transportation Corridor Agency and the Foothill/Eastern Transportation Corridor Agency were formed by the California state legislature in 1986 to plan, finance, build and operate three related public toll roads, which we refer to as corridors: the San Joaquin Hills Transportation Corridor, the Eastern Transportation Corridor and the Foothill Transportation Corridor. When completed, the three corridors will provide 67 miles of new highways, all of which will be owned by the state of California. Once the roads are built and the debt is retired, the Agency, by law, must go out of business. Also at that time, the tolls are eliminated, and the roads become freeways.

The attached map shows the location, status and completion dates for each of the three corridors. This Subcommittee will want particularly to note our integral relationship to, and physical connections with, I-405, the San Diego Freeway, and I-5, the very heavily traveled Interstate that serves, among other destinations of national import, Disneyland.

As the map indicates, one 7.5 mile segment of the Eastern Corridor is open (partially since October 1993, and fully since April 1995). A 7 mile segment of the San Joaquin Hills Corridor will open this July, and the entire San Joaquin Corridor will be completed in December of this year. The San Joaquin Corridor, when completed in December, will have been completed ahead of schedule and within budget. All of the segments currently under construction will be completed no later than 1999 That leaves the final phase, the southern half of the Foothill Transportation Corridor. Construction on this last segment, which has yet to be financed, is projected to begin in the year 2000

Design-Build Contract Innovation

It is no accident that the projects are ahead of schedule and under budget. Nor is this fact unrelated to innovative private financing of infrastructure projects. It occurred to us early in our planning process, and it was confirmed again and again as we proceeded with our financing plan, that private investors (primarily the sophisticated institutional investors we targeted) would not assume the risk of normal, public-infrastructure type construction delays and cost overruns. We not only had to avoid these, we had to convince investors in advance that we had a mechanism to avoid them.

That mechanism was, and is, a precedent setting "design-build contract," which we have developed and used for both the San Joaquin and the Eastern projects. (The San Joaquin design-build was the largest such contract ever in the U.S.) Our design-build contracts are contracts with a fixed price and a guaranteed completion date -- both of which actually work.

There are two fundamental innovations in the design-build contract as applied in our projects. First, the selected contractor both designs the project (from a baseline design provided by the Agency), and builds the project (subject, of course, to all federal and state standards and approvals). Rather than the endless hassling over what was meant or covered by old command-and-control style specifications and plans, with the accompanying endless parade of change orders and additional payments, the contractor has responsibility for the end project as well as all of the intermediate aspects which it designed, and which, in fact, it "designs" and adapts on an on-going basis.

Second, the contractor bears the construction risks -- and rewards -- through stiff penalties for delay ($225,000 per day) and enticing rewards for early completion (70 percent of the net toll revenues for each day the road is in operation prior to the scheduled completion date). The security of this arrangement is enhanced by substantial and well-designed bonding requirements, as well as by the fact that we have selected some of the biggest, best and most financially secure highway contractors in the country.

Overview of the TCA Financing Plan

The TCA Corridors were the first major U.S. public transportation facilities whose financing consists substantially of private funds. Governmental contributions, including all state and federal sources, make up less than 5 percent of the total funding. About 4.5 percent of the total funding is covered by a state contribution. The federal stand-by line of credit, the cost of which has been determined to be $17.6 million, represents about one-half percent of the projects' costs.

The great bulk of the projects' financing -- about 81 percent -- is from the proceeds of "non-recourse toll revenue bonds," tax-exempt bonds backed only by funds from toll revenues, development fees or interest earnings -- not tax revenues. The other significant sources of funds are the development impact fees (about 7 percent), assessed on new development within an established geographical area of benefit (about 3 percent), and interest earnings on the bond proceeds and other funds before they are expended (about 9 percent). (See attached "Sources and Uses" chart.)

The Stand-By Lines of Credit

Even after other risks, such as construction overruns and delays, have been well managed and controlled, there remains a fundamental obstacle to the sale of bonds or other debt backed by future toll revenues on a road that has yet to be built. That risk is often referred to as "ridership risk" -- the chance that drivers will not use the facility, especially in the early years (the "ramp up" period) at the levels projected. In the long run, all highways will fill; usage in the early years, however, is notoriously difficult to predict.

This risk can be greatly mitigated by care and intelligence in the design and performance of the ridership studies. Nonetheless, capital markets balk at unmitigated ridership risk. It presents itself as the single most troublesome structural impediment to the sale of toll revenue bonds for a start-up, as opposed to established, facility.

The solution to this problem is the federal stand-by line of credit, pioneered in conjunction with our project. This line of credit became known, in fact, as the "federal ridership line of credit." It is available to be drawn on if ridership is far below expectations in the early years, such that we cannot meet interest or principal payments on the bonds, or such that we cannot make certain other required payments. The line of credit, if used, must be paid back to the federal government, along with interest assessed at a non-subsidized rate, once traffic builds up to sufficient levels. The existence of this extra layer of security against default due to a longer-than-expected ramp-up period in ridership was an essential element in making the sale of these bonds a success.

The line of credit mechanism represents a particularly appropriate tool for the federal government's leveraging of private funds in transportation projects. The federal government can afford to take the long view, and indeed must take the long view. If projections of ridership are so wrong that the line of credit must be accessed, to be paid back over the long term, the federal government is better positioned than any entity in the world to be a long-term, flexible lender. A default on the non-recourse bonds, by contrast, as a result of a ridership-projection error, would badly damage that market, and thus the private financing of toll roads. Even if TCA never taps its line of credit (which may well be the case), the credit line has nonetheless made possible our successful, innovative financing, which, in turn, has become a model fo: a number of other infrastructure projects.

The Two TCA Bond Offerings

The test of whether our innovative financing approach was also a workable financing approach came, of course, when our two bond offerings hit the street. Both, I am delighted to report, were in fact rousing, high-profile successes.

Our first offering came in 1993, with a $1.2 billion issue to support the San Joaquin Hills Corridor. It sold promptly, at an average interest rate of 7.6 percent. Let me quote the first two lines from an article in the Winter 1993 issue of Infrastructure Finance, "The 10 Most Creative Deals of 1993," because it captures well both the originality of our approach and its precedent-setting quality:

> The $1.2 billion financing of the San Joaquin Hills toll road this past spring lays out an important public finance blueprint for infrastructure projects. The deal was the largest nonrecourse municipal financing ever done.

Our second big offering, in June of last year, totaling $1.5 billion to fund the Eastern and remaining Foothill-North Corridor projects, was every bit as important and challenging as the first. While it was certainly helped by our track record with the San Joaquin, it faced a new impediment: the bankruptcy of our county only six months prior to the offering. The issue, which was rated "investment grade" by all three private rating agencies, sold out promptly at a very favorable rate of 7.06 percent. The second financing, like the first, was much noticed and honored by the infrastructure investment community. In fact, one of the articles on our success, "The Deals of the Year," in the March 1996 issue of Governing, contains what I think is an apt description of the role

I make this point concerning our favorable publicity not only out of the pride felt by our entire TCA team, but also because the impression our two offerings have left on the investment community is itself a critical part of the success of innovative financing of infrastructure projects: the investment community praises creativity and innovation but it buys predictability and comfort. Our deals are paving the way for others.

<u>Adaptability of the Lines of Credit</u>

One of the absolutely critical elements of our federal line of credit has been its adaptability, and the associated flexibility and creativity of the people in the federal government who have made it work. At various points in the relatively short history of our two stand-by lines of credit, we have needed help to change them, for two reasons: first, to fix defects or address problems that are inherent in truly innovative, complex financing mechanisms of this type; and second, as our projects' needs and situation changed, to modify the line of credit to get more mileage for the same dollars -- that is, more benefit to our project at <u>no</u> additional unpaid-for cost to the government.

An example of the first change, a change to fix an unforeseen problem, is reflected in the legislative provisions passed by Congress in both the National Highway System bill and the FY '96 Transportation Appropriations bill. [Section 356 of the National Highway System Designation Act of 1995, P.L. 104-59, 109 Stat. 568, 624 (1995) and Section 356 of the DOT and Related Agencies Appropriations Act, 1996, P.L. 104-50, 109 Stat. 436, 462 (1995).] The problem fixed by these provisions relates to the complex interaction of the <u>sui generis</u> stand-by line of credit provision, federal "credit reform" laws, and OMB's role, in conjunction with FHWA, in assessing and approving any extensions of credit, contingent or otherwise. Primarily because of miscommunication among all involved in the process, OMB had scored and approved less than the full $120 million line of credit approved by Congress. The solution lay in a modification of the relevant legislative provision which permitted FHWA and TCA to negotiate a higher interest rate in return for restoring the full credit line, thus permitting OMB to reexamine and rescore the matter. This same legislative revision in the NHS and the FY '96 Transportation Appropriations bill also cleared away a potential tax cloud that had arisen over the provision.

We are deeply and genuinely grateful that all involved with the development and perfection of our stand-by line of credit, in Congress, at FHWA, at DOT, and at OMB, have given us the benefit of their time, effort and intellectual energy, to create something new and powerful for our benefit, and, we believe, the benefit of the nation's public infrastructure. One of the lessons we have learned is that new governmentally related mechanisms for innovative finance cannot work without a willingness on the part of individuals in the federal government to break the mold, examine new ideas, and even assume a little institutional risk themselves.

Toll Roads

Private financing of infrastructure projects is dependent on an identifiable revenue stream. The fact that we are a toll road, obviously, is part and parcel of our innovative financing approach. Toll roads, also obviously, are not the solution to all highway financing shortfalls. Not all new roads can be toll roads. But, toll roads are potentially a broader solution than is generally believed. It is not only the financial markets that will increasingly support properly conceived and executed start-up toll roads, the public will too.

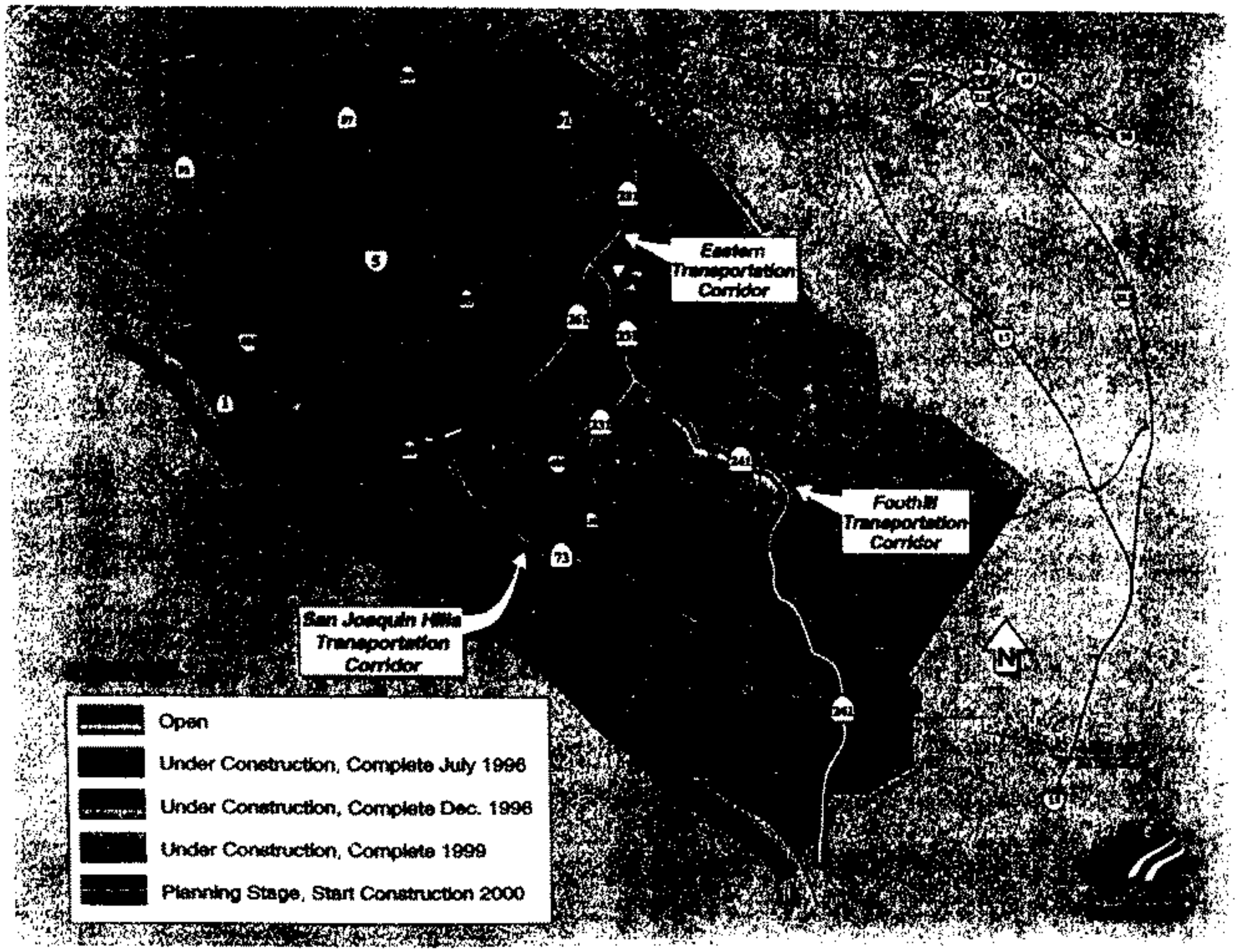
Much depends on doing it in the right place and in the right way. For instance, it is essential that the toll road have a "traffic reliever" aspect to it. The project's appeal to the financial markets is greatly enhanced if there exists widely recognized congestion on alternative routes that the toll roads will relieve. This adds certainty to the financing, but, perhaps more importantly, it also provides the basis for public support before the project begins, and later provides the basis for a driver's choice between the toll road and pre-existing free routes. It is also helpful if, as in our case, the public can be informed that once the debt is retired, the tolls will be removed and the road will become part of the state's highway system.

Additionally, the toll road must be "priced right," and the economic and demographic structure of the surrounding communities must be sufficient to support the proposed pricing. The public will come to see the toll as a reasonable bargain if the money they spend represents a good value for the time they save and the convenience of using the road.

It is also important that the tolls can be collectad efficiently, conveniently and without a toll-booth back up. Our state-of-the-art "Fast-Track" electronic toll collection mechanism does just that.

The proof that the public perception and acceptance of toll roads is not fixed and immutable was contained in a recent poll. The poll, conducted by the Nelson Communications Group in California, showed that while in California generally slightly less than one-half of the respondents favor toll roads, in Orange County, where our residents are gaining actual experience with toll roads, nearly two-thirds of respondents favor toll roads.

Just as the governmental community and financial community are coming to understand the benefits of toll roads as a key part of the solution to the problems created by growing infrastructure needs and shrinking infrastructure resources, so too will the public. We at TCA are very proud to play a role in this process, and we again thank this Subcommittee, the many other Congressional entities and Congressional employees, as well as all the other federal government officials, who have helped us play that role. We hope to -- and we are confident that we can -- continue to work together in this important endeavor.


Eastern Transportation Corridor
Foothill Transportation Corridor
San Joaquin Hills Transportation Corridor
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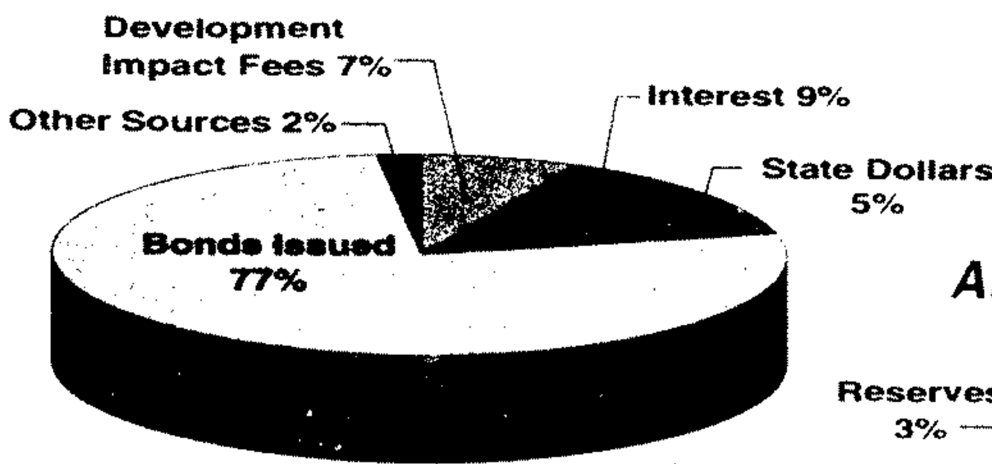
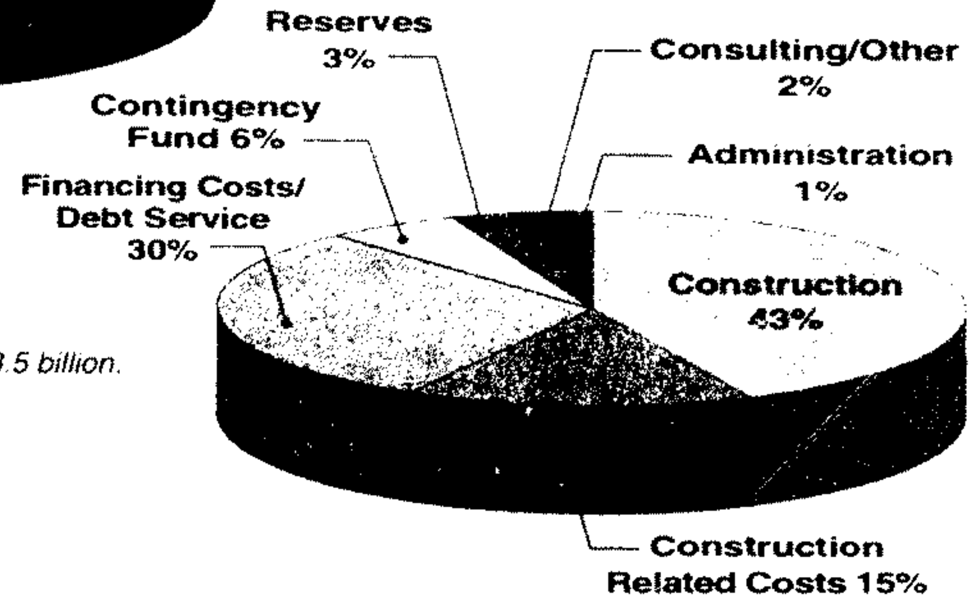
Open
Under Construction, Complete July 1996
Under Construction, Complete Dec. 1996
Under Construction, Complete 1999
Planning Stage, Start Construction 2000

SOURCES OF TCA FUNDS



ALLOCATION OF TCA FUNDS



NOTE: Percentages are based on $3.5 billion.

STATEMENT OF GENE McCORMICK, REPRESENTING PROJECT AMERICA, THE COALITION TO REINVEST IN AMERICA'S INFRASTRUCTURE, BEFORE THE HOUSE COMMITTEE ON TRANSPORTATION AND INFRASTRUCTURE, SUBCOMMITTEE ON SURFACE TRANSPORTATION, CONCERNING ISTEA REAUTHORIZATION - TRANSPORTATION FINANCE IN AN ERA OF SCARCE RESOURCES: INNOVATIVE FINANCING. JULY 18, 1996.

Mr. Chairman and Members of the Subcommittee:

I am Gene McCormick, Senior Vice President of Parsons Brinckerhoff, Inc. I appreciate the opportunity to appear before you to explore the broader issue of transportation finance in an era of scarce resources and in particular the issue of innovative financing and what role it might play in reauthorization of the Federal Surface Transportation Program.

At the outset, let me first explain Parsons Brinckerhoff's interest in this issue and the reason for our participation with several other organizations in an emerging coalition known as Project America, *The Coalition to Reinvest in America's Infrastructure.* Project America, is a non-partisan, not-for-profit alliance of successful business enterprises who believe, based on experience in business and government, that the time has arrived to recast a new federal strategy for reinvesting in our public-use infrastructure -- a strategy that must reshape the traditional financing and operating mechanisms to allow for greater private capital participation in our public-use infrastructure.

As a US corporation that works closely on a daily basis with federal, state and local government officials on infrastructure issues, Parsons Brinckerhoff recognizes the importance of continuing the strategy of reinvesting in our nation's infrastructure. Unfortunately, budget pressures at all levels of government have constrained overall investment and contributed to significant dererioration of our roads, bridges, tunnels, mass transit facilities and other elements of our surface transportation system. As an international business dealing with foreign entities on infrastructure issues, we have witnessed the same pressures throughout the world. So the US is not alone in dealing with this challenge. What is different is the level of private sector participation in the financing of infrastructure projects overseas.

Project America believes a significant part of the solution to our problems here in the US lies in gaining access to, and providing incentives for, private capital investment in public-use infrastructure. The core strategy of Project America is to clear a path for "new" investment in public-use infrastructure. These new investments may come from a variety of sources -- individual investors, pension plans, money market funds, etc. -- but collectively, when combined with state, local and federal assistance, will create a pool of resources unmatched anywhere else in the world. Injecting these additional resources into the funding stream will dramatically improve the overall condition of our infrastructure and thus improve our competitive edge in the global marketplace and ensure America's preeminence into the 21st Century.

To achieve this goal, Project America proposes the elimination of significant federal legislative and regulatory barriers that obstruct or prohibit private entities from investing in public-use infrastructure and creating new investment incentives that will attract private investors to infrastructure projects. Many of the barriers I refer to can be found in the tax code, particularly the tax-exempt bond regulations referred to as the "Private Activity Rules" and "Change-in-Use Rules" -- regulations we understand are not under the direct jurisdiction of this committee, but nonetheless affect surface transportation financing. In addition, provisions requiring the recoupment of prior federal grants, limitations on private management contracts, restrictions on the use of proceeds from the sale or lease of public facilities, and constraints on the availability of public funds for a public-use facility that is owned and operated by private investors, represent significant policy barriers that inhibit greater capital investment in infrastructure.

Mr. Chairman, we are pleased that you and your colleagues on this committee have chosen to explore this important issue as a part of your development of legislation to reauthorize the surface transportation program. We share your goals for increasing the overall investment in our infrastructure and we are committed to helping to clear a path for greater private capital investments in the construction, expansion, maintenance and operation of new and existing public-use infrastructure.

Mr. Chairman, we applaud the efforts that you and your colleagues in the Congress committed to the previous authorizing legislation -- your efforts yielded significant revisions to transportation funding policies and practices. Clearly the Intermodal Surface Transportation Efficiency Act of 1991 (ISTEA), was a strong statement to increase the federal commitment and recognition that additional "non-traditional" funding sources would have to be secured if the transportation infrastructure of this country was to be preserved and expanded.

Unfortunately, the success in stimulating "innovate financing" mechanisms has been modest. The failure to inject new resources, combined with limited outlays during the first five years of the authorization period, along with persistent federal and state budget pressures, has resulted in the continued deterioration of our transportation infrastructure. Clearly the trend of restrained government spending will continue into the foreseeable future, thus begging the question: Who will pay to maintain and improve our infrastructure if the federal government has demonstrated that they cannot? An important part of the answer we believe is in private capital!

To be sure, this nation cannot afford to, nor do we propose to dissolve the close relationship that exists between the states and the federal government for the management of the nation's surface transportation system. The role the federal government plays in establishing uniform standards and continuity throughout the system, not to mention the wide distribution of financial assistance, is a critical one. However we must endeavor to find new methods to fill the gap between limited federal assistance and scarce state and local resources.

The United States cannot have a competitive economy without an infrastructure that is modern and efficient. Ironically, as federal and state governments seek sources of capital, large amounts of American private capital are being invested in public infrastructure throughout the world. Many foreign governments, who also are suffering the same severe shortages of public capital funds, have recognized the potential for private capital investments in their infrastructure assets.

Here in the US however, private capital is being shut out of potential infrastructure projects because federal regulations and policies either prohibit such investments outright or impede access to capital markets.

As stated earlier, the existing tax code presents perhaps the biggest challenges to the involvement of the private sector in public infrastructure. For example, the tax-exempt market, the traditional path for governmental entities to finance public-use infrastructure, has been dramatically restricted by changes in federal law. These restrictions have served as a disincentive to private capital investment and most notably, precluded investments by pension funds, which total over four trillion dollars in the US.

Tax Code and Tax-Exempt Financing

Private sector participation in public-use infrastructure presents a number of challenges under the tax code as it relates in particular to tax-exempt financing. Certain forms of private sector participation such as, contract management or leasing , generally allow for the government owner of the asset to issue tax-exempt revenue bonds on behalf of the contractor or lessee, with project revenues earmarked for debt service. However, far more problematic under federal and many state tax laws is the availability of tax-exempt bonds for a facility that is owned and operated by a private entity. Usually a change in ownership of a municipal asset to a private entity constitutes what the IRS deems a "change-in-use," requiring that the existing bonds be defeased or redeemed, resulting in an adverse impact on a potential sale or long term lease of a facility.

Another problematic provision is contained in Revenue Procedure 93-13, wherein the now famous "3-5" rule was introduced for contracts between states or localities and private entities for the management of facilities developed with tax exempt financing. Specifically, the rule states that such contracts must provide for termination without cause after three years and terms of no more than five years. Additionally, Revenue Procedure 93-19 prohibits "incentive payments" under a management contract; the compensation must be established in the terms of the agreement and cannot be tied to performance-based measurements such as, increased revenues or decreased operating expenses.

The net effect of these provisions is to eliminate the incentives that encourage private entities to be competitive in their pricing and risk-takers in their management styles -- factors that are critical to achieving economical gains through privatization.

The IRS proposed revisions to these rules in 1994, issuing notices concerning the private activity regulations. While the proposed revisions could achieve some gains, for example by allowing management contracts to extend up to 15 years, a number of shortcomings were evident. Namely, incentive compensation would still be disallowed and the new regulations would only apply to the issuance of new tax exempt bonds, ignoring the confusion and disincentives associated with privatizing existing facilities financed with tax-exempt debt.

Private Activity Rules

The current-law private business tests (the ten percent private use and security interest tests), which govern the use of private activity bonds, limit the ability of state and local governments to attract private investments to infrastructure projects. In addition, restrictions on the use of private-activity financing, principally the restrictions on the use-of-proceeds and state volume caps, serve as effective barriers to private sector investment and the purchase and/or sale of infrastructure assets.

These problems have been widely recognized and several proposals are being considered, which we support. It is our belief that the following changes to the IRS' private activity bond regulations would dramatically increase the number of public-private facilities that would qualify for tax-exempt financing:

1. Private Business Tests: Increase the allowable percent of bond proceeds that can be used by the private party and the allowable debt service that can be secured by a private party. The IRS currently restricts this to ten percent.

2. Exempt Facilities: Expand the list of exempt facilities which need not meet the private business test in order to qualify for tax-exempt financing. For example, toll roads and bridges and recycling facilities are not currently included on the IRS list.

3. Sale of Exempt Facilities: Abolish the condition that certain exempt facilities -- airports, docks, wharves and mass commuting facilities -- must be publicly-owned to qualify for tax-exempt financing. This regulation prevents state and local governments from selling these facilities to a private entity, regardless of the operating efficiencies that might be achieved.

4. State Volume Cap: Amend the state volume cap on tax-exempt bond financing. The IRS currently restricts states in their annual issuance to the greater of $50 per capita or $150 million. Several approaches are under consideration: exempting certain use of private activity bonds from inclusion under the cap; indexing the cap annually to account for inflation; and, simply raising the cap to its pre-1987 level of $75 per capita or $250 million.

Change-In-Use Rules

The IRS has established regulatory conditions (which do not stem from provisions in statute) under which changes in the use of proceeds of a bond issue will result in the interest of those bonds being treated as taxable. This rule, referred to as Revenue Procedure 93-17, provides that in order to evoid losing the tax-exempt status of bonds issued for a facility after a change in use: (1) the issuer must provide that, as of the date of issue, it and all conduit borrowers expected to use the proceeds for the qualified use; (2) the proceeds must have been used for a qualified purpose for at least five years; (3) any agreements between the new user and original owner were the result of arms-length negotiations; (4) non-qualified bonds are redeemed at the earliest call date after the change of use, and an escrow account is established to redeem those bonds with a call date more than 90 days away; and (5) upon a change of use that arises from a sale, exchange, or some other disposition of a facility, the disposition proceeds must be used in a manner that would have resulted in a qualified use.

The above regulations make it difficult and expensive to change the use of a facility. The second point above is particularly restrictive because, according to the IRS rules, the applicable date in cases where the original issue has undergone refunding, is the date that the refunding was executed, not the date of the original issue. This provision affects many government facilities due the considerable bond refunding that took place during the early 1990's.

We believe that the IRS should be directed to nullify all of the above restrictions, so that state and local governments could change the use of a facility, without sacrificing the tax-exempt status on outstanding debt. Additionally, it is important to lift the restrictions presented in point five above, that limits the use of proceeds from the disposition of a facility, to allow for use for other capital infrastructure purposes.

Private Contract Management

Revenue Procedure 93-13 stipulates that state and local governments may contract with private firms for the delivery of traditional public services without triggering a change-in-use as long as the contract does not exceed five years. To undertake a management contract that exceeds five years and/or compensates the private entity in relation to the profits made from the facility, the state or locality must defease outstanding tax-exempt bonds issued for the facility. As mentioned earlier, the IRS proposed revisions presented in 1994 would increase the allowable length of private management contracts without defeasance, from the current five year limit to 15 years, but continued to utilize a schedule for the extent to which compensation for the contractor must be based on a fixed fee.

We believe that the allowable length of management contracts should be extended for at least 15 years and the compensation mechanisms should be liberalized to allow for greater use of performance-based compensation and incentive payments and less reliance on the use of fixed fees. The 1986 Tax Code and related actions have restrained the ability of the IRS to further liberalize private management contract regulations, beyond what has been proposed. An alternative approach would be to require that the IRS place no restrictions on the future use of the bond-financed facility, once a management contract is employed.

Recoupment of Prior Federal Grants

President Bush's Executive Order No. 12803 (57 Fed. Reg. 19063 (April 1992)) encouraged the removal of federal barriers to the sale or lease of federally-funded facilities, in particular, by specifically revising the OMB "Common Rule" governing grant repayments. Claimant priorities were reordered, placing the federal government at the end of the line, so to speak, behind state and local claims for grant repayment. In addition, the order changed previous requirements so that grantees became responsible only for the "undepreciated" cost of assets that were financed in whole or part with federal assistance, when these assets were sold to the private sector.

President Clinton's Executive Order No. 12893 on "Principles for Federal Infrastructure Investment," directed all federal agencies to seek greater private sector participation in the "ownership, financing, construction and operation of the infrastructure programs" and to work with state and local governments to "minimize legal and regulatory barriers to private sector participation." Unfortunately the practical effect of both Executive Orders has been modest.

The failure to achieve the desired effect can be traced directly to the continuation of the requirement for recoupment of prior federal grants, even at depreciated values, and the fact that the order continued the restrictions on the use of revenues generated from the sale of assets. Specifically, EO 12803 confines the use of these revenues to: investment in other infrastructure; debt reduction; and, tax reduction.

We believe state and local governments should be allowed to sell or lease existing federal-aid facilities to private entities, without having to repay prior federal grants, so long as the facility continues to be used for its originally authorized purpose. No public purpose is served by requiring the repayment of prior federal grants.

In addition, the revenues generated from the sale or lease of such assets should be restricted. As I stated earlier, our purpose is to increase overall investment in infrastructure projects. Therefore, restricting revenues generated from a sale or lease of an asset for other capital infrastructure needs of the state or locality, would provide sufficient protection against draining infrastructure resources, without stifling the economics of such transactions.

Availability of Public Funds

Certain forms of restructuring affect the availability of public funds. The federal government provides a number of sources of funding for highways, mass transit, airports, water treatment facilities, etc. Depending on the ownership status of the facility, they may be entitled to all, a few or none of the available sources under current federal law. For example, publicly-owned public-use airports are able under current federal law to receive both discretionary and entitlement grants, while privately-owned public-use airports are only entitled to be considered discretionary grants, and in this case the prospects for discretionary funding under current trends is at best, tenuous.

In the case of surface transportation, the opportunities are greater for co-mingling private sector funds and public funds. The existing federal enabling legislation (ISTEA), for the first time permitted federal grant monies to be recycled through revolving loan funds for use on projects co-funded with private investment. In addition, federal grants are eligible to be applied to projects that are owned or franchised to private entities, however the eligible federal share of the project cost is less than comparable state-owned and financed projects. This disparity contributes significantly to the biases toward publicly-funded projects.

Finally Mr. Chairman, I would like to address a tax proposal, that unlike most tax proposals, would likely be estimated to raise federal revenue over a five to ten year budget "window." This proposal, known as "Public Benefit bonds" is a concept Project America wholeheartedly supports, and one that we would encourage this committee to review at greater length.

Public Benefit bonds, which were proposed in a 1992 report from the Infrastructure Investment Commission (IIC), would be a new class of bonds that would encourage voluntary pension fund investment to finance infrastructure projects, such as highways, bridges and toll roads and other projects that fall under a statutory definition of "infrastructure" -- and would not be subject to the state volume caps on private activity bonds. Issuers of these bonds would not be subject to private use rules that apply to tax-exempt securities.

Public Benefit bonds bring private capital to public infrastructure investment because these bonds could be sold to self-directed, defined contribution retirement plans, such as 401(k) and 403(b) plans, IRA's and ultimately perhaps, traditional defined-benefit pension plans. Interest on public benefit bonds earned by retirement funds would be exempt from federal taxation not only while it remained in the fund, but also when it was withdrawn during retirement.

In March of this year, Representative Rosa DeLauro introduced HR 3168, "The National Infrastructure Development Act of 1996," which contains a provision to permit public benefit bonds. We support the concept of developing a new investment instrument such as, public benefit bonds, and encourage the committee to review this issue and consider its inclusion as a part of the reauthorizing legislation.

In closing, Mr. Chairman, I would like to acknowledge the Subcommittee's interest in this issue and offer our continued assistance in devising ways to leverage scarce federal resources to meet the many challenges of the 21st Century. We will work in cooperation with you and the transportation industry to achieve the goals you and the members of the committee will set under the new legislation.

That completes my prepared statement. I would be pleased to respond to any questions you may have at this time, or submit for the record at a later date.

Before the

UNITED STATES HOUSE OF REPRESENTATIVES

COMMITTEE ON TRANSPORTATION AND INFRASTRUCTURE

Subcommittee on Surface Transportation and Merchant Marine

Hearing on Innovations in Highway and Transit Funding

Testimony of the

Owner-Operator Independent Drivers Assn., Inc.

Dorsey Musselman, OOIDA Board of Directors

K. Michael O'Connell, Counsel

Of Counsel:

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3050 K Street, N.W.
Washington, D.C. 20007
(202) 342-8600

July 18, 1996

BEFORE THE

UNITED STATES HOUSE OF REPRESENTATIVES

COMMITTEE ON TRANSPORTATION AND INFRASTRUCTURE

Subcommittee on Surface Transportation and Merchant Marine

Testimony of the

Owner-Operator Independent Drivers Assn., Inc.

Dorsey Musselman, OOIDA Board of Directors

K. Michael O'Connell, Counsel

Mr. Chairman, Members of the Committee and Committee Staff, my name is Michael O'Connell. I am counsel to the Owner-Operator Independent Drivers Association, Inc. ("OOIDA" or "Association"). I am accompanied today by Dorsey Musselman, an OOIDA Board Member and the Chief Executive Officer of the Central Pennsylvania Truckers Association. The Central Pennsylvania Truckers Association is an organization that serves individual owner-operators and small business truckers. It has been affiliated with OOIDA for a number of years. My testimony will deal with the Association's general views on financing of highway construction projects. Mr. Musselman will provide a description of a very revealing survey of economic activity along Interstate 80 in Pennsylvania that he recently completed for the Owner-Operator Independent Drivers Association.

The Owner-Operator Independent Drivers Assn., Inc. is the national trade association representing the interests of small business truckers at both the federal and state levels. OOIDA is a not-for-profit corporation incorporated in 1973 under the laws of the State of Missouri, with its principal place of business in Grain Valley, Missouri. OOIDA consists of more than 34,000 members. These members are small business men and women in all 50 states and Canada who collectively own and operate more than 52,000 individual heavy duty trucks and small truck fleets. Owner-operators represent nearly half of the total number of Class 7 and 8 trucks operated in the United States. The mailing address of the Association is:

Owner-Operator Independent Drivers Assn., Inc.
P.O. Box L
Grain Valley, Missouri 64029

The Association represents the views of small business truckers on a number of issues that affect them in all aspects of regulation of the trucking industry. Its representatives serve on various committees of the National Governors' Association, the Commercial Vehicle Safety Alliance. the Professional Truck Driver Institute of America, the American Association of State Highway and Transportation Officials, and other groups involved in highway safety and trucking regulation. It has participated in a number of hearings before the Committee on matters of interest to its members. The president of OOIDA serves on the U.S. Department of Transportation's National Motor Carrier Advisory Committee. The methods used to finance the nation's highway construction and maintenance have a direct impact on the costs that OOIDA's members bear in operating their businesses. Further, through the taxes already paid into the

Highway Trust Fund they have already made a significant investment in the nation's infrastructure.

In an era of reduced fiscal resources and escalating construction and maintenance costs, the wise use of investments in our highway infrastructure has taken on a far greater significance than when the original Interstate and Defense Highway System was built. In fact, at least one commentator has suggested that if the United States were to undertake construction of the current interstate highway system today, it would likely be unable to do so because it would he prohibitively expensive.

The vision that created the interstate system was driven by the need to move people and goods in a safe and efficient manner throughout the country. While the country is moving towards a service-based economy, it remains heavily invested in the production and importation of various goods. Those goods are, to a very large extent, delivered by the trucking industry. In fact, a colleague in the industry is fond of saying "if you live in it, eat it, read it or wear it, it came to you by truck." Therefore, highways will continue to form the key infrastructure need of the country.

Because available resources have been diminished at the same time the costs have escalated, it is important that available highway funds be used prudently. For that reason, OOIDA generally supports allowing the states the maximum flexibility in making highway investments. Recent innovations introduced in the Intermodel Surface Transportation Efficiency Act and the National Highway System Designation Act have allowed the states more latitude in spending highway funds. OOIDA agrees with these innovations, but it does not support abdicating the federal role of oversight of spending on the National Highway System. The

Association fears that to do so would permit the system to become less efficient and would actually impede interstate commerce.

While the Association favors permitting the states to have flexibility in highway funding, it is very concerned with any increase in reliance on toll roads as a mechanism for new construction or expansion. OOIDA feels that the federal government has an obligation to build and maintain a highway system that facilitates commerce among the states. Indeed, the Constitution grants the power to the Congress to establish post roads in Article I. Only at the federal level can there be meaningful assurance that a uniform national system will result.

The Association's concern with increased reliance on toll roads arises in two areas. First, all citizens are required to pay both federal and state fuel taxes for fuel consumed by their vehicles as well as the tolls themselves. Second, toll roads create substantial safety hazards. Any increase in the reliance on toll roads will magnify both problems.

The fuel taxes paid at the federal level are to be placed into a Highway Trust Fund specifically designated for the construction and maintenance of highways. The Association believes that all construction and maintenance activity should be carried out using funds from the Highway Trust Fund. These taxes are the purest form of user fees. Further, the Association agrees with the House of Representatives that, as such, they should be taken off-budget.

When toll roads are utilized, there is no abatement for taxes imposed for fuel. Rather, persons using toll roads are doubly taxed in thet they must pay both the toll and the fuel tax. There is a serious question on the part of many in the trucking industry as to whether this double taxation is equitable, or indeed even legal. Fuel taxes are abated at the federal level for "off-

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road-use" specifically because they are designated to go to the Highway Trust Fund and the use is not related to roads constructed from the Fund.

The theory of the Highway Trust Fund is that the users of highways constructed and/or maintained from the Fund will pay for the construction and maintenance through the fuel tax. If that construction and maintenance is to be paid for through the collection of tolls, a strong argument can be made that the fuel tax should be inapplicable as the toll road is (at least in theory) being financed from funds other than those from the Highway Trust Fund. The Association does not object to private construction of toll roads; however, the experience with privately constructed toll roads has been mixed at best.

It has also been the experience of OOIDA members that once a toll road is constructed, the tolls constantly escalate. In many cases, these tolls should decrease as the original cost of construction of the road is amortized. Once the road is paid for, the tolls should only cover maintenance and administrative costs or be removed.

The second reason for the Association's opposition to toll roads is that they present substantial safety risks for the users. There have been several tragic accidents at toll plazas that span highways. Indeed, some states have eliminated these facilities as a result of the safety risk. In addition, these facilities tend to back up traffic and cause congestion. Even when they are placed at exits, toll facilities can present an unsafe situation.

It has been suggested that one way of avoiding the toll booth safety issue is to utilize Intelligent Highway System technology as a means of toll collection. OOIDA has been the most vocal critic of the use of this technology in the trucking industry. While the technology may provide a very effective and efficient means of collecting revenue, it raises what the Association views as insurmountable constitutional concerns. Most of the Intelligent Highway System technology permits real time monitoring of private citizens. While there may be some benefit from this technology in private applications, the Association does not believe that its use by the government would withstand constitutional challenge.

There are many benefits from highway construction that go beyond simply moving goods and people. In assessing the public benefits from a sound highway system, these benefits must also be considered when assessing the costs of highway construction and maintenance. When the legislature of the Commonwealth of Pennsylvania was considering the possibility of turning that section of Interstate 80 running through Pennsylvania into a toll road, OOIDA undertook a study of that highway segment. The results of that survey showed a vibrant economy that had developed in the wake of construction of the highway.

When Interstate 80 was constructed through Pennsylvania and opened in 1972, there was one truck stop along its length. The area was deeply rural in nature with little prospect of development. In 1996 there are 170 businesses within one-half mile of interstate exists along that route. These businesses employ approximately 4,480 people and generate sales tax revenues for the Commonwealth of Pennsylvania in excess of $6.5 million per year, and nearly $34 million from fuel taxes. This economic activity and growth in that region is directly linked to the construction of the intestate highway segment. The economic stimulus provided by new road construction, which is an important part of the economy in many locales, does not occur with toll roads that have only very limited entrance and exit points and generally provide services at plazas. This also creates a monopoly situation in which prices for fuel and services are higher than average.

As the nation moves beyond the Interstate and Defense Highway System towards the newly designated National Highway System, OOIDA feels that it is imperative that the Congress maintain the focus on an integrated, national transportation system. This goal is best accomplished with a strong federal role, and public funding through existing funding mechanisms, including the Highway Trust Fund. While the states should be permitted maximum latitude and flexibility in the way in which they spend highway funds, the current funding mechanisms should be retained and toll roads should be rejected as an alternative.

Thank you for the opportunity to appear today.

Testimony of
Gerald S. Pfeffer, AIA
Senior Vice President
United Infrastructure Company

Subcommittee on Surface Transportation
Committee on Transportation and Infrastructure
U.S. House of Representatives

ISTEA Reauthorization
Transportation Finance in an Era of Scarce Resources:
Innovative Financing

Thursday, July 18, 1996

United Infrastructure
COMPANY

Sears Tower • 233 South Wacker Drive, Suite 8200 • Chicago, Illinois 60606 • 312-382-7190

Testimony of Gerald S. Pfeffer, United Infrastructure Company
Subcommittee on Surface Transportation, U.S. House of Representatives, July 18, 1996

Introduction

Good morning, Mr. Chairman and members of the House Subcommittee on Surface Transportation. My name is Gerald Pfeffer. I'm a Senior Vice President with United Infrastructure Company in Chicago. UIC is a partnership formed by subsidiaries of The Bechtel Group and Peter Kiewit Sons', two of the most respected names in the construction industry.

Bechtel, a San Francisco-based global corporation, is the largest engineer/constructor in the United States. Kiewit, based in Omaha, built more lane-miles of the Interstate Highway System than any other contractor.

With me this morning are Ms. Edith Page, a transportation expert in Bechtel's Washington office, and Mr. Steven Braesch, our Vice President for the Eastern United States. My partner, Ralph Stanley, who served as head of the Urban Mass Transit Administration during the Reagan years, sends his regards.

We sincerely appreciate the opportunity to share with this subcommittee our views on public-private partnerships and our experience with some real world examples.

At UIC, we're active in three areas: toll roads, airports and water facilities. We develop, finance, own and operate projects in each area. This morning, I'd like to use our recent experience with toll roads to make three key points:

- Public-private partnerships can supplement limited public funds.
- American motorists will gladly pay market prices to avoid congestion.
- Federal leadership is needed if the traveling public is going to realize the maximum benefit from the partnership concept.

The situation today.

First, let me characterize today's situation:

We're truly at a crossroads. While our growing population is driving more miles than ever, they're driving the most fuel-efficient cars in history. That means more wear and tear on our highways, but lower gas tax revenues. And the tax revolt shows no sign of ebbing. The bottom line: Many states can't afford to maintain their existing highways, much less build new ones.

Furthermore, many states choose to "spread around" the funds they have, which makes the largest projects that much harder to realize. The political wisdom of satisfying the needs for a number of widely-distributed small projects instead of one big one is obvious. But we all pay a hidden tax for these decisions: It's called "gridlock." Gridlock dulls our economic edge and erodes our quality of life.

There is a solution. There's a large pool of private capital available, and investors are always on the lookout for projects that offer adequate returns on investment. In the last six years, our parent companies have arranged over $10 billion worth of financing. Billions more are available, for the right opportunities.

Furthermore, if we do not act now, much of this capital will be directed to projects overseas. It's estimated that Asian countries alone need a billion dollars a week to upgrade their infrastructure. Many nations, from China to Mexico to Hungary, are relying on private financing to modernize and make their economies more productive. It's ironic that much of this money comes from U.S. institutions. Every billion we invest creates an estimated 20,000 jobs. Isn't it time we look for ways to keep this capital in the United States?

In the Intermodal Surface Transportation Efficiency Act of 1991, Congress took the first steps to encourage private financing.

I'd like to share with you some of our recent experience on two projects that show what can be done, given legislative backing: the 91 Express Lanes in Southern California and the Tacoma Narrows Bridge in Washington State.

Case Study: 91 Express Lanes

In addition to my responsibilities with United Infrastructure Company, I have the privilege of serving as the Managing Director of the California Private Transportation Company, a partnership formed by subsidiaries of Peter Kiewit Sons', Cofiroute Corporation and Granite Construction Incorporated.

CPTC holds a franchise awarded by the California Department of Transportation (Caltrans) to develop, finance, construct and operate the 91 Express Lanes. This is one of four privately-financed transportation projects authorized by the California Legislature in 1989, and the only one completed to date. (I'd be remiss if I did not point out that California's legislation was sponsored by Assemblyman Bill Baker, who is now a member of this subcommittee.)

We've added four lanes in the median of the existing Riverside (91) Freeway, over a 10-mile stretch from Anaheim in Orange County to the Riverside County line. This $126 million project is America's first toll road to be privately financed in over 50 years and the world's first fully automated toll facility. It also represents the first use of true congestion pricing in the United States.

We developed the 91 Express Lanes in partnership with Caltrans and the Orange County Transportation Authority. We especially appreciate the encouragement we received from the Federal Highway Administration.

We began operations in December, 15 years before state funds would have been available. By building a $2 million temporary bridge at a key interchange, we were able to shave 13 months off the state's original schedule.

The 91 Freeway carries over 255,000 cars a day. Before we opened, traffic operated at Level of Service "F" — essentially stop and go — six hours each workday. During peak hours, our customers save an average of 20 minutes per trip. Even those who choose to stay on the adjacent free lanes benefit, since traffic on those lanes is flowing better than it has in years.

The 91 Express Lanes is a toll road without toll booths. Electronic transponders are used to deduct tolls from customers' prepaid accounts while drivers speed along at 65 miles per hour. With more than 50,000 transponders in circulation, we're months ahead of plan, and over a hundred applications arrive each day.

Our customers are thrilled with the project. Two indicators of customer satisfaction:

- I believe 91 is the only toll road in the world that offers its customers a guarantee. If at any time you're unhappy with the service on the 91 Express Lanes, return your transponder and we'll refund your deposit and the tolls paid for your last five trips. In six months of operation, only one customer has asked for that guarantee.
- We recently asked our customers what we could do to improve the 91 Express Lanes. Their most frequent request? "Make it longer!"

By the way, there's not a dollar of federal or state money in the 91 project. In fact, we're going to pay the state about $120 million over the next 35 years for maintenance and police services that would otherwise have been paid by California taxpayers.

Case Study: Tacoma Narrows Bridge

The Tacoma Narrows Bridge, located on State Route 16 in Pierce County, Washington, is the primary link between the Seattle-Tacoma metro area and the scenic Olympic Peninsula.

The first bridge at this site was destroyed by aerodynamic problems soon after it opened in 1940. The existing four-lane, 2,800 foot, suspension bridge was completed in 1950.

Recent growth has led to increased traffic on the bridge. Congestion lasts for three to four hours each day, costing motorists over 500,000 hours of lost time every year. Over 80,000 vehicles use the bridge each day. That's expected to grow to 108,000 vehicles by 2010.

In 1993, legislation was adopted authorizing the Washington State Department of Transportation (WSDOT) to select up to six proposals for the private financing of transportation facilities. A year later, WSDOT selected our company over two competitors to negotiate a franchise for improvements in the SR 16 corridor.

During 1995, Washington legislators began to have second thoughts about the public-private program. In an effort to stop two other toll roads that had become controversial, they adopted changes which required most projects to undergo local advisory elections.

This year, the legislature authorized WSDOT to contract with our firm for technical, financial and environmental studies for the SR 16 corridor. We're pleased to be able to continue to work with WSDOT on this important project.

Key Legislative Provisions

In our experience, private funds can help to reduce gridlock. Americans will accept new methods of financing and operating our highway system. But to make more of these projects a reality, we need additional enabling legislation. We urge Congress to include the following provisions in the ISTEA reauthorization bill:

1. Encourage states to adopt the public-private concept. Incentives could include:
    - Increased flexibility in the timing and use of federal cash flows,

- Expanded access to federal credit enhancement mechanisms, and
- Additional authority and funds to expand the State Infrastructure Bank program as its efficacy is proven.

2. Authorize the use of toll financing on new and reconstructed segments of the Interstate Highway System.
3. Encourage standardization of public-private franchise terms.
4. Ensure that project approval procedures used by federally-financed planning organizations provide the flexibility needed for innovative funding methods.
5. Encourage federal, state, regional and local agencies to streamline their environmental permitting procedures.
6. Require that provisions for toll operation be included in all applicable federally-mandated environmental impact studies.
7. Encourage the adoption of national standards and cross-state violation enforcement methods for automatic vehicle identification systems.

While such authority is outside the scope of the ISTEA reauthorization, we urge Congress to restore access to tax-exempt debt for privately-financed transportation projects.

In addition, we urge this subcommittee to support HR 1907, which will clarify the status of privately-financed transportation facilities constructed in federally-financed rights-of-way.

Conclusions

As head of a company that invested millions to reduce gridlock on one of America's busiest freeways, I can say without hesitation that public-private partnerships offer a win-win-win opportunity.

- They're good for the public sector,
- They're good for private investors, and
- Most of all, they're good for our nation's motorists.

There's plenty of private capital available for the right projects. What's needed is additional enabling legislation. By encouraging the states to pursue public-private partnerships, Congress can trigger billions of dollars of private investment to help solve some of America's most intractable transport problems, long before public funds could become available.

Thank you for allowing us to share our views with you.

I'd be happy to answer any questions.

Case Study: 91 Express Lanes

United Infrastructure
A Partnership of Bechtel and Kiewit

Fact Sheet

The 91 Express Lanes

Fast, Safe, Reliable – Satisfaction Guaranteed

The Project

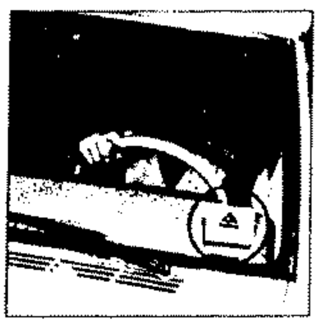
On July 27, 1993, ground was broken on the 91 Express Lanes™, a $126 million, privately-financed project adding two toll lanes in each direction to the Riverside (91) Freeway in Orange County, California. The world's first completely automated tollroad will offer motorists a fast, safe, reliable alternative to the adjacent gridlock.

Background

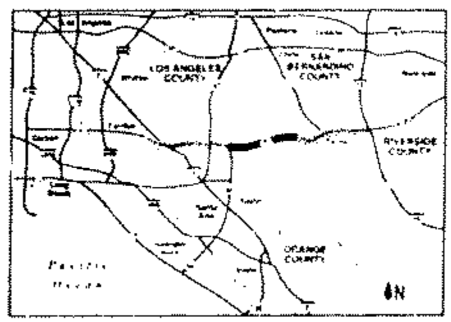
The 91 Express Lanes is one of four projects awarded after a competitive selection process authorized by 1989 state legislation to explore the potential of privately-financed toll roads. The 10-mile facility is located in the freeway median between the Riverside County line and the Costa Mesa (55) Freeway.

The 91 Express Lanes have been developed under a franchise agreement between the California Department of Transportation (Caltrans) and California Private Transportation Company (CPTC), the project's private developer and operator. CPTC is authorized to collect tolls for 35 years beginning with the completion of construction, after which the project reverts to state operation.

In addition to the project's capital costs, California taxpayers will save an estimated $120 million over the life of the agreement in maintenance, law enforcement and operations costs — costs which would otherwise have been borne by taxpayers. The award-winning project involves no state or federal funds.



Windshield-mounted transponder in use



Location Map

Initial Facility

Potential Extensions

For additional information, please call:
California Private Transportation Company
P.O. Box 9191
Corona, CA 91718-9191
(714) 637-9191 • Fax (714) 637-9266

Fact Sheet

The Project Team

The 91 Express Lanes are operated by CPTC, a California limited partnership formed by subsidiaries of Peter Kiewit Sons' Inc., Cofiroute Corporation and Granite Construction Incorporated. CPTC has contracted with Caltrans and the California Highway Patrol for maintenance and police services, respectively.

Route 91

Within the region, the Riverside Freeway is a major commuter link between residential and employment centers in Orange, Riverside and San Bernardino counties. From 1980 to 1994, the existing eight-lane freeway experienced a compounded traffic growth rate of 6 percent per year. Today, the 91 carries more than 255,000 vehicles per day; at peak hours, the facility is operating beyond its design capacity. Traffic demand forecasts for 2010 range from 330,000 to 400,000 vehicles per day.

Key Innovation — Value Pricing

The 91 Express Lanes will be America's first full implementation of Value Pricing — a concept transportation planners, economists and environmental groups have long contended would keep traffic flowing more smoothly.

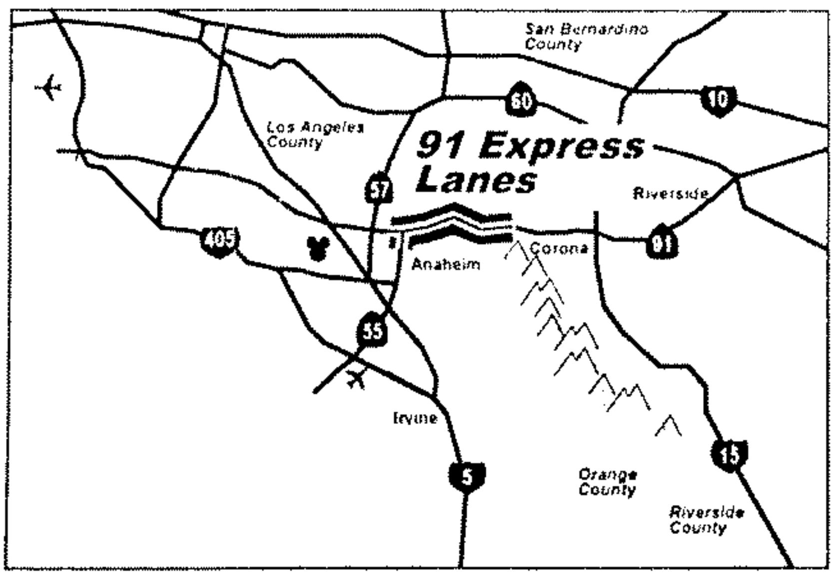
The idea is as straightforward as it is flexible. Value Pricing relies on user fees that vary to reflect the changing value of congestion relief. For example, motorists will likely place a low value on use of the 91 Express Lanes in the middle of the night, when the adjacent freeway lanes are uncrowded. On the other hand, the new lanes will have a high value during rush hour, when traffic on the free lanes nearby are crawling along, bumper to bumper. Tolls which vary in response to these changing levels of demand are expected to keep the 91 Express Lanes free-flowing at all times. The Value Price tolls for the Express Lanes currently range between 25 cents and $2.50, depending on time of day.

Key Innovation — Electronic Toll Collection

The toll road without toll booths™. The other key component of the 91 Express Lanes is cutting-edge technology applied to collecting tolls automatically. This system, called FasTrak™, uses overhead radio readers and a small, windshield-mounted transponder that allows customers to use the Express Lanes without stopping at toll booths.

The wallet-sized FasTrak transponder can easily be moved from car to car. The system can handle more than 2,500 vehicles per hour per lane, and can recognize vehicles at over 100 mph. The units exceed California's statewide standards.

Congestion relief for one of California's busiest highways. *The $126 million, privately-financed project adds two lanes in each direction in the freeway median. The 10-mile project was completed within budget, 13 months ahead of the California Department of Transportation's original schedule.*



Easing a regional bottleneck. *The Riverside (91) Freeway links commuters from Riverside and San Bernardino counties to jobs in Los Angeles and Orange Counties. Over 255,000 vehicles use the freeway every day. Before the new lanes opened, congestion lasted more than six hours.*

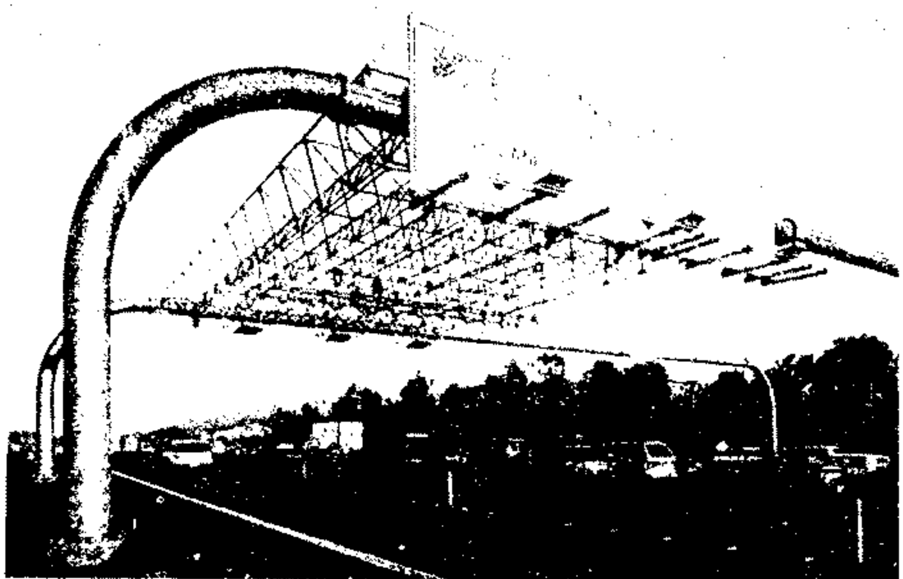
91 Express Lanes

A true pubic-private partnership. *Made possible by a 1989 law authorizing Caltrans to enter into up to four demonstration projects, the 91 Express Lanes benefited from strong local support, committed state and federal agencies, and credible private sponsors*

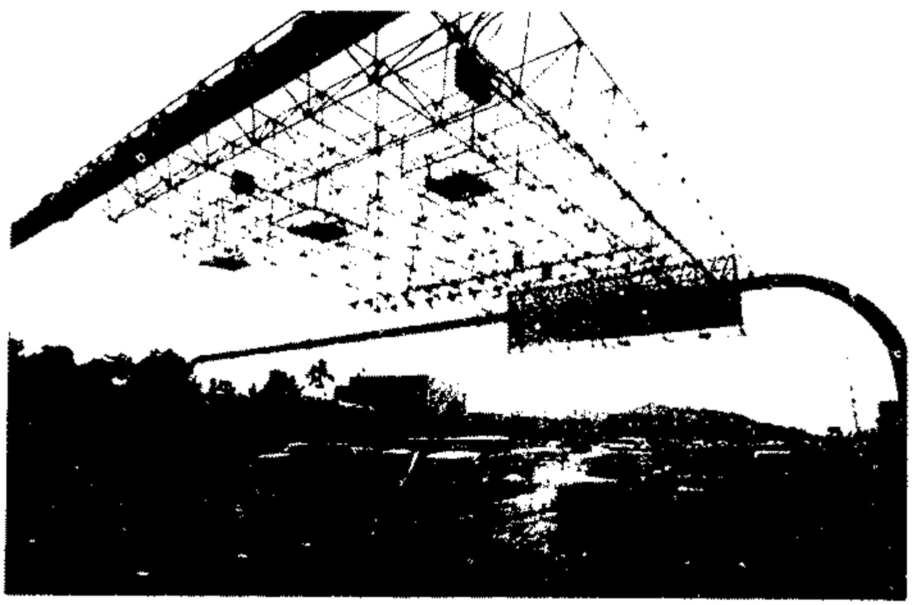
America's first congestion-priced toll road. *To maintain free-flow conditions, tolls vary from 25¢ during off-peak periods to $2.50 during the most congested hours. During peak hours, motorists may save 20 minutes or more each way.*

Toll road without toll booths.™ To avoid the congestion of traditional toll plazas, tolls are collected electronically at highway speeds via windshield-mounted transponders. The project is the world's first fully automated toll road.

Transponder distribution. Customers may order their transponders by mail or visit the Customer Service Center.

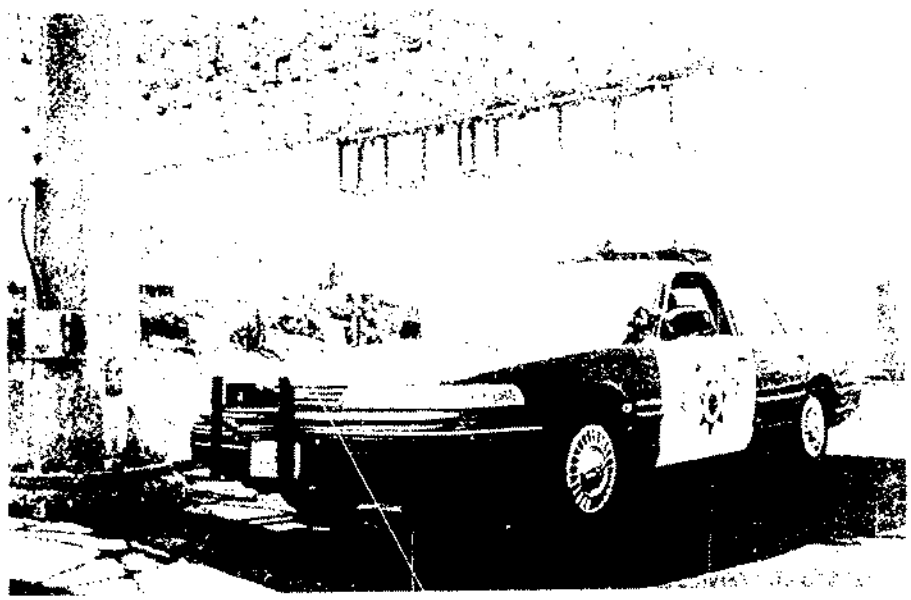


Non-stop toll collection. *Electronic sensors mounted above the Express Lanes "read" each car's transponder in 1/30th of a second. A computer then deducts the appropriate toll from that customer's prepaid account.*



Toll Zone. *Any transponder-equipped car or light truck may pay to use the Express Lanes. Carpools with a transponder and three or more occupants ride free by driving through a third lane (closest to the camera) for visual verification.*

Observation building. A roadside observer verifies carpool occupancy.



Law enforcement. Toll violators may be stopped by the California Highway Patrol or ticketed by mail. The 91 Express Lanes pay for all police and maintenance services.

Traffic Operations Center. *Supervisors and state-of-the-art computers monitor traffic conditions via 35 TV cameras and hundreds of in-pavement sensors.*

Customer service and safety. *Disabled vehicles are assisted by a fleet of privately-funded tow trucks.*

As seen in... The New York Times

TUESDAY, JANUARY 2, 1996

A Toll Road in California Offers A High-Tech Answer to Traffic

By B. DRUMMOND AYRES Jr.

YORBA LINDA, Calif., Jan. 1 — The section of the Riverside Freeway that runs past this Orange County community, hometown of Richard M. Nixon, is one of the busiest stretches of highway in the Los Angeles region, which means it is among the busiest stretches of highway anywhere in the world.

Other freeways dump extra traffic onto both ends of the stretch, and the result is an old Southern California tale of road woe: traffic can clog the 10-mile-long bottleneck at any time, and during rush-hour gridlock is a sure thing that can routinely cost commuters an additional 25 to 35 minutes of stop-and-start travel time.

But as of last week, the bumper-to-bumper gridlock on the freeway, also known as State Route 91, began to improve — for those willing and able to pay for it.

In what transportation specialists say is a bold experiment in traffic management in the state that made traffic management both an art form and an oxymoron, a private company has opened a brand new toll road, the most high-tech highway ever built anywhere, smack in the median of the old jammed road. And the company, California Private Transportation, guarantees any and all commuters willing to pay the price a delay-free, 65-miles-an-hour ride through the bottleneck.

Or your money back.

The price?

An insignificant 25 cents for a one-way trip in the middle of the night, but a hefty, think-twice $2.50 for a trip during the middle of the rush hour, which in the Los Angeles basin actually lasts a good three hours.

The fare is collected electronically, this being the ultimate space-age highway, with no delaying toll lanes or toll booths.

All vehicles using the road must carry a prepurchased windshield transponder that sends a coded signal to a computer whenever the vehicle rolls onto the road. The computer records the identity of the car and the fare in effect at the time of travel. Then, periodically, bills are sent to the driver's home, credit card company or bank.

The small print?

Though the new four-lane road will rely mainly on computerized traffic-monitoring devices and the we'll-bill-you-later toll system to make

Continued on Page A7, Column 5

Toll Roads in Comeback As an Answer to Traffic

Continued From Page A1

good on its money-back guarantee to keep traffic moving without delay, its ultimate quality control device will be its toll schedule, posted prominently for all to see on overhead entrance signs.

If at any point over several months, traffic on the road becomes so heavy that delays begin to occur, fares will be raised for that travel hour until some of the overload shifts to the old road, however jammed its eight free-of-charge lanes might already be.

"Once again California is leading the way for the whole nation in ground transportation," James W. van Loben Sels, director of the California Department of Transportation, said at Wednesday's ribbon-cutting ceremony that opened the new $126 million road, built at the company's expense with state approval.

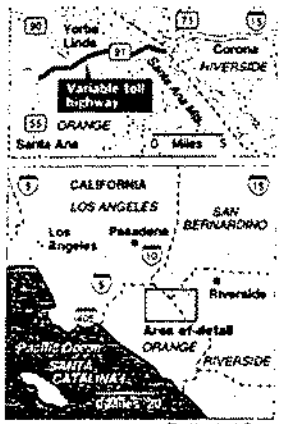
Gerald S. Pfeffer, the managing director of California Private Transportation, takes a similar, though more business-oriented, view of the road, which stretches through a series of sunny bedroom communities from the Riverside County line on the east to State Route 55 on the west.

"We're another example of private enterprise filling a gap in government services — the Federal Express of roads," he said on one of his daily inspection tours. "Some drivers need and are willing to pay for guaranteed overnight delivery. Others don't have to get there overnight and are willing to take their chances with a postage stamp. You get what you pay for, the great American way."

But some questions have been raised by environmentalists and growth control advocates about whether adding still more highway capacity is the right approach to the commuting problems of California or the nation. And here and there, some defenders of the needy have raised questions about whether the new road might "price the poor out of the last lane."

Mr. Pfeffer counters that highways cannot be ignored as part of the transportation mix, and that his privately built and operated road, while not free, lightens not only the tax load on poor citizens but also the traffic load on the jammed parallel road that their economic status might force them to use.

"What could be fairer or more American?" he argued. "Anyway, most toll roads in this country don't offer drivers a genuine alternative, just yards away."



The New York Times

A private variable toll road runs in the median of Route 91.

He noted that like many major American highways, especially California highways, the Riverside Freeway, already clogged with 270,000 vehicles daily, anticipates a 50 percent increase in traffic over the next 15 years. At the same time, he pointed out, taxpayers are demanding better roads but increasingly are resisting paying for them, just as the Federal Government is beginning to cut back on construction aid.

"We see the private toll road making a comeback in this country. Transportation departments in Virginia, Minnesota, Texas and Washington State already are talking about adopting our concept and other variations."

In fact, some private toll roads have recently been completed in other areas of the county, including one in Northern Virginia. But they are mainly the traditional type of toll road, designed to stretch an old road to a new point; they do not use parallel lanes to compete for the old road's jammed-up traffic.

Besides being the first private toll road to compete with an adjacent free public road, the new road here is also the world's first fully automated toll road, relying not just on transponders to collect fares but on other space-age devices to guarantee users a smooth, safe ride.

Midway along the road, engineers and safety officials sit in a darkened situation room, 24 hours a day, monitoring movement on every inch of the road with remote television cameras, as well as various combinations of lasers and computers, to alert the authorities to problems.

The vehicle windshield transponders required of all travelers are about the size of a deck of cards and can be obtained by mail or at toll road offices by putting down a $40 deposit that will be credited toward the bill. Whenever $30 in tolls has been rung up, bills go out.

And what if a vehicle without a transponder enters the road?

The sensors note that and, depending on availability, a highway patrol car may give chase — and then a ticket or a warning. But if no patrol car is immediately available, an overhead television camera, which constantly records an image of all cars entering the highway, separates out a special shot of the violator, including an enhanced close-up of the rear license plate.

> 'Another example of private enterprise filling a gap.'

A warning or a ticket is then mailed to the vehicle's owner, with fines starting at $100 for the first intentional violation and rising to $300 or more for multiple violations.

Standing in line here at a newly opened tollway office that was taking orders for transponders, Bonnie Lutz was almost joyful about the prospect of driving the new road.

"For years," she said, "I've spent the better part of every Friday and Sunday afternoon fighting that old highway, losing precious time that I could spend with my family at our mountain place. And all during the week, Chris, my husband, fights it, losing time, and money, because he's a salesman. Thirty dollars in tolls a week? Chris can more than make that up after this with the extra sales he'll have time to fit in."

THE WALL STREET JOURNAL MONDAY, JANUARY 22, 1996

REVIEW & OUTLOOK

Hassle-Free Commuting

One of the great and seemingly unsolvable problems of contemporary life is traffic congestion. Clogged rush-hour highways are a bane everywhere. The Federal Highway Administration reports that governments at all levels are spending $16 billion a year less than is required to keep the existing highway system maintained properly. Almost no money is available to build new highways in high-growth areas. A private-sector solution to this mess has just appeared in Orange County, California, where the state's first private toll road just opened.

The 10-mile, four-lane project runs along the center of the congested Riverside Freeway. Its use of state-of-the-art technology allows the owners to give commuters a money-back *guarantee* of a delay-free, 65-mile-an-hour trip that won't require any stopping at toll booths. Motorists use special transponders the size of a pack of playing cards that automatically debit the tolls from their accounts. To help ensure there are no delays, tolls are keyed to demand. A trip late at night will cost 25 cents. Rush-hour travel will cost $2.50.

The road is a godsend for many of the 270,000 people who use the Riverside Freeway every day. Traffic is so horrendous that some Riverside residents who commute to jobs in Orange County have to get up at 4:30 a.m. to get to work. "Some people will now get home an hour earlier to spend time with the kids," says Gerald Preffer, director of the California Transportation Company, the private firm that built the $126 million road.

The road was built at no cost to taxpayers. Its financing was all private and included bank loans and other long-term debt that will be paid back from toll revenue. Motorists are waiting up to two hours to buy transponders at CTC's offices.

Private toll roads are at the forefront of efforts to "reinvent" the highway. The Reason Foundation's Robert Poole, who sits on California's Commission on Transportation Investment, says other services could soon be offered on private lanes adjacent to existing highways, including route guidance, on-road electronic yellow pages and high-speed "platooning" of vehicles.

The American Highway Users Alliance believes the streamlined procurement and construction procedures of private roads will vastly improve on the operations of state-run turnpikes. It notes that the U.S. is a laggard when it comes to private roads. The most modern highways in France and Italy have long been private toll roads. At least a dozen other countries have built them, and even Germany is considering tolling and privatizing its famed autobahns.

In the U.S., 12 states have passed laws authorizing private toll roads, but only a few have enabling laws that make such investments attractive. Even then, careful planning is required. The Dulles Greenway private road opened in Virginia last September, but traffic has fallen below expectations. A major reason is the Dulles road doesn't offer nonstop electronic toll collection or deep discounts for off-peak use, though both are planned.

Gasoline taxes are an inefficient way to channel money to highway construction, and that revenue is stagnant because better fuel economy now means Americans are buying 10% fewer gallons of gas than in 1975. Anyone who crawls through a rush hour today has to wish success for California's new high-tech private highway.

THE PRESS-ENTERPRISE

Thursday, December 28, 1995 • Serving Riverside County, California, Since 1878 • 25 cents

New era tolls for the 91

[illegible] / The Press-Enterprise

Freeway congestion is no obstacle for two drivers in toll lanes at the center of eastbound 91 in Anaheim on Wednesday afternoon.

A contrast in traffic as the pay lanes open

By [illegible]
The Press-Enterprise

The opening of a privately financed tollway Wednesday in the middle of Highway 91 through Santa Ana Canyon provided a tempting option for commuters stalled in rush-hour traffic.

As bumper-to-bumper traffic ground to a halt in the free lanes during the evening commute, the few motorists using the toll lanes struggled to keep speeds below the 65-mph limit between Anaheim and the Riverside County line.

"I love it," said Diane Schoelles of Moreno Valley, who estimated she averaged 70 mph on the 10-mile stretch of tollway. "I'm not used to moving on the 91."

A Press-Enterprise employee using the toll lanes made the 21-mile trip from the Amtrak train station at Anaheim Stadium to the Yum Yum Donut shop on Main Street in Corona nearly 18 minutes quicker than an employee using the free lanes.

The employee using the nearly empty toll lanes left the train station at 5:10 p.m. and sailed past a blur of brake lights through Santa Ana Canyon to arrive in Corona at 5:36 p.m.

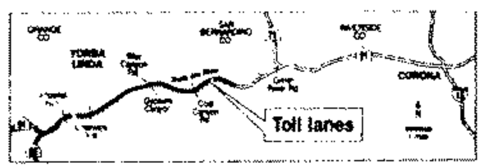
Gerald Pfeffer, managing director of the private developer of the $126 million tollway, acknowledged that opening-day traffic was light on the toll lanes.

"We hope many of those folks stuck in traffic will stop by our customer service office in Corona on their way home and sign up," Pfeffer said.

Pfeffer said employees were working around-the-clock to process applications for the small devices motorists must attach to their windshields to use the toll lanes. He declined to say how many people had already signed up, saying the number was "competitive trade information."

During a ribbon-cutting ceremony prior to the noon opening of the toll lanes, Pfeffer defended the decision to raise the price for the tollway during hours when commuter traffic is heaviest to and from Riverside County.

"The value pricing is a unique opportunity for moderating the demand and alleviating the congestion during peak rush hours," he said.



Prices range from $2.50 during rush hours to 25 cents during late-night and early morning hours.

Mark Watts, Gov. Wilson's undersecretary for transportation, said the tollway was actually an extension of the Highway 91 car pool lanes that run from Riverside to the Orange County line.

"They are just selling the space between the carpoolers," Watts said.

Vehicles with three or more passengers can use the tollway without charge, but must have a device, called a transponder, installed on the windshield. The rectangular device is about the size of a makeup compact.

An added bonus Wednesday was the opening of 1½ miles of car pool lanes — one lane in each direction — on Highway 91 between the west end of the tollway at Highway 55 and Highway 57 in Anaheim.

Motorists who share the ride now have 28 miles of unbroken car pool

Please see TOLL, A-4

TOLL

Continued from A-1

lanes on Highway 91 between Riverside and Anaheim. Like the car pool lanes in Riverside County, the new 2½-mile section is for vehicles with two or more passengers.

Schoelles, the Moreno Valley commuter, decided to use the toll lanes when she heard a radio traffic report at about 5:20 p.m. saying eastbound traffic was backed up through Santa Ana Canyon because of motorists slowing th look at an accident in the westbound lanes. She said she made it home from Fullerton in 55 minutes, about 25 minutes faster than her pre-tollway commute.

Reaction to the toll lanes was mixed at a Corona gas station before the noon opening.

"I pay taxes for highways," said Jason Bangma, an installer for a solar heating company th Corona. "Why should I have to pay more money if I want th avoid traffic congestion?"

Jim Armijo of Corona said there is no reason for him to use the toll lanes because he leaves for his job as a firefighter in Gardena at 5 a.m.

"The traffic moves that early," Armijo said. "If I left later I would pay."

Officials said traffic on Highway 91 was unusually light Wednesday morning. However, eastbound traffic on the free lanes slowed to a crawl during opening ceremonies in the center toll lanes.

Watts, whose responsibilities thclude overseeing the California Highway Patrol, said flashing lights on a Highway Patrol car in the toll lanes adjacent th the ceremony may have been partly responsible for the traffic jam.

"I asked them th turn the lights off, but was told that they were directing traffic away from the ceremony," Watts said. "I defer to their expertise on traffic control."

THE PRESS-ENTERPRISE

Friday, January 26, 1996 • Serving Riverside County, California, Since 1878 • 25 cents

FIXING THE 91

TOLL LANES GET 'TWO THUMBS UP'

▶ Caltrans officials say traffic hasn't rolled this smoothly since 1980.

By Ernest E. Pund
The Press-Enterprise

New private toll lanes and Metrolink trains have drawn so many commuters that congestion on Highway 91 has dropped to levels not seen in more than 15 years, one Caltrans expert said.

The first figures released on the toll lanes show that 2,938 cars, van pools, motorcycles and buses funneled down the 10 miles of toll lanes during three of the densest hours of traffic Thursday evening last week.

"It's wonderful," said Joe El Harake, a traffic expert with Caltrans in Orange County. The drive has not been this smooth through the Santa Ana Canyon since about 1980, he said.

The lanes may prove to be a boon for car pools of three or more, too, because those motorists avoid the toll by sharing the ride. More than 180 van pools were counted on the toll lanes one evening.

"That's phenomenal," El Harake said.

One commuter said his ride in the toll lanes was so fast that he felt guilty. Another said the drive from Temecula to Orange was "not a problem" now that the lanes have opened between the Riverside County line and Highway 55 in Anaheim.

Corona officials have reported tremendous drops in the time it takes to travel through the city on Highway 91, once a white-knuckler for several miles heading west.

Mike Nolan, traffic reporter-pilot for KFI and KOST radio stations, said "either everybody in Riverside County lost their jobs or the thing's making a difference."

The one-of-a-kind project with its fully automated tolling system and prices ranging from 25 cents late at night to $2.50 during the heaviest rush-hour traffic, is owned and operated by California Private Transportation Co.

Officials with the firm have not made their numbers public. But Caltrans had people at the toll plaza counting, too, and released their figures Thursday.

Those figures included paying commuters as well as those who didn't have to pay because they were riding a motorcycle or traveling in a car pool with three or more passengers.

The toll lanes are not the only thing improving the ride on Highway 91.

Commuters have left about 460 cars close to home in favor of Metrolink, according to figures provided by the Southern California Regional Rail Authority. That service started in October.

The two options meant the free lanes were carrying about 10 percent fewer

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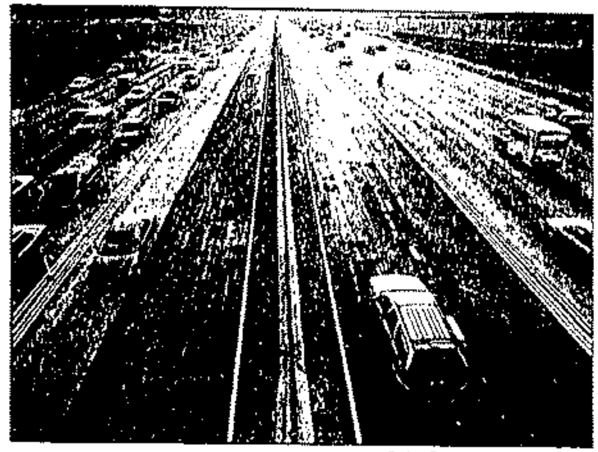


Carlos Puma / The Press-Enterprise

Few cars were in the toll lanes shortly after they opened a few weeks ago.

"I'll tell you, right now, commuting from Temecula is not a problem."

Rick Barker of Temecula, commutes to Orange.

Traffic-easing numbers

A glimpse of daily use of the Hwy. 91 corridor in January

HOMEBOUND:
(3-6 p.m.)

Metrolink = 460 cars

Toll lanes = 2,938 cars

TO WORK:
(6-9 a.m.)

Metrolink = 460 cars

Toll lanes = 1,738 cars

Note: Metrolink numbers are based on avg. daily ridership for January. Toll lane numbers are for Thursday, Jan. 18

Source: Southern California Regional Rail Authority and Caltrans

846

TOLL: 91 flows smoooooothly

Continued from A-1

workbound autos and about 15 percent fewer homebound vehicles compared with a weekday last July.

El Harake and other experts warn, however, that the miracle may not last. He said it will take about six months to get a clear picture of the benefits.

Motorists who avoided Highway 91 may return to the freeway. Commuters will use the newfound time to sleep later before leaving in the morning. The densest hours of traffic could return to their former state.

Eventually, growth expected to double Western Riverside County's population in 15 years is likely to fill any gaps.

In the meantime, however, commuters like Mike Laws are smiling.

"Two thumbs up," he said. Laws drives a van pool of 12 commuters from Corona to El Segundo. The trip that once took him an hour and a half now runs 57 minutes.

"Sometimes you feel guilty about using them (the lanes), especially when you're using them for free," Laws said.

"You've been over on the other side. You know what it's like to come to a screeching halt."

But it appears to be better on the other side, too. Commuters are reporting big decreases in the time it takes them to use those lanes for free. El Harake said that Caltrans has noticed the decrease, too.

Rick Barker has used the toll lanes about 10 times since they opened Dec. 27 between the Riverside County line and Highway 55 in Anaheim, but the traffic has been so light in the free lanes that "on every single occasion I've thought, 'Damn, I just threw away $2.50.'"

Barker is not too sad, though. His drive from Temecula to Orange once took him two hours. Now he can do it in an hour and five minutes. "I gained two weeks of my life a year."

Since the toll lanes opened, "I'll tell you, right now, commuting from Temecula is not a problem. And I hope to call you three months from now and say, 'Hey, it's still not a problem.'"

Barker questions the success, though. He wonders if simply ending the construction of the toll lanes that clogged the freeway made the biggest difference.

Corona officials have clocked big drops in the time it takes to get through the city on Highway 91.

It once took 30 to 45 minutes to drive 10 miles from McKinley Street to Highway 71 during the westbound morning rush.

> **"California Private Transportation Co."**
>
> Greg Hulsizer, general manager
> California Private Transportation Co.

Two weeks after the toll lanes opened, driving the same stretch took slightly less than 10 minutes, "which is essentially free-flow conditions," said Steve Libring, Corona traffic associate.

Libring hopes the toll lanes reduce the number of commuters using neighborhood streets for shortcuts around the gridlock.

The number of vehicles in the toll lanes during the rush is about half of what was projected for the year 1997.

Consultants for California Private Transportation Co. estimated in 1992 that 1,310 vehicles an hour would use the lanes during the morning westbound rush and 2,480 an hour during the homebound commute.

Caltrans' highest count was 787 an hour headed west in the morning and 1,279 an hour headed east in the evening.

But the project is still young, less a month old. People are still signing up for the transponders, said General Manager Greg Hulsizer.

"We are very pleased. The road is working just the way we said it would."

Despite improvements, some hard feelings remain.

Riverside County officials had expected Orange County to build car pool lanes, not the toll lanes that were allowed by Caltrans.

Jim Crocker said that twice he has used the toll lanes for free when another member of his car pool had a transponder, but he will not put down even the deposit for one of the transponders.

The Perris resident believes it was wrong for the state to let a private company profit from public land, the median of Highway 91. And, he said, it is wrong to charge tolls for lanes that should have been funded by gasoline tax that everyone pays at the pump.

Crocker says, however, that the pressure to abandon his principals can be severe, when he's stuck in traffic while cars in the toll lanes fly by.

"It's really tempting at times," Crocker said.

THE PRESS-ENTERPRISE

HOWARD H HAYS JR.
Chairman

MARCIA MCQUERN
Editor and Publisher

JOEL BLAIN
Editorial Page Editor

Express lane bliss

■ The 91 Express Lanes are easily the best thing that happened in my life in years.

Last week was a perfect example. My job requires me to be in Orange County at least once a week or twice a week. And last Wednesday it was raining hard. I left the John Wayne Airport area at 4:15 p.m., got to the toll lane entrance about 4:45 — and was home at 5:15 p.m.

I drove 80 mph past traffic moving at 5 mph, and screamed out loud in utter ecstasy the whole time. Was it worth $2.50 to avoid spending an extra hour or more in traffic? Absolutely!

For three weeks now, I've used the toll lanes. And every time I do, I come home feeling victorious — that's the only way I can describe it. Having driven that route for 10 years, I know what it's like to spend four hours of my day in bumper-to-bumper traffic. You come home tired, and drained; and you actually get accustomed to that. But not any more — not me, because I have FasTrak.

I actually look forward to the drive home now because of the emotional rush it gives me for my $2.50. . . .

GREGORY SMITH
Riverside

Case Study: Tacoma Narrows Bridge

United Infrastructure
A Partnership of Bechtel and Kiewit

United INFRASTRUCTURE WASHINGTON, INC.

A Pressing Regional Need:

Eliminating Congestion at Tacoma Narrows

Public Private Initiatives in Transportation

In 1993, Washington lawmakers unanimously approved ***Public Private Initiatives in Transportation*** (Substitute House Bill 1006), a new program to test the feasibility of financing needed transportation facilities through public-private partnerships. SHB 1006 is the first legislation to fully implement the innovative finance provisions of the federal Intermodal Surface Transportation Efficiency Act.

The new law authorizes the Washington State Department of Transportation to select up to six private proposals for negotiations, environmental review and implementation. In May 1994, 11 teams submitted 14 proposals representing more than $4.8 billion in transportation improvements. In August 1994, after extensive evaluations by state personnel and outside consultants, the Washington State Transportation Commission authorized the Department of Transportation to enter into negotiations with United Infrastructure regarding its proposal to eliminate congestion at Tacoma Narrows.

Tacoma Narrows: Congestion at its Worst

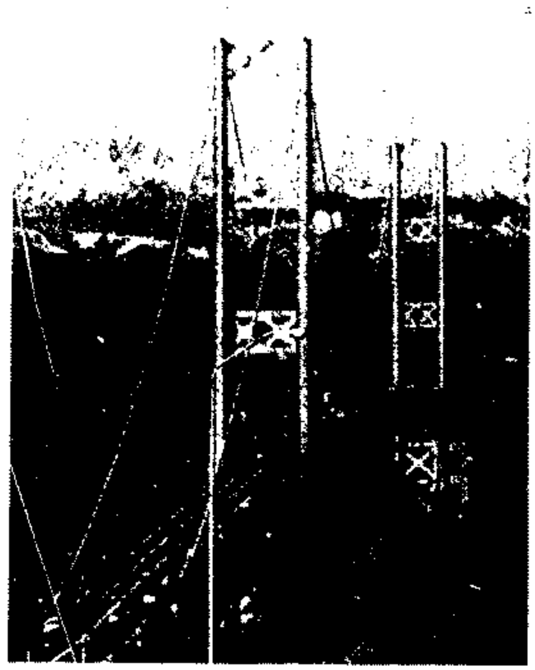
The Tacoma Narrows Bridge, located on State Route 16 in Pierce County, is the primary link between the Seattle-Tacoma metro area and the scenic residential and recreational areas on the Olympic Peninsula.

The first bridge at this site was destroyed by aerodynamic problems soon after its completion in 1940. The existing four-lane bridge, with a 2800 foot main span, was completed in 1950.

Population growth has resulted in increased congestion along SR 16 and especially on the bridge. During peak periods, the bridge operates at or beyond its design capacity, carrying as many as 6000 cars per hour. Since there are no barriers to separate oncoming traffic, drivers tend to slow as they cross the bridge, adding to delays.

Congestion lasts for three to four hours, costing motorists over 500,000 hours of lost time every year. Over 74,000 vehicles use the bridge each day, and traffic is expected to increase to 108,000 vehicles by 2010.

State ferries offer the only alternate route across Puget Sound, and they don't serve the destinations of many peninsula travelers.

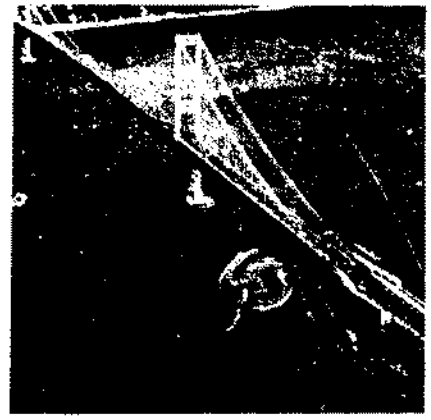


The existing bridge operates near its design capacity for three to four hours each day.

Four Alternatives

United Infrastructure has proposed a systematic approach to reducing congestion on the Tacoma Narrows Bridge and along the State Route 16 corridor. The proposal includes a "menu" of options that can be tailored — based on environmental, technical, financial and aesthetic considerations — to meet community needs. The menu includes four distinct alternatives:

In this alternative, **transportation demand management** methods, including congestion pricing, movable barriers and enhanced incident response, would help make better use of the existing bridge. It may also be possible to speed construction of HOV/toll lanes and improve transit service.



Double-decking the existing bridge could yield substantial cost savings versus other options. This alternative may also be more acceptable to preservation and environmental interests. Because approach roads could be built within the existing alignment, less right-of-way would be needed and residential impacts could be reduced.

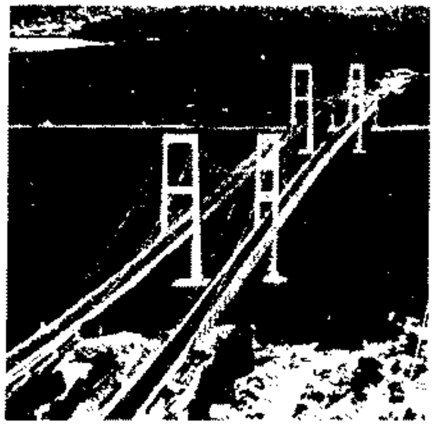
Community Benefits

Improvements at the Tacoma Narrows will bring significant benefits to the community. While there are mixed views about a major capacity increase at this location, United Infrastructure has proposed a comprehensive and flexible strategy to help reach a consensus. The ideal solution would reduce congestion and increase safety on the bridge, SR-16 and adjacent surface streets, improve transit and carpool service, and resolve aesthetic concerns at Tacoma Narrows.

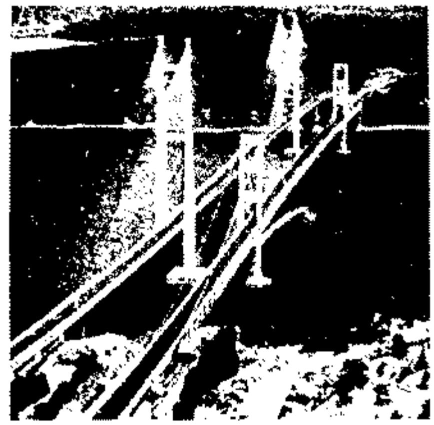
Building Support

United Infrastructure has had preliminary discussions with representatives of some of the groups which have historically opposed major capacity expansions along SR 16. Their input helped shape several of the alternatives described above. For example, our transportation demand management strategy offers a "win-win" opportunity because it encourages safer, more efficient use of the existing bridge, while expanding the transit options available to peninsula residents.

Under the most optimistic scenario, interim portions of the transportation demand management alternative could receive expedited environmental approval and go into construction within months of execution of an agreement, while maintaining the momentum of long-term studies now in progress.

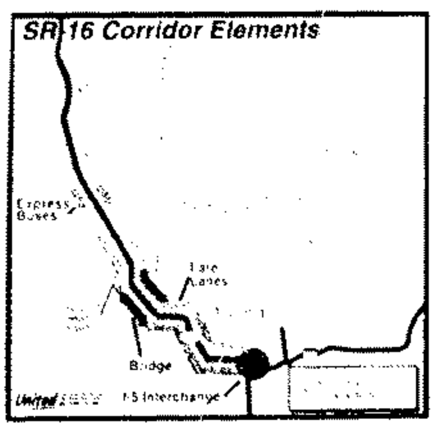


A new **suspension bridge** (similar to the existing structure) with a center span of 2,800 feet appears economically feasible. The design would blend with but not replicate the existing bridge, due to design advances since the existing bridge was constructed. This alternative would provide three eastbound lanes on the new bridge and three westbound lanes on the existing bridge.



A new **cable-stayed bridge** with a 2,800 foot center span also appears feasible. However, its towers could be as high as 800 feet, compared to 500 feet for the existing bridge. This alternative would also provide three eastbound lanes on the new bridge and three westbound lanes on the existing bridge. Approach roads would be identical for the cable-stayed and suspension alternatives.

Corridor Improvements



Depending on the menu options ultimately selected, a wide variety of improvements could be provided along the SR-16 corridor. These include:

- HOV toll lanes, ramp meters and HOV bypass lanes from Olympic Drive to Interstate 5.
- Enhanced traffic management techniques, including congestion pricing, increased State Patrol presence, and incident response teams
- Improved transit access, including quality long-haul service, park and ride facilities, expanded maintenance facilities and provisions for future fixed guideway (i.e., light rail) systems

United Infrastructure

United Infrastructure is a partnership of Bechtel Enterprises and Kiewit Diversified Group, formed in response to growing shortfalls in traditional funding sources. Our mission is to develop, finance and operate transportation and environmental infrastructure projects in partnership with public agencies.

Eliminating congestion at the Tacoma Narrows will involve a wide range of parallel activities...building consensus among local groups with conflicting agendas; dealing with a host of environmental, historic preservation, design and construction issues; and lining up money on Wall Street. Leading a multidiscipline team with the skills needed to deal with these issues is United Infrastructure's business.

Backed by two of the most successful and reputable firms in the construction business, United Infrastructure is widely considered the most financially capable company in public/private partnerships. During 1993, our affiliates assisted in financing more than $3.5 billion worth of projects.

United Infrastructure Team

Public-private partnerships such as those encouraged by SHB 1006 require a wide range of skills. To meet these diverse needs, United Infrastructure has assembled a world-class team of associates that represent the premier firms in their field of expertise — bringing the technical know-how and experience needed to complement our business and financial strengths. Team members include:

Roles	Firms
Developer	United Infrastructure
Construction Contractor	Kiewit/Bechtel/Monberg-Thorsen Joint Venture
Design Consultants	Steinman; DeLeuw, Cather & Company; HNTB Corporation; Anne Symonds & Associates (WBE); The Tsang Partnership (MBE); Lynn William Horn (MBE); Lin & Associates (MBE); Meredith, Inc. (WBE)
Financial Advisor	Lehman Brothers
ETTM Systems Integrator	MFS Network Technologies
Traffic & Revenue Consultant	Wilbur Smith Associates
Public Finance/Federal Policy	Apogee Research
Legislative Advocate	Evergreen Policy Group
Environmental Consultant	Shapiro & Associates (WBE)
Geotechnical Consultant	Shannon & Wilson
Seismic Consultant	Geospectra (MBE)
Local Counsel	Preston Gates & Ellis
Public Affairs Consultant	O'Neill & Company (WBE)

United Infrastructure will provide complete development, financing, design, construction, and operations for Tacoma Narrows using local resources. We're a part of the community and are committed to the environmentally-responsible improvement of our transportation system.

For additional information about this project, please contact:

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Bellevue, Washington 98004
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United INFRASTRUCTURE WASHINGTON, INC.

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TESTIMONY BY JOHN R. PLATT, CHIEF OF STAFF

Ohio Department of Transportation
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Before the

SUBCOMMITTEE ON SURFACE TRANSPORTATION

OF THE COMMITTEE ON TRANSPORTATION AND INFRASTRUCTURE

U.S HOUSE OF REPRESENTATIVES

AT 9:30 A.M.

THURSDAY, JULY 18, 1996

ROOM 2167 RAYBURN HOUSE OFFICE BUILDING

I. INTRODUCTION

Chairman Petri, distinguished members of the House Subcommittee on Surface Transportation, and interested parties, I am John Platt, Chief of Staff of the Ohio Department of Transportation and I am honored to come before the Subcommittee to discuss Innovative Financing and in particular how these new concepts should be included in the language of the reauthorization of ISTEA.

II. OHIO'S EXPERIENCE WITH INNOVATIVE FINANCING

Today, I would like to share with you Ohio's experiences with Innovative Financing in general and specifically, what has worked well and what has not. Finally, I will recommend some streamlining measures which Ohio would like to see in the reauthorization of ISTEA which will improve the overall product.

First, to briefly enumerate some broad elements of innovative financing that have worked well for Ohio. The elements are: *1.) Increased speed in project delivery from approval to completion; and, 2.) Ability to finance projects that could otherwise not have been financed.* Ohio is proud to report that we have seized the opportunities for innovative financing offered by the Federal Highway Administration, under TE-045 for a variety of projects. In fact, three (3) of the thirty (30) initial projects approved in the nation were located in Ohio. As of today, two (2) of those three (3) projects have been completed and both within the record time of less than 12

37-734 97 - 28

months each from approval of innovative financing. This schedule included environmental approvals, design development and competitive contract bidding, all in accordance with federal and state rules. And, Mr. Chairman, these were not simple projects. They represented, in fact, some new types of projects for transportation expenditures under ISTEA which could not have been financed without the banner of innovation.

One project was an intermodal rail/highway facility which utilized $11.2 million in congestion mitigation/air quality funds as a loan to a public/private partnership. This loan, now being repaid on the basis of a fee (toll) of $10 per trailer/container that is lifted onto or off of a rail car, leveraged another $26 million in private investment; created over 630 new higher wage jobs; and, will create another 1000 jobs and private investment of nearly $100 million over the next five (5) years.

The second project was construction of a 3.5 mile rail main line and widening of four (4) highway/rail bridges to alleviate large train traffic volumes between the Great Lakes/Canada and the Southeast through Cincinnati. This project bypassed a very busy intermodal rail yard which had caused delays of at least two (2) hours per train and resulted in trains blocking numerous at-grade highway intersections for as much as 60 miles north of Cincinnati. Removing this type of delay justified the use of Congestion Mitigation/Air Quality funds to repay Norfolk Southern Railway Co. who advanced the entire $15 million cost of the project and Ohio is repaying them for the four (4) bridges at the rate of $1.7 million per year for three (3) years for a total of $5.1 million.

III. WHAT WORKED BEST

The 1990's might be most aptly termed the, "decade of restraint" as both the public and private sectors have tightened their belts and "downsized" or "right sized" to meet customer demands. The fiscal restraint of a Statewide Transportation Improvement Program (STIP) as required by ISTEA, was initially not well received by state transportation officials. At first light, we found the STIP burdensome but we soon realized that such restraint forced us to prioritize. A newly developed project selection process, based on the criteria adopted through public input, insures Ohioans that the most important project to transportation and economic development is constructed first. It has given our elected officials a new opportunity to be proactive on the economic and transportation merits of projects that they deem important and to assure fair and objective consideration and the public now monitors this fairness.

Fiscal constraints had the further effect of planting the seeds of innovative financing. When budgetary obstacles thwarted our traditional approaches to fund an important project in a timely manner, new innovative financing methods became essential to the operation of a state transportation department. Plus, as a bonus, flourishing creativity in innovative financing has helped change the culture of ODOT from, "But, we've always done it this way" to "We can succeed if we try another way."

Living within a restricted budget also encouraged the transportation community to plan and construct projects with an eye towards economic development. The complementary relationship between transportation and economic development is not a one-way street. We have known for many years that improved transportation access spawns economic development in a community. But, until just the last few years, we have never utilized the other side of the equation, which is, economic development can and should help fund transportation. The use of innovative financing allowed us to realize the benefits of economic development and use such development to help pay the cost. Innovative financing has allowed us to change from the traditional mindset of, "pay as you go" to the more accurate and fairer philosophy of, "pay as you grow."

In essence, we have found that the initiatives of innovative financing under TE-045 have worked very well particularly in streamlining the federal approval process to decrease the time from planning a project to full implementation.

Also, the changes in the National Highway System legislation adopted in November, 1995 were also very positive including allowing a pilot State Infrastructure Bank (SIB) program; allowing use of federal highway funds to pay off interest and principal amounts for funds advanced by another party for a project; and, expanding the ability of the ISTEA 1012 loan program's definition of what constitutes a toll. *These provisions need to be made a part of the ISTEA reauthorization title and become usual and customary rather than innovative.*

IV. WHAT HASN'T WORKED

Despite all the very positive aspects of innovative financing allowed under ISTEA, there are several problem areas which need to be addressed. The most burdensome is the requirement that states obligate 100% of the cost of the project at the time of contract award even though the project will take place over several years as will the paydown of funds. Ohio and other states would much rather obligate the actual cash drawdown needs on an annualized cash basis for a project. By obligating only the actual cash needs in any one year, the cash draw would match the obligation amount resulting in a more efficient and true to reality method for states. The present system makes high cost projects such as bridge replacements nearly impossible to achieve in any one year. The present system of obligation authority does not even allow a state to "bank" it's obligation authority from year to year. Thus, many states are forced to: *1.)*

Obligate their federal funds for 100% of the project's contract cost, then; 2.) Advance state funds for actual cash payments for the contract and await periodic federal reimbursements. This creates the cash flow "double whammy" on states.

A second issue is the difficulties encountered in donating assets to a project. Ohio would suggest a new approach and allow donated assets such as right-of-way to he eligible for the non-federal share. In fact, several innovative projects in the U.S. were done for this reason alone - to make donated land an eligible item. The current situation of counting donated land as program income rather than offsetting the non-federal share, is a disincentive for private citizens to donate such assets. With billions of dollars in transportation needs, we certainly do not need to be excluding funding sources by providing disincentives.

A third issue involves lack of creativity in the purchase of right-of-way. Ohio would like to include a provision to undertake the "overbuy" of land on a pilot basis in the reauthorization of ISTEA. Currently, a state can only purchase the exact land needed for the right-of-way of a project. To further complicate the matter, the purchase of a portion of land, called a partial take, may depreciate the remaining portion, causing the transportation department to pay more to avoid leaving the owner with an "uneconomic remnant." These so called "uneconomic remnants" are now the site of gas stations, fast food restaurants and motels all along our interstate system. Being able to buy the entire parcel and then leasing or selling back the portion not needed for the right-of-way could save millions of dollars in Ohio alone and could allow our taxpayers to benefit from the economic success generated by their investment.

V. OHIO'S PROPOSALS FOR ISTEA REAUTHORIZATION

As one of the fortunate states chosen to be a pilot for the State Infrastructure Bank (SIB) program, Ohio will be testing this innovative financing tool as authorized, to the fullest. You may certainly understand our elation about the specific provision which makes federal funds that are repaid from the SIB loans to transform into state dollars. As strong proponents of the devolution of transportation funding to the states, this indirect approach to devolution allowed in the SIB is very welcome. Our Governor George V. Voinovich's work on the matter of redirecting federal fuel taxes back to the states, coupled with the efforts of Ohio Congressman John Kasich to make it law marks a 21st century approach to funding transportation needs.

Ohio would like to suggest that more states be allowed to participate in State Infrastructure Banks (SIB's). Because ISTEA should be reauthorized for probably five (5) years, all states should be allowed, at their option, to establish SIB's. I would further suggest that Congress allow up to six (6) interstate compacts be formed on a regional basis to cooperate on project financing of regional significance. For example, northeastern U.S. states may want to cooperate on commuter rail service, while western states may want to cooperate on a new highway corridor to further NAFTA trade. These interstate compacts could provide a financing vehicle to issue revenue bonds for the region and use a portion of each state's future funding apportionment to pay off the bonds. I can even envision when it may become desirable for Ohio to use some portion of its funds to help improve access to deep water ports in Virginia and Florida because of a positive effect on improving global competitiveness for Ohio products.

Although I am here today with the Subcommittee on Surface Transportation, I would like to include for the record the need to allow Airport Improvement Program funds administered by the Federal Aviation Administration to be used in capitalizing State Infrastructure Banks. We are truly a multi-modal and intermodal society and to not include such an important segment of our transportation system as air travel and the complementary intermodal facilities, is short sighted.

Finally, Mr. Chairman, I would like to illustrate to you the power of leveraging as envisioned in the State Infrastructure Bank (SIB) program. My example uses a letter of credit from the federal government rather than cash. States, like Ohio, can such a letter of credit as a source of pledged monies to back the issuance of state revenue bonds. For example, a five (5) year, $10 million dollar letter of credit will enable a state to issue up to $100 million in revenue bonds. The state will then use the bond proceeds to loan to various projects and the loan repayments themselves will pay off the bonds. I would like you to envision in my example, Congress allowing for just one year, the proceeds of the 2.5 cents of federal fuel tax to fund such letters of credit to states who form State Infrastructure Banks. Recall, the 2.5 cents was originally enacted for deficit reduction but as of October 1, 1995 was to be made a part of the Trust Fund collections for highway and transit projects. Taking the proceeds which is about $3.25 billion annually to be made available in the form of letters of credit to the SIB states, could be leveraged ten fold enabling these states to issue up to $32.5 billion dollars in revenue bonds for projects.

While this sounds inviting, what makes it even more attractive, is that using the $3.25 billion dollars as letters of credit does not require taking cash out of the Treasury. In fact, when faced with past examples of using federal letters of credit such as for the $400 million dollar Alameda Corridor in California, the Congressional Budget Office has scored such arrangements under spending cap rules, as 10 cents on the dollar. Therefore, with an outlay of $325 million of the domestic spending cap, Congress could enable states to undertake extremely important projects totaling $32.5 billion dollars. This is what I mean by the amazing ability of leveraging. This approach is innovative and also gives the states the ability for self determination of priorities and projects in the spirit of devolution.

Thank you Mr. Chairman for the opportunity to express these ideas and I welcome any questions the Subcommittee members may have on my testimony.

Statement of

Robert A. Rich

Vice President

J.P. Morgan Securities Inc.

before the

U.S. House of Representatives

Committee on Transportation and Infrastructure

Subcommittee on Surface Transportation

July 18, 1996

I am pleased to be here today to provide comments on reauthorization of ISTEA. I am Robert Rich, a vice president with J.P. Morgan Securities based in New York City. I am an investment banker specializing in surface transportation finance and my comments today will come from that perspective.

Since federal revenues for traditional pay-as-you-go financing have been outstripped by both maintenance and expansion needs of our transportation system, a federal transportation funding program must provide not only a mechanism to stretch those federal dollars, but also a means to leverage capital market financing alternatives that are increasingly being examined as a means to expedite projects stalled in state transportation improvement programs for lack of funds.

In evaluating a transportation funding program that will help bolster a capital markets transaction, three characteristics, flexibility, capacity and leverage, are important to me. Flexibility in the sense that there be available multiple financial products that can be tailored to meet the needs of the individual transaction. Also, flexibility in the sense of timing; a funding product should be ready to take advantage of market timing. The program should be capitalized in a amount that sufficient to provide a level of funds that can improve the transaction. The program should also leverage its funding so that each of the limited dollars provided for the program are being used to their fullest potential.

The enactment of the Intermodal Surface Transportation Efficiency Act of 1991 marked the paradigm shift in transportation finance. The Act was a significant change of direction from how transportation funding had traditionally been programmed and allocated. Local planning organizations were provided with greater autonomy not only in designing the transportation system that best addressed local needs but with the flexibility to allocate federal funds across different modes of transportation. As toll based financings began to take hold as an alternative to traditional gas tax funding of transportation projects, the Congress responded by providing for federal participation in previously excluded toll facilities. ISTEA allows federal monies to be loaned to toll roads, thereby breaking from the tradition of federal grants, and recycling those funds and creating some leverage. The Act also encouraged innovation by permitting demonstration projects using new flexible financing techniques.

ISTEA was important in changing direction but it fell short of providing the flexibility and leverage found in multiple funding products. If a loan would not make the project work, there was no alternative. Even if the loan were the right product for the project, funds needed to be available. Often these funds were programmed for maintenance or other projects.

Shortly after enactment of ISTEA, capital markets solutions began to flourish with several stand-alone toll road financings successfully completed in both the public and private markets. As more of these transactions were undertaken, investors improved their understanding of start-up toll road risk and as a consequence, projects are more acceptable. I experienced this first hand during the nine days spent with investors while leading the $1.5 billion Foothill/Eastern toll road transaction and in the broad distribution that the deal enjoyed when sold in late May 1995.

Since 1993, nearly $4 billion of start-up toll facilities have been financed in the capital markets including the Foothill/Eastern TCA, $1.2 billion San Joaquin Hills TCA, $630 million E-470, $250+ million Dulles Greenway and $200+ million SR-91. Several more of these projects are currently on the drawing board and it is likely that non-recourse financings will grow in the future. States are experimenting with public/private toll road partnerships, which are not precluded from receiving federal funds under ISTEA.

None of these start-up facilities used the financing provisions of ISTEA. The Foothill/Eastern and San Joaquin Hills transactions, however, did utilized federal funding to enhance their respective credits. The federal operating lines of credit for each transaction, however, took specific legislative authorization. These lines of credit leveraged federal budget outlays nearly 15 times. It was not until the fall of 1995, that the

Texas Tumpike Authority utilized the §1012 loan provisions of ISTEA in funding its SH 190 project.

Recognizing the shortcomings of ISTEA, Congress expanded the financial tools available to projects in the National Highway System Designation Act of 1995. The NHS Act took a major step forward not only in expanding the ISTEA loan program to include projects supported by revenues other than tolls, but also provided the states with the ability to offer other financial products. These financial products better leveraged federal funds, while providing more useful tools for capital markets financings.

The tools available through the State Infrastructure Bank provisions of NHS included loans, loan guarantees, letters of credit, and reserve funds. The act also provided for the use of federal funds to pay debt service and other obligations, while preserving the tax-exempt status of a financing. The preservation of the tax-exempt status of projects is important for several reasons. The tax-exempt market provides the project with better economics due to its lower interest rates. Tax-exempt investors also have become increasingly sophisticated in analyzing and pricing start-up toll facilities, reducing a potential credit-related interest rate penalty. Nearly all toll road financings in the U.S. are executed in the tax-exempt market

The decision to undertake these and future projects will he made at the state and local level, the level at which it is best made. And, while the federal government may not play a role in every project, it clearly can make a difference in those in which it chooses to participate. This is most clearly evident in the federal participation in the Foothill/Eastem and San Joaquin transactions and will he demonstrated by the loan made to the Alameda Corridor Agency.

The NHS Act broadened the loan provisions of ISTEA to allow for loans secured not only by tolls but by taxes, fees and other revenues. The Act provided for a pilot program of state infrastructure banks that were given broad powers in the use of federal funds as a component in a project's financing structure. As an investment banker, one important aspect that you strive for in structuring a transaction is flexibility. The markets are constantly moving, interest rates are changing, investor demand is shifting. The ability to adapt to market demands inevitably leads to a lower cost financing. The use of financing alternatives such as subordinated debt, additional cash, bond insurance and other features can be made at the time bonds are pricing in the marketplace. The NHS Act gives states and local governments and their investment bankers the additional tools in the form of the State Infrastructure Banks to structure successful financings. The debt issuer can decide whether to utilize a loan from the SIB, use the SIB to subsidize interest rates, provide a reserve fund, offer a guarantee or provide a letter of credit.

One important financing tool provided by ISTEA in § 1012 was allowing states to recycle federal funds that traditionally had been utilized only once. In allowing federal funds to be loaned on a subordinated basis to toll facilities, financed either publicly or privately, the Act provided a means to make projects financially feasible. However, as the transportation and finance communities realized, simply making loans was only a first step.

With the National Highway System Designation Act of 1995, the Congress took the next step in providing more flexible tools responded to its constituents in the highway and transit.

The tools provided the state and local government and its investment bankers by the NHS Act must continue to be expanded and developed consistent with the growth and development of the capital markets. The limits on available revenues and the shift to project specific financings have made structuring flexibility a key component of a successful capital markets transaction. Enhancing the flexibility provided by the ISTEA and NHS Acts is critical to the growth and maintenance of our transportation system.

State infrastructure banks provide a source of funds segregated from moneys pledged under the State Transportation Improvement Program to provide assistance in financing transportation projects. The allocation of federal funds to the SIB, however, takes funding currently dedicated to the STIP. Although the SIB will be recycling that federal money with fees and interest collected, the redirection of those federal funds at the capitalization of the SIB results in a reallocation of funding for the STIP. It may in come cases discourage states from participating in the SIB program. The Congress should consider providing funds for the capitalization of SIBs beyond those funds traditionally appropriated to States. As discussed above, the SIB is the most efficient way to use funds by recycling them over several projects rather than a one-time grant to a single project. All states should he encouraged to establish a state infrastructure bank not only be expanding the pilot program but by seed funds to capitalize the SIB.

The federal government is in a strong position to evaluate the risks of transportation projects at the early stages. One particular investor concem is environmental risk, much of which is pursuant to federal requirements and the other significant risk is in the level of expected traffic. Around the globe there are institutions such as the development banks and the World Bank that provide funds to infrastructure projects. The Treasury has provided loans, guarantees and hybrids such as the TCA operating line of credit and has evaluated to risk associated with these credit products and charged to protect itself against those perceived risks. As noted earlier, this federal participation is an important component in the overall finance plan of these projects. The process of obtaining these Treasury loans and guarantees is cumbersome, however, as specific legislation is needed to secure the financing commitment. The timing of legislative approval may not always coincide with market timing, however. Tbe Congress could consider streamlining this process by providing the Treasury with the ability to commit to these types of transactions without specific and individual Congressional approval. This, again, would enhance flexibility and better position States and their investment bankers to take advantage of market opportunities.

A numher of transportation issues, particularly with respect to technology, are multi-state issues. The movement of goods and people across state lines should be seamless. In this regard, the use of technology, "smart highways" or "electronic toll collections" needs to have multi-state coordination and planning. I have recently worked with TranManagement, Inc. as part of the advisory team to the I-95 corridor coalition, a group of States extending from Maine to Virginia. The Coalition is addressing these interstate issue, particularly in the area of technology. ISTEA provided a formal structure for planning and financial resource allocation by empowering Metropolitan Planning Organizations. An issue worthy of consideration in reauthorization of ISTEA is to develop a multi-state planning organization which would play a planning and financial allocation role in defined multi-state issues, such as technology, to assure a fluid movement of goods and people across state lines. States could be permitted to form such alliances that would be recognized and empowered under the act.

The tax code also continues to be an obstacle in financing toll road projects. With respect to projects financed in the taxable markets, the taxation of imputed interest on deferred interest bonds limits the amount of deferred interest bonds that can be structured into a toll road financing. The revenue curve in a typical start-up toll project is a gradually ascending curve with little revenue during the initial years and significant revenues during the latter years. Debt service coverage in the early years of toll road operations is achieved by deferring debt service payments through the use of deferred interest or convertible deferred interest bonds. These bonds are essential to structure a financing package acceptable to the capital markets. In a taxable market transaction, the taxation of imputed income of deferred or convertible deferred securities necessitates that the investor have passive losses with which to offset the paper income (and actual taxes paid) of deferred interest securities. The need to find this particular type of investor greatly limits the amount of deferred interest securities that can be used in financing a toll facility. As a result, higher cost subordinated lien securities or equity needs to be utilized in order to effectuate a financing accepted by the capital markets. The result, in many cases, is a higher cost to the travelling public.

The municipal market investor is not subject to tax on the interest paid on any municipal securities, including deferred or convertible deferred bonds. The investor base, therefore, is broad, allowing a significant amount of deferred or convertible deferred interest bonds to be used in a tax-exempt financing. The use of these securities rather than higher cost subordinate debt or equity results in an overall lower cost of funds to the state or local toll road authority and consequently a lower charge to the travelling public. In the Foothill-Eastern Transportation Corridor Agency $1.5 billion start-up toll road financing for which J.P. Morgan served as lead manager, nearly $350 million of deferred and convertible deferred securities were utilized to lower cost. By contrast in a $400 million transaction structured by J.P. Morgan for a toll facility financing in the taxable markets, the maximum amount of deferred interest bonds that could be sold in the market was determined to be only $25 million. If a method of taxing interest income of deferred interest bonds other than their imputed income, such as at the time of sale, was devised the appetite among taxable investors for these bonds might increase substantially. Expanded use of these bonds in the taxable markets for toll road financings, replacing higher cost equity, will lower the overall cost of the financing.

Another developing area in which the tax code may serve as an impediment is in the consolidation of transportation entities. This consolidation may be done for a variety of reasons including streamlining of management, operating efficiencies, economies of scale or to establish an revenue base from which to finance other projects. State mandated mergers of public entities, regardless of their benefit, have been deemed ineligible for certain advantages of tax exempt funding under current tax law. In a high interest rate environment, the tax code may place an additional financial hurdle in the way of a successful consolidation. As more public entities look to consolidation as a means of improving and expanding service, these provisions are worth reexamination.

Let me conclude by saying that the Congress should not be discouraged if projects don't immediately leap off of the drawing board, into the capital markets and then on to construction. The changes at the federal level have marked a major change in the way states and local governments must think about utilizing federal resources for transportation projects. States and local governments are in the midst of a learning process with each considering a financing structure best for its particular needs. The capital markets, too, are in the midst of a learning process. The markets have demonstrated a willingness to invest in start-up toll road projects and are eager to invest in more. The investor education process takes time, however, as each project is different and requires individual attention by the investor. Introducing new and different aspects to a financial transaction, such as a SIB, will also take time to be assimilated by the marketplace. The capital markets have consistently demonstrated the ability to understand and price new and different financial products. There is no reason to doubt that the flexible funding alternatives provided since ISTEA and in the future will not also become a market standard. I urge the Congress to continue along the path established by ISTEA and the NHS and provide the efficient, flexible, and market-based financial alternatives so that the federal government continues to enhance the ability to finance our nation's transportation needs. The Congress is to he commended for the vision that it has shown in passing both the Intermodal Surface Transportation Efficiency Act of 1991 and the National Highway System Designation Act of 1995. Both of these Acts take important steps in ensuring that our transportation system continues to enhance not only our quality of life at home but our ability to compete in today's global economy.

STATEMENT OF
DENVER MAYOR WELLINGTON E. WEBB

DELIVERED BY
DICK BRASHER, DEPUTY MANAGER
DENVER PUBLIC WORKS DEPARTMENT
DENVER, COLORADO

BEFORE THE HOUSE SUBCOMMITTEE
ON SURFACE TRANSPORTATION

HOUSE TRANSPORTATION AND
INFRASTRUCTURE COMMITTEE

HEARING ON INNOVATIVE FINANCING AND
REAUTHORIZATION OF THE
INTERMODAL SURFACE
TRANSPORTATION EFFICIENCY ACT (ISTEA)

JULY 18, 1996
9:30 a.m.

**STATEMENT OF DENVER MAYOR WELLINGTON E. WEBB
DELIVERED BY DICK BRASHER, DEPUTY MANAGER
DENVER PUBLIC WORKS DEPARTMENT
DENVER, COLORADO**

**BEFORE THE HOUSE SUBCOMMITTEE
ON SURFACE TRANSPORTATION
HOUSE TRANSPORTATION AND INFRASTRUCTURE COMMITTEE**

**HEARING ON INNOVATIVE FINANCING AND
REAUTHORIZATION OF THE INTERMODAL SURFACE
TRANSPORTATION EFFICIENCY ACT (ISTEA)
JULY 18, 1996
9:30 a.m.**

Mr. Chairman, distinguished members of the Committee: I thank you for providing this opportunity for me to testify today and discuss innovative financing in the context of the reauthorization of the Intermodal Surface Transportation and Efficiency Act (ISTEA). My name is Oick Brasher. I am Deputy Manager of the Denver Public Works Oepartment. I am here to deliver the statement of Oenver Mayor Wellington E. Webb. The Mayor very much wanted to be here and to deliver this statement in person and is sorry he could not do so.

Denver and Colorado have benefited greatly from the current Intermodal Surface Transportation Efficiency Act (ISTEA), and we are pleased that the Committee is moving forward with early reauthorization. ISTEA caused more sharing of the planning and decision making between the metropolitan areas and the state. This was a helpful step. However, cities are still not fully able to plot their own infrastructure programs. Denver is hopeful that the new ISTEA will assist us directly in solving some of our most vexing transportation problems.

The goals the Committee has set for the next reauthorization process are exactly what we need, and I applaud you for your greater emphasis on a combination of state and local control. I also look with great interest to your facilitation of innovative, public-private partnerships to compensate for shrinking discretionary dollars. Denver is now working toward a transit project which we call Air Train. This project will bring a private sector group together with the City to build a commuter rail-type service between downtown and the new Denver International Airport. Truly local planning and financing flexibility could make this project happen.

Denver faces two challenges with this project. The first is financing. We are in a metropolitan area where transit consists of a metropolitan bus system and a 5.3-mile light rail line. The Regional Transportation District is seeking funds to build an extension to the light rail system, and the City fully supports that effort. Because of the size of our state, traditional federal funding for transit cannot be stretched to encompass that light rail project, in addition to Air Train. The traditional answer to this dilemma is to politely get in line.

However, Denver International Airport is open, with greater revenues than expected, and bringing more visitors to Denver than ever. Now is the time to have transit available to take tourists, business travelers, and even workers to and from the airport, before reliance on the automobile to this new destination is total and unshakeable.

The Denver Metropolitan Area is one of the fastest growing in the country. A report released this week states that 80,000 people have moved to Colorado in the past year, with more resettling in the Denver area. It is a regional transportation hub. All roads, rail lines and most flights in the Rocky Mountain Region go through Denver. It is a center of tourism.

The City of Denver is quickly outgrowing its existing transportation infrastructure. We are struggling to absorb the great demands the sprawling suburban population places on the City which serves as its hub. Denver has made great strides in dealing with its air quality problems, but continuing air quality restrictions on capacity improvements to our highways has made it even more imperative that we look to other modes to complement our road system.

We would be interested in any of the tools that ISTEA II could provide, such as:

- <u>federal loan guarantees</u> -- especially for projects where local funds in the range of 50 percent are being committed to the project, as is the case with Air Train.

- <u>increased flexibility</u> in the use of funds, especially for cities. A bottom-up, rather than a top-down approach to planning is becoming more respected, as I believe it should be. All funds should be fully flexible to support multi-modal investment. ISTEA was designed to place more money in center cities, but we find that has been slow to happen. We find that air quality restrictions in the center city make it all too easy for the region to shift funds away from us and to concentrate those funds in the suburbs. We would welcome some shift to metro area transit, but cities need funds to make improvements or more cities will die.

- expansion of the GANS Act of 1984. Under this Act, Congress gave authorization for an interim financing technique which allows the state to pay the federal share of a project in advance of ISTEA funding to accelerate the project. This has been very cost effective recently, given currently low interest rates. Expansion of the program could make it possible for us to advance some needed projects. It might take some fine tuning to make it easier to use. Why not also extend it to local governments? Why not also use this for transit and other modes?

- tax policies or use of special assessment districts that facilitate development

- value capture -- local governments have not typically utilized the increase in the value of adjacent land or air rights near infrastructure projects as a way to help pay for construction. However, developers involved in a project like Air Train could dedicate a portion of any increase in retail or office leasing income to the project

- some relaxation of legal constraints to funding options, such as present airport revenue diversion law that limits the City's flexibility to use dedicated airport revenues to build a project that will directly serve the airport simply because parts of the project will not be built on airport property, etc

I keep returning to the example of the Air Train project because I believe it is a prime example of the types of projects that will be needed in the next few years. It addresses the need to find innovative solutions to the problems of population growth, the reduction in federal dollars, and the complexities of both federal and regional transportation policy development I believe it can serve as a model for public/private partnerships to enhance transit infrastructure and to substantially alleviate road congestion, automobile pollution, and transit needs that continue to confront the people of the Denver area.

Air Train, as planned, would use an existing heavy rail freight and passenger right of way and commuter rail-type rolling stock. It would carry passengers from downtown to the DIA terminal in about 30 minutes, with only two intermediate stops. It will transport an estimated 50,000 passengers per year between downtown Denver and DIA. Cost of construction plus equipment for the 23-mile project would be in the range of $190 million, about half what construction of a new light rail system for the corridor would cost.

As with many transit projects, the farebox revenues will not be sufficient to cover capital and operating costs. With competing needs, federal funding will not be available in the 80-20 or 90-

10 range to help build this needed project. Federal funds which are available could be stretched if they could be used to leverage financing for this and other projects.

Denver is limited in its ability to respond to its various transportation needs, in part due to various federal policies. While many separate funds have been combined, there are still restrictions, inequitable allocation of federal formula programs, STP suballocations, and narrowly defined air quality mitigation funds which could be simplified.

It is particularly difficult during this time of declining Federal funding for transportation to see beyond the complexities of the projects that were planned in the 1980's and early 1980's -- and which are still "in the pipeline" for funding -- to the next generation of projects that will serve the needs of the 1990's and into the twenty-first century. A transportation authorization law which addresses current needs with a predictable revenue stream would be welcome.

I recognize, Mr. Chairman, that I have described an Olympian task for you and your committee. I wish you well. I stand ready to help in any way I can to assist in that effort and to provide more information on the issues I have discussed here today.

ERRATA SHEET

It will transport an estimated 50,000 passengers per week between downtown Denver and DIA by the year 2000.

CITY AND COUNTY OF DENVER

WELLINGTON E. WEBB
Mayor

DEPARTMENT OF PUBLIC WORKS
Bruce Baumgartner, Manager

OFFICE OF THE MANAGER
CITY AND COUNTY BUILDING
1437 BANNOCK STREET
ROOM 379
DENVER, COLORADO 80202
PHONE: (303) 640-2561

July 22, 1996

The Honorable Tom Petri
Chairman
Surface Transportation Subcommittee
House Transportation and Infrastructure Committee
B-370A Rayburn House Office Building
Washington, DC 20515

Dear Chairman Petri:

I appreciated the opportunity to appear at the hearing this week on the issue of Innovative Financing to deliver Denver Mayor Wellington E. Webb's statement.

During the question and answer section there was discussion about the future structure and funding mechanisms for the federal highway and transit programs during the next reauthorization period. I wanted to be sure you are aware of the U.S. Conference of Mayors' (USCM) resolution, cosponsored by Mayor Webb, strongly supporting H.R. 842, the Truth in Budgeting Act. The resolution was adopted during the USCM meeting in Cleveland last month. It is extremely important that the federal transportation program in highways and transit be maintained and fully funded.

I would respectfully request that this resolution be made part of the Committee record as you consider the reauthorization of the Intermodal Surface Transportation Efficiency Act of 1991.

Yours truly,

Richard J. Brasher
Deputy Manager

cc: Chairman Bud Shuster
The Honorable Jim Oberstar
The Honorable Nick Joe Rahall

Attachment (1)

Resolution No. 47

Submitted By:

The Honorable Robert M. Isaac
Mayor of Colorado Springs

The Honorable Wellington E. Webb
Mayor of Denver

TRANSPORTATION TRUST FUNDS

1) **WHEREAS**, Congress established the federal Highway Trust Fund, the federal Aviation Trust Fund, the federal Inland Waterways Trust Fund, and the federal Harbor Maintenance Trust Fund for the purpose of building and maintaining transportation infrastructure; and

2) **WHEREAS**, these four transportation trust funds are financed by dedicated user fees levied solely on America's transportation users; and

3) **WHEREAS**, since the unified budget was instituted in 1969, annual expenditures from these single-purpose trust funds have been reduced, creating a surplus in the trust funds exceeding $30 billion; and

4) **WHEREAS**, these on-budget transportation trust fund surpluses are being used to offset deficit spending on other general fund programs, thereby masking the true size of the federal budget deficit; and

5) **WHEREAS**, the transportation trust funds do not contribute to the federal deficit because spending from these funds cannot exceed the amount of revenues deposited into them; and

6) **WHEREAS**, removing the transportation trust funds from the unified budget would allow revenues deposited in these trust funds to be utilized for their intended purpose of federal investment in highway, bridge, transit, harbor and airport

projects benefiting federal, state and local transportation systems; and

7) **WHEREAS**, H.R. 842, the "Truth in Budgeting Act" passed in the United States House of Representatives on April 17, 1996, by a comfortable margin of victory, on a bipartisan vote, taking the transportation trust funds off budget,

8) **NOW, THEREFORE, BE IT RESOLVED** that The United States Conference of Mayors supports restoring integrity to the federal budgeting process and to the Transportation Trust Funds by removal of the four Transportation Trust Funds from the Unified Federal Budget, freeing them for their intended use; and

9) **BE IT FURTHER RESOLVED** that The United States Conference of Mayors calls on the United States Senate to continue the spirit of the U.S. House of Representatives to put the "trust" back in the trust funds by passing legislation taking Transportation Trust Funds off budget.

Projected Cost: Unknown

ISTEA REAUTHORIZATION: THE SURFACE TRANSPORTATION PROGRAM

THURSDAY, JULY 25, 1996

U.S. HOUSE OF REPRESENTATIVES,
SUBCOMMITTEE ON SURFACE TRANSPORTATION,
COMMITTEE ON TRANSPORTATION AND INFRASTRUCTURE,
Washington, DC.

The subcommittee met, pursuant to recess, at 9:30 a.m. in room 2167 Rayburn House Office Building, Hon. Thomas E. Petri (chairman of the eubcommittee) presiding.

Mr. PETRI. The hearing will now come to order.

Today we continue our hearings on the reauthorization of ISTEA by focusing on the surface transportation program, or the STP program, which is authorized at $4 billion annually, $24 billion over the ISTEA authorization period.

The STP program was the most innovative of programs created in ISTEA and it includes many new initiatives that represent a departure from the past direction or focus of the Fedoral highway program.

For the first time, urban areas, through the metropolitan planning organizations, are given direct access and control to a significant percentage of highway funds and are responsible for project selection. A 10 percent set-aside for a program known as "traneportation enhancements" was created to fund projects that differ significantly from traditional highway projects. Obligations for enhancements totaled almost $700 million in 1995.

STP also funds safety improvements through a mandatory 10 percent set-aside, which includes projects for hazard elimination, rail highway grade crossing, and other safety innovations.

Another major innovation in the STP program is that funds are totally flexible and may be used for a wide variety of transportation projects, including transit. Transit spending from STP totaled almost $200 million in 1995.

Well, the STP program has been praised by many as creative, forward-thinking in our transportation program; others have concerns and criticisms regarding certain aspects of the program. We'll hear from both sides of this debate at today's hearing.

I want to welcome our many witnesses to the hearing today and note that many, although—one who is included on the program, Chuck Thompson, our Secretary of transportation, ran into a transportation problem and can't be here today, but perhaps another representative from AASHTO will represent that group instead. In any event, his testimony will be included in the record.

I know that there are several others here who will be with us this morning.

I now yield to the ranking democrat on the subcommittee, Congressman Nick Rahall.

Mr. RAHALL. Thank you, Mr. Chairman.

This is our ninth of the ISTEA reauthorization hearings that the subcommittee has held this year, with today's topic, as you said, being the surface transportation program.

The STP is kind of the catch-all ISTEA apportionment. In part it replaced the primary and secondary highway apportionments that had been in place prior to 1991.

In this regard, the program is premised upon the concept that there is a Federal role in non-interstate highways and other routes that may not be part of the NHS, although these highways are also eligible for STP funds.

It is also premised upon the notion that Federal funds should be made available for safety improvements such as rail grade crossings, and, of particular interest to this Member, the STP program also includes the transportation enhancement element, which has done so much for broadening the constituency of the Federal aid highway program overall.

Mr. Chairman, at this point I would like to recall that two hearings ago, when we examined the highway fund apportionment formulas, we had a battle of dueling charts going on here. I was using an official chart from FHWA showing the amounts States contributed to the highway trust fund and what they received in return. Some of the witnesses and other Members were using different charts from other sources.

Since that hearing, the subcommittee staff, on a bipartisan basis, has visited with FHWA. The agency has updated and revised its figures and has provided us with what I would call the final, the definitive chart.

We have the official, definitive chart now. It is a comparison of contributions and disbursements from the highway trust fund, by State, during the ISTEA authorization period to date.

I would ask unanimous consent to place this chart in the record at this point.

Mr. PETRI. Without objection, so ordered.

[The FHWA chart follows:]

COMPARISON OF HIGHWAY TRUST FUND RECEIPTS ATTRIBUTABLE TO THE STATES AND FEDERAL-AID APPORTIONMENTS AND ALLOCATIONS FROM THE FUND 1/

HIGHWAY ACCOUNT ONLY

FOR ISTEA PERIOD - FISCAL YEARS 1992-1995

(THOUSANDS OF DOLLARS)

STATE	PAYMENTS INTO THE HIGHWAY ACCOUNT		APPORTIONMENTS AND ALLOCATIONS FROM THE HIGHWAY ACCOUNT 3/		RATIO OF APPORTIONMENTS AND ALLOCATIONS TO PAYMENTS	RATIO NORMALIZED TO NATIONAL AVERAGE
	AMOUNT	PERCENT OF TOTAL	AMOUNT	PERCENT OF TOTAL		
Alabama	1,433,355	2.146	1,327,389	1.663	0.93	0.77
Alaska	154,360	0.231	922,497	1.156	5.98	5.00
Arizona	1,127,338	1.688	1,140,160	1.428	1.01	0.85
Arkansas	936,308	1.402	1,050,402	1.316	1.12	0.94
California	7,137,712	10.687	8,534,212	10.691	1.20	1.00
Colorado	847,044	1.268	1,001,992	1.255	1.18	0.99
Connecticut	715,699	1.072	1,435,111	1.798	2.01	1.68
Delaware	193,778	0.290	306,062	0.383	1.58	1.32
Dist. of Col.	90,527	0.136	411,859	0.516	4.55	3.81
Florida	3,378,008	5.058	3,118,056	3.906	0.92	0.77
Georgia	2,470,007	3.698	2,197,621	2.753	0.89	0.74
Hawaii	180,309	0.270	968,187	1.213	5.37	4.49
Idaho	342,998	0.514	594,036	0.744	1.73	1.45
Illinois	2,434,322	3.645	2,884,764	3.614	1.19	0.99
Indiana	1,784,040	2.671	1,634,289	2.047	0.92	0.77
Iowa	773,982	1.159	926,863	1.161	1.20	1.00
Kansas	759,116	1.137	892,582	1.118	1.18	0.98
Kentucky	1,261,667	1.889	1,165,062	1.460	0.92	0.77
Louisiana	1,132,759	1.696	1,124,890	1.409	0.99	0.83
Maine	359,469	0.538	479,398	0.601	1.33	1.12
Maryland	1,174,190	1.758	1,549,615	1.941	1.32	1.10
Massachusetts	1,221,786	1.829	3,631,837	4.550	2.97	2.49
Michigan	2,267,712	3.395	2,232,309	2.797	0.98	0.82
Minnesota	1,038,050	1.554	1,317,375	1.650	1.27	1.06
Mississippi	875,989	1.312	856,944	1.074	0.98	0.82
Missouri	1,738,291	2.603	1,651,729	2.069	0.95	0.80
Montana	313,586	0.470	721,438	0.904	2.30	1.92
Nebraska	494,648	0.741	618,676	0.775	1.25	1.05
Nevada	433,138	0.649	504,421	0.632	1.16	0.97
New Hampshire	263,905	0.395	358,597	0.449	1.36	1.14
New Jersey	1,776,076	2.659	2,387,433	2.991	1.34	1.12
New Mexico	546,863	0.819	770,750	0.966	1.41	1.18
New York	3,084,359	4.618	3,952,116	4.951	1.28	1.07
North Carolina	2,029,257	3.038	1,964,558	2.461	0.97	0.81
North Dakota	233,050	0.349	490,434	0.614	2.10	1.76
Ohio	2,588,130	3.875	2,674,955	3.351	1.03	0.86
Oklahoma	1,102,079	1.650	1,057,544	1.325	0.96	0.80
Oregon	884,083	1.324	975,778	1.222	1.10	0.92
Pennsylvania	2,905,760	4.351	3,832,716	4.801	1.32	1.10
Rhode Island	187,697	0.281	462,566	0.579	2.46	2.06
South Carolina	1,172,730	1.756	973,535	1.220	0.83	0.69
South Dakota	238,352	0.357	513,933	0.644	2.16	1.80
Tennessee	1,604,411	2.402	1,499,697	1.879	0.93	0.78
Texas	5,125,769	7.675	4,785,850	5.996	0.93	0.78
Utah	505,799	0.757	589,994	0.739	1.17	0.98
Vermont	183,032	0.274	323,569	0.405	1.77	1.48
Virginia	1,844,729	2.762	1,842,180	2.308	1.00	0.84
Washington	1,263,533	1.892	1,824,271	2.285	1.44	1.21
West Virginia	534,991	0.801	864,423	1.083	1.62	1.35
Wisconsin	1,345,462	2.014	1,423,268	1.783	1.06	0.89
Wyoming	299,010	0.448	539,953	0.676	1.81	1.51
Total	66,789,275	100.000	79,307,896	99.354	1.19	0.99
American Samoa	-	-	27,518	0.034	-	-
Guam	-	-	73,563	0.092	-	-
N. Marianas	-	-	14,728	0.018	-	-
Puerto Rico	-	-	332,175	0.416	-	-
Virgin Islands	-	-	68,046	0.085	-	-
Grand Total	66,789,275	100.000	79,823,926	100.000	1.20	1.00

1/ This table shows Federal Highway Trust Fund Highway Account receipts and apportionments and allocations from the Highway Account for fiscal years 1992-1995, the years since passage of the Intermodal Surface Transportation efficiency Act of 1991.

2/ Total Trust Fund receipts are reported by the U.S. Department of the Treasury. Payments into the Fund attributable to highway users in each State are estimated by the Federal Highway Administration. The receipts are net of refunds and transfers to the Aquatic Resources Trust Fund and the Land and Water Conservation Fund. The portions of the fuel taxes dedicated to the Leaking Underground Storage Tank Trust Fund and for deficit reduction are excluded. Interest earned is excluded.

3/ Includes all funds apportioned or allocated from the Highway Account except for the following programs: Indian reservation roads, highway safety information, and local transportation assistance. Obligations are used to represent allocations for alcohol safety incentive grants and the Woodrow Wilson Bridge.

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Mr. RAHALL. I would further note that, of the 22 States who are membera of the Step 21 Coalition, only two have received back lesa than $0.90 on the dollar. Seven of these States received back an equal or greater amount than what they contributed, and another six of these States received back between $0.95 and $0.99 on the dollar over the ISTEA period so far. The remaining Step 21 Coalition States received at least $0.90 back on the dollar contributed.

This is from the revised, brand new FHWA chart. These are the facts. This is definitive. This is the final chart we'll use from now on in this issue. I think that should be reflected in our hearing record.

Thank you, Mr. Chairman. I look forward to today's hearing.

Mr. PETRI. Thank you.

Statements by the chairman of the full committee, Bud Shuster, and our senior minority member, Mr. Jim Oberstar of Minnesota, will be made a part of this record.

[The prepared statement of Mr. Shuster follows:]

OPENING STATEMENT
HONORABLE BUD SHUSTER
SUBCOMMITTEE ON SURFACE TRANSPORTATION
ISTEA REAUTHORIZATION HEARING
MAINTAINING ADEQUATE INFRASTRUCTURE: THE SURFACE TRANSPORTATION PROGRAM

THURSDAY, JULY 25, 1996
9:30 A.M. 2167 RHOB

- I WANT TO WELCOME ALL OF THE WITNESSES TO ANOTHER ONE OF THIS SUBCOMMITTEE'S HEARINGS ON THE REAUTHORIZATION OF ISTEA. TODAY'S HEARING WILL HIGHLIGHT THE SURFACE TRANSPORTATION PROGRAM (STP), A NEW PROGRAM FIRST INCLUDED IN ISTEA.

- ISTEA REPLACED AND CONSOLIDATED MANY OF THE EXISTING FEDERAL-AID HIGHWAY PROGRAMS INTO THE STP. RATHER THAN RECEIVING FEDERAL-AID HIGHWAY FUNDS THROUGH A NUMBER OF PROGRAMS UNDER DIFFERENT FORMULAS, THE STATES NOW RECEIVE A SINGLE APPORTIONMENT OF STP FUNDS. THIS ALLOWS THE STATES TO DECIDE, TO A CERTAIN DEGREE, HOW TO SPEND THE FUNDS. THIS FLEXIBILITY HAS BEEN A MUCH TOUTED SUCCESS AND IMPROVEMENT OVER THE PRIOR PROGRAM STRUCTURE.

- STP FUNDS CAN BE USED ON A WIDE VARIETY OF PROJECTS, NOT ONLY ON HIGHWAYS, BUT ALSO FOR TRANSIT AND OTHER NON-HIGHWAY PROJECTS. THAT IS ALSO A MAJOR CHANGE FROM PRIOR LEGISLATION.

- CONCERNS HAVE BEEN RAISED ABOUT SOME ASPECTS OF THE STP PROGRAM, SUCH AS THE REQUIREMENT FOR SPENDING ON TRANSPORTATION "ENHANCEMENTS" AND THE SUBALLOCATION OF FUNDS TO URBAN AREAS.

- AS WITH ALL THE PROGRAMS INCLUDED IN ISTEA, WE WILL HAVE TO REVIEW IT CAREFULLY.

- I LOOK FORWARD TO HEARING TODAY'S TESTIMONY AND THANK CHAIRMAN PETRI AND RANKING MEMBER RAHALL FOR HOLDING THESE HEARINGS.

July 24, 1996,
K:\ISTEA-2\HEARINGS\EGSOPINN.FIN

Mr. PETRI. The first panel today will be delayed a bit. Mr. Visclosky will be arriving in just about half an hour, and so we'll move on to the second panel, which is only half here because, as I said, Mr. Thompson is unable to be with us, but we do have The Honorable William G. Burnett, who is the president of the American Association of State Highway and Transportation Officials, AASHTO, and the executive director of the Texas Department of Transportation.

Sir, welcome back. We look forward to your comments.

TESTIMONY OF WILLIAM G. BURNETT, PRESIDENT, AMERICAN ASSOCIATION OF STATE HIGHWAY AND TRANSPORTATION OFFICIALS (AASHTO), AND EXECUTIVE DIRECTOR, TEXAS DEPARTMENT OF TRANSPORTATION

Mr. BURNETT. Mr. Chairman, Mr. Ranking member, it's a pleasure to be with you today. We appreciate the opportunity to speak to you.

As the chairman pointed out, Mr. Charles Thompson, Secretary of the Wisconsin Department of Transportation, was supposed to be here today but, due to travel problems, is not with us, but he has submitted written testimony on this subject.

Today I'm here to present AASHTO's view on the surface transportation program and other issues important to the reauthorization of ISTEA. The materials that we are presenting are based on the AASHTO Transportation Policy Book which was published in June of 1996, and AASHTO reauthorization documents which have been previously provided to the committee.

Today my comments will focus on the overall structure of the STP—surface transportation program—and the need for greater flexibility within the Federal surface transportation program.

The surface transportation program and flexibility: AASHTO believes that the surface transportation program should be continued in the next Federal surface transportation legislation to provide a structure for flexible funding and programming of our Nation's intermodal transportation system.

We support a strong Federal role in transportation, and believe that this role includes continued support for non-National Highway System highways that contribute to national mobility, defense, and interstate commerce goals.

The surface transportation program will provide this important program framework for this Nation.

The best aspect of the surface transportation program is its flexibility.

The surface transportation program does have some burdensome facts to it, examples being: planning issues faced by rural areas are not the same as urban issues. We need to be able to streamline the planning process and look into transportation conformity requirements. In most cases, Federal program oversight should be limited, allowing the States and localities the flexibility and authority to find appropriate implementation methods to meet their needs. Whenever possible, State and local requirementa should govern.

Transportation demands vary dramatically from State to State, even within a State. States with large manufacturing centers and heavily-populated urban areas, for example, have different needs than States whose economies depend on agriculture or tourism.

Consequently, Federal transportation legislation and regulations need to provide the flexibility to deal with a variety of situations around the country and within individual States.

Instead of strict mandates and regulations, the Federal Government should provide guidelines for State and local implementation of transportation programs and projects. These guidelines should not be burdensome on lower levels of government. Instead, Federal policy should reflect national economic, environmental, and social goals and encourage States and local governments to achieve our Nation's goals through effective transportation systems and services.

An effective and efficient intermodal transportation program requires flexibility. Flexibility allows for transportation plans and programs which encourage the effective use of existing transportation facilities and encourages the selection of the best mode or combination of modes to provide necessary transportation services.

It leads to a national transportation program that permits individual States and localities to best serve their needs. A flexible Federal program will provide for the use and integration of existing systems through better facilities and service management.

Finally, flexibility allows for the coordination and effective planning of all transportation systems to provide the adequate and responsive transportation of people, goods, services, and information in a changing national and global economy.

AASHTO also recommends that this flexibility be extended to the States in their use of Federal aid funds. Greater flexibility involves increasing the percentage of funds that can be transferred among categories, allowing transfer among these programs and consolidating Federal programs to ease the delivery of needed transportation facilities and service.

AASHTO supports streamlining Federal programs to give the States and localities more flexibility in using available Federal funds to meet State and local needs in a way to reflect local priorities.

We believe that ISTEA is a sound framework for future surface transportation programs; however, the next surface transportation reauthorization act can make improvements to ISTEA by eliminating structural barriers to funding flexibilities and efficient program management.

Thank you, sir.

Mr. PETRI. Thank you. Your full statement will be part of the record, as you know.

Mr. Rahall, do you have any questions?

Mr. RAHALL. Yes. Thank you, Mr. Chairman.

Mr. Burnett, your testimony indicates that AASHTO recommends elimination of specific set-asides for safety and transportation enhancements. These items you note should simply be eligible activities under the STP, as opposed to separate set-asides.

Do you believe the States would actually fund enhancement projects if they were not required to do so by Federal law?

Mr. BURNETT. Yes, sir, I do. I believe that—and I can speak for the State of Texas, as an example. The enhancement program has been a successful program in our State. I think that what we would like to see, and I think most of tbe member departments would like to see, is in balancing the transportation needs, instead of setting aside a flat 10 percent for enhancements, that each State get to make the individual decisions as to what level they would like to participate in the enbancement program.

But I do think you'll see, due tc the popularity of the program, that it would exist in the majority of the States.

Mr. R.\HALL. You stated that the States should be allowed to administer enhancement projects as grants. I just wanted to make sure you're aware of the changes that we made in NHS in this program, and in particular a provision that allows advanced funding for enhancement activities.

Mr. BURNETT. Yes. Congressman, we are aware of that, and that has been a great help to the enhancement program, but the enhancement program—we've had—to date we have awarded in our State 140 enhancement projects totaling $140-some million. In August we will award another $40 million worth of enhancement projects in the State of Texas.

What we run into, as we have done this over the last several years, is some of the requirements—planning requirements, Davis Bacon, the disadvantaged business enterprise program, some of these other things that have to be laid onto this, just like this is a conventional transportation project, sooner or later some communities are not as in love with the project.

We have had several communities say that, "The red tape required by you, the State of Texas, or the Federal Government makes this no longer enticing to us. We'd like out of the program."

I think that two enhancements that would greatly help this thing is the maximum flexibility for soft matches and things like that up front.

I think the other thing is that if it becomes more of a pass-through program, more of a grant program with less regulation from the Federal Highway Administration and the States. In other words, once the project is deemed eligible and accepted, don't bold it to the same scrutiny as we hold all of our other projects to.

Mr. RAHALL. Let me follow up on that last point. You mentioned that all Federal requirements should be eliminated for projects under the STP, and that State rules and regulations should prevail. Are you aware of any Federal program where Federal money is given and no Federal strings apply?

Mr. BURNETT. No, sir, but in the enhancement area we have to make adjustments to make it work, and we're talking about the disadvantaged business enterprise part of it. We do not put any DBE requirements on enhancement projects, but to meet our total commitment to the DBE program we have to assume that percentage on other projects. We have to transfer that goal or the dollars it takes to reach that goal to highway projects or transit projects or aviation projects.

It's just an area of our business that, when we deal with local communities, I don't think they're geared up to do it, in general. I mean, we're dealing with small projects. In Bonham, Texas, we have a $17,000 landscaping project which is the smallest project in

Texas, up to in San Antonio we have a $14 million enhancement project, and we're everywhere in between.

It becomes very hard for communities, when we're doing historic restoration or other type projects, when they have to hire architects and hire various people to do engineering and design work for them and to administer the contracts, to look at all the hoops that they have to jump through. They're just not set up to do business that way.

If there was one area of the Federal Transportation Act that needs to have as much flexibility as possible in it to allow State rules to govern and not so much Federal requirements, this is it.

Mr. RAHALL. Thank you. Thank you, Mr. Chairman.

Mr. PETRI. Mr. Poshard, do you have any questions?

Mr. POSHARD. Mr. Chairman, I have no questions, but I would like to ask unanimous consent to submit an opening statement for the record, please.

Mr. PETRI. Without objection, that will be made a part of the record.

[The prepared statement of Mr. Poshard follows:]

SUBCOMMITTEE ON SURFACE TRANSPORTATION

HEARING ON MAINTAINING ADEQUATE INFRASTRUCTURE:
THE SURFACE TRANSPORTATION PROGRAM

Opening Statement of Congressman Glenn Poshard

July 25, 1996

Mr. Chairman, I am pleased to be here this morning to discuss this very important part of ISTEA authorization. The Surface Transportation Program (STP) incorporates planning, safety, environmental protection, and enhancements in helping the states maintain their transportation systems. Today represents an important opportunity to examine how this program has performed since 1991 and listen to ideas on how it may be improved. I know my home state of Illinois considers NHS and STP to be of the highest priority, not only for the major urban areas, but for our rural communities as well. It is imperative that we remember the stake that the less economically advantaged parts of our country have in this process.

I would like to acknowledge the contributions of our panelists this morning, especially our colleague, Representative Visicosky. I appreciate their time and unique perspectives on this topic. Mr. Chairman, I would also like to thank you and the Ranking Minority Member for your continued leadership on the reauthorization of ISTEA. I am confident we are on our way to legislation that we can all be proud of.

Mr. PETRI. I just wonder if you could explore a little more specifically, either now or through later submission, this area. The perception here is that this program is one of the most flexible Federal transportation programs already, and so the call for increased flexibility for the States—while we're not resisting it, we wonder if we could get some more specificity about exactly what areas are too rigid or what proposals you'd like, what changes you'd like made to give you the flexibility that you're calling for.

Mr. BURNETT. If it pleases the Chair, I'd like to provide that to you in writing, if I could, if that pleases you.

Mr. PETRI. Yes. We'd appreciate it, hopefully sooner rather than later.

Mr. BURNETT. We'll get it to you pretty quick.

[The information received follows:]

Texas Department of Transportation

DEWITT C. GREER STATE HIGHWAY BLDG. • 125 E. 11TH STREET • AUSTIN, TEXAS 78701-2483 • (512) 463-8585

September 23,

The Honorable Thomas Petri
Subcommittee on Surface Transportation
Committee on Transportation and Infrastructure
B-370A Rayburn House Office Building
Washington, D.C. 20515

Dear Chairman Petri:

At the July 25, 1996 subcommittee hearing on the Surface Transportation Program, I presented testimony before the subcommittee on behalf of the American Association of State Highway and Transportation Officials (AASHTO). I appreciated the opportunity to offer our comments on needed improvements in the nation's surface transportation program as you consider the reauthorization of the Intermodal Surface Transportation Efficiency Act of 1991 (ISTEA).

During the hearing, I recommended that improvements to ISTEA should provide states with additional flexibility to use available funds to meet their transportation needs in ways appropriate to their situation. At that time, you requested more specific recommendations for improving flexibility in federal surface transportation programs. This letter responds to that request *on behalf of the Texas Department of Transportation*. Please enter these comments into the official record for your ISTEA reauthorization hearings.

Remove ISTEA Suballocations

The suballocation of federal surface transportation program funds is the one area of ISTEA that we believe conflicts with the spirit of the law itself. While the intent of suballocation is to guarantee minimum funding levels for certain purposes, in practice suballocation leads only to confusion, complexity, and delays. Suballocations and set-asides have resulted in not fewer but more programming categories, each with its own limited funding and restrictions on its use.

We feel suballocations and set-asides are not necessary. The enhanced planning and public participation processes under ISTEA should and do determine where available transportation funds are used. Today's transportation planning environment guarantees that the needs of the public are being addressed, in terms of safety, transportation enhancements, urban and rural needs, and intermodalism. Furthermore, as in the past, needs will continue to drive the distribution of available funds. The Transportation Improvement Plan, with its fiscal constraints, will ensure that only the most feasible, logical, and locally supported projects move forward.

For this reason, we recommend the elimination of all suballocations and set-asides. This would streamline the Surface Transportation Program, making it easier for states and localities, working together through the planning process, to meet their transportation needs quicker and more efficiently. To accomplish this, we recommend that the subcommittee make the following revisions to Title 23, United States Code, eliminating suballocations and set-asides. If the activities which they support are not now eligible under the general Surface Transportation Program, they should be made eligible.

- §133(d)(1) - 10% for Safety programs - repeal language
- §133(d)(2) - 10% for Transportation Enhancement Activities - repeal language
- §133(d)(3) - Division between urbanized areas of over 200,000 population and other areas - repeal
- §133(f) - Allocation of Obligation Authority - repeal
- §144(g)(3) - Off-System Bridges - repeal
- §149 - Congestion Mitigation and Air Quality Improvement Program - repeal section and make activity eligible under STP
- §150 - Allocation of urban system funds - repeal
- §157(b) - Minimum Allocation - revise to remove reference to §133(d)(3)
- §157(c) - Limitation on Planning Expenditures - repeal
- §160(e) - Reimbursement for segments of the Interstate System constructed without Federal assistance - amend by deleting the words "½ of"

Let me reiterate: we are not suggesting that the purposes of these set-asides and suballocations are inappropriate. Instead, we believe that we can accomplish the same ends without specific direction in law. The public participation and metropolitan and statewide planning processes will ensure that these goals are accomplished in a more efficient manner.

Allow Greater Levels of Funds Transfers Between Programs

ISTEA allows states to transfer certain percentages of their NHS and Interstate Maintenance program funds to the STP category without the approval of the Secretary of Transportation. Because system needs vary from state to state across the nation, states need to be able to transfer greater amounts between programs. We recommend that the subcommittee make the following revisions to Title 23, U.S. C., to enhance funding flexibility:

- Amend §104(c) to allow states to transfer a greater percentage of NHS funds to STP without the approval of the Secretary (because STP funds can be used on the NHS) and continue language which exempts such transfers from any suballocation within STP
- Amend §119(f)(2) to allow states to transfer up to 50% of their IM funds to STP without the approval of the Secretary (these funds would also remain exempt from any suballocation).

In addition, whenever states transfer funds out of the IM program, they are later ineligible to apply for any IM discretionary funds. This federal regulation limits the ability of states to use available funds to meet system needs and should be eliminated.

Streamline the Project Agreement Process

Historically, the Federal-aid highway program had the state develop the plans, specifications, and estimates for each project; obtain approval from FHWA for that project; enter into a formal project agreement with the Secretary concerning the construction and maintenance of that project; and then, based on the project agreement, share the cost of the project with the federal government. This project by project approval process is paperwork intensive and time consuming. Because the states have longstanding relations with the FHWA in project approval and financing, we recommend that the subcommittee make revisions in §110 of Title 23, U.S.C., to allow states to request and receive formal agreement from the Secretary for an amount of funds that would cover multiple projects.

States are already responsible for project oversight for most of the federal-aid highway program. An expansion of the formal project agreement arrangement would allow states to expedite more projects in a shorter amount of time without the need for project by project agreements. The Statewide Transportation Improvement Program could serve as the approved list of projects that could be funded with the pre-approved funding under the general project agreement. States would be authorized to let projects to contract until the funds under the general agreement run out. At that time, the state would reapply to the Secretary for the approval of a subsequent general agreement covering another set of federal funds.

Provide Separate Obligation Authority for Equity Program Funds

We support efforts to change the formulas used to distribute federal highway funds to the states to ensure an equitable and fair distribution of these funds to take care of the nation's surface transportation system. However, until the existing formulas are changed, all existing and continuing equity programs, such as Donor Bonus, 90% of Payments program, Hold Harmless, and Apportionment Adjustments program should be given their own obligation authority (like the Minimum Allocation program has) outside the general obligation limitation.

The purpose of these funds is to bring states closer to a fair distribution of federal highway funds. The inclusion of any of these program funds under the general limitation on obligation limits their use. These funds should be the most flexible of all the federal highway funds. To achieve this purpose, we recommend that the subcommittee provide separate obligation authority for any future or continuing equity funds distributed through federal surface transportation programs.

H.R. 3775 - Restoring ISTEA Integrity

Finally, we recommend to the committee the program streamlining proposals embodied in H.R. 3775, the ISTEA Integrity Restoration Act. We believe modernization of the federal highway funding formulas is long overdue. We should work together to ensure that the formulas are based on realistic factors which reflect the needs of the nation's highway system. Equitable and realistic formulas will take us a long way toward our goal of establishing, building, and maintaining a strong, reliable, and efficient transportation system for the nation.

Thank you for the opportunity to submit these recommendations to the subcommittee. Let me reiterate that my comments are the position of the Texas Department of Transportation. They do not represent the position of the American Association of State Highway and Transportation Officials, although many of my comments reflect the Association's reauthorization philosophy. I hope that you will find these recommendations useful as you work to craft legislation to reauthorize federal surface transportation programs and funding.

I have also attached my corrections to the transcript of my testimony on June 25, 1996. If you or your staff have any questions, please contact me at (512) 305-9501 or Coby Chase, Director of Legislative Affairs, at (512) 463-6086.

Sincerely,

Wm. G. Burnett, P.E.
Executive Director

Attachment
cc: Francis Francois, AASHTO

Mr. PETRI. Thank you very much for your testimony.

Mr. BURNETT. Thank you.

Mr. PETRI. The next panel consists of the Honorable Kenneth Barr, who is going to be introduced by our colleague, Mr. Geren, from Texas; The Honorable F.G. Buddy Villines, who is the county judge, Pulaski County, Arkansas, and chairman of the National Association of Metropolitan Planning Organizations and the National Association of Regional Councils; The Honorable Jean Jacobson, county executive, Racine County, Wisconsin, who is representing the National Association of Counties; and Mr. Kurt Weinrich, who is the director of Regional Transportation Commission of Clark County.

Mr. Geren, would you like to say a word about your Ft. Worth citizen?

Mr. GEREN. Thank you, Mr. Chairman. I appreciste the opportunity to do tbat.

I welcome the mayor of my home town, Kenneth Barr. He is appearing today on behalf of the National League of Cities, but he is recently elected as mayor of our city, having served on the city council and having been one of the great community leaders in Ft. Worth all his life.

It is a real pleasure to welcome you, Kenneth. It's great to see you. We're pleased to have you here on behalf of the National League of Cities and look forward to your testimony.

It is an honor to our community of Ft. Worth to have you here representing a national organization, and we appreciate having the opportunity to have you before our committee.

Thank you, Mr. Chairman.

Mr. BARR. Thank you.

Mr. PETRI. Thank you.

Mr. Barr, as you know, we generally have a summary of about 5 minutes, and the full statement is included in the record, so we look forward to your comments.

Mr. BARR. Very good.

TESTIMONY OF HON. KENNETH BARR, MAYOR, FORT WORTH, TX, ON BEHALF OF THE NATIONAL LEAGUE OF CITIES; HON. F.G. "BUDDY" VILLINES, COUNTY JUDGE, PULASKI COUNTY, ARKANSAS, AND CHAIRMAN, ASSOCIATION OF METROPOLITAN PLANNING ORGANIZATIONS, AND BOARD OF DIRECTORS, NATIONAL ASSOCIATION OF REGIONAL COUNCILS; JEAN JACOBSON, COUNTY EXECUTIVE, RACINE COUNTY, WISCONSIN, AND VICE CHAIR, TRANSPORTATION AND TELECOMMUNICATIONS STEERING COMMITTEE, THE NATIONAL ASSOCIATION OF COUNTIES; AND KURT WEINRICH, DIRECTOR, REGIONAL TRANSPORTATION COMMISSION, CLARK COUNTY, NEVADA

Mr. BARR. Thank you, Mr. Chairman and members of the subcommittee.

The National League of Cities is pleased to have this opportunity to share our views on ISTEA's surface transportation program.

I'm Kenneth Barr, mayor of Ft. Worth, Texas, and a member of the NLC Transportation and Communications Policy Committee.

The National League of Cities represents 135,000 mayors and council members from municipalities across the country. Additionally, I am vice chair of the Liveable Communities Campaign, which is a national coalition of business and public sector leaders who want to enhance communities and the economy through local transportation initiatives.

The National League of Cities supports the reauthorization and reaffirmation of ISTEA. This national transportation policy has been extremely innovative and influential. Along the same lines, we also support ISTEA's surface transportation program.

Today, I will focus on how Ft. Worth has been involved with STP, concentrating on, first, the sub-allocation to metropolitan areas with populations greater than 200,000, and, second, the enhancement program.

First, the National League of Cities supports the STP sub-allocation because it contains the underlying goals of ISTEA: first, the Federal commitment to transportation policy, including both funding and national transportation goals and objectives; and, second, local government decision-making and flexibility.

Local governments can implement Federal goals and objectives the best way in the best manner for their communities. Ft. Worth is using STP funds to implement the national goal of maintaining infrastructure and decreasing congestion by restructuring and widening roads that have the most need in the metropolitan area. These projects may not be glamorous, but they are extremely necessary to achieve the efficient movement of people and goods.

In a metropolitan area of 4.5 million people sucb as we have in the Dallas/Ft. Worth area, tbere is enormous commerce. Nationally, congestion is costing about $40 billion a year. Businesses will relocate in an area, the economy will grow, if they can rely on tbe efficient transportation of their goods.

The Ft. Worth local government is in the best position to know what we need to do to make our regional transportation system become more efficient to achieve that goal. We know our roads. We have more personal contact with business leaders in our city to learn what they need.

This sub-allocation program has been extremely effective in guaranteeing local decision-making on local transportation.

Second, the NLC supports the enhancement program because it promotes alternative transportation modes that will increase economic productivity through increased transportation efficiency within a region. How? First, by providing alternative modes of transportation such as light rail. That takes people off the road.

As I stated earlier, less cars means less congestion, faster travel time, and a greater liveability in metropolitan centers. Less congestion translates to more efficient movements of goods and people for businesses.

As a small businessman, I will tell you that the ability of my company to deliver its merchandise in the Dallas/Ft. Worth area on a good local transportation system is extremely important.

A metropolitan area with less congestion is an attractive place for businesses to locate.

Second, transportation modes such as light rail become centers for increased economic activity growth and, from the municipal perspective, increased property values. When a new station opens, businesses open around it.

One enhancement project in Ft. Worth is a component of the intermodal transportation center, the ITC. It is an intermodal station that will provide economic growth for the entire metropolitan region. This regional facility will serve as a transfer point among 10 modes of transportation, including commuter and high-speed rail service, bus service, taxis, air shuttle connections, and mobility-impaired transportation.

Enhancement funds are being used to restore the Texas and Pacific Railway Terminal Building which the ITC will be centered in. This station links Ft. Worth and Dallas together by RailTran, the commuter rail service that will provide greater access between our cities. RailTran is targeted for the professional and business community to travel between the cities during the day. This is going to allow business to increase between Ft. Worth and Dallas.

Unlike many commuter rail systems, RailTran runs between two major metropolitan centers, rather than just taking people from the suburbs into the city and then back home again in the evening.

Enhancement funds are allowing part of the intermodal transportation center to be built. And let's face it: we cannot just continue to build freeways. We need to offer our citizens cost-effective alternatives to the car.

Mr. Chairman and members of the subcommittee, I greatly appreciate your leadership on these issues and look forward to working with you during the reauthorization of ISTEA. We hope that you continue to support the role of local governments in transportation.

Once again, we appreciate the opportunity to be here and to testify today.

Thank you.

Mr. PETRI. Thank you for your testimony, Mr. Mayor.

Our next panelist is going to be introduced by our colleague, Tim Hutchinson from Arkansas.

Mr. HUTCHINSON. Thank you, Mr. Chairman.

Let me take this opportunity to commend you for holding this series of hearings on ISTEA reauthorization, and particularly the hearing today on one of most popular and important of the programs, the surface transportation program.

I'm very pleased that the subcommittee will have the opportunity to hear testimony from Judge Buddy Villines of Pulaski County, Arkansas, a friend of mine and someone I've enjoyed working with during my 8 years in the State Legislature, as well as my time in Congress.

Judge Villines is a board member of the National Association of Regional Councils. He's chairman of the Association of Metropolitan Planning Organizations. Most important for us in Arkansas, he's the past chairman of Metro Plan, the MPO for the Little Rock metropolitan area.

As the chief executive of Pulaski County, as well as a former mayor of the city of Little Rock, Judge Villines knows first-hand the transportation challenges facing those on the front line.

I had an opportunity just a few weeks ago to address the Arkansas Association of Metropolitan Planning Organizations, and I know how important it is for the local communities in my home State of Arkansas that those MPOs be able to retain a strong voice in this next ISTEA reauthorization.

Buddy, Judge, we're very glad to have you, and we welcome you today and thank you for taking time to share with us.

Mr. PETRI. I apologize for mangling your name. Please proceed.

Mr. VILLINES. Well, sir, as I think we all know in politics, it doesn't matter what you call us, as long as you call us.

[Laughter.]

Mr. VILLINES. Thank you, Congressman, Mr. Chairman, and members of the committee.

Congressman Hutchinson did mention that he spoke at our AAMPO meeting in Arkansas and did an excellent job. I think all of us were pleased to hear the attitude with which Congress is looking at this and the other things that are moving decisions as close to the people as we can.

AAMPO, which is the Association of Metropolitan Planning Organizations, has begun a considerable review over the last year or year and a half of ISTEA, its implementation, our role in it, and we have published a working document called "ISTEA-II: Building a Coalition," which I'd like to ask also be attached to my comments here.

What it tries to do is outline what we think are the issues that need to be discussed, some principles that we think ought to be dealt with.

We believe there is a national interest in the highway system, both from—originally, as you know, from national defense to now the support of the national economy.

There is 77 percent of our Nation that now lives in metropolitan areas, and that means, we think, that you need to extend, as I think I heard mentioned earlier, that the interest extends beyond just the interstate and the national highway system facilities. We need to reaffirm in ISTEA-II and strengthen the critical national interest metropolitan transportation systems brings to the national economy.

People, goods, whatever we're talking about moving on our road systems will run through metropolitan economy, a metropolitan area somewhere along the way. Not only is that a linkage, but also to prevent bottlenecks.

The mayor said, and I think rightly so, we can no longer just assume that we can build more bypasses to our metropolitan area. We've got to have help in moving people in and through those systems and those areas.

ISTEA's philosophy we believe led to innovation, collaboration, consensus, and vision. The many partnerships that have been established—I can cite many like Philadelphia, Cincinnati, St. Louis, San Diego—groups that have used their funds to enhance freight movements, to preserve rail options, to create a better way of life and a better quality of life for their citizens. The essence of ISTEA is partnership.

Cost-efficient and greater community support results from that citizen participation, and the way that we've gone about that is greater today than it has ever been.

But a true partnership requires a real local role in deciding the programming of funds.

ISTEA's first step in sub-allocating STP through MPOs, where the collaborative process has worked well, we have had much better decisions. We believe that needs to extend to include NHS, interstate, and bridge funds.

We recommend also that the committee consider to give the States the authority to adopt, in joint cooperation with its MPOs, a process for distribution of all transportation revenues in each MPO area. This could be reviewed annually and worked through between the MPOs and the State.

How it could be done? We think one way is the same way as highway planning funds, the key requirement being that the formula would be jointly developed.

We acknowledge that there are some issues that need to be resolved, but we think that they can be resolved.

The benefits we see would be to provide additional flexibility and resource allocation, ensure linkages to national goals and objectives, enhance the partnership arrangement, and strengthen the investment decision process in support of transportation systems.

ISTEA is a bold experiment in federalism. The process has required working through competing interests and practices, but isn't this what democracy is all about?

There are those who will say, I think, that it hasn't worked all that well, and I think, because we are a diverse Nation, we have some diverse results, but I think it is obviously, at least from our perspective, a major step that we have taken, and we want to see it continue to move forward.

In concluding, I know that you are going to have further hearings. We would like to be able to work with you to give you our ideas on the MPO process concerning environmental issues of Federal transportation program.

I thank you for the opportunity to testify. I want to ask that my written statement and the attachment be part of the official records, and, of course, would be ready to answer any questions.

Thank you.

Mr. PETRI. Thank you.

Ms. Jacobson?

Ms. JACOBSON. Good morning, Mr. Chairman and members of the subcommittee. I'm Jean Jacobson. I'm the county executive from Racine County, Wisconsin, and today I'm here representing the National Association of Counties, referred to as NACO, where I serve as vice chair of the Transportation and Telecommunications Steering Committee.

On behalf of NACO, I want to thank the subcommittee for giving me this invitation to appear before you this morning on this very important subject.

The STP program is the key Federal transportation program for county government, along with the bridge and transit programs. This is a program that returns Federal transportation funds to many counties across America. This is a program that returns gas tax funds to the local taxpayer for use on county-owned roads, bridges, and the transit systems. It's a program that contributes to the economic development of the urban, suburban, and the rural counties of America.

Counties have a major stake in surface transportation in the United States.

In Racine County, where I have been an elected official for over 16 years, transportation is a big-ticket item for our county budget. With a budget of almost $9 million, our public works department is responsible for 400 lane miles of county roads, and we maintain over 500 miles of State roads, including 72 miles of the interstates. Yes, in Wisconsin the counties maintain the interstate highways.

STP was included in the ISTEA act, in part to replace the secondary and urban system programs which for many years had been a major source of Federal funding to counties.

In general, STP has been a success, and NACO strongly supports its continuation as a separate program when ISTEA is reauthorized next year.

I want to take a few moments to comment on four issues related to the STP program: project selection, flexibility, location, and funding.

The program has probably been of the greatest benefits to urban and suburban counties, particularly those counties and metropolitan areas in excess of 200,000 population, such as the region in which Racine County, Wisconsin, is located.

Since those are the areas in most States with the largest populations, they receive the most funds. Equally important, it is in the matropolitan areas that local elected officials have the ability to participate in the planning organizations and make the key decisions concerning how the funds are to be spent.

Bacause of STP, county officials now have more ownership in tha Federal surface transportation program. There is absolutely no question that county and otber local officials serving on MPOs are in the best position to make the key funding and project selection decisions regarding the allocation of STP funds.

In southeastern Wisconsin, where I live, those Federal planning and companion programming requirements are met by a savencounty organization known as the Southeastern Wisconsin Regional Planning Commission. I know that I speak for the seven counties comprising that region when I say that the Federal commitment to metropolitan transportation planning is sound and in the public interest and sbould remain intact as the Congress considers ISTEA and sets the tone for the funding and development of the Nation's major transportation systems over the foreseeable future.

NACO believes that the program could be enhanced by bringing thosa county officials in areas of less than 200,000 or more into ths process.

ISTEA provides that, in metropolitan areas of less than 200,000, project selection for the funding ahall be done by the State, in cooperation with the local MPO.

In araas of leas than 50,000, tha State again has the predominant role in project selection, which is done in cooperation with local officials.

While some county officials in smaller metropolitan and rural areaa hava been invited to participate in tbe project aelection procass, others bave not. NACO believes ISTEA, in genaral, has worked to encourage county participation, but there still is a ways to go in these smaller rural regions.

State departments of transportation view how they must deal with local governments in different ways, and NACO urges this subcommittee to strengthen the requirements for participation by local officials.

NACO looks forward to working with the subcommittee to develop the best approach to increasing the involvement of local elected officials in the project for selection.

NACO believes the flexibility of the program is one of its outstanding characteristics, and there is no question that different regions have different transportation needs and different requirements.

We agree that local officials are in the hest position to decide, for example, whether the funds should he spent on highways, bridges, transit systems, carpool projects, parking facilitiss, railway-highway grade crossing, or safety improvements. This is the type of block grant approach that NACO supports.

Regarding the project location, NACO supports the existing law, which allows STP funds to be spent on bridgss, on public roads all functional classifications.

As msmhbers of the suhcommittee know, 2,000 of the 3,000 counties in the United State ars rural, and we know that you'll give us consideration.

My final point has to do with funding. Ws believe that we would like the maximum funding possible for ISTEA.

On behalf of NACO and counties throughout the United States, I would liks to thank you for the invitation to speak before you today. You do havs my written testimony for your record.

Thank you.

Mr. PETRI. Thank you. We appreciate the advice.

Kurt Weinrich?

Mr. WEINRICH. Mr. Chairman, Congressman Rahall, members of the subcommittee, I am Kurt Weinrich, director of ths Regional Transportation Commission, or RTC, of Clark County, Nevada, which is in Las Vegas.

I would like to thank you for the opportunity to appear before the subcommittee regarding the RTC's views on two aspects of ths surface transportation program.

I respectfully request that ths written testimony I have submitted be entered into the record.

As a preface to ths RTC's views on the STP, some background would be in order for the subcommittee.

First, the RTC serves as ths mstropolitan planning organization for the Las Vegas metropolitan area, which currently has a population in excess of a million peopls.

Second, the RTC is the region's gasoline tax agency for arterial road conatruction and it serves as the public transit agency for the region.

The RTC is not only a multi-modal planning entity, but a multimodal service provider, funding well over $100 million annually in new roadway construction and operating a mass transit system that today moves over three million passengers a month and recovers over 50 percent of its operating and maintenance cost from the fare hox.

Over the last several years, the Las Vegas metropolitan area bas experienced phenomenal growth. The historical trends demonstrate that tbe RTC's task of planning, funding, and operating multi-modal transportation systems is becoming increasingly more complex year by year.

We believe that Las Vegas has progressed to a point where a thorough analysis of transportation alternatives has become essential. To that end, the RTC is conducting a major investment study, in accordance with Federal planning rules, for over a year to identify regionally significant high-capacity transportation improvements in the heart of our community, the resort corridor.

It is clear from the work completed to date that a rail system of some kind, carefully planned to serve hoth the rapidly-growing population, as well as the tremendous growth in visitore, is necessary.

The RTC is now in the process of considering the comparative merits of constructing a fixed guideway system consisting of 14 miles of elevated guideway serving 29 stations.

The RTC contemplates that a suhstantial portion of the construction cost for a fixed guideway system will be paid for through a fare share funding plan that will include local public dollars, as well as private industry contrihutions.

The RTC is looking at innovative financing techniques that include tax increment financing, value capture, joint development opportunities, and a transportation infrastructure investment hank.

It is within the context of this rapid growth, growing reliance on multi-modal services, and a desire to creatively finance transportation investments that I wish to address my remarks on the STP.

The RTC supports the Congressional policies outlined in ISTEA, and specifically in the STP. The decision-making authority allocated to MPOs has proven effective for those of us in the State of Nevada.

The RTC helieves that the STP's hroad statutory mandates should remain, that an increased emphasis should continue on the flexihle use of funds in the reauthorization legislation.

Transit agencies and State DOTs must, out of necessity, form partnerships. The RTC helieves a puhlic transit authority cannot have the sole financial responsihility for financing major investments in that area.

The RTC encourages the suhcommittee to consider leaving the option of whether to transfer funds from the STP to the FTA capital program a local and State decision. Specifically, we recommend that a transit agency and a State DOT be permitted to move forward project financing without taking the formal steps of transferring funds to the FTA capital program, and then suhsequently applying for those same funds through the FTA grant process after deciding the flexihility issue.

The advantages of this approach should be ohvious in terms of reducing administrative hurdens and facilitation of streamlining approach to creative financing.

We recommend that the subcommittee require that such a flexihle appreach only he allowed after the completion of a properly-prepared major investment study. By coupling project financing requirements to the MIS, Congress will improve the strength of the MIS process.

Finally, with regard to the STP program in Nevada, specifically, the subcommittee should know that the State of Nevada operates under a special rule governing the formula for the distribution of STP funds under 23 USC 133(D)(3)(c).

In Nevada, as a result of this special rule, which we believe applies only to Nevada, the distribution formula is reversed from the rest of the Nation, meaning 65 percent of the STP funds is allocated to the State for State-wide distribution, and only 35 percent is allocated to the metropolitan areas, of which there are two—Las Vegas and Reno. However, the population in these two areas accounts for 90 percent of the population of the State.

In conclusion, only through joint cooperative efforts will MPOs, transit operators, and State DOTs improve their performance in obligating the funds that are available through the STP program for both metropolitan areas and the States. We would suggest that the specific provision in ISTEA that I cited that provides for the reversal in Nevada of the STP distribution formula be repealed as part of the reauthorization.

In closing, the RTC as an MPO, a highway funding agency, and a public transit authority strongly supports the flexibility of STP.

We'd be happy to answer any questions you might have.

Mr. PETRI. Thank you.

Mr. Rahall?

Mr. RAHALL. Thank you, Mr. Chairman.

I just have one quick question for the Judge, if I might.

I appreciate the thought that you and the organizations that you're representing hara today have put into your alternative approach to the sub-allocation of funds to the MPOa. As I understand it, you're suggesting that all transportation funds be sub-allocated along tha lines of how highway planning funds are distributed. As you know, the STP funds are currently sub-allocated to areas of over 200,000 in population.

I guess I have a two-part question. The first would be: how would your alternative approach to sub-allocation affect the existing method by which STP funds are sub-allocated?

And then the aecond part of the question is: by proposing that all funds be sub-allocated, are you including NHS, interstate maintenance, and bridge monies, as well?

Mr. VILLINES. Let me kind of answer those in reverse, sir, if I could.

The answer to that is yes, we are proposing that, in a metropolitan area, that those local officials have some say in tha process about the dacisions of how those monies are spent.

When I said allow for more flexibility for usa of funds, if—right now the way it works, ns you know, is STP funds only for those MPOs 200,000 and above. Well, we make decisions on those, but if we're not involved in the decisions of the others, you could actually end up having some conflicting kinds of decisions made in how we're going to use those funds within a given area.

We feel like tbat, just on the basis of being able to comprehensively look at the investment end of the transportation system, that if we're at the tabla with the State at the same time tha decisions are mede on all these funds, that you've got a better chance for a more comprehensive look at total transportation system within a metropolitan area.

We do suggest thet this be extended to smaller MPOs if they want to use it. There will he some thet will decide that, on the basis of their capacity, or for whatever reeson, that they might not want to he sitting at the seme tehle with the State and the other MPOs in the State.

But yes, sir, we would suggest that this ought to be extended down to all MPOs, es I think anothsr member has sald today, simply because they are the ones who, in their areas, do understand what needs to be considered. We feel like thet thsy havs the capacity to look at that and make those decisions.

Mr. RAHALL. Thank you, Mr. Chairman.

Mr. PETRI. Thank you.

Mr. Oberstar, have you any questions?

Mr. OBERSTAR. Thank you very much, Mr. Chairman.

The focus of this panel's testimony is flexibility in the STP, and that is—when we get around to the reauthorization of ISTEA, it's going to be a very hotly-debeted issus, with the States on one side and metropolitan planning organizations, cities, regional councils of government on the othsr side.

I think the question thet Mr. Rahall was exploring is how much flexibility, whet do you mean by "flexibility," and who should have what authority.

What we tried to do in ISTEA was to recognize the changing nature of transportation, and that urban areas heve very different needs one from the other and from rural areas where most of the highway milsage is located. Most of the traffic movement is clossr in to cities.

The question then is: how far do we go with flexihility, what relationship do you have with State transportation departmente or highway departmente, and who should really make that decision about what is best for your city, for your regional association of governmente?

For exampls, if a State says, "We need a connector or to improve a connector that is a main artery into the urban area," and you say, "Well, we feel that we'd be better served by buying more buses, by a light rail transit system, or some option, and we don't want as big a highway, and we don't want as much money as—" who is going to resolve that and who should ultimately have that authority to make that decision?

Mr. VILLINES. Are you asking me?

Mr. OBERSTAR. I'm asking you and anyone else at the table who wante to answer.

Mr. VILLINES. Let me take one shot at it. I think the mayor——

Mr. OBERSTAR. The governors aren't here, so I know that they're answer would be.

Mr. VILLINES. Well, in different parts of ths country, sir, there are soms State highway dspartments and some MPOs who have worked through that, at least with STP—not very many. I consider in my State we're about halfway between those who aren't working well at all together and those that are working real well together.

I think that the point in all this, ISTEA's philosophy is that it acknowledges the differences of opinion, and that ultimately the decision has to be made in a cooperative way without either side necessarily having so dominant control that they disregard the interest of the other; that the State can't have, in its focus, its only goal as to get people down the highway, and the metropolitan area can't have its only focus being making sure that people within a community can move back and forth.

Who makes ultimately the decision? One of the things that we might look at is that, while you wouldn't cut off the Federal funds, at least that there be an arbitration set up, not by the Fed, but by the two parties agreeing to do that arbitration; or that, in lieu of that, any further distribution of funds might be based upon what's happened in the past percentage, which wouldn't be the interest of the State or the local, either, and would help compel them to make a decision to get it done.

Mayor, you might particularly want to think about——

Mr. OBERSTAR. I would say that's a very reasoned response, and a thoughtful one, as well. These decisions are not made in a vacuum with one side having all the say or the other side having all the say, but should be done as you described.

Mayor, what is your thought about this?

Mr. BARR. I think it makes the most sense to have a clear statement from Congress of national transportation policy and then to have strong input at the local level. I think we know our communities.

In the Dallas/Ft. Worth area, which is known as—these are known as two cities that traditionally battle all the time—we have accomplished more cooperative relationship at our MPO than anything else, I think, in the whole region. It's because the local governments have come to the table committed to work on an issue that is of paramount importance to us.

I think the MPO has worked very effectively in our area. I understand other parts of the country there have been problems, but in our area it has really worked effectively, with good communications and good results. We need the opportunity for local input.

Mr. OBERSTAR. Ft. Worth is a very good example, because you have worked together on a common airport, even though you have the Love Field issue that Ft. Worth is a little restless over still. I've managed that matter for many, many years. But also you have I–35 that either originates or terminates in Duluth, depending on your perspective, and originates or terminates in Laredo, Texas, depending on your perspective.

[Laughter.]

Mr. OBERSTAR. I'll never forget being in Ft. Worth for one of several meetings. I was there for aviation purposes. As we were headed out, to my great surprise I saw I–35. I said, "Driver, hang a right and stay on this road for 3 days and you'll get up to my District."

So if I'm driving from Duluth in this NAFTA era of ours and international travel, and I want to, or I want my goods to get through Dallas/Ft. Worth, I may have a different perspective than a native of the area who simply wants better transportation within, as Mr. Villines said.

Mr. BARR. I'm not sure I completely agree with you on that, because I think we recognize at the local level that goods and services have got to be able to move freely through our area. At the same time, we recognize that part of making it move through along Interstate 35 from one end to the other is to have good routings in and around and through our cities and good ingress and egress from those interstate highways. That's a part of making that traffic move.

Mr. OBERSTAR. You'd make those considerations part of your MPO process then?

Mr. BARR. Yes, sir.

Mr. OBERSTAR. That's great to hear. Wonderful.

Thank you, Mr. Chairman.

Mr. PETRI. Thank you.

Mr. Geren, do you have any questions?

Mr. GEREN. Just briefly, in following up what Mr. Oberstar said and Mayor Barr's response, our area, particularly, is sensitive to the needs of international commerce, both with DFW Airport and I think a growing awareness of how our end relationship with the rest of the world is so important to our economic growth.

Twenty years ago it wouldn't have crossed the mind of anybody in Ft. Worth that we were part of a great port, but a point that you've made in so many of your speeches, these great airports now are great ports, and I-35 is part of our port. I think that our region has taken that into consideration.

I just have a question to Mayor Barr. In looking at the MPOs, I know one of the criticisms that I hear in our area is some of the smaller communities in the region don't feel that they are adequately represented at the COG level or at the MPO level. You've worked in the transportation area for a long time, and before you were mayor.

Do you have a feel for that, whether or not some of these communities that don't have the population or the clout in a region are able to have some of their transportation needs fully addressed by the current system, or do you think more needs to be done to make sure that some of these suburban and semi-rural areas need to have their needs specifically considered as ISTEA is reauthorized?

Mr. BARR. Frankly, I think the opportunity is there, and for the communities and areas that want to participate, they can, and they do get results.

I've been very impressed that even those of us from Dallas and Ft. Worth that represent the large cities, we understand the need for regional cooperation at the MPO, and there is truly a concern to—a realization that these roadways don't stop at the city limits or the county line; they continue to go on.

Those people who live in the outlying areas work in our city and travel to and fro. The people in our cities go out to those communities.

There is a recognition we have to take care of the surrounding area in the broader, long-term interest of whole region.

Mr. GEREN. Thank you. You know, in an area such as ours—in the current bill we talk about the populations of cities and make decisions based on that. Areas such as ours, with tremendous suburban growth, the city limit lines really mean very little. It's hard to tell where one city ends and the other one begins. Yet, we make—the law distinguishes between cities based on their population.

I know, in responding to concerns from some of our communities that make up the Ft. Worth and Dallas areas, there bave been expressions of concern that some of these cities have problems that are comparable to what the big cities have in transportation, but some of their concerns aren't adequately addressed.

I appreciate your comments.

Mr. BARR. If I could just point out, we live in a county. Ft. Worth is in a county with, I believe, 35 other municipalities, so this is a very real issue. But I think we deal with it fairly effectively.

Mr. GEREN. Yes. That's 35 towns and 1.4 million people, and with Ft. Worth being really the economic center of the county.

Thank you, Mayor.

Thank you, Mr. Chairman.

Mr. PETRI. Thank you.

Mr. Sawyer, do you have any questions?

Mr. SAWYER. Mr. Chairman, I don't have questions. I thank the panel for their testimony. I didn't get here in time to hear it, but I will review it. I'm grateful to you for having this continuing series of hearings.

Mr. PETRI. Mr. Mascara?

Mr. MASCARA. I guess you'll recall the slogan in Pennsylvania, "You have a Friend in Pennsylvania." As a former county commissioner who served for 15 years in Washington County, Pennsylvania; as a former NACO member; as the chairman of the Southwestern Pennsylvania Regional Planning Commission, the MPO in southwestern Pennsylvania, you, indeed, have a friend in Pennsylvania, because I was never completely satisfied.

We thought originally when ISTEA was passed in 1991 that, indeed, local planning organizations would have more flexibility and authority as it related to highway projects. It was an illusion. It was an illusion.

The MPO had representation from the State DOT, who attempted to overwhelm us as local county commissioners and local government officials, and I'd like to see some changes made to give local governments some real authority.

Pennsylvania decided that 80 percent of the ISTEA money should go to maintenance, which left little or nothing for new highway projects.

So I'm going to be placing some emphasis, as a member of the Transportation Infrastructure Committee, to give more authority to local governments. You need more say. You know what suits you best, and I wish you all well. I'll be working towards that end.

Thank you, Mr. Chairman.

Mr. PETRI. Thank you all for your testimony. We look forward to working with you and your organizations over the coming months as we go through this process.

I think we may have time for our first panel, who is now here, our colleague, The Honorable Peter J. Visclosky of Indiana.

Pete, it's about 12 minutes actually or——

TESTIMONY OF HON. PETER J. VISCLOSKY, A REPRESENTATIVE IN CONGRESS FROM INDIANA

Mr. VISCLOSKY. Mr. Chairman, I understand that my complete statement will be entered in the record.

Mr. Chairman, Mr. Rahall, members of the committee, I appreciate the opportunity to appear before you today relative to the surface transportation program. My remarks today will focus on the highway-rail grade safety improvements program.

As you know, the Highway Safety Act of 1973 led to the establishment of the rail-highway crossing program, also known as section 130. The program's goal is to provide Federal funds for the State efforts to reduce the incidence of accidents, injuries, and fatalities at public railroad crossings. The program currently provides States with railroad crossing funds as part of a 10 pereent set-aside.

Section 130 funds are clearly essential to help States curtail the incidence of accidents at public crossings; however, I believe that these funds could be distributed in a more equitable fashion.

I have introduced legislation, the Highway-Rail Grade Crossing Safety Formula Enhancement Act, H.R. 3000, which would provide States which have more crossings and more accidents at crossings with more Federal assistance; however, we would not have an increase in Federal expenditures overall.

Specifically, H.R. 3000 would improve the Federal funding formula to account for risk factors that identify which States have significant grade crossing safety problems. The factors considered in the bill include the State's share of the national total for public highway-rail grade crossings, its number of crossings with passive warning devices, and its total number of accidents and fatalities caused by vehicle-train collisions at crossings.

Maximizing the return from Federal funds requires that they be targeted to areas with the greatest risk. In a 1995 report to Congress on the status of efforts to improve railroad crossing safety, the GAO found anomalies among the States in terms of the funds they received in proportion to three key factors: accidents, fatalities, and total crossings.

Several hundred people are killed and thousands more injured every year in the United States as the result of these types of collisions. A significant number of these accidents occur in rail-intensive States such as Indiana, Illinois, Ohio, and Texas.

I would point out that almost one-quarter of the Nation's public highway-rail grade crossings are located in these four States, and they account for 33.5 percent of the deaths and 29 percent of the injuries caused nationwide between the years of 1991 and 1993.

By targeting funds to States on the basis of risk factors, we can put scarce resources to work and use a common-sense approach by allocating Federal dollars where the need is greatest. Given the limited resources available for railroad crossing safety, it is crucial that available funds be targeted to the most cost-effective approaches.

Again, Mr. Chairman, Mr. Rahall, and members of the committee, I deeply appreciate the opportunity to appear before you today and your consideration of the bipartisan legislation that I have introduced on rail grade crossings.

Mr. PETRI. Thank you for your testimony.

We do have a minute or two if there are any questions.

Mr. Rahall?

Mr. RAHALL. No. I don't have any questions, Mr. Chairman. I'd just like to commend our colleague from Indiana for a very well-prepared testimony and excellent insight on the issue.

We will continue to wo.k with you. Your leadership will be very helpful to us.

Mr. VISCLOSKY. Thank you very much.

Mr. PETRI. We've heard from a lot of other Members who have similar interest in this legislation. It is a major problem in parts of my District where there are older towns and the railroads used to go right through the town, naturally. Now it has changed and we need to do a lot of rearranging to sort the surface traffic from the trains. I know it is a tremendous problem down in the congested area that you have at the southern end of Lake Michigan.

We look forward to working with you and we appreciate your initiative.

Mr. VISCLOSKY. Mr. Chairman, thank you very much for your courtesy.

Mr. PETRI. Are there any other questions?

[No response.]

Mr. PETRI. Thank you very much, Mr. Visclosky.

This hearing will be adjourned until—I think we have two more votes after this, so 11:00.

[Recess.]

Mr. PETRI. The subcommittee will resume.

We're going to take a witness out of order because of a scheduling problem and attempt to accommodate a friend and leader in the transportation area, Mr. William D. Fay, president and chief executive officer of the American Highway Users Federation, if he's here.

[No response.]

Mr. PETRI. He's not here. I'm told he's coming. Here he is. Good.

Mr. Fay, we look forward to your remarks. We know you have a few otber things to do, and we're here to try to accommodate your schedule.

TESTIMONY OF WILLIAM D. FAY, PRESIDENT AND CEO, AMERICAN HIGHWAY USERS ALLIANCE

Mr. FAY. Good morning, Mr. Chairman and members of the subcommittee.

My written testimony is supplied for the record, and it focuses on three elements.

First of all, it recommends a streamlined STP, it describes the factors that our recommendations are based on, and it expresses our concerns with the current STP program.

You know, this subcommittee has asked the right first question in this debate: what is the appropriate Federal role in surface transportation?

One only has to turn to the Kasich-Mack bill to know that we are far from agreement on that one answer. While the Highway Users vehemently opposes the Kasich-Mack bill, we also think that they've asked an important question: is the current Federal program meeting national needs? The answer to that question leaves a lot of room for doubt.

Just consider that Uncle Sam takes $30 billion each year from highway users, yet deposits only two-thirds of that amount, or $21 billion, in the highway account, and last year invested only $9.3 billion, or less than one-third of the taxes collected, in the two programs that meet everyone's test of true national priorities—the national higbway system and bridges.

With less than one-third of Federally-collected use taxes going to national priorities, it's not surprising that there is a donor State rebellion.

FHWA reports that our roads and bridges are not receiving the funding that they need. This is less a problem of adequate taxation than it is of misdirected priorities.

Mr. Chairman, we operated under the Byrd rule and the Rostenkowski rule. In this age of limited resources and growing needs, I ask you to establish a Petri-Rahall rule to limit highway expenditures to those programs that actually save American lives.

It is unacceptable that today highway fatalities are on the rise, increasing in each of the past 3 years.

The FHWA estimates that as many as 30 percent of those deaths are caused, in part, by the conditions and design of our roads.

We released a report last week to Chairman Shuster and Mr. Oberstar that documented that the investments in the interstate, alone, have saved 187,000 American lives and prevented debilitating injuries to some 12 million Americans.

Mr. Chairman, the current STP program, by supporting projects of purely local and increasingly non-highway interests, does little to instill confidence in the Federal program. It doesn't pass the test of the Petri-Rahall rule that I've proposed.

It only takes one look at the mind-boggling list of eligible STP expenditures to understand why donor States are rebelling. The TEA clearly makes the point, while our roads and bridges crumble and a growing number of Americans lose their lives on our highways, highway users are being asked to foot the bill for an incredible list of projects and activities, all of them nice, most of them pretty, but each of them diverting highway funds away from investments that save lives.

We also question whether there is a clear national role in the support and subsidization of local mass transit projects, and we oppose the one-way flexibility that has enabled States to transfer nearly $2.2 billion of Federal highway funds to transit, most of it from STP, CMAQ, and the interstate substitute accounts, yet makes it virtually impossible for States to transfer transit funds for highway projects.

It is equally disturbing that nearly half of all Federal highway funds are available for non-highway projects. Again I say no wonder there is a donor State rebellion.

One program for this kind of non-highway diversion is the transportation enhancement activities account, which has been spent on berthing facilities for historic ships, lighthouse and shaker barn renovation, artistic murals, steam locomotive restoration, jungle trails, airport passenger terminals, historic book publications, and State capitol dome restoration. It's obvious that these programs contribute nothing to improving the safety and mobility of American motorists.

There is no flexibility here. TEA funds are mandated. The State couldn't spend it on safer roads if they wanted to.

This diversion should be eliminated. If these projects are so popular, then no mandated set-aside is needed.

Mr. Chairman, the donor/donee State relationship can only be justified when the Nation, as a whole, and a donor State, in particular, benefits from the investment. It isn't, in our mind, an issue of flexibility; it's an issue of accountability, and right now the donor State rebellion is evidence that we haven't met that test.

We testified earlier that we would propose a clear national role in surface transportation. We recommend a simplified program targeting funds to NHS, bridges, safety, research and development, and roads on Federal lands. We further recommend a streamlined STP program funded at not more than 15 percent of the total highway program and available for use on currently-eligible highway, bridge, and safety projects, highway-related activities mandated by the Clean Air Act, and mass transit capital projects.

To maximize State and local discretion and ensure that all STP funds are available for eligible projects, current Federal set-asides and mandates such as transportation enhancement activities should be eliminated.

Thank you, Mr. Cbairman, for the opportunity to testify today.

Mr. PETRI. Thank you.

I wondered if you could comment a little more specifically on the highway tax turn-back legislation that is being proposed by representatives from California and Ohio, and I think maybe from the Carolinas, as well.

Mr. FAY. Mr. Chairman, there is an absolute need for a national transportation aystem and a national highway aystem. We proved that last year.

We have found, throughout our years of focus groups and polls, that if there is one tax American taxpayers feel fairly comfortable paying, it is a gasoline tax that is dedicated to highway and bridge construction.

In that regard, I don't see a problem that needs to be addressed with gasoline taxes that are dedicated.

We would prefer that the $0.043 be put back into the highway account or into the highway trust fund where it belongs, but I've got to say that when we take a look at the investments and the best roads that our Nation has, they are the interstate systems which were Federally enacted and were the product of a very strong Federal/State relationship that constructed those interstates.

Once again, the interstates have produced a $6 return for every dollar invested, have aaved 187,000 American lives. That, in itself, is a need for a national program, and we strongly oppose any type of a rollback of the Federal gasoline tax. We think there is a need for interstate commerce and that that money needs to be reinvested in better roads that meet national priorities.

Mr. PETRI. Thank you. We appreciate your effort that went into your written statement. We look forward to working with you and your colleagues as we try to come up with legislation that we can actually get enacted into law next Congress.

Mr. FAY. Thank you, Mr. Chairman.

Mr. PETRI. Thank you.

Bells have rung again, and I think, if it's all right, I'll run ovsr and vote and come right back and try to bring my colleagues, as well.

We'll resume at 11:25 with the next scheduled panel, panel number four, consisting of: The Honorable Brian Rude, who is a leader in Wisconsin community affairs, former president of Wisconsin State Senata; Ms. Sarah Campbell, who is a board member of ths Surface Transportation Policy Project; Ms. Janine Bauer, executive director of Tri-State Transportation Campaign of New York, New York; Mr. Clinton E. Brown of Clinton Brown Company, Buffalo, New York; and Mr. Allen Greenberg, Government Relations Director, League of American Bicyclists, Washington, D.C.

If you could assemble some time in the next 10 minutes at the table, we'll be ready to start at 25 after the hour.

Thank you.

[Recess.]

Mr. PETRI. The hearing will resums with panel four.

You may proceed in the order you wish. The first one listed is The Honorable Brian Rude. Perhaps he'd like to start out.

TESTIMONY OF BRIAN RUDE, ASSISTANT REPUBLICAN FLOOR LEADER, WISCONSIN STATE SENATE; SARAH CAMPBELL, BOARD MEMBER, SURFACE TRANSPORTATION POLICY PROJECT; JANINE BAUER, EXECUTIVE DIRECTOR, TRI-STATE TRANSPORTATION CAMPAIGN, NEW YORK, NY; CLINTON E. BROWN, R.A., AIA, PRESIDENT, CLINTON BROWN COMPANY ARCHITECTURE, BUFFALO, NY, ON BEHALF OF THE AMERICAN INSTITUTE OF ARCHITECTS, AND THE SURFACE TRANSPORTATION POLICY PROJECT; AND ALLEN GREENBERG, GOVERNMENT RELATIONS DIRECTOR, LEAGUE OF AMERICAN BICYCLISTS, WASHINGTON, DC

Mr. RUDE. Thank you, Chairman Petri and members of the committee.

When I agreed to make this testimony, I was president of the Wisconsin State Senata. Now I'm the assistant republican floor leader of the Wisconsin State Senate. It's not related to the agreement to testify before this committee. We had a special election, and we're at 17-16 one way or the other, it seems, in the Wisconsin Senate.

I'm hers to speak with you about the transportation enhancement provisions of the surface transportation program. I served as the Chair of Wisconsin's State Transportation Enhancemsnt Selection Committee. I was recently a speaksr at the National Transportation Enhancements Conference sponsored by the Federal Highway Administration, AASHTO, Rails-to-Trails Conservancy, and the Surface Transportation Policy Project. I'm also one of the 100 national trust advisors to the National Trust for Historic Preservstion. So I have a number of things in my background relating to this issue that I'd like to discuss as lt relates to my home State of Wisconsin and the rest of the Nation.

I could speak at length about the successes that I feel we've had in the transportation enhancements program, but I want to share five main points with members of the committee.

First, it seems to me transportation is about more than roads. We all need and benefit from highway infrastructure, but we also recognize that bicyclists and pedestrians need safe routes and sidewalks and convenient access to transit stations. Renovated transportation facilities have the potential to become focal points for new transit riders, increased AMTRAK users, and related commercial development.

One of our Wisconsin projects currently underway in my district is a renovation of the AMTRAK Depot in La Crosse. That will, I believe, lead to greater ridership on AMTRAK.

Local community leaders want transportation-related projects that help to offset the strains that sometimes are imposed by highway infrastructure development.

The Intermodal Surface Transportation Efficiency Act called for public investment in a variety of transportation modes and types of transportation facilities. Today we devote less than 2 percent of ISTEA's funds to projects which help build this diverse transportation infrastructure.

Second, the transportation enhancements program helps to build community by improving the quality of life in communities lucky enough to receive funding since 1991, and stimulating local economic development, both of which are goals associated with any type of transportation project.

Unlike some other types of transportation projects, transportation enhancement projects are almost universally popular.

In my area and Congressman Petri's area, we've made improvements on the Sparta-Elroy bike trail and the La Crosse and Great River bike trails, which are a tremendous boost to our tourism economy, as well as to our quality of life in our region.

Nationally, more than 6,000 enhancement projects have been programmed for funding. About 50 percent of those projects are either bicycle, pedestrian, or trail projects. Frankly, States have just begun to scratch the surface. In fact, for every project program nationally, many more go unfunded.

In Wisconsin, the last time we had a selection process we picked $5 million in projects out of $30 million in requests. Recently California had $39.8 million in enhancement funds in their third round, with $50 million in requests, and those were requests that had been pared down by the MPOs prior to the process.

Another important observation is that the enhancements program responds to local priorities. They tend to be small projects. The average Federal share is $289,000. It gives local community leaders a role in helping define and design transportation enhancement projects.

Some people have criticized some of the projects under the transportation enhancements program, and a couple of responses about that would be to say that, first of all, States were given tremendous latitude over the ways in which they could design their programs and their project selection process, and ultimately it is the State DOTs in those areas which made the final decision about which projects get funded.

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If complaints are lodged about particular projects, it seems to me that the problem rests with the State-designed selection process and not with a structural problem with the enhancements program.

My third main point is that the transportation enhancement program, perhaps more than any other aspect of ISTEA, builds new public support for transportation funding overall.

I'm very fond of telling my road-building friends that a rising tide lifts all boats, and transportation enhancement advocates understand this concept as well as anyone.

With the constant reality of budget battles, as you know at the Federal level and we know at the State level, it only makes sense to broaden the constituency that supports continued and increased funding for transportation needs.

The transportation enhancement program has attracted more new players than any other program or provision of ISTEA. While some people may view this as a negative aspect of ISTEA, I believe that it is positive in the long run. As fellow politicians, I'm sure you can relate to the fact that the best way to increase support for projects is to have broad public support for that funding.

Fourth, Federal enhancement dollars leverage more than the required 20 percent match. Again, in this area the transportation enhancements program has leveraged the highest percentage of local transportation investment. The average match nationally is 27 percent. Communities in the States of Maryland and Virginia have been willing to provide over 50 percent of matching funds. Washington, Mississippi, Michigan, Texas, California, South Carolina, and New York are all over 30 percent.

These are very outstanding figures, suggesting that enhancement dollars are able to leverage a significant amount of funding from other sources, and typically these are sources from outside the Department of Transportation, representing new partners—local governments, private foundations, State agencies. This type of local investment speaks volumes about the commitment of these communities and local elected officials and how they feel towards the transportation enhancement projects.

Finally, I want to urge the committee in the strongest possible terms to reauthorize ISTEA's transportation enhancement program. The groups that have supported this program, and myself as someone who has been involved in the selection process and the funding at the State level, hope that eventually we will not need a set-aside for transportation enhancements, but I do not believe that we can risk at this point losing the benefits of transportation enhancement projects by either decreasing or eliminating the set-aside.

I'm not alone in that projection at this point. At last month's national transportation enhancements conference, we actually had a show of hands on how people felt about the set-aside. Of the 300 participants representing 42 States, a third of which were local project sponsors, a third private citizens, and one-third State and Federal Department of Transportation officials, over 90 percent said that without Federal protection the transportation enhancements program would become its own brief shining moment in American transportation history.

I wish it were not so, but I agree, and I really hope that you can again continue this project, which I think has brought great life and revitalization to our transportation efforts.

I look forward to working with this committee to identify ways to make this already strong program even stronger.

Thank you.

Mr. PETRI. Thank you.

Ms. Campbell?

Ms. CAMPBELL. Thank you, Mr. Chairman. I'm very glad to be here today representing the Surface Transportation Policy Project. I'm a member of the board and was the founding director of the STPP.

First I'd like to offer a few comments on the structure of the surface transportation program.

STPP sees the surface transportation program as really the main expression of ISTEA's key fundamental themes. Among those I would like to point out the openness to alternative modes of transportation, the broad flexibility to tailor spending to reflect local circumstances and needs, limited but important targeting to specific Federal priorities, and a new focus on metropolitan economies and health and their transportation systems and the relationship of their transportation systems to the vitality of those communities.

Although we will recommend specific refinements to this program, we want to assure you that we're very enthusiastic about the STP program and continue to work with State and local agencies in its implementation.

Perhaps ISTEA's effect on transportation policy is best measured by the changing view of flexibility. In 1991, the idea that Federal funds would not be limited to narrow, defined categories was a significant departure from traditional practice, and as ISTEA supports, we spent a lot of time defending it as a legitimate way of pursuing Federal policy goals.

In 1996, though, the situation seems to have been reversed, and flexibility indeed seems to have caught on. Federal funding for transportation is now challenged as not being flexible enough by many of the same people who were concerned about moving away from categorical spending. It is even argued that it is not proper for the Federal Government to target any funds towards specific purposes.

In this debate, our position remains the same: the Federal Government should offer States and localities significant flexibility in how to solve problems, but it has both the right and, frankly, the responsibility to target funds to activities that meet particular national interests and to spur innovation.

We need a good balance of targeting and flexibility to assure that national objectives are pursued without ignoring local priorities and the peculiar circumstances of individual States.

In addition, this program provides targeted resources to metropolitan areas. When the Federal Government loosens the strictures on the money it provides, it needs to assure that the distribution of these funds is equitable.

There were a number of efforts on equity during ISTEA, the issue of the donor States being most notable, but no less significant is the targeting of funds to metropolitan areas.

Transportation investment is often more difficult and time-consuming in these areas. The temptation arises—and if you look at the historical funding patters of the FAUS program which preceded STP, you'll see this tendency—to move money elsewhere and to under-fund metropolitan needs.

The amount of money ISTEA assured metropolitan areas is not large. It is barely 4 percent of ISTEA's total funding. But the message is important. Our metropolitan economies are the engines that drive national economic performance, and we should not ignore their needs.

The STP also targets funding to transportation enhancement activities, and because others will be speaking and have spoken on this issue, I will not spend mucb time. There are a couple of points, though, that I would like to make about the enhancements program.

It really is one of the most successful parts of ISTEA. It has taken a relatively small amount of money—approximately 2 percent—and provided it to a large number of projects in communities all over the country that really felt they had never gotten much from the Federal program. It has created constituencies for State transportation programs that alert DOTs are glad to have supporting them at State budget time.

In addition, tbe enhancement program has gotten transportation professionals more involved in the development of locally-designed projects and involved the public in a positive rather than an adversarial way. This is very valuable to all involved.

The STP is also the portion of ISTEA that directly targets Federal resources towards transportation safety, a point upon which all of us agree.

Second, I'd just like to offer a few more points on implementation of the program. To provide a better understanding of how the STP works, my written testimony presents data from three different sources: a report just released today, which I will leave with you, called "Getting a Fair Share," which uses Federal Highway Administration data to track expenditures of Federal money geographically; a Federal Highway Administration memorandum regarding the use of STPs, targeted metropolitan funding, and the failure of many States to do so; and an analysis of the enhancements program by the Rails-to-Trails Conservancy.

As figure one in my testimony shows, expenditures of highway account funds in 1995 averaged just over $72 per person for the entire country.

The Census Bureau defines urbanized areas as communities with population over 50,000. In these areas, spending was significantly lower, at approximately $54 per person. In rural areas it was about $98 per person. And in non-urbanized areas, essentially tbe developing suburban/exurban areas, the average expenditure was $115 per person.

To look at it another way, you can think of this as a donor/donee situation with regard to geographic areas, types of communities. In that regard, urbanized areas received about $0.85 for every dollar contributed, non-urbanized about $2.05 for every dollar contributed, and rural a little over $1 for every dollar contributed.

As a multi-regional coalition, STPP does not take a position on the distribution of Federal funds among the States, but if the question of who pays for the program and who benefits is a valid one at the State level, we believe it is equally valid at the regional and local level.

I appreciata your time. Thank you very much.

Mr. PETRI. Thank you.

Our next panelist is Ms. Janine Bauer, the executive director of the Tri-State Transportation Campaign, New York, New York.

Ms. BAUER. Good morning, Chairman Petri and other members of the committee.

The Tri-State Transportation Campaign is a nonprofit corporation whose mission is to promote an environmentally-sound, socially-just, and economically-efficient transportation system in the New York/New Jersey and Connecticut region—essentially the metro New York region.

Reauthorization of ISTEA provides an opportunity to assess its over-arching objectives and to examine the formula for distribution of funds to the States. There are now, as you know, of course, widely divergent views about how to handle the surface transportation program.

STP is, of course, the second-largest category of funding under ISTEA, and, together with NHS, accounts for 40 percent of all Federal transportation funding.

Under STP, many tasks are now eligible for programming, including construction and rehabilitation of highways and bridges, transit capital improvements, car and van pool projects, parking facilities, bicycle and pedestrian facilities, planning, research and development, environmental analysis and mitigation and transportation control measures, and management costs.

Depending upon the objectives chosen and the formula used in reauthorizing ISTEA, significant amounts of money could be shifted among the States.

The metropolitan New York area and the States of New Jersey and New York, in particular, have a critical interest in the objectives and funding formula determinations because of our extansive highway network and infrastructure, ita maintenance needs, our extensive transit network, its huge ridership, and its infrastructure and maintenance needs.

Our status as a severe nonattainment area under the Clean Air Act amendments, of course, can't be ignored.

We need to encourage alternative modes of travel and vehicle mile travel or VMT reduction in our area as a principal way of attacking both the pollution and the traffic congestion that is choking our economy.

Donor/donee status is not the whole picture when it comes to streamlining funding formulas. New York is a donor State in almost all respects other than transportation, but we don't suggest that other States have more than their fair share of other facilities or other types of funding.

An efficient transportation system is critical to the quality of life and to the economic competitiveness of our region.

From an urban perspective, reauthorization of ISTEA should focus on continued empowerment of the metropolitan planning organizations and local officials' role in transportation decision-making; flexibility of STP funds; continued set-aside of the 10 percent of each State's STP apportionment for both enhancements and safety; clear objectives for the STP program monies to achieve, especially for safety, with States setting bench marks for their own success; and, in areas such as ours, at least, incentives to reduce VMT.

I want to comment, because one of the previous speakers asked the committee about metropolitan planning organizations and how well entities that weren't sitting at the table were represented by those who were sitting at the table. We do think that we have a problem with that in our urban area, particularly in down-State New York, and would invite the committee to take a look at that and see if more balance can be made.

Flexing of funding categories, particularly the STP category, was very important to both New York and New Jersey. In New York, alone, in 1992, $100 million was flexed from the interstate substitution program to transit. In 1993 and 1994, more than $100 million was flexed from various categories. And in total, $690 million has been flexed across the State of New York from various categories to transit, and this was critical to rebuilding the transit systems throughout New York, not just in New York City, but in Syracuse, Buffalo, and many of the other urbanized areas. The same was true in New Jersey—obviously not the same figures.

With respect to safety in our urban area, in both New York and New Jersey there is a tremendous problem with pedestrians being hit and killed by motor vehicles. In New Jersey, for instance, one quarter of the fatalities involved in motor vehicle accidents are pedestrians, and this grim statistic has continued for two decades virtually unabated. In fact, this year it is on the rise. New York has rather similar statistics.

In both States, it's a figure well above the national average of about 14 percent—11 to 14 percent.

Unfortunately, the State DOTs in New York and New Jersey continue to spend most of their safety set-aside in the STP program on motorist safety, which, of course, is extremely important, but, where one-quarter of the fatalities are a different mode—that is, walkers—there ought to be more incentives for a State to do something about safety across the modes. Safety is important for all modes, and we would urge the committee to create some incentives or ask the State to create their own bench marks to improve safety across modes.

We think that ISTEA should adopt a national goal of reducing VMT and require States to adopt performance criteria toward that end, reserving bonus monies for metropolitan planning areas that meet or exceed these criteria.

It is widely recognized that transit-oriented development and centered land uses will have the greatest effect, both short- and long-term, on reducing travel demand in the present and future, thus reducing greenhouse gas emissions, land consumption, depletion of resources, and other deleterious effects.

Many current highway capacity expansion projects in our area are failing to achieve their mobility goals, even where they are determined or announced, and we also find that our State DOTs are not implementing the alternative strategies that are identified in congestion management system studiea.

Finally, with respect to enhancements, the enhancement set-aside within the STP program is probably the most popular and effective program of ISTEA in terms of reaching local communities and connecting meaningful destinations via alternative modes, especially pedestrian and bicycle facilities. We clearly think thia program should be preserved within STP, even as a set-aside.

New York State DOT officials have told us that, not because it is not wise or favored or used well, but because of the heavy preasures of other, more expensive modes—particularly the highway modes—that making it voluntary or doing away with the set-aside would be tantamount to elimination of it. The huge popularity of it can be shown by the applications submitted.

New Jersey, unfortunately, continues to program nearly as much money for historic projects as for bicycle and pedestrian projects, and we would urge the committee, as a final comment, to ensure that historic preservation projects are tied to a functional transportation mode, which, unfortunately, they weren't before FHWA clarification I think last year.

Thank you.

Mr. PETRI. Thank you.

Mr. Allen Greenberg, government relations director of the League of American Bicyclists. Sir?

Mr. GREENBERG. Thank you, Mr. Chairman, Mr. Rahall, and members of the subcommittee.

My name is Allen Greenberg, and I am, as you said, representing the League of American Bicyclists. I'm also representing the International Police Mountain Bicycling Association, which is a division of the League.

We were founded in 1880 and are responsible for the formation of the Federal Highway Administration, so we have been involved for aome time.

Today we represent over 30,000 individual members and familiea, and over 160,000 additional cyclists through 500 affiliated bike clubs and advocacy organizations.

We certainly remain true to our founding mission of bicycle advocacy and education for transportation and recreation.

It is my pleasure to testify before you all today on ISTEA and the STP program, in particular, and the importance of it to bicycling and to transportation, in general, in the United States.

Before ISTEA, very few transportation dollars were available for bicycling, relegating cyclists to second-class citizens. Today, bicycling improvements can be funded with money from virtually all transportation programs, but we're guaranteed money from none.

The STP, more than any other aingle program, represents the essence of ISTEA. It provides regions resources and authority through MPOs to plan for and execute their own futures. The action takes place close to home, which, when combined with ISTEA public involvement requirements, allowa the public a vital role.

The base program ia very flexible, but money is set aside for two vital but under-served national priorities: transportation safety and community transportation enhancements.

Improving safety through both construction and behavior programs and strengthening the relationship between community values and transportation spending are essential to ISTEA, and certainly establishing programs, as ISTEA has done specifically for these purposes, helps appropriately focus our efforts to addressing these issues.

This focus should continue. We know, for example, that the transportation enhancements program works, because, according to the Georgia DOT representative at a recent public forum, it is responsible for 99 percent of public involvement but less than 2 percent of ISTEA funds.

Public involvement is the only means of guaranteeing that the public is served, and a designated share for enhancements is our assurance that that will occur.

In addition to the STP program, these other ISTEA programs—I'm just going to touch on them real quickly—add elements important to bicyclists in the Nation.

First, public participation: bicyclists have been the most active members of the public as a result of the requirements, and there have been many improvements made at the local level to show for that.

Second, regional authorities, in addition to controlling STP funds, are held accountable through planning and other requirements. I can say this personally and from what I've heard: it's a whole lot easier for cyclists to approach their local elected official with their concerns than it is to approach or try to approach an impenetrable State highway bureaucracy.

Next, conformity: undoubtedly, there is an interest in clean air and public health, and bicycling projects have been significant contributors to reducing air pollution, so the conformity requirements are very important.

Next, the congestion mitigation air quality program, or CMAQ, was established to ensure funding for clean air projects, and in many cases bicycling projects have demonstrated themselves to be the most effective use and have won funds through that account.

We also, I think, need to move forward from ISTEA, from the milestones that it has created, and make some minor but important improvements consistent with the statute. In that vein, we make the following suggestions:

One, create Federal incentives to reward States for successful efforts in maintaining their existing infrastructure, improving safety and reducing fuel consumption—three essential reasons for Federal involvement in transportation—and require States that are underperforming in these areas the target their Federal resources to them.

I'm going to skip down a little bit, in the interest of time, but I take it that my whole testimony will be included.

Mr. BAKER [assuming Chair]. We're going to accept your entire testimony for the record, so if you'll just summarize, we'll read it later—or make our staffs read it.

[Laughter.]

Mr. GREENBERG. Okay. Generally, certainly we need project selection authority. We believe it should extend beyond STP to other funds that are expended within the metro boundaries.

For bicycling, in particular, we think bicycle accommodations should be considered whenever a road is built, re-engineered, or improved, or when changes are proposed that could present hazards to cyclists.

We have a number of other items here. I will mention one other. The STP program, the safety program, in particular—we list a number of things that can be done to improve it.

One example is to add a requirement that States must at least plan to sign all grade crossings to that requirement that a bike—that grade crossings must also be bicycle safe. I think that is very important.

Certainly, projects that increase hazards to cyclists or inhibit access for bicyclists and pedestrians shouldn't be eligible for funding. And safety improvements to pave trails should be explicitly eligible.

So,in conclusion, some have talked about getting back to the basics, but paying attention only to big highways and providing more resources to unaccountable State highway bureaucracies are not the basics.

Of congested travel in this country, 93 percent takes place in our urban roadways, and unless we provide realistic options within our urbanized areas, we will fail at meeting the needs of our citizens.

We see going to build on ISTEA and to provide substance to the rhetoric of this Congress for decentralized decision-making, public involvement initiative, community values, and accountability for and judicious allocation of Federal resources—these are the basics on which we should be focusing, and they are represented both within ISTEA and the recommendations here.

Thank you.

Mr. BAKER. Thank you very much.

Mr. Brown?

Mr. BROWN. Thank you, Mr. Chairman.

Members of the subcommittee, my name is Clinton Brown, and I'm the president of Clinton Brown Company Architecture based in Buffalo, New York, an area ably represented by your colleague, Representative Jack Quinn.

Thank you for allowing me to appear today representing the Surface Transportation Policy Project and the American Institute of Architects, whose 58,000 members represent this Nation's architects—and in 1998 our president will be a California architect, so clearly a step forward.

Why are architects so involved with ISTEA? Architects are often referred to as visionaries. We envision the big picture from its many parts. It is our job to fit all the pieces together to achieve the best balance of form, function, and value.

Transportation is an important part of that design puzzle, with the potential to connect cities and towns, generate economic growth, curb urban sprawl, and facilitate well-designed and sustainable communities.

The AIA worked closely with Congressional staff and STPP to shape national transportation policy, ushering in a new way of thinking: mobility, choice, continuity, quality, and a system that gets the most out of every existing mile. ISTEA was born of these efforts 5 years ago.

Of particular interest to architects and the people we serve are the surface transportation programs, especially the transportation enhancement and planning provisions. As you know, the ISTEA enhancements program requires each State to spend a percentage of its Federal funds on activities that can encompass a variety of transportation enhancement projects so that the route that one takes is as good as the efficiency of that mode.

Our firm is working on just such a project now. Our winning an ISTEA enhancement grant of about a million dollars will help transform a former railroad station into a mixed-use center at the foot of Main Street on the Buffalo River. The public/private Delaware, Lackawanna, and Western Terminal Center intermodal transportation project, known as DL&W, will integrate transportation services and transform the current site, now housing a train yard for a metro light rail system, into the centerpiece of western New York's waterfront revitalization effort.

Just as an aside, no one has been more supportive of that than your colleague, Jack Quinn.

Across the——

Mr. BAKER. Mr. Brown, if I can interrupt you, I've turned the Chair over to Mr. Quinn, who is a kinder and gentler representative of the State of New York.

[Laughter.]

Mr. BROWN. If I know Jack Quinn, I'll get no extra time.

[Laughter.]

Mr. BROWN. Thank you, Mr. Chairman. It is my honor and pleasure.

Across the street from the new $130 million Crossroads Arena, home of the Buffalo Sabers hockey team, and overlooking the planned $30 million inner harbor initiative, the DL&W Center will be a year-round public destination for light rail, bus, automobile, water taxi, bicycle, and pedestrian travelers.

This multi-modal facility will attract some of the 7.5 million North American tourists and 2.5 million international tourists who spend approximately $250 per day visiting nearby Niagara Falls and who now have no central place to visit in Buffalo.

Keeping even a fraction of those millions of visitors in our region for another day pumps millions of dollars, many of them international dollars, into our western New York economy.

Additionally, the DL&W will generate rental and other income for its owner, the Niagara Frontier Transportation Authority, offsetting its declining transit operating subsidies.

While tbis project is testimony to many of the benefits of the enhancements program, this is not to say there isn't room for improvement.

One concern is that States and localities are still learning to take full advantage of the law's ability to move money from traditional highway projects to alternative categories. With time and education, we believe that States and localities will increasingly shift funds to expand transportation options to better achieve the law's goals.

Mass transit options are especially conducive to this purpose, and this law's ability to flex funds from one mode to another must be preserved.

To maximize funding, flexible funding opportunities also need more State laws that conform to ISTEA, more than a casual response to the need for and benefits of State projects, more comparative analysis of projects across modal types, and movement away from traditional attachment to road-building and construction as the only choice.

We certainly, in western New York, are very eager for a highway to connect our region with Washington, D.C., and Norfolk, Virginia, to enhance our community, but we also want to take advantage of these other provisions that will enhance our ability to stand on our own feet as a region.

ISTEA's transportation planning section is critical to achieve truly comprehensive transportation systems. Public participation, local State coordination, educated land use, and long-term strategic plan requirements are vital components of any successful policy and need continued focus in a reauthorization measure.

First, participation and flexibility are keys, so each community can choose the transportation mix that best fits that community, and the localities should continue to have leeway to do that to meet their local needs.

Second, long-range plans to ensure transportation systems that enhance the quality of life and last well into the future continue to be an important objective of ISTEA. Such coordination of local planning and State planning efforts has not been 100 percent. Some States breach the cooperative planning process by forcing localities to accept certain national highway system projects they don't want, or the threat is they'll lose the money for their areas.

The grassroots ground-up way of doing business promoted by ISTEA has not always been accepted readily, especially by centralized, highway-oriented State bureaucracies that are still devolving.

Finally, wise land use development should continue to be a goal of all involved so that urban sprawl, which imposes enormous and inefficient dollar and resource costs for water, sewer, and power infrastructure, are reduced. For instance, in western New York urban sprawl threatens agriculture, our largest industry. Whenever possible, existing facilities should be upgraded, saving money and reducing the need for raw materials and space.

Long-range designs and durable materials—I'm speaking as an architect—will ensure projects can be maintained for many years to come.

When new infrastructure is necessary, it should be provided in areas where it is most appropriate, serving the most people in as efficient a manner as possible.

Now, despite these minor problems that are to be expected with the implementation of any significant new law, it is important to know that ISTEA has accomplished many of its goals. ISTEA has the potential to achieve much more.

Now, some groups and individuals still consider the new thinking under ISTEA to be a threat and would like to use this reauthorization process to roll back the clock.

We heard this morning that supporting historic preservation transportation might kill Americans because we're taking money from highways. I think we should resist this threat.

Players representing the broad spectrum of transportation interests worked long and hard to shape ISTEA into a balanced, responsible initiative, and any major changes to this relatively new law could derail ISTEA's progress.

Mr. Chairman, Mr. Chairman, and Mr. Chairman——

[Laughter.]

Mr. BROWN. ——thank you for this opportunity to express the AIA's views before the subcommittee today. We appreciate your continuing dedication to responsible transportation policy and your acknowledgment of its contribution to a greater quality of life and a brighter future for America.

Thank you.

Mr. QUINN [assuming Chair]. Thank you, Mr. Brown. That "chairman" business is real important around here. I'm only acting. We want to make sure everybody knows that.

Mr. Brown, we're pleased to have you here and hear your testimony. I want you to know there is absolutely no conflict of interest that I happen to be from your District, and also want to let the other witnesses here—Mr Greenberg, Ms. Bauer, Ms. Campbell, and Mr. Rude—know that we appreciate your testimony here today, as well.

At this point in time, I'd see if Mr. Rahall has any questions for any of our panelists.

Mr. RAHALL. Thank you, Mr. Chairman.

I would like to just basically throw this thought open to the panel and hear any comments any of you might like to make.

First, let me say I am in general agreement with the testimony as you presented today, and I think most people know already of my support during the reauthorization process for the transportation enhancements program, and I'd like to see us stay the course.

Ms. Campbell, I noted your recommendation concerning TEP obligation rates, and I share that concern, as well.

One of the problems that I've noticed in the State highway departments, when faced with processing proposals for major highway and bridge projects, they will obviously place priority on those types of projects as opposed to a $100,000 enhancement project. So it's basically a problem of having limited resources and having to prioritize it.

That's what I'd like to get your thoughts on, and any answers you may have to this dilemma, because I certainly don't have the answers to it.

Mr. BROWN. Sir, New York State invented the highway. New York State gave the United States——

Mr. RAHALL. That we drive on?

Mr. BROWN. Robert Moses, who was the greatest highway builder ever, and that has its pluses and its minuses. For instance, in Buffalo we lost a Frederick Law Olmstead-designed parkway for a 100-foot deep, 200-foot wide, six-lane depressed commuter road. If ISTEA were in effect, I think we would have had a better result with the flexibility and the input from a broader range.

That highway legacy of the New York State Department of Transportation, the transportation engineers are diligently trying to change in their thinking, but changing the rules of ISTEA to take away that kind of flexibility and multi-modal approach I think would hurt our community because it would not continue those efforts to look for an appropriate transportation mix.

Mr. RAHALL. I guess my basic question is the low obligation rates of the States and what are your thoughts on how we can correct that.

Ms. CAMPBELL. I would like to offer one point on that, just from my own experience as a consultant these days.

In working with two States on their enhancement program, and previously working with two others for other reasons—but they asked for advice on that—in all four cases what seems to be a part of the problem is just human nature.

Engineers don't get rewarded for building small projects, so within the bureaucracy there isn't a reward system for the number of projects. You would like to be the one who is there at the ribbon-cutting for the $500 million project instead of the $500,000 project.

Some State DOT directors are actually trying to address that problem, because they recognize the popularity of the enhancements program, but it's a simple, old-fashioned management and human nature problem that they are going to have to address.

It's just part of changing the course and the nature of these very large, centralized bureaucracies to have them now look more towards management and addressing the smaller issues, if you will, which are now coming into play.

Mr. RUDE. May I also offer a couple of comments?

I think, first of all, I know we talked earlier about not having a bunch of charts, but this chart shows the growth in ISTEA enhancement spending from 1992 to 1995, and I think it's true that early in the program we had a real lack of obligations. That has, I think, finally come up as States have become more comfortable with the program.

That really is an argument for reauthorization of enhancements—that they are finally beginning to be comfortable with it within departments of transportation, and the communities and the MPOs are finally beginning to understand what this is all about.

It has taken some time to change some attitudes. Frankly, it has taken some time to work on issues like the paperwork and tbe process. In Wisconsin we had a 99-step process to getting an ISTEA grant, and approval by the State selection committee which I chaired was step number 33, I think. Once you've gone through that process, it's a long one.

I think, as you look at reauthorization, that's one area where we can continue to strive for more flexibility, for actually managing at the State level.

Finally, I would say that the threat or—depending on your perspective, either the threat or the promise that enhancements might not be renewed, has kept, at least in Wisconsin, our DOT from aggressively pursuing it. They have actually been known to say, "We don't think enhancements will be around in the next reauthorization."

I think that a clear signal from this Congress that it is going to stay around would do a great deal to get the program not only up and running, but to keep it running strong.

Mr. GREENBERG. Mr. Rahall, I appreciate your question.

First of all, I think our priority should be serving people and communities, and that should be the over-riding priority. I believe that enhancements, more than any other program, does that.

Regarding the obligation rate, I certainly want to concur with the remarks that were just made.

I think we are doing something, though, in the National Highway System bill. The streamlining provisions should be very helpful.

I also would urge you to look at this, consistent with Mr. Rude's earlier testimony, when you look at the match.

I challenge you all to find an equivalent match in another program. Essentially what's happening is everybody's competing for enhancements dollars, and so they are bidding up the local and State match on the program, and you're not getting that anywhere else. That, to me, is the strongest indication that you should probably be putting more in that program, not less.

Mr. RAHALL. Thank you all. Thank you very much. Thank you, Mr. Chairman.

Mr. QUINN. Thank you, Mr. Rahall.

The gentleman from California, Mr. Baker?

Mr. BAKER. Tbank you very much, Chairman Quinn.

I'd like to ask Mr. Rude a quick question.

There have been some great programs under enhancement, but there have also been some real turkeys. Do you think, if this were a State-only project, you would fund all the enhancement programs you've done in your State? Would they meet the pressure of mix and match and the priority-setting of the State?

Mr. RUDE. Well, I think I feel good about our mix in Wisconsin, and I truly feel we haven't developed any turkeys.

My perspective on this is that we do have the 50 States as laboratories of democracy, and States have handled the program differently. Some have allowed political pressure to intervene with selections. Some have different goals. Some feel that mass transit is more important, or bike pedestrian facilities are more important. Some States, as has been pointed out, have a higher priority on historic preservation.

Certainly some people may look at some of the projects we've approved—spending over $1 million to renovate a historic AMTRAK depot in my home community of La Cross, Wisconsin, may be viewed by some as a waste of money. I think, both from a historic preservation standpoint and also from the standpoint of keeping our AMTRAK connection there strong, it's not at all a waste of money.

I think the beauty of the program——

Mr. BAKER. The question is: would it have met the priority-setting of the State against congestion management projects, transit projects, others? Would this restoration facility have met that?

Mr. RUDE. I think that's a hard question to answer because we did not have—if we did not have the Federal program and the Federal direction towards multi-modal, it probably would have not. Now that we have moved in this direction and that we finally have people thinking about it, I think this is the kind of project that we are going to see increasingly States authorize, but it has been a long, slow process to get here.

Mr. BAKER. Ms. Bauer, you mentioned 10 percent set-asides—10 percent set-aside for enhancement, 10 percent set-aside for safety—yet States come to us, including yours, and demand flexibility. How do we do both?

Ms. BAUER. Well, sir, I believe actually that the testimony that I've read from Commissioner Daley in New York—and I know it's true for Commissioner Wilson in New Jersey—that they both strongly support at least the enhancement set-aside, and I believe that Commissioner Daley testified before this committee and favored the set-aside for safety, as well.

I think that the 10 percent set-aside of the STP program, although it is a very large program, is an appropriate balance. I did indicate some sympathy to your point of view that I think that there needs to be more transportation focus, and especially alternative mode focus, if those set-asides are to serve their purpose.

But I think that the set-asides are okay and that the MPO, despite the dominance, for instance, of the State DOT in New York over the MPOs—in particular, the down-State MPO—they have flexed money around from the different categories—STP, CMAQ, urban areas, and so forth—sometimes in greater amounts than those agreed upon by the legislature and the governor in New York, which is, frankly, unheard of.

Everybody kind of knows in New York that the tip is struck in the legislature, not in the MPO, at least for down-State.

Mr. BAKER. At least in California we do it through a commission, so the legislature never has anything that could be accused of being pork.

Mr. Greenberg——

Ms. BAUER. It's much better.

Mr. BAKER. ——you mentioned matching. Don't you think it's time the bicyclists paid a fee?

[Laughter.]

Mr. BAKER. And, second part of the question, we normally——

Mr. GREENBURG. Good. You're giving me time to think about that one.

Mr. BAKER. Yes. I'm going to go on.

The EPA considers $10,000 a ton in air pollution very effective, and for a bike trail it's about 289,000 a tone. Do you think we could do something to improve bike ridership or usage of these trails? Of course, a fee would not be part of that.

Help yourself, Mr. Greenberg. Welcome to Washington.

Mr. GREENBERG. Thank you.

A couple of points. First of all, bicyclists do pay into the gas tax. We do, whenever we use motor fuels, and most of us do.

I think it's a mistake—and some have gone before you to suggest that what the public wants——

Mr. BAKER. Wait, Mr. Greenberg. You only pay the fuel tax when you're putting it in your car, so presumably you're going to drive also. I'm talking about the bicyclists paying for bike trails.

Mr. GREENBERG. Or your lawn mower, but a couple of points. First of all, I think it's a mistake to assume that when bicyclists put fuel in their cars or when people put fuel in their cars that they only want that to go to one purpose, and that is to large freeways. It's not true.

Mr. BAKER. Now answer the question. Do you think bicyclists should pay a fee for building a bike trail?

Mr. GREENBERG. I would be open to suggestions about matches, but I would suggest this instead: first of all, I don't think motorists at this point are paying their fair share. There is quite a bit of data to suggest that.

If we want to open and visit this whole question of fees and who is paying appropriate fees, I'd be more than willing to put our interests forward and our positions, but not without the context of looking at whether all road users are paying their appropriate——

Mr. BAKER. Okay. Mr. Brown, what's the future? Where are we going from here?

Mr. BROWN. Bigger and brighter. We think this program is going to allow the Federal subsidy of local mass transit and other operating costs to be reduced if local transit authorities have the opportunity to earn their own income, and the project with which I'm associated is one of those examples of where this capital improvement, through this tax on fuels, will allow the local transportation authority to its job for the broad public it serves with more of its own resources.

I think that's the way of the future for all of us.

Thank you.

Mr. QUINN. The gentleman's time has expired.

The gentleman from Texas, Mr. Geren, do you have any questions at this time?

Mr. GEREN. No.

Mr. QUINN. Okay. Thanks.

Panelists, witnesses, we appreciate your time here with us this afternoon, and happy motoring.

We would invite our fifth panel of the day to come to the table: Mr. Ray Barnhart and Mr. Zack Burkett, III, and would also mention, at this time, if Mr. Harper wouldn't mind joining, we'll sort of combine the two panels into one and maybe save ourselves a little time.

Mr. Barnhart, we'd like to recognize you and welcome all the panelists who are with us this afternoon. We'd remind all of you, we certainly accept your written testimony in full to share with the rest of the subcommittee and the full committee, and suggest, as we put our timer on here, that you might limit your remarks today to about 5 minutes or so.

You may begin.

TESTIMONY OF RAY BARNHART, FORMER ADMINISTRATOR, FEDERAL HIGHWAY ADMINISTRATION; ZACK BURKETT, III, HIGHWAY CONTRACTOR, GRAHAM, TX, ON BEHALF OF THE ASSOCIATED GENERAL CONTRACTORS OF AMERICA; AND EDWIN L. HARPER, PRESIDENT AND CEO, ASSOCIATION OF AMERICAN RAILROADS

Mr. BARNHART. Thank you, Mr. Chairman, members of the committee. I am Ray Barnhart, a former administrator of the Federal Highway Administration during the Reagan years from 1981 through 1987, thus a has-been.

I thank you for allowing me to offer testimony that is diametrically opposed to most of that that you've heard earlier today, but let's get to reality.

My testimony today, by the way, is my own. I represent no organization or group, but I do know that many folks who are professionals in the highway and transportation community share my views.

At the time of ISTEA's enactment I urged President Bush to veto it because of the precedence it set. Today I believe it portends even further damage to those elements of our national transportation system that should be of paramount concern to the Federal Government.

I opposed ISTEA because it severely undercut the authority of DOTs to professionally run their transportation departments. I felt it would politicize transportation processes as never before.

ISTEA unilaterally forced State DOTs to share their decision-making powers, and thus their money, with Federally-created metropolitan planning organizations and made DOTs dependent upon interests that bear absolutely no responsibility for seeing that the critically important highway infrastructure, literally the indispensable lifeline of our economy, is sustained. That lifeline, I felt, would be sacrificed to appease the demands of other more politically-correct and more politically-powerful interests.

So has been the record of ISTEA.

After 4 years and record expenditures of almost $70 billion, 60 percent of the Nation's major roads are in poor shape. For 2 years in a row, pavement conditions have declined—the worst performance in a decade. And almost a third of the Nation's bridges remain deficient.

Why? Because of the structure and requirements of ISTEA; because of its diversion of hundreds of millions of dollars of highway taxes to projects that, while popular with the general public and local politicians, contribute absolutely nothing to resolving national transportation deficiencies; and because many DOTs now effectively control only half of the transportation funding, the other half being controlled by governing bodies comprised of, in many instances, locally-elected politicians whose priorities are, first and foremost, to satisfy their political needs within their limited geographic jurisdictions, and thus they don't really overwhelmingly give a damn about the transportation needs of the State, as a whole, or of the Nation.

Governing, I believe, especially during times when taxes are inadequate to meet the demands at hand, requires establishing priorities and making choices. ISTEA didn't do that and tried to be all things to all people.

This cannot be continued in another reauthorization except at great peril to this country.

Whether the social theorists like it or not, the reality is that the Federal highway network is absolutely vital to our 175 million licensed drivers, many of whom are voters, and it's the major means for transporting the Nation's commerce.

I'm convinced the Federal Government's role in transportation should exclusively be limited to providing for that which is the primary national interest—among other things, the NHS that you designated last year, providing intermodal connectivity for interstate commerce, for insuring the safety of interstate trucking, etc.

By definition, then, policies and programs that do not pertain to the NHS are rightfully State responsibilities and should be subject to State control.

I'm convinced, in looking at the numbers, that Federal responsibilities could be funded with approximately half of our current taxes, and the remainder should be returned to the States in which the revenue was generated for use according to State law. If that were done, the purchasing power of those dollars would be increased by a good 30 percent. Such a program would eliminate entirely any Federal role and your problems in resolving any STP program or any of those local programs in which you should not have any Federal interest.

Of concern to many highway officials now is that MPOs, transit authorities, and big cities want to expand on ISTEA precedence so that they will receive Federal monies directly from the highway trust fund—in effect, to attain status equal to that of the State DOTs, thus further stripping DOTs of their authority but not responsibility.

This Administration seems headed in that direction and intends to create a new level of bureaucracy that will do even further damage to the States.

In spite of the proclamation that the era of big government is over, the May 10, 1996, memorandum on field restructuring from FHWA, FRA, FDA, and NHTSA to their regional administrators details the establishment of brand new centralized metropolitan office in four major areas that will serve directly 30 million people. This is an ominous development.

I'm out of time, and understand, as a highway man, what a red light means.

[Laughter.]

Mr. BARNHART. But let me ask you then to please ask me about a primary thing that I've been working on for 10 years, and that's fuel tax theft, because you've got billions of dollars at stake. Ask me a question so I can stay legal.

Thank you very much for your time.

Mr. QUINN. Thank you very much.

Mr. Burkett of Graham, Texas, is here on behalf of the Associated General Contractors of America. We appreciate your testimony today.

Mr. BURKETT. Thank you, Mr. Chairman, Mr. Rahall, and other members of the committee.

I'm Zack Burkett, III. I'm a highway contractor from Graham, Texas. My father founded our company in 1958, so we have been involved with the highway industry and in the highway program almost since its inception. I am testifying on behalf of the Associated General Contractors, which has a membership of 32,000 companies and 101 chapters nationwide.

The surface transportation program has been a difficult program for the highway industry to wholeheartedly embrace. In our eyes, the Federal aid highway program has a mission to fulfill—to unify the country—and it should connect manufacturers with suppliers, wholesalers with retailers, and farmers with markets.

The surface transportation program, STP, represents a significant deviation from the unifying intent of the highway program, and it ignores our Nation's staggering highway needs.

In the suballocation of STP funds, national goals are subordinated to local goals, and in the creation of transportation enhancements programs, the local archaeological and historic preservation programs and land banking became eligible for funding from a national user fee financed highway program that is already grossly under-funded.

Compounding the diversion problem, the Federal aid highway program is being assaulted on two additional fronts: the dwindling Federal resources and defederalization proponents.

Congressman John Kasich has recently announced his intention to work to nearly eliminate the Federal aid highway program, and Mr. Kasich said his bill would give States freedom from Federal intrusion. In his words, "Washington gives the money back with an almost endless array of red tape and restrictions on how it can be used."

To give you an idea of what Mr. Kasich means, I have submitted with my written testimony a copy of an editorial from AGC's "Constructor" magazine. The editorial enumerates a litany of rules and regulations, requirements that one contractor had to comply with when building a bridge in Missouri, I believe it was.

In summary, this contractor was governed by 15 Federal acts, 16 sections and 6 titles of the Code of Federal Regulations, three executive orders and six titles of the United States Code. He also had to fill out a disclosure of lobbying activities form, EEO reports, certified payroll forms, and deal with and meet the requirements of 12 different State and Federal agencies.

It's not just the money that bothers the donor States; it's also this heavy-handedness with which the fraction of their dollars is returned.

The STP was billed as a simple block grant program for use by States for Federal aid highways and transit capital expenditures, and under that simple facade we find that 10 percent has been set aside for safety construction activities, 10 percent set aside for transportation enhancements, and sub-allocation of 50 percent to areas of the State based on population rather than needs. This leaves the States with 30 percent of the program in block grant funds for those States to flexibly meet their transportation needs. In Texas this year that is only $81 million of our State's $273 million apportionment for the STP program.

This sub-allocation takes the national program out of the hands of the States and the professionals at TxDOT and concentrates it in the hands of urban areas that tend to devote their attention to local projects.

While these local needs may be compelling, they should be kept in perspective. Rather than trying to have a national program thst, as Ray mentioned, is all things to all people, we should focus on national needs that can be serviced by this program. National goals should be prioritized, and once they are achieved the program should address local needs and, even then, only if they complement the national goals.

I know I'm biased. Highways are my business. Even more importantly, they make every other business possible. It is our Nation's reliance on transportation, and particularly the highway transportation, that makes the Federal aid highway program so important. Our economy does, in fact, ride on the highways.

The highway system has been the catalyst for our Nation's economic expansion over the last 50 years, and our Nation's investment in highways has paid off six to one. But, as we increase the diversion of funds from the highway program, safety also suffers. It has gone up in this last year—first time in several years—the accident rate on the highways.

Despite the achievements of the highway program, I don't think that many, if any, in this room can say that the highway system is complete. There is a lot of work yet to be done.

It is an extremely popular program. Vehicle miles have tripled since the highway trust fund was established, and yet spending for improvements has decreased 48 percent since 1960. Current estimates forecast 50 percent growth in these vehicle miles traveled over the next 14 years.

Despite the popularity of the program, revenue diversion of highway user fees has increased 577 percent over the last 10 years.

In closing, let me just ask you to please focus on national priorities and fund them to the greatest extent possible and try, as best we can, not to dilute the positive impact that the Federal aid highway program has had on our Nation's economy and our standard of living.

Mr. Chairman, I appreciate the opportunity to present my testimony today. Thank you.

Mr. QUINN. Thank you, Mr. Burkett. And please be assured that all the full testimony will be entered in the record—the editorials, the other parts that you mentioned. Thank you.

Mr. BURKETT. Thank you.

Mr. QUINN. Mr. Harper is the president and CEO of the Association of American Railroads, and joins us this afternoon. We'll start your clock now, Mr. Harper.

Mr. HARPER. Chairman Quinn, members of the committee, my name is Edwin L. Harper, and I appreciate your invitation to appear before the subcommittee and present AAR's viewS on the reauthorization of the Intermodal Surface Transportation Efficiency Act, ISTEA.

I'd like to discuss two issues of concern to the railroad industry. The first is safety at highway-rail grade crossings, and the second concerns connections between different transportation modes.

The first thing I'd like to point to is an unusual picture chart. It's a picture of a successful Federal program.

This shows the reduction in public grade crossing accidents of over 60 percent since the early 1970s when the section 130 program was put into effect. This success has been accomplished primarily as a result of engineering improvements carried out under the section 130 program and the driver education, public information, and traffic law enforcement efforts under Operation Lifesaver.

AAR is proposing four initiatives which we believe will result in a significant improvement in highway-rail grade crossing safety.

Number one, the Federal Government should continue and increase funding for the section 130 grade crossing program. Without funding dedicated or earmarked for the section 130 program, crossing projects rarely compete successfully with more traditional highway needs. This problem was the primary reason a separate grade crossing improvement fund was established. However, many States continue to assign a relatively low priority to crossing improvement projects, and that's why it's essential that earmarked funding for the section 130 program be continued and increased.

Number two, the Federal Government should establish a national mandate and uniform process for closing unnecessary public grade crossings. Highway and rail safety officials have long advocated the closure of a large proportion of public highway rail grade crossings in the U.S. The railroads support the establishment by Congress of a Federal crossing closing program implemented through a uniform nationwide process.

Three, the Federal Government should finance a multi-year national grade crossing safety education and public awareness campaign to be conducted by Operation Lifesaver, Inc. Government should take responsibility for a major multi-year public awareness program designed to illustrate the life-or-death consequences of motorists' behavior at grade crossings. This expanded national Operation Lifesaver campaign should garner the same kind of universal recognition and acceptance that Smokey the Bear and Mothers Against Drunk Driving have, for example.

Number four, the Federal Government should create a national grade crossing warning device problem alert system. Railroads occasionally have problems in receiving timely notification when warning device problems occur. The railroad industry supports the creation of a publicly-funded, nationwide rail grade crossing warning device problem alert system operated by appropriate State agencies.

The Federal Government should evaluate the feasibility of the Texas 1-800 system which has operated since 1982 and other possible nationwide alert systems and adopt and implement an effective system.

These four grade crossing safety initiatives will significantly enhance safety at highway-rail grade crossings, and I urge the committee to include these recommendations in the ISTEA reauthorization legislation.

Now I'd like to discuss a second issue of concern to the rail industry, and that is intermodal connector highways.

The importance of inter-connectivity of our transportation modes and systems was underscored by the National Commission on Intermodal Transportation when it found that: "Barriers to safe and efficient movement of freight occur at connections between modes—for example, inadequate roadway access to freight terminals is a barrier to the intermodal freight system."

Approximately 2 months ago, Transportation Secretary Peña sent to the Congress a recommended list of highway connectors to major intermodal freight and passenger terminals. Without first-rate connections, trains, trucks, barges, and planes are condemned to operate separately and inefficiently. Government and America's private transportation companies can provide the finest transportation systems and services in the world, but we can never realize a completely efficient intermodal transportation system without quality connections.

The AAR enthusiastically supports the improvement of intermodal connectors and urges their addition to the NHS.

ISTEA attempted to establish a new approach to transportation throughout the country by striving to break out of traditional but limiting perspectives. Today the interests and concerns of both public and private providers of transportation facilities and services are considered jointly and cooperatively.

Private railroads are working closer than ever and more successfully with States and MPOs to develop effective transportation plans and programs. It has been an evolutionary process, but we're learning and improving, and transportation in this country is winning as a result.

Thank you for inviting me here today to present our views on ISTEA reauthorization.

Mr. QUINN. Thank you, Mr. Harper.

I'd like to thank all three of the witnesses today. I believe I'll exercise the acting chairman's right to ask a couple of questions.

Mr. Barnhart, would you be interested in commenting on a project you've worked on for the last 10 years?

Mr. BARNHART. On the what?

Mr. QUINN. Would you be interested in commenting on a project you've worked on for the last 10 years or so?

Mr. BARNHART. Fuel tax theft. You know, you folks, when you finally, after 9 years, moved that point of incidence of the diesel tax from the jobbers up to the terminal rack and required the dyeing of tax-exempt diesel, you increased revenue into the highway trust fund $1.23 billion. Even today it is increasing at $100 million a month above where it was before you made those changes.

Some folks feel that that thing—that we've got that problem under control. Absolutely we do not. We're losing at least $700 million this year just on kerosene and kerojet on that kind of theft, and there are scams arising all the time.

I've proposed a three-step plan that is in my written testimony that was endorsed unanimously by all of the State DOTs, and I think even my opponents would support this, because it would mean more revenue into the trust fund and at a very insignificant level of expenditure.

You provided in ISTEA $5 million a year out of the highway trust fund for these anti-theft countermeasures, and $2.5 million a year out of the general fund.

I've said it all over and I'll say it again: I cannot understand Secretary Peña, who, with authorization of that $2.5 million out of the general fund, has refused to seek appropriations to cover it. In effect, he will have been sitting on $15 million during the life of ISTEA.

We have had, on this one part of the program that I finally got through some years ago, on the Federal/State cooperative program with Federal Highway and all the States and IRS, we've had returns of no less than $13 and as many as $25 returned for each dollar spent on that program. Yet, here is $15 million not being used.

One of those steps that I have asked for or that AASHTO has endorsed is for a $15 million appropriation—direction that they seek appropriations in order to institute a tracking system so that we can track the production of that fuel from the refinery or the point of import to its disposition.

If we don't do that, we'll never stop this. And I kid you not, we're looking at really way over a $1 billion a year loss yet on these scams.

So I would plead with you to look at that.

Mr. QUINN. Thanks very much.

Mr. BARNHART. Thank you for asking the question.

Mr. QUINN. I yield back the balance of my time.

Mr. Rahall?

Mr. RAHALL. Thank you, Mr. Chairman.

Let me first note that I'm pleased to see the AAR before the subcommittee. I know that in the past perhaps, Ed, you've viewed this subcommittee as the turf of the ATA, but, as you can see, we are trying to reach out for all the constituencies, and that includes railroads that are affected by our highway program, so it is, indeed, a pleasure to see you here today.

I would like to ask you a question that is perhaps not on the specific topic of today's hearing, but I think your response would be of great interest to members of this subcommittee, and it has been of great interest to a number of people in recent months, and that's a concern by certain parties that, as a result of NAFTA, there may be an effort to unfreeze the LCV freeze or, in general, to increase the Federal truck size and weight limitations.

With ATA present in the room, I'd like to ask your comments on those concerns.

Mr. HARPER. Well, the railroads remain very much concerned about the issue of truck size and weight. We thought this committee got it right when they put the freeze in place, and we think truck size and weights remain a very important issue.

I think, with respect to NAFTA, that we should look at instead of our conforming to what other countries do, suggest that other countries perhaps conform to what we do.

This committee, in its judgment, seemed to have come up with a pretty good set of recommendations and conclusions with respect to truck size and weight and what's right for American highways, and I think when others come in to use American highways they can go by our rules.

Mr. RAHALL. I appreciate that response. I hope that you and ATA can reach the same common ground that you've successfully reached this past week with rail labor.

Mr. HARPER. So do I.

Mr. RAHALL. Conrail and the maintenance way employees aside, of course.

I do find your recommendations for improving the highway-rail grade crossing to be of great interest, and especially what you had to say about intermodal connectors. Both of these endeavors are of benefit to the railroads, and that, of course, is why you are before us today.

I think I already know the answer to this question, but I'm going to ask it anyway, and I guess I could say it's the Baker question.

He asked it earlier to the bicyclists, if they were ready to chip in. So I guess I'd like to ask you if railroads are ready to kick something into the highway trust fund.

Mr. HARPER. Well, I think that the railroads are in a unique position. Basically the answer is no.

[Laughter.]

Mr. HARPER. That's the short answer. But let me explain why.

There is something known as right-of-way. It's rare that you find a locomotive on a highway, and the rights-of-way used by truckers are basically paid for out of the highway trust fund, but the highway trust fund does not contribute to the rights-of-way for the railroads. In fact, those rights-of-way are privately owned, privately maintained, and, in fact, the railroads spend billions of dollars every year maintaining those out of their own pocket. They are private businesses paying for their own way.

It is the case that right now the railroads are paying taxes into deficit reduction at a rate, if current law goes forward, that will be greater than that the trucking industry does, those that use the highways.

So there are many seeming inequities in the tax law, but I think we're satisfied that we pay our share. We pay for our rights-of-way, and we think it appropriate that our commercial competitors pay fully for the cost of their use of publicly-funded right-of-ways through the highway trust fund.

Mr. RAHALL. Thank you.

Mr. QUINN. Mr. Geren?

Mr. GEREN. I thank you, Mr. Chairman. We've got a bunch of votes about to crank up, so I'll be quick.

I want to first welcome my friend, Zack Burkett, here. He and I have been friends for many, many years.

It's great to see you here representing a national organization. I know you're a great spokesman for that association, and you and your family have certainly been involved in transportation infrastructure for a long, long time and have made a great contribution to our State, and it really is great to see you here.

Mr. BURKETT. Thank you.

Mr. GEREN. Please give my regards to all your family.

Just a quick question to Mr. Barnhart. I thought a point you made was—many of your points were very intriguing, but you estimated that only 50 percent of the money that we currently spend through ISTEA would be necessary in order to fund the national transportation priorities.

Mr. BARNHART. Yes, sir.

Mr. GEREN. I would like to hear you discuss how you came to that, and if you have some detailed analysis I would—could you submit that for the record?

Mr. BARNHART. Can I send you something on that? I would be happy to send you some data on that.

Mr. GEREN. I would like to see that, because I think that would be——

Mr. BARNHART. I think it's correct. And if you could then turn that money back to the States, then if a State wanted to spend all of its money on enhancements or on rail or what have you, that shouldn't be the Congress' concern. That should be up to the State to resolve that problem.

I'm intrigued with all of the people here who have gotten a free load off of ISTEA money, highway money, who have no confidence in their own political structure. It amazes me. They come up and say, "Our State DOTs and our State governors are absolutely no good. They've got no damn sense. So please come into our communities and solve our problems for us, Daddy."

To me it's unbelievable. They ought to resolve those problems within their State instead of dumping it on your backs. Maybe that's a philosophical problem.

Mr. GEREN. I would appreciate that analysis.

Mr. BARNHART. I would love to respond to you in writing.

Mr. GEREN. I'd like to see it, and I think it would be helpful if you could submit that for the record.

Mr. BARNHART. I shall do so.

I've got another letter coming to you, too, next week.

Mr. GEREN. All right.

And quickly, Mr. Burkett, do you have a sense—just following up on the question that was asked of the president of the Senate from Wisconsin—if and how much of the money that is being spend under ISTEA would not have met TxDOT's or Texas Highway Department's guidelines prior to ISTEA? How much of the funds under ISTEA are being used in ways that the State of Texas would not have historically chosen to dedicate those funds?

Mr. BURKETT. Mr. Geren, I'm not real sure I understand the question. I can cite you some statistics that what we, as purists within the highway industry, would say are diversions from putting pavement under the rubber, if you will. I can't cite the specifics to you today for the State of Texas, but I can give you an idea that, as I mentioned in my oral and my written testimony, there have—since 1985 there has been a diversion of increase of nearly 600 percent of monies that are being taken from the highway trust fund and used for non-highway purposes. Those figures are about $1.9 billion of highway user fees that were generated in 1985 that were used for non-highway purposes. That figure is up to a little over $13 billion in 1995.

I'll apologize in advance if I didn't answer your question, and I sure wouldn't mind you following up.

Mr. GEREN. You answered an aspect of it. I guess you probably include in that 600 percent some State initiatives that your industry hasn't approved of, as well—some so-called "diversions" from using the money for traditional highway purposes.

I guess what I was looking for is to try to see—you have had States do a lot of innovative things that are non-concrete type of programs. How much of that 600 percent diversion that you all have calculated is attributable to ISTEA and how much of it is coming from the States undertaking programs that are non-traditional highway programs?

I guess what I'm looking for is to try to understand how much of a change in State decision-making and activity has resulted from ISTEA, if you all could try to address that.

This probably would be a hard question to answer. You all have dealt just with the diversion issue, by itself, but how much of that diversion is ISTEA and how much of that is just States doing things that are not traditional?

Mr. BURKETT. Of that 600 percent increase of which I spoke in my testimony, that was 100 percent ISTEA diversions.

Mr. GEREN. Okay.

Mr. BURKETT. And probably I could do a better job of responding to your question in writing and would choose to do so and would be happy to do so and give you some more specifics of a breakdown of diversions of highway user fees that were, in fact, collected and paid into the highway trust fund that ultimately did not find their way back into highway improvement projects, if that would be helpful.

Mr. GEREN. That would be helpful. I'd appreciate that.

Mr. Barnhart obviously has a——

Mr. BARNHART. I would suspect that probably none of it would have been done because the department says it can already only fund 40 percent of already-identified needs, and they'd put their money where the real need is. Especially with NAFTA coming up, we're looking at a multi-billion-dollar liability on that. I doubt if you'd have much of that enhancement, like we're repairing tombstones over in the State cemetery, believe it or not. That hardly seems right.

Mr. GEREN. Thank you.

Mr. Chairman, thank you very much.

Mr. QUINN. Thank you, Mr. Geren.

I remind the witnesses that any paperwork you're going to get to us, even though addressed to Mr. Geren, should come to the full committee, please.

Thank you for your testimony.

We're adjourned.

[Whereupon, at 12:50 p.m., the subcommittee was adjourned.]

Testimony Of

RAY BARNHART

before the

SUBCOMMITTEE ON SURFACE TRANSPORTATION

U.S. HOUSE OF REPRESENTATIVES

27 June 1996

Good Morning, Mr. Chairman and Members of the Committee.

I am Ray Barnhart, a former Administrator of the Federal Highway Administration, and now a resident of Austin, Texas. I appreciate very much having the opportunity to offer comments on reauthorizing the Federal-aid Highway Program. That, I believe, is one of Federal government's most fundamental and essential responsibilities: ensuring that its citizens and its economy continue to benefit from an efficient and extensive highway system. Regardless of whether revisionists and social theorists like it or not, the reality is that our highway network has been, and for years to come will continue to be, a major factor in shaping our future society.

You will note that I did not refer to reauthorizing ISTEA. That was deliberate. While others preceding me in earlier Hearings praised the ISTEA legislation, I acknowledge that I was greatly disappointed in it and urged President Bush to veto it. Accordingly, I hope that future legislation will be vastly different. Contrary to some people's assumptions, it was not the flexibility provisions that caused me to oppose the bill, but rather its structure and arbitrary dictates that an academician might believe to be great but from a practical management perspective would increase costs, greatly politicize the program, seriously impede the ability of DOTs to effectively carry out their responsibilities, and add years of delay to the process whereby major projects are brought to fruition.

Let me ask you, if ISTEA were as great as some have testified, why, after almost five years of operation and the expenditure of record billions of dollars, are 60 percent of the nation's major roads now in substandard condition? Why have pavements fallen into worse repair two years in a row, the worst performance in a decade? Why do reports show that one-third of the nation's bridges remain structurally or functionally deficient? Why is our system worse off than it was a few years ago, before ISTEA? There are several contributing factors, but one reason is that today the taxes extracted from highway users cannot be used efficiently, nor as the original Congressional dedication of those funds was intended. In fact, through ISTEA the Congress has so diluted the authority of state DOTs that they can no longer efficiently, effectively, and economically plan, build, and manage their transportation programs, and by legislative fiat has forced state DOTs to share their decision-making powers (which in the real world translates into sharing the control over dollars) with federally-created Metropolitan Planning Organizations.

To illustrate with one but example from my state, there are 25 Metropolitan Planning Organizations in Texas. Some of these are excellent, professional organizations, but most are not technically well staffed. They are comprised of multiple jurisdictions, including cities, villages, county governments, etc., as many as twenty or thirty separate governmental entities. Yet because of Congressional stipulations in ISTEA, MPOs effectively control half of TxDOT's federal funds, and because the MPOs' foremost concerns focus on problems within their own specific geographic boundaries (which is logical, political reality), transportation problems facing the state as a whole are often given short-shrift. TxDOT is nonetheless responsible for seeing that the state enjoys an integrated, efficient, and effective multi-modal transportation system.

Frankly, I do not fault only the Congress for the dilemma in which we find ourselves; the highway community as a whole must accept a large share of the responsibility. Highly organized forces that had no genuine concern for transportation per se - and who would ultimately bear no blame for the deterioration of the highway system and no accountability for what that loss means to the nation and its economy - dominated the ISTEA debate. The state DOTs, mainly comprised of career civil servants who by tradition and because of practicability were precluded from getting involved in political battles, also must assume some of the blame. In large measure they were constrained and failed to rebut the positions of the anti-highway crowd that convinced Congressional leaders to institute "new" and "innovative approaches" to meeting transportation needs. The anti-highway crowd was more interested in opening the Trust Fund to finance their personal agendas than in creating a more efficient system for delivering improved transportation.

Regrettably, law makers were not always given all of the facts or all of the consequent ramifications because highway officials were reluctant to enter the political fray. Besides, they recognized the inevitability of the highly organized anti-highway forces being successful in their efforts to structure the highway program to serve their own ends. Those forces, unlike government civil servants, were under no constraints in waging their aggressive campaigns. Many of the state officials with whom I've spoken were resigned to simply calculating their state's split of the $ 153 billion dollar highway bill and calling it a victory. While they deplored the loss of the millions of dollars that would be diverted from necessary highway improvements, they felt it was the price they had to pay to get legislation enacted. At the time, in view of the unstoppable political bandwagon that was then rolling, they didn't want to engage in another losing battle by challenging the practicality of having to manage their programs under the expanded bureaucratic conditions mandated by ISTEA.

Let's face it, no one wants to even unintentionally offend Committees that control a state's highway apportionment! Nor for that matter, do I. I respect you and what you do, and sympathize with your having to deal with an endless multitude of complex problems, with powerful interests vying for their own ends, each with "experts" who document solutions that sometimes turn out to be 180 degrees apart. Except for one thing: they all agree that you should provide substantially more money for their goals, but through taxes on the other guy, of course.

As a result of ISTEA, highway funding has become the mother lode, the perceived bottomless pit from which dollars can be extracted to finance almost any cockamamie scheme political activists can dream up. Certainly many of the projects proposed are desirable, and they really are popular: building pleasant hiking trails, buying abandoned rail easements for bike paths, restoring old court houses and libraries, beautifying the grounds of state capitols, and refurbishing head stones in cemeteries, as in Texas. But does Texas' $ 150 million expenditure of highway taxes on those projects make sense when TxDOT asserts that it can finance only 40% of already-identified highway needs? In fairness to highway users who pay those special taxes, shouldn't the expenditure of the taxes be directly related to highway projects, that is if the term "Highway Trust Fund" is to have meaning? Extravagence is not limited to only enhancement funds, however. Since in ISTEA Congress bestowed new powers over highway dollars on groups and organizations not previously in control of those funds, the attitude regarding the use of "free" federal highway dollars has become even more cavalier.

I have a counter proposal to creating an ISTEA II, one which I believe to be consistent with the current thinking in Congress: restoring the balance of power between the federal and state government levels, making government more accountable, and turning back to the states the responsibility to do those things that clearly are of state interest.

By Congressional definition, the National Highway System is truly of National significance; it is the federal priority . Also by definition, then, anything that is *not* a part of the NHS is primarily of state interest and accordingly, should be a state government responsibility.

As a former Administrator of the FHWA, I'm convinced that the nation would be best served if the Federal Highway Administration's authority were greatly reduced and many of its responsibilities were devolved back to the states. The general provisos of such a program might be as follows.

The FHWA and the U.S. DOT should continue to be responsible for the NHS, for the regulation of interstate trucking, for basic research and development, for assistance when natural disasters occur, for roads on federal lands, and for international transportation activities.

I believe that all of the above responsibilities could be funded by less than half of the present fuel taxes plus the diesel fuel 5.4 cent differential and the highway use tax and the tax on rubber. Furthermore, in order to gain more accountability and efficiency, Congress should seriously explore revising the federal/state matching funds requirements to a variable formula that considers a state's lane miles, the high-cost bridges and tunnels on the NHS system, its generation of taxes from federal motor fuel taxes and federal fees on motor carriers, and its percentage of federal lands. The base federal match should be something like 65 percent and increase dependent upon the preceding factors; states with large NHS mileage and small populations (which means a lower tax base) would undoubtedly find it impossible to maintain the NHS if it had to come up with a 35% match, and the same is true in the instance of expensive bridges and tunnels. In any event, the idea that federal funding is "free" must be dispelled if accountability and responsibility are to be meaningful words in the government lexicon. If a state has to come up with a meaningful dollar match it will be more courageous in bucking extravagances in the highway and transit programs.

The remainder of the federal taxes, including the FTA funds, should be returned intact to the states from which the revenue was derived conditioned upon the funds being spent on transportation, and too, that these would be subject only to state law! In the ideal world, that portion of the federal taxes would be repealed as the individual states increase their state fuel taxes an equivalent amount, but as a practical matter some states are under constitutional constraints and could not do so. Accordingly, having the federal government return the dollars to each state in which the tax was generated greatly simplifies funding the program. Regardless of the mechanism to accomplish the return, the states could gain at least 30% in purchasing power if they were relieved of federal mandates on how they spend their dollars on projects that really aren't related to any federal interest.

Although there would be no federally-mandated "enhancement" program, if a state wanted to spend fifty percent of its money on those projects, so be it! If a state wanted to spend most of its money on transit, again, it should not be up to federal government to either approve or disapprove.

As for transit that might serve NHS corridors, that, too, should be eligible for NHS dollars conditioned upon approval by the U.S. Secretary of Transportation.

The Donor/Donee funding principle should be retained for the NHS program. Even as a Texan from a donor state, I realize that it is essential that states with small populations and consequent small tax bases be given disproportionate funding to sustain an efficient NHS; it is, after all, in the national interest to facilitate interstate commerce and travel.

There are some individuals who advocate dismantling the FHWA almost in it entirety, and others would simply impose tolls on all of the Interstate Highways. Those approaches, I believe, grossly underestimate the importance of the federal role in sustaining the nation's economy. They should be rejected as contrary to the national interest..

Should you find my approach too revolutionary and thus unacceptable, then in recognition of what will surely be reduced federal transportation funding in future years, do everything possible to eliminate mandates that unnecessarily increase costs, and institute policies that have as a top priority the preserving of the existing infrastructure.

1 - Require that expending apportionments on enhancements be optional, at the discretion of the state, and further, that all enhancement projects funded in whole or in part from the Federal Highway Trust Fund must meaningfully-contribute to transportation per se or directly emanate from transportation projects.

2 - Reduce the federal matching shares on the purchases of rights-of-way, environmental mitigations, and enhancement projects to 50 percent. When federal government finances 75% to as much as 95% of those costs from the Highway Trust Fund it's easy for states to accept inflated settlements, and for local courts to order such, since it's "free" money and

no local elected official has to be accountable for levying taxes to cover inflated or exorbitant costs.

3 - The divisible/non-divisible load issue must be resolved, and "grandfather rights" that allow vehicles to operate on the road system at weights that exceed federal axle or gross weight limits should be abolished. The federal axle and gross weight limits were enacted into law by Congress on the advice of civil engineers specifically to protect the structural integrity of the roads and bridges, to prolong the usable life of that infrastructure, and thus to avoid unnecessarily having to pay for costly reconstruction. To capriciously allow certain trucks to exceed those limits and literally destroy pavements year after year unnecessarily adds horrendous costs to the highway program and precludes financing important, perhaps life-saving, improvements.

Repeal of the Symms Amendment would be a step in the right direction. If vehicles can't be reconfigured so as to comport with the current legal limit, their owners should be allowed to amortize the costs of those vehicles over a period of, say, seven or ten years. The owners of those vehicles shouldn't be financially penalized because of a change in law, but neither should taxpayers year after year be required to pay outlandish maintenance and reconstruction costs in order that those vehicles continue in operation, as has been occurring during the past forty years.

As in the case of "grandfather rights," it is irresponsible to allow loads of bulk corn or wheat or sugar beets, or tank loads of fuels or milk, to be classified as **non-divisible** loads (i.e., a load that cannot easily be divided into multiple loads that do not exceed the legal limits) in order to circumvent federal weight laws. If the current statutory limits were not based on valid engineering principles, of course, they should be repealed. But the fact is that civil engineers agree that those engineering principles remain irrefutable and cannot be violated except at great peril and at great cost.

4- The criteria used to calculate the distribution of federal highway funds must be revised and updated inasmuch as the criteria used in ISTEA are not relevant to today's society. Unless a plan similar to the one I advocate is adopted, one that focuses the federal attention and its dollars on the NHS, the FHWA should be directed to develop in cooperation with AASHTO a new, uniform system for the classification of roads that are eligible for federal aid.

5- The prevailing wage rates paid on federally funded transportation projects should be no different than the rates paid by states and localities on non-federally funded projects. In the mid eighties I calculated that the manipulation of wage rates added a minimum of $ 350 million annually to the highway program, which I believed to be irresponsible stewardship of public funds; the costs today must be substantially greater. By what logic is it fair that the FHWA must use the ***higher*** of either the federal or state "prevailing wage" in calculating the federal share of reimbursing states for their project costs? Why, for instance, should an FHWA-funded project be billed at $ 19.17 per hour for common labor when a comparable state project is billed at less than $ 15.00 per hour? If a state chooses to inflate its wage scales on federal projects it should be allowed to do so, but it should **not** be reimbursed on that basis; rather the federal match should reflect the actual prevailing wage rate.

6- During my tenure at the FHWA I attempted on several occasions to get Congress to declare that state taxes on federally-funded transportation projects were not eligible items in compuung federal reimbursements to state governments. To continue to allow such a practice is unfair to highway users who provide the taxes in the first place. It discriminates against donor states who can't "double dip", so to speak, and allows dedicated highway revenues to be diverted from financing transportation projects to providing additional revenue to the general budgets of state governments. It is in essence a transfer of federal funds that never has made sense to me.

What is fair about the following scenario?

1. State X receives back from the Trust Fund $ 2.00 for each $ 1.00 it contributes.
2. It imposes a 6% completed operations tax on a $ 30 million project, thus generating a tax liability of $ 180,000 for the contractor.
3. The contractor pays that $ 180,000 tax into the state's general revenue fund, which he of course had included in his original bid price.
4. The state DOT of course submits all of the contractor's costs to the FHWA for 95% reimbursement (Interstate share plus federal lands formula modification).

The result: State X thus has $ 180,000 to spend as it sees fit from its general fund: $ 171,000 comes from the 95% match of Highway Trust Fund moneys, and theoretically $ 9,000 comes from the state DOT's 5% match. However, since State X is a donee state that receives $ 2 back for each $ 1 in contributions, in fact the state is losing only $ 3,000 in highway taxes to get $ 177,000 into the general fund to support general government activities. Unless Congressional action is forthcoming, when the donee states become aware of the potential windfall that's available to them by imposing completed operations taxes on federally funded projects, there might be quite a raid on the Trust Fund!

7- Finally, even though various groups and people might take strong exception to my previous recommendations, let me conclude my testimony by discussing one initiative that I'm sure all of those who have appeared before you, or will appear, can agree upon: a 3-step plan to stop the unconscionable multi-billion dollar theft of motor fuel taxes.

Because of the phenomenal successes we've had in getting this national scandal under control, like increasing diesel fuel revenues $ 1.23 billion in 1994 by simply moving the

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point of incidence of the tax to the terminal rack and dyeing tax-exempt diesel, there appears to be a false impression that the battle to prevent the evasion of payment of motor fuel taxes has been won. Quite the contrary; the theft continues! Lost revenues from kerosene and kerojet alone total some $ 700 million annually, and new scams continually surface.

It has been a full decade since some of us initiated efforts to stop this illegal activity. I plead with you to finally and effectively institute this 3-step plan, one that the 50 state Departments of Transportation unanimously endorsed at AASHTO's annual meeting last October in Virginia.

A proposed three-part solution

Step 1 - Under ISTEA, highway funds have been used to finance everything from restoring remote missions to building hiking trails to painting courthouses and libraries. Why aren't fuel tax theft countermeasures declared eligible items for federal funding? *Using those funds would be strictly optional, at the discretion of the state DOT.* If the Secretary of a state DOT decides that enforcing the diesel dye law, for instance, and thus stopping the theft of millions of fuel tax dollars is more important to the state's transportation program than building a hiking trail, why should that option be denied?

Recommendation:

1 - Make fuel tax theft measures eligible for federal-aid apportionments.
2 - The amount of funds that could be expended by a state would be limited to no more than, perhaps, one-fourth of one percent of its apportionment.
3 - The FHWA would issue a regulation defining what functions or items would be eligible uses for such funds.
4 - The state DOTs could use their funds to contract with other state or private entities to perform specific functions.
5 - These funds could not replace or substitute for expenditures customarily made by the state, but would have to finance *additional or increased* activities.

Step 2 - The FHWA should be given a one-time authorization of $ 15 million to develop a computerized system to account for motor fuels. Such a system would enable audit and enforcement officials to expeditiously gather and aggregate data on the import and refinery production of motor fuels, and to compare terminal fuel receipts with deliveries. Without such a system enforcement authorities will never be able to get this deplorable problem under control. ISTEA authorized the FHWA $ 5 million per year from the Trust Fund and $ 2.5 million per year from general funds to fight tax evasion. It is astonishing that Secretary Peña has adamantly refused to seek appropriations for that $ 2.5 million, thus depriving the program of $ 15 million, inasmuch as just the $ 5 million annual expenditure has returned each year a minimum of $ 13.00 and as much as $ 25.00 for each dollar spent! Such foolhardy fiscal management is beyond comprehension.

Recommendation:

1. By legislation, authorize $ 15 million to FHWA, and require the Secretary of DOT to seek appropriations to cover that amount.
2. Require the FHWA to develop the tracking system through a contract or contracts in the private sector.
3. Require that the development of any systems and procedures be concurred in by the IRS. (We cannot have duplicative efforts in this regard that may at times conflict with each other; uniformity is of paramount interest.)
4. Such a system, when developed, must be able to be accessed by both state and federal authorities.

Step 3- Re-authorize the annual $ 5 million from the Federal Highway Trust Fund to continue the Joint Federal/State Motor Fuel Tax Compliance Project.

Thank you, Members, for the privilege of offering this testimony, and for your patience. Throughout my years as Administrator of the FHWA I believe my record shows that I was honest and candid, and I hope, constructive. I've meant to be so today. If I can clarify any points or in any way assist you or your staff in resolving issues pertaining to reauthorization of this essential program, I'm ready and willing to do so.

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TESTIMONY OF

KENNETH BARR
MAYOR
FORT WORTH, TEXAS

ON BEHALF OF
THE NATIONAL LEAGUE OF CITIES

BEFORE THE

HOUSE SUBCOMMITTEE ON
SURFACE TRANSPORTATION

ON

THE SURFACE TRANSPORTATION PROGRAM

JULY 25, 1996

STATEMENT
OF THE HONORABLE KENNETH BARR, MAYOR
FORT WORTH, TEXAS
on behalf of
THE NATIONAL LEAGUE OF CITIES
before the
HOUSE SUBCOMMITTEE ON SURFACE TRANSPORTATION
Thursday, July 25, 1996

Mr. Chairman and Members of the Subcommittee, the National League of Cities is pleased to have this opportunity to share our views on ISTEA's Surface Transportation Program. I am Kenneth Barr, Mayor of Fort Worth, Texas and a member of NLC's Transportation and Communications Policy Committee. The National League of Cities represents 135,000 mayors and council members from municipalities across the country. Additionally, I am Vice Chair of the Livable Communities Campaign, which is a national coalition of business and public sector leaders who want to enhance communities and the economy through local transportation initiatives.

The National League of Cities supports the reauthorization and reaffirmation of Intermodal Surface Transportation Efficiency Act (ISTEA). This national transportation policy has been extremely innovative and influential. ISTEA provided local governments a direct role in transportation policy. It also created a national transportation policy framework that included federal money for all modes of transportation including transit. ISTEA has also demonstrated a commitment to the environment with programs such as the Congestion Mitigation and Air Quality Improvement Program.

Surface Transportation Program

Along the same lines, we also support ISTEA's surface transportation program. Today, I will focus on two components of STP (1) the suballocation to metropolitan areas with populations greater than 200,000, and (2) the enhancement program.

NLC supports the STP suballocation because it contains the underlying goals of ISTEA. The first goal is the federal commitment to transportation policy. Continued investment in transportation and infrastructure is extremely important. The economic health of the United States is dependent upon all types of roads from the interstate highway system to strong local roads. Without investment in transportation and infrastructure, our economic future is threatened, resulting in congested and deteriorating roads. Roads that do not allow the efficient movement of people and goods cost the nation economic growth. Congestion also contributes to poor environmental air quality. Therefore, continued transportation investment is necessary to promote economic growth and alleviate air pollution. ISTEA's Surface Transportation Program has contributed to the success of our nation's roads through providing (1) national transportation goals and objectives and (2) funding.

National Transportation Goals and Objectives

The federal government has the responsibility to identify broad transportation policy goals and objectives for this country. The federal government can determine the direction of national policy including infrastructure and environmental objectives. Included in the bigger picture is the role of local governments as decisionmaking authorities for local transportation needs. Without a federal policy, local governments would confront 50 separate transportation policy objectives without the assurance of local government involvement.

Funding

In terms of funding, the federal government provides 30 percent of transportation infrastructure funding. Although 30 percent may not seem large, it provides a large contribution, especially in these tight budget times. Local roads, unlike state and federal roads, are not funded by a direct user fee but through the general tax system. If that federal 30 percent was cut, local governments would have to raise taxes--which, as you know, is very difficult these days--or cut other vital services such as police and fire protection. Since the local government knows local transportation needs, local decisionmaking allows federal money to be used effectively. Without local decisionmaking, federal spending in local areas may not be spent on roads with the most need.

Local Government Decisionmaking and Flexibility

I have briefly begun to discuss the second goal of local government decisionmaking and flexibility within surface transportation. Local governments can implement federal goals and objectives the best way for their communities.

Local government officials are most familiar with and committed to local needs; and, therefore, they should be responsible for decisionmaking on local projects. Funding directed to local or regional bodies brings the transportation community together to develop and agree upon local and regional priorities. In fact, STP brings ell levels of government together to create a balanced transportation system. As under STP, metropolitan areas have direct access to federal funds, which allows for local eccountability in selecting and programming projects. Without local government decisionmaking authority, many local transportation needs would be easily overlooked due to lack of knowledge about specific community needs at the federal and state levels.

Fort Worth

Fort Worth is using STP funds to implement the national goal of maintaining infrastructure and decreasing congestion by reconstructing and widening roads that have the most need in the metropolitan area. These projects may not be glamorous, but they are extremely necessary to achieve the efficient movement of people and goods.

In a metropolitan area of 4.5 million people, there is enormous commerce. Congestion costs $40 billion to the 50 largest metropolitan cities annually. Business will locate in the area--and the economy will grow--if they can rely on the efficient transportation of their goods. The Fort Worth local government is in the best position to know what we need to make our regional transportation system become more efficient to achieve that goal. We know our roads, and we have more personal contact with the business leaders in our city to learn what they need. This suballocation program has been extremely effective in guaranteeing local decisionmaking on local transportation.

Enhancements

Second, NLC supports the enhancement program because it promotes alternative transportation modes that will increase economic productivity through increased transportation efficiency within a region. How? First, by providing alternative modes of transportation such as light rail, you take people off the road. As I stated earlier, less cars means less congestion, faster travel time, and greater livability. Less congestion translates to a more efficient movement of goods and people for businesses. A metropolitan area with less congestion is an attractive place for businesses to locate. Second, transportation modes such as light rail become centers for increased economic activity growth, and from the municipal perspective, increased property values. When a new station opens, businesses open around it.

Fort Worth Example

One enhancement project in Fort Worth is a component of the Intermodal Transportation Center (ITC). ITC is an intermodal station that will provide economic growth to the entire metropolitan region. This regional facility will serve as transfer point among ten modes of transportation including commuter and high speed rail, bus service, taxis, air shuttle connections, and mobility impaired transportation. Enhancement funds are being used to restore the Texas and Pacific Railway Terminal Building, which the ITC will be centered.

This station links Fort Worth and Dallas together by Railtran, the commuter rail service that will provide greater access between the cities. Railtran is targeted for the professional and business community to travel between the cities during the day. This is going to allow business to increase between Fort Worth and Dallas. Unlike many commuter rail systems, Railtran runs between two major population centers rather than taking people away from the city and out to the suburbs. The bottom line is that Railtran by the year 2000 will carry 9000 daily trips and reduce auto travel by 32 million vehicles miles per year and fuel consumption will decrease by 1.5 gallons per year.

Enhancement funds are allowing part of the Intermodal Transportation Center to be built. And let's face it, we cannot continue to build freeways. We need to offer our citizens cost effective alternatives to the car.

Mr. Chairmen end Members of the Subcommittee, I greatly eppreciete your leedership on these issues and look forward to working with you during the reeuthorization of ISTEA in the upcoming year. We hope that you continue to support the role of local governments in transportation. Once again, I appreciete the opportunity to testify and would be happy to answer eny questions. Thank you very much.

TRI-STATE TRANSPORTATION CAMPAIGN

Mobilizing the Region

TESTIMONY OF JANINE BAUER
EXECUTIVE DIRECTOR, TRI-STATE TRANSPORTATION CAMPAIGN

on

ISTEA and the SURFACE TRANSPORTATION PROGRAM

before the

HOUSE TRANSPORTATION AND INFRASTRUCTURE COMMITTEE
SUBCOMMITTEE ON SURFACE TRANSPORTATION

July 25, 1996

Good morning, Chairman Petri and members of the Subcommittee. My name is Janine Bauer, and I am the Executive Director of the Tri-State Transportation Campaign, Inc., a non-profit corporation whose mission is to promote an environmentally sound, socially just and economically efficient transportation system in the New Jersey, New York and Connecticut region. We aim to achieve that goal by persuading relevant agencies and metropolitan planning organizations to work to reduce vehicle miles traveled (VMT), an indicator of the growth in traffic and pollution which is choking our region competitively and environmentally. VMT can be reduced by implementing roadway or congestion pricing to better reflect the costs of automobiles and trucks to their users and society and to wisely use scarce highway capacity during peak hours, employing "centered" land use to promote transit-friendly, walkable, mixed-use communities, and by enhancing and expanding our bus, rail and shuttle transit systems.

Tri-State's member groups include the Environmental Defense Fund, the Natural Resources Defense Council, the Regional Plan Association, the Rutgers Environmental Law Clinic, the New Jersey Environmental Lobby and the New Jersey Public Interest Research Group, the New York Public Interest Group Straphangers Campaign, the New York City Environmental Justice Alliance, Scenic Hudson, Transportation Alternatives, Komanoff Energy Associates, Environmental Advocates and the Connecticut Fund for the Environment. We also have over ninety affiliate members, who have read and endorsed our mission and our Citizen Action Plan for achieving that mission, including the American Lung Association of NJ, the League of Women Voters in both New York and New Jersey and Connecticut Citizen Action Group. I am here as part of the national Surface Transportation Policy Project (STPP) coalition, although the views expressed in this testimony are those of the Tri-State Transportation Campaign. I thank you for the opportunity to testify today.

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Reauthorization of ISTEA provides an opportunity to assess its overarching objectives and to examine the formula for distribution of funds to the states. There are now widely divergent views about how to handle the surface transportation program (STP). STP is, of course, the second largest category of funding under ISTEA, and together with NHS, accounts for 40 percent of all federal transportation funding in FY1995. Under STP, many tasks are eligible for programming: construction and rehabilitation of roads and bridges, transit capital improvements, car and vanpool projects, parking facilities, bicycle and pedestrian facilities, planning, research and development, environmental analysis and mitigation, development of the congestion management system, safety, transport control measures and traffic management costs.

Depending on the objectives chosen and the formula used in reauthorizing ISTEA, significant amounts of funding could shift among the states. The metropolitan New York area, and the states of New York and New Jersey, have a particular interest in the objectives and the funding formula determinations because of our extensive highway network and infrastructure and maintenance needs, our extensive transit network, its huge ridership and its infrastructure needs, and our status as a severe non-attainment area under the Clean Air Act Amendments. We need to encourage alternate modes of travel.

Donor-donee status is not the whole picture when it comes to streamlining funding formulas. New York is a donor state in almost all respects other than transportation, but we do not suggest that other states have more than their fair share of other facilities or types of funding. An efficient transportation system is critical to the quality of life and economic competitiveness of our region.

From an urban perspective, reauthorization of ISTEA should focus on continued empowerment of the metropolitan planning organizations and local elected officials' role in transportation decisionmaking, flexibility of STP funds, continued set-aside of ten percent of each state's STP apportionment for both enhancements and safety, clear objectives for the STP program monies to achieve, especially for safety, with states setting benchmarks for their own success, and incentives to reduce VMT.

Flexibility of Federal Funding Categories. ISTEA provided for a potential $70 billion in flexible funding for transit or highway projects over six years. According to USDOT's preliminary data through the end of FY1995, $2.16 billion in highway funds had been transferred to transit projects and $2.2 million in transit funds had been transferred to highway projects, nationwide. In New York alone, in 1992, $100 million was flexed from the interstate substitution program to transit. In FY 1993 and 94, more than $100 million was flexed mostly from STP, CMAQ and urban system programs to transit. As part of the last Metropolitan

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Transportation Authority (MTA) capital plan, the downstate metropolitan planning organization agreed to flex more money to transit than the Governor and Legislature had agreed upon in budget negotiations, and in the current capital plan— while the Transportation Improvement Plan is still being drafted— officials expect to flex between $300 to $500 million to transit from highway categories.

Enhancements. The enhancements set-aside within the STP program is probably the most popular and effective program of ISTEA in terms of reaching local communities and connecting meaningful destinations via pedestrian and bicycle facilities, thereby enhancing the quality of life and transportation choices in those communities. Clearly, this program should be preserved within STP. Even in a state such as New York, which has obligated 96 percent of its enhancements monies, making the program optional is tantamount to elimination of it, not because it is not wise or favored but because of the pressures of other, more expensive infrastructure. New York strongly favors its enhancement category, and uses it wisely. Emphasis should be put on funding alternative transportation modes, rather than historic preservation or scenic enhancements. New Jersey continues to program nearly as much money for historic projects as for bicycle and pedestrian projects.

Safety. In our urban area, in both New York and New Jersey, there is a tremendous problem with pedestrians being hit and killed by motor vehicles. In New Jersey, for instance, one-quarter of the fatalities involved in motor vehicle accidents are pedestrians, and this grim statistic has carried on for two decades. It is a figure well above the national average of 14 percent. Unfortunately, state DOTs in New York and New Jersey continue to spend their safety set-aside from STP on motorist safety. We think safety is important for all modes, and urge you to include controls or incentives for states to fund infrastructure improvements (which do not limit access) to improve safety especially for walkers and cyclists. Pedestrian facilities should be an explicitly recognized category for safety performance, with funds available for sidewalk construction, crosswalks and traffic-calming projects, especially where states have greater accident and fatality rates than the national average.

Vehicle Miles Traveled (VMT). ISTEA should adopt a national goal of reducing VMT and require states to adopt performance criteria toward that end, reserving bonus monies for metropolitan planning areas that meet or exceed these criteria. It is widely recognized that transit-oriented development and "centered" land uses will have the greatest effect on reducing travel demand in the present and the future, thus reducing greenhouse gas emissions, land consumption and depletion of other resources. Many current highway capacity-expansion projects are failing to achieve mobility goals, even where they are set, or are achieving them only

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in the short-run; our state DOTs are not implementing alternative strategies identified in congestion management system studies.

We have reviewed the funding formulas proposed by STEP 21 for the NHS program and do not believe that highway lanes miles, VMT and fuel consumption are appropriate factors from which to derive state allocations. Such factors are at odds with the travel demand reduction goals of ISTEA, clean air and energy efficiency. Growth in VMT should not be rewarded. The existing formula factors also include some that are irrelevant or outdated, such as postal route mileage. Clearly, improvement is needed, but individual states' needs and preferences must be taken into account. The population density factors used in determining STP allocations should be retained, along with others that promote the use of transit and alternative modes in urban regions such as ours.

Thank you.

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THE AMERICAN INSTITUTE OF ARCHITECTS

Statement of

Clinton E. Brown, R.A., AIA

on behalf of

The American Institute of Architects

and

The Surface Transportation Policy Project

before the

U.S. House Subcommittee on Surface Transportation

July 25, 1996

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Mr. Chairman and members of the Subcommittee, my name is Clinton Brown. I am the president of Clinton Brown Company Architecture, PC, based in Buffalo, New York. Thank you for allowing me to appear today representing the Surface Transportation Policy Project (STPP) and the American Institute of Architects (AIA). STPP is the broad-based coalition of progressive transportation interests--architects, planners, preservationists, city and county elected officials, environmentalists, and others--which has playrd a major role in shaping the Intermodal Surface Transportation Efficiency Act of 1991 (ISTEA). The AIA is the professional organization of 58,000 members representing this nation's architects. We very much appreciate this opportunity to comment on the importance of several of the transportation programs implemented under ISTEA.

This nation is blessed with a transportation system that has accomplished wonderful things: ending isolation and binding our society together, facilitating commerce, protecting us from foreign threats, and creating jobs. Yet the great changes that our transportation system has brought to American life, have also brought consequences that set the stage for enactment of ISTEA.

Today, this nation has more cars than people. Half the land in U.S. cities goes to accommodate the auto. Over 100 million people live in places that fail to meet at least one of the federal Clean Air standards. We have damaged the very cities and countryside which we have built our highways to serve. For instance, in Buffalo, we destroyed a significant Frederick Law Olmstead-designed parkway to create a six lane, 40 foot deep concrete expressway that destroyed neighborhoods and reduced property values that would have been very high today if the parkway had remained. We have laid out our highways first and considered the effects on our communities and natural resources later. In the process we have turned farmland into interstates, wetlands into causeways, neighborhoods into freeways, and greenbelts into beltways. We waste eight billion hours in traffic annually, costing the nation approximately $40-45 billion each year in lost productivity.

Until recently, transportation policy has revolved mostly around roads and the automobile. This is an obsolete and narrow-minded concept. Transportation is the act of getting from one place to another, the best way possible. The auto now happens to be the mode of choice, because in many places it is the <u>only</u> choice. For the past five years, ISTEA has presented the American people with options.

Why have architects been and why do they continue to be so involved with this landmark statute? Architects are often referred to as visionaries. We envision the "big picture" from its many parts. It is our job to fit these parts together--whether we are designing a building or an entire community--in a manner that achieves the maximum in form, function, and value. Architects have witnessed how poorly planned transportation systems lead to gridlock, divided or isolated neighborhoods, and the inappropriate use of taxpayers' money. Transportation is an important part of the design puzzle, potentially connecting cities and towns, generating economic growth, curbing urban sprawl, and facilitating well-designed and sustainable communities.

Our world is at a crossroads--a time to redesign the way we do things as we embark on the next century. We must redesign our communities to meet these challenges and opportunities.

The AIA has worked closely with congressional staff and STPP to shape national transportation policy under ISTEA that ushered in a new way of doing business, distributing federal funding and, more importantly, a new way of thinking: transportation as an integrated system of choice, continuity, quality, and a system that gets the most out of every existing mile. ISTEA was born of these efforts and has led to the establishment of long-term planning; greater flexibility for communities to determine their unique transportation needs; stronger links between transportation, land use, and environmental quality; a requirement that transportation plans contribute toward cleaner air; the harmonious integration of transportation facilities into their environment; and a much more open public participation process.

ISTEA has already proven to be successful on many fronts, accomplishing many of the above mentioned goals. Of particular interest to the architectural profession are the surface transportation programs, especially Transportation Enhancements and planning provisions. These programs provide funding for projects chosen by localities, and promote economic investment, increased productivity, and options for each community resident.

As you know, the Enhancements Program developed under ISTEA requires each state to spend a percentage of its federal funds on transportation activities that can encompass historic preservation projects, rehabilitation of historic transportation buildings such as old railroad depots, pedestrian and bicycle facilities, acquisition of scenic easements, landscaping and scenic beautification, and scenic highway programs. Transportation is not just getting from point A to point B, but also the quality of what happens along the way. These activities represent far-reaching community investments.

For instance, the rehabilitation of an abandoned railroad depot into a local railroad museum can spur traval and tourism, add to the aesthetic and cultural value of a community, and generate local spending based on a multiplier effect. A casual traveler may visit the museum, wander over to the general store next door, purchase some postcards, fill up at the local gas station, and eat at the local restaurant before getting on the road again.

We are working on just such a project now in Buffalo. Winning an ISTEA Enhancements grant of $1 million will help transform a former railroad station into a mixed use center at the foot of Main Street on the Buffalo River, where our city was born. The public/private Delaware

Lackawanna & Western Terminal Center Intermodal Transportation Project (DL & W) will integrate transportation services and transform the current site, which houses the train yard for Buffalo's Metro Light Rail System, into the centerpiece of Western New York's waterfront revitalization effort.

Across the street for the $130 million Marine Midland Arena, home of the Buffalo Sabres National League Hockey Team, and adjacent to the planned $30 million Inner Harbor initiative, the DL & W Center will be the year-round public destination for light rail, bus, automobile, water taxi, bicycle, and pedestrian travel.

This multimodal facility will attract some of nearby Niagara Falls' 7.5 million American tourists and 2.5 million International tourists, who spend approximately $250 per day, who now have no central place to visit in Buffalo, as well as attracting the 4.5 million people that come to Erie County each year to visit friends and family, spending about $125 per day during their stay. Keeping a fraction of these people in our region for another day pumps millions of new dollars into our economy at the large scale. Additionally, the Center will generate rental and other income for its owner, the Niagara Frontier Transportation Authority (NFTA), revenue that will be earmarked for Metro transit operations. The income leveraged from the DL & W project made possible by the Enhancements grant will offset transit operating subsidy losses suffered by NFTA.

After eight years of looking, we found ISTEA's Transportation Enhancements Program to be the only source of funding to kick off this multimodal transportation and economic development project that will make our community more self-sufficient and mobile. For projects such as this, as well as bikeways, historic transportation endeavors, and all other eligible projects--these investments that make so much difference to the health of our communities--you hear over and over that the Transportation Enhancements Program under ISTEA is the only revenue source.

These examples are testimony to the benefits already resulting from ISTEA programs, and the potential of programs still being fine-tuned. This is not to say that there isn't room for improvament.

One concern is that states and localities are not sufficiently taking advantage of the law's ability to move money from traditional highway projects to alternative categories, like those available under the Transportation Enhancements Program. Though highway construction will continue to consume the major part of ISTEA funding, such projects must be undertaken only when they're appropriate and the mode of choice. With time and education, we believe that states and localities will increasingly shift funds to transportation options that are better able to meet the law's goals of efficiency, environmental quality, and cost-effectiveness. Mass transit options are especially conducive to this purpose. This law's ability to "flex"funds from one mode to another must be preserved, affording communities the opportunity to meet their unique, overall transportation goals.

The inability to maximize flexible funding opportunities to date may be due to state laws that do not conform to ISTEA, a casual response to the need for and benefits of state transportation enhancement projects, the lack of comparative analysis of projects across modal types, and traditional attachment to road building and construction as a first choice in solving traffic and congestion problems, even when it may not be the best choice.

Remember, we're only four years along in our effort to change the decades old way of transportation policy making. We are in the midst of important changes for the better.

The transportation planning section of ISTEA is necessary to achieve truly comprehensive transportation systems. Public input, local and state coordination, educated land use decisions, and long term strategic plans are vital components of any transportation policy to enhance livable, more economically independent communities. While most of the planning guidelines are on the right track, various improvements and refinements are needed in some cases.

First, participation and flexibility are the keys to enabling each community to choose the transportation system that best fits its unique needs. During a time of scarce resources, localities should continue to get more leeway to experiment with innovative, cost-effective answers to their transportation and mobility needs. After all, who knows better than the people who live there whether a community needs a highway versus mass transit, or whether a neighborhood needs more sidewalks or bike paths. And the more the public participates in the planning stages of a community transportation project, the more likely they are to use the project that results from their personal investment of time and ideas.

However, it's clear that meaningful public participation is still in its infancy. The U.S. Department of Transportation needs to bolster its technical assistance to groups so they can more effectively interact in the policy process.

Second, long-range plans to ensure transportation systems enhance the quality of life and last well into the future continue to be an important objective of ISTEA. The law seeks this through the coordination of services and plans put forth by state agencies and municipal planning organizations (MPOs), charging them with promoting integration, access, continuity, and choice in their transportation structures.

But coordination among states and metropolitan planning organizations (MPOs) has not been 100 percent. In some cases, this relationship has been lost, as states can breach the cooperative planning process by forcing localities to accept certain National Highway System projects they don't want or lose all the money projected for their areas. Additionally, the "ground up" way of doing business promoted by ISTEA has not always been accepted readily, especially by centralized, highway-oriented state bureaucracies that are still devolving. In fact, the result of new ideas overlapping old regulations has led to increased paperwork for many communities and individuals applying for ISTEA monies. Perhaps the best way to address this unintended consequence is to remove the federal government from the design and engineering aspect of transportation planning, letting communities handle these details. States and localities would still state their general objective and follow broader federal guidelines, so there is a measure of accountability for ISTEA funds, as well as a measure of the success of ISTEA programs.

We should not lose sight of the fact that the law has made progress in moving states and localities toward a more cooperative relationship. This relationship should continue to evolve under reauthorization.

And finally, wise land use development should continue to be a goal of all involved in creating "informed" transportation systems. Now, more then ever, when fiscal resources are scarce and open spaces are dwindling, it is imperative that our nation and our localities make decisions about the development of neighborhoods, commercial areas, rural areas, schools, and infrastructure--the tie that binds them all. Urban sprawl has become the norm, and low-density development has overtaken the landscape, imposing enormous and inefficient dollar and resource costs for water, sewer, and power infrastructure. In the Western New York region, sprawl threatens the effectiveness of agriculture, our largest industry. There have also been social costs: workers no longer live near their work, shoppers no longer live near their shopping. We have headed down the highway to the suburbs to experience the freedom of life on the open road, only to sit stalled in traffic on our way to work.

Whenever possible, existing transportation facilities should be used, saving money on the cost of building from scratch and reducing the need for raw materials and space. Materials should be used and designs implemented that ensure transportation projects can be maintained for years to come. When brand new projects are necessary, they should be executed in areas where they are most appropriate, serving the most people in as efficient manner as possible.

Despite these minor problems that are to be expected with the implementation of any new law--new responsibilities and demands on state and local officials, lack of federal guidance, delays in regulations--ISTEA has accomplished many of its initial goals and has the potential to achieve many more. Some groups and individuals still consider the "new thinking" under ISTEA to be a threat, and would like to use the reauthorization process as a means to roll back the clock and change ISTEA. Resist this threat. Players representing the spectrum of transportation interests worked long and hard to shape a balanced, responsible initiative, and any major changes to this relatively new law could upset this delicate balance, hurting our people and communities.

The AIA and STPP believe that ISTEA has already done much to further a progressive national transportation policy, not the least of which has been to educate the public that "informed" transportation is a vital component of any healthy, self-sufficient community. If the law is maintained and properly implemented, transportation concerns will be considered together with economic development, housing, environment, and community design issues, not as unrelated phenomena.

Mr. Chairman, thank you for this opportunity to express the AIA's views before the Subcommittee today. We appreciate your continuing dedication to responsible transportation policy, and your acknowledgment of its contribution to more livable communities and a brighter future for America.

Testimony of Zack Burkett, III

On behalf of

The Associated General Contractors of America

Presented to the

Subcommittee on Surface Transportation

of the

House Committee on Transportation & Infrastructure

on the topic of

ISTEA REAUTHORIZATION
MAINTAINING ADEQUATE INFRASTRUCTURE: THE SURFACE TRANSPORTATION PROGRAM

Thursday, July 25, 1996
9:30am
2167 RHOB

The Associated General Contractors of America (AGC) is a national trade association of more than 33,000 firms, including 8,000 of America's leading general contracting firms. They are engaged in the construction of the nation's commercial buildings, shopping centers, factories, warehouses, highways, bridges, tunnels, airports, water works facilities, waste treatment facilities, dams, water conservation projects, defense facilities, multi-family housing projects and site preparation/utilities installation for housing development.

The Associated General Contractors of America
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Thank You Mr. Chairman. My name is Zack Burkett. I am a highway contractor from Graham, Texas. My father founded our company in 1958, so we have been involved with the highway program almost since its inception. I am testifying on behalf of the Associated General Contractors of America, which has a membership of 32,000 companies and 101 chapters nationwide.

The topic of discussion today, the Surface Transportation Program, has been a difficult program for the highway industry to wholeheartedly embrace. In our eyes, the federal-aid highway program has a mission to fulfill--to unify the country. Our nation's highway system should provide a system of roads to connect manufacturers with suppliers, wholesalers with retailers and farmers with markets. Deviation from this goal keeps us from ever achieving it.

The Surface Transportation Program (STP) represents a significant deviation from the unifying intent of the highway program, and it ignores our nation's staggering highway needs. In the funding suballocation of STP funds, national goals are subordinated to local goals. In the creation of the transportation enhancements program, local archeological, historic preservation and land banking are made eligible for funding from a national user-fee financed highway program that is grossly underfunded.

At all levels of government we invest $35 billion annually in highways. Even at that level, we do not come close to meeting current highway needs. Simply maintaining our nation's highways in their current deteriorated state would take an additional $20 billion annually. Improving the system would require an additional $30 billion annually. The expanded eligibilities and local focus of the STP ensure we will never meet current, let alone future highway needs.

In addition to this dilution of highway investment, the federal-aid highway program is being assaulted on two fronts: the dwindling non-defense discretionary budget and defederalization proponents.

We face a shrinking funding pie. Under current plans to balance the budget by the year 2002, both Republicans and Democrats forecast spending less on transportation. In addition, the entire highway program is being assaulted by interests who understand and support the national goals of the highway program but find the federal mandates, restrictions and social agenda of the highway program to be an abuse of federal authority.

Your colleague, Congressman John Kasich, recently announced his intention to work to nearly eliminate the federal-aid highway program. In announcing his intentions, Mr. Kasich said his bill would give states the freedom from federal intrusion. In Mr. Kasich's words, "Washington gives the money back with an almost endless array of red tape and restrictions on how it can be used."

To give you an idea of what Mr. Kasich means, I have submitted with my testimony a copy of a guest editorial in AGC's Constructor magazine from last year. The editorial, written by a contractor from Missouri, enumerated the litany of rules, regulations and requirements he had to comply with when building a bridge. In summary, this contractor was governed by 15 federal acts, 16 sections in six titles of the code of federal regulations, three executive orders and six titles of the U.S. Code. He also had to fill out standard form LLL (disclosure of lobbying activities), form PR-1319 (EEO report), form WH-347 (Certified payroll), and deal with and meet the requirements of 12 different state and federal agencies, simply to construct a bridge.

It is not just the money that bothers the donor states, it is also the heavy-handedness with which the fraction of their dollar is returned. The rules and regulations I referred to above often have little to do with the actual bridge construction.

The restrictions placed on how states can use their funding create resentment and inefficiencies. Many of these nontraditional programs have had very slow obligation rates. This has happened because ISTEA has not been fully funded, and because states are forced to focus on meeting current needs rather than establishing new ones.

This is not a simple design-bid-build program. It could be. It should be. But, it isn't and the Surface Transportation Program has added to the confusion.

The Surface Transportation Program was billed as a simple block grant program to be used by states for federal-aid highways (on and off the NHS) and transit capital expenditures. Under that simple facade, we find ten percent set aside for safety construction activities, ten percent set aside for transportation enhancements and suballocation of fifty percent to areas of the state based on population rather than needs. This leaves states with thirty percent of the program in block grant funds which the state can utilize to flexibly meet transportation needs. In Texas this year, that is $81 million of our state's $273 million apportionment for the Surface Transportation Program. This suballocation takes the national program out of the hands of the states and concentrates it in the hands of urban areas that tend to devote their attention to local needs.

Even a simple block grant program gets complicated when you attach the federal requirements. The combination of the suballocation of STP program funds and the increased importance of metropolitan planning organizations has substantially altered the face of the federal-aid highway program. While it has encouraged new players to get involved in national transportation programs, it has done so at the expense of meeting national needs. Local priorities have been given equal footing with national needs in many cases. While local needs may be compelling, they should be kept in perspective. Rather than trying to have a national program that is all things to all people, the program should focus on the national needs that can be serviced by this program. National goals should be prioritized. Once they are achieved, the program should address local needs and, even then, only if they positively impact national goals.

The STP's suballocation and ISTEA's planning requirements have created layers of bureaucracy through which federal funds flow. The United States has 125 metropolitan areas with populations over 200,000. In addition, there are 303 areas with populations between 50,000 and 200,000 that must have metropolitan planning organizations (MPOs). Texas has thirty-two MPOs: seven areas over 200,000 and twenty-five areas between 50,000 and 200,000 in population.

I am not discounting the importance of transportation planning. What I am saying, is that in a national program decisions should be made based on an objective national or statewide criteria, not on local criteria. ISTEA funded transit and highways at the same federal share to equalize decisionmaking criteria. Because of the suballocation of funds, decisionmaking for the largest portion of the federal-aid program is slanted towards urban needs. In addition, the National Highway System legislation gave an exalted status to the Transportation Enhancements Program by granting enhancement projects categorical exemptions from the National Environmental Policy Act of 1969 (NEPA), and by advancing enhancements funding to states instead of funding them through reimbursement like the rest of the highway program. Enhancement projects enjoy funding from the highway program, but they don't want to compete for it. Enhancements claim to improve the environment, but do not want to comply with NEPA to prove it. I don't blame them. Ohio DOT estimates that it takes about 8 years to build a highway. Wisconsin DOT estimates that it takes about 44 months simply to complete the environmental impact statement on a highway project.

I know I am biased, but highways are my business, and even more importantly---they make every other business possible. It is our nation's reliance on transportation, particularly highway transportation, that makes the federal-aid highway program important. Our economy rides on the highways.

You are familiar with the statistics --- every billion invested in highway construction creates 42,000 jobs. The highway system has been the catalyst for our nation's economic expansion over the last 50 years. Our nation's investment in highways has paid off six-to-one in increased economic growth and productivity. As highway usage has increased at an astounding pace, safety has kept pace through significant highway investment. But as we increase diversion of funds from the highway program safety suffers. After years of gains, the fatality rate on our nations highways has increased 5.6% from 1992 to 1995. During the same period, we flexed over $2 billion from the highway program, set-aside over $1.5 billion for enhancements projects and lost $26 billion in highway user fees that went to the general fund rather than the highway trust fund.

Despite the achievements of the highway program, I don't think that many (if any) in this room can say that our highway system is complete. The Interstate may be complete. However, your designation of the National Highway System was recognition that the Interstate system did not completely unify this country and that our highway system needs further development.

We have not yet reached a point where no road improvements are needed in Wisconsin, West Virginia, Minnesota or Pennsylvania. Every one is not yet connected in the most efficient and safest method possible. So, to the highway industry, the federal-aid program has not yet fulfilled its mission.

The highway program is a national program. Our highway network is extremely popular. Vehicle-miles traveled (vmt) have tripled since the highway trust fund was established. Yet, spending for improvements has decreased from $32.12 per 1,000 vmt in 1960 to $15.68 per 1,000 vmt in 1993 (48% decline in constant dollars). Current estimates forecast another 50% growth in vmt over the next 14 years. Despite the popularity of this program and its importance to the national economy, revenue diversion from the highway program has increased 577% over the last 10 years.

Groups here today would have you believe that trips up to three miles in length are suited for walking or biking. Try that during the work day, in the heat of Washington or Texas, or in the winter, or even in the rain. While these programs may be popular, they are not practical and reliable enough to be a substitute for our existing network of roads and bridges. That is part of the reason the enhancements program has been slow to spend out.

With ISTEA, new eligibilities were created and new people were brought into the program. Layers of local bureaucracies were created to micro-manage this national program. Many people say the old highway program leveraged funding for construction---ISTEA leverages people.

The federal-aid highway program should be designed to meet national needs. Once it has satisfied our national needs, we should consider redirecting it to pursue other endeavors. However, the program has not satisfied our national highway needs, our documented road and bridge needs are staggering. Efforts to balance the budget make higher funding levels unlikely without a significant change in prioritization such as taking the trust funds off budget. We need a streamlined federal system that focuses on national needs. It should allow states to prioritize investments based on national needs and should not be driven by local agendas.

In next year's reauthorization of the highway program, please focus on the national priorities, fund them to the greatest extent possible, and try not to dilute the positive impact the federal-aid highway program has had on our nation's economy and standard of living.

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November 15, 1996

The Honorable Thomas Petri
Chairman
Subcommittee on Surface Transportation
2165 Rayburn House Office Building
Washington, D.C 20515

Dear Chairman Petri:

This letter is in response to a question posed to me during your Subcommittee's hearing on July 25, 1996. The question from Mr. Geren was,"How much money is the Texas Department of Transportation spending on projects that would not have been eligible for federal-aid highway funds prior to the enactment of ISTEA?"

According to the enclosed letter from the Texas Department of Transportation, Texas has been forced to use virtually all of the funding apportioned to the Transportation Enhancements Program and the Congestion Mitigation and Air Quality Program, a total of about $730 million over the life of ISTEA, for items that would not have been eligible for federal-aid highway funding prior to the enactment of ISTEA.

While Texas was forced to use this money in new areas, the state has been able to address only approximately 40% of current highway and bridge funding needs. Texas' needs are probably not unique, with 26% of our roads in poor and mediocre condition and 25% of our bridges rated deficient. Forcing the state to spend $730 million dollars on historic preservation or some other federally mandated priority does nothing but limit the effectiveness of the nation's highway program in our state.

I hope that this answers Mr. Geren's question. Please contact me if there is anything further I need to submit to fully answer Mr. Geren's question.

Sincerely,

Zack Burkett, III
Highway Division Chairman

Texas Department of Transportation

DEWITT C. GREER STATE HIGHWAY BLDG. • 125 E. 11TH STREET • AUSTIN, TEXAS 78701-2483 • (512) 463-8585

October 25, 1996

Mr. Zack Burkett, III
President
Zack Burkett Co.
P. O. Box 40
Graham, Texas 76450

Dear Mr. Burkett:

Reference your letter of October 8, 1996, requesting specific funding information about ISTEA legislation. As you know, the legislation earmarked many federal apportionments into three categories: (1) Flexible - which can be used without restrictions on any road functionally classified from Interstate through urban or rural major collector; (2) Areas over 200,000 - which can be used as above but only in areas of populations over 200,000 with the appropriate Metropolitan Planning Organization (MPO) choosing the projects and TxDOT concurrence; and (3) Areas less than 200,000 - which can be used as above in areas of populations under 200,000 with TxDOT selecting projects and MPO concurrence, if applicable. These set asides occur in the following federal apportionments: Minimum Allocation, Donor State Bonus, Hold Harmless, 90% Payment Adjustment, and Interstate Reimbursement.

The STP apportionment is divided into the above mentioned three categories, but not before 10% of the STP apportionment has been set aside for safety and 10% for transportation enhancements. The majority of these set asides allow us to utilize these funds for traditional highway projects, as well as, giving the flexibility to use them in other areas. The transportation enhancement apportionment, however, must be used for non-traditional highway projects, such as, pedestrian and bicycle facilities, acquisition of scenic easements and scenic or historic sites, historic preservation, rehabilitation and operation of historic transportation buildings, etc.

Another category that introduced non-traditional highway projects is the Congestion Mitigation and Air Quality Improvement Program (CMAQ). These funds are to be used to implement programs and projects that have documented emissions reductions associated with them in non-attainment areas. Projects using these funds must be approved by the Federal Highway Administration and the Environmental Protection Agency. Projects such as the construction of high occupancy vehicle lanes and modification of traffic signal systems are examples of traditional highway projects which can be done with this category of funding. Some examples of non-traditional highway work in this area would be developing and establishing management systems for traffic congestion, capital and operating costs for traffic monitoring, management and control facilities, conversion of vehicles to use alternate fuels, and traffic congestion management systems. We estimate at least 25% of the CMAQ funds are used for non-traditional type work.

We believe that the Enhancement and CMAQ categories are areas used to fund projects that would not have been chosen prior to ISTEA. Apportionments for the Enhancement and CMAQ categories total $730.83 million (14.9% of total federal apportionments). The following is a breakdown of the total funds provided in these categories by fiscal year ($ in millions):

Fiscal Yr	1992	1993	1994	1995	1996	1997
Trans. Enh.	$25.89	$31.12	$30.28	$30.28	$30.76	$31.12
CMAQ	$80.40	$98.10	$95.37	$96.73	$83.46	$97.32

Present estimates indicate that our existing funding level, which includes both State and Federal funds, addresses approximately 40% of current highway and bridge funding needs. At this level, maintaining the current system is difficult.

I hope that the above information answers the concerns addressed in your letter. If you have any questions, please do not hesitate to call.

Sincerely,

Wm. G. Burnett, P.E.
Executive Director

American Association of
State Highway and
Transportation Officials

Wm. G. Barnett, P.E., President
Executive Director
Texas Department
of Transportation

Francis B. Francois
Executive Director

STATEMENT BEFORE THE

HOUSE SUBCOMMITTEE ON SURFACE TRANSPORTATION

Relating to

THE SURFACE TRANSPORTATION PROGRAM OF THE

INTERMODAL SURFACE TRANSPORTATION EFFICIENCY ACT

By

William G. Burnett
President, American Association
of State Highway and Transportation Officials
and
Executive Director
Texas Department of Transportation

Charles Thompson
Secretary, Wisconsin Department of Transportation

July 25, 1996

Founded in 1914, AASHTO represents the departments concerned with transportation in the fifty States, the District of Columbia and Puerto Rico. Its mission is a transportation system for the nation that balances mobility, economic prosperity, safety and the environment. AASHTO is the only national public sector association that represents all transportation modes - air, highways, public transportation, rail and water - and it works to foster the development, operation and maintenance of an integrated national transportation system. The active members of AASHTO are the duly constituted heads and other chief directing officials of the member transportation and highway agencies.

Mr. Chairman, my name is William G. Burnett. I am President of the American Association of State Highway and Transportation Officials (AASHTO), and Executive Director of the Texas Department of Transportation. Accompanying me today is Charles Thompson, Secretary of the Wisconsin Department of Transportation.

On behalf of AASHTO we are pleased to accept your invitation to testify on issues related to the Surface Transportation Program (STP) as part of the reauthorization of the Intermodal Surface Transportation Efficiency Act (ISTEA).

The material that we are presenting is based on the "AASHTO Transportation Policy Book - June, 1996" and the AASHTO reauthorization documents.

On April 29, 1996 the AASHTO Board of Directors approved two additional documents as part of its reauthorization activities. The first of these is titled Transportation for a Competitive America, and provides a broad-based discussion of the work that AASHTO has completed through its Reauthorization Steering Committee. The second is the Bottom Line II report, which discusses transportation investment needs for the period 1998-2002. These two reports are attached for your consideration. At the AASHTO Annual Meeting in October, 1995, the AASHTO Board of Directors approved five reports dealing with federalism, planning, environmental, research and finance issues. Copies of the October reports have been provided to the Subcommittee. The major recommendations of each of these reports are incorporated into the Transportation for a Competitive America document.

These reports contain four key recommendations:

- The maintenance needs of the nations's highways and transit systems outstrip the funds currently available. The 4.3 cents per gallon in user taxes collected from motorists should be deposited in the Highway Trust Fund and be spent on system maintenance, rather than diverted to the General Fund.

- State and local governments should be given more flexibility in determining how, when, and where transportation resources are spent, to maximize the benefit to mobility, safety, and the environment.

- Many of the key concepts of ISTEA, such as state and local cooperation, intermodal planning, and public participation, should be retained.

- Burdensome and unnecessary provisions imposed by ISTEA and earlier laws should be eliminated or reduced. The National Highway System Designation Act was a first, and major, step in this direction.

Overall Structure of the STP program

AASHTO believes that under the Surface Transportation Program, federal requirements and standards should be eliminated for project development procedures, design standards, environmental assessment, disadvantaged business enterprises and other mandates. In such areas, state and local requirements should govern. A significant amount of flexibility needs to be provided to allow for a wide range of projects that do not conform to the more specific program categories of past surface transportation legislation.

Flexibility

AASHTO recommends that federal legislation and regulations be made more flexible and less prescriptive. Transportation demands vary dramatically from state to state, and even within a state. States with large manufacturing centers and heavily populated urban areas, for example, have different needs than states whose economies depend on tourism. Snowbelt states have different needs than those in more temperate climates, and rural America's needs differ from the needs of urban areas. Consequently, federal transportation legislation and regulations need to provide the flexibility to deal with a variety of situations around the country. A "one size fits all" approach will not work.

An effective and efficient intermodal transportation program requires flexibility. Flexibility allows for:

1. Transportation plans and programs which encourage the effective use of existing highway and transportation facilities and encourage the selection of the best mode or combination of modes to provide necessary services;

2. National transportation programs that are flexible enough to permit individual states and localities to best serve their needs;

3. Improved use and integration of existing systems through better facility and service management; and

4. Coordination and effective planning of all transportation systems, including information and communication technology, to support multiple transportation options for the workforce of the future, involving flexible transportation services dedicated to providing the adequate and responsive transportation of people, goods, services, and information in the changing national and global economy.

AASHTO recommends that greater flexibility should also be extended to the states in their use of federal-aid funds, including: increasing the percentage of funds that can be transferred among categories, allowing transfers among additional programs, and consolidating federal programs.

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<u>Suballocation/Set-asides/Enhancements</u>

AASHTO policy as described in the "Transportation Planning Issues" chapter of the <u>Transportation for a Competitive America</u> recommends that set-asides and suballocations be reduced.

Sections 23 USC 133 (d)(1) and (2) mandates set-asides in the Surface Transportation Program for safety and enhancement projects. The STP set-asides of 10 percent to the Safety program and 10 percent to the Enhancement program create a state burden, limit flexibility, and are contrary to ISTEA's goal to reduce funding categories. Set-asides disrupt the state's budget processes and the planning process envisioned in ISTEA. These activities should be "eligible activities" for STP funds, but not subject to a set-aside percentage.

The Surface Transportation Program contains a penalty provision which prescribes that failure to comply with all STP provisions, including set-asides, subjects states to withholding of STP apportionments. AASHTO recommends repeal of this penalty provision included in 23 USC 133.

The promise of the ISTEA legislation was to provide increased flexibility in funding transportation programs. Much of this flexibility in reality does not exist because of suballocations in the Surface Transportation Program, which has led to an increase in the number of major funding categories rather than the anticipated reduction. AASHTO recommends that at a minimum, Congress resist any efforts to add additional funding categories to the ISTEA.

With regard to enhancement projects, they are usually small cost projects that are subject to the same regulations as multi-million dollar projects. AASHTO recommends that the states be allowed to administer the enhancement projects as grants, and that these projects should not be subject to all of the Title 23 restrictions.

AASHTO believes that the additional requirements for Metropolitan Planning Organizations (MPOs) designated as Transportation Management Areas (TMAs) are burdensome, costly and not always achievable by the smaller MPO/TMAs. Section 23 USC 134(I)(1) defines TMAs as urbanized areas over 200,000 in population which the Secretary must designate as a TMA. This designation establishes additional authority, responsibilities, and requirements upon those areas in performing planning functions. Congestion Management Systems are also required to be developed by TMAs, many of which have limited technical and resource ability to perform, especially in smaller TMAs.

AASHTO recommends that the population threshold for TMAs be increased from 200,000 to 1,000,000.

Congestion Mitigation & Air Quality

The Congestion Mitigation and Air Quality (CMAQ) Improvement Program limits states' discretion in tailoring transportation investments to meet the needs of its businesses and citizens. As currently designed, a set-aside CMAQ program predetermines the appropriate level of investment in eligible projects. Moreover, CMAQ encompasses a host of regulations and requirements that constrain the states' ability to meet the specific transportation needs and priorities of their transportation and air quality plans. This means that many CMAQ projects have a marginal impact on air quality and may or may not have significant impact on reducing congestion.

Analysis

The primary focus of the CMAQ program is to provide funding for transportation-related programs that improve air quality and reduce congestion in the air quality non-attainment areas. Although the intent of CMAQ is to provide flexible funding for projects and programs that can enhance alternate forms of transportation, this flexibility has not been actualized. There is a need to broaden the areas where CMAQ can be spent. The priorities should be established both on the basis of the severity of the air problem and the ability of transportation dollars to actually improve the problems. Key issues include:

- Barriers or Constraints to Effective Program Implementation
- Need for Small Project Administration Procedures
- Use Transportation Funds to Develop a Long-Term Air Quality Strategy
- Need for the Evaluation of Distribution of Air Quality Related Funds

Recommendation

- Encourage states and MPOs to prioritize the investment of funds within their comprehensive planning and programming processes, to ensure the best use of available resources. This is preferable to assuming a pre-determined funding level for CMAQ-type projects. Encourage investment in cost-effective projects that improve air quality and reduce congestion, through improved flexibility. To accomplish these goals, the following actions are recommended:
- Broaden CMAQ eligibility to include the construction of new capacity for single occupant vehicles to allow the program to address congestion mitigation as well as air quality.

- o Revise the CMAQ program to reflect air quality realities:
  - many areas are moving into attainment,
  - it costs less in operational assistance to maintain air quality standards than to implement the measures needed to reach attainment,
  - if an area does not make a good faith effort to reach attainment, states should be able to transfer pro-rata share of funds to STP.

- o Provide the flexibility necessary to make the program work:
  - classify projects as exempt that provide a positive air quality benefit and allow them to proceed even if sanctions are imposed,
  - simplify the administrative processes for small non-infrastructure projects,
  - allow CMAQ funds to be used on the planning phase of projects.

We look forward to working with the Committee to discuss these and other reauthorization issues and stand ready to provide information which would be of assistance to the Committee as it moves forward in the legislative process. Executive Director Francis B. Francois and the AASHTO Staff are available to respond to any further requests from the Committee.

Mr. Chairman, this concludes our remarks. Thank you for the invitation to present our views, and we will be pleased to respond to questions now, or in writing later.

Testimony of

Sarah Campbell
on behalf of the
Surface Transportation Policy Project

on

ISTEA's Surface Transportation Program

before the Subcommittee on Surface Transportation
Committee on Transportation and Infrastructure
U.S. House of Representatives

July 25, 1996

Mr. Chairman and Members of the Subcommittee, thank you for the invitation to appear today. My name is Sarah Campbell, and I am a member of the Board of Directors of the Surface Transportation Policy Project, a non-profit coalition of over 175 organizations whose mission is to ensure that transportation investments serve people and communities. Our members are national and local public interest groups concerned with the environment, energy conservation, the economy and social issues. They represent constituencies as diverse as the elderly, historic preservationists, transportation workers, citizen groups and downtown business interests. We are united in the belief that balanced investment in surface transportation can strengthen the economy, protect the environment, help improve communities and meet important social goals.

In addition to my remarks today about the intent and the direction of the surface transportation program, I would like to announce that today, in conjunction with the U.S Conference of Mayors and the National League of Cities, we are releasing a report entitled *Getting A Fair Share*, which tracks ISTEA funding for projects in metropolitan areas and of concern to local governments in metropolitan and rural areas. This report's conclusions are summarized later in my testimony.

I. The Structure of the Surface Transportation Program

Our coalition sees the Surface Transportation Program as the direct expression of many of ISTEA's most important ideas:

– an openness to alternative modes of transportation,

– broad flexibility to tailor spending to local circumstances,

– limited but important targeting of funds to specific federal priorities, and

– a new focus on metropolitan economies and their transportation systems.

Although we will recommend specific refinements to this program later this year, I want to be clear that we are enthusiastic about the program and hope the Committee will reauthorize it next year.

This program is the part of ISTEA that embodies one of the law's great advances -- **broad flexibility** in the use of federal transportation funds. Almost half of ISTEA's money is flexible, and the core of this is the Surface Transportation Program. Although STP funds make up less than 20 percent of ISTEA's highway account authorizations, the fact that some funds from other categories are treated as STP funds -- most notably minimum allocation, donor state bonus and interstate reimbursement -- makes the effective size of the program much larger.

Perhaps ISTEA's effect on transportation policy is best measured by changing ideas about flexibility. In 1991, the idea that federal funds would not be proscribed for specific uses was a significant departure from traditional practice, and as ISTEA supporters we spent a lot of time defending it as a legitimate way of pursuing federal policy goals. In 1996, the situation seems to be reversed. Federal funding for transportation is now challenged for not being flexible enough; it is even argued that it is not proper for the federal government to target any funds towards specific purposes. In this debate our position is very similar to what is was in 1991: the federal government should offer states and localities significant flexibility in how to solve problems, but it has both the right and the responsibility to target funds to activities of particular national interest and to spur innovation. A good balance of targeting and flexibility assures that national objectives are pursued without ignoring local priorities or innovations.

In addition, this program is the only part of ISTEA that provides **targeted resources to metropolitan areas**. When the federal government loosens the strictures on the money it provides, it needs to assure that the distribution of these funds is equitable. ISTEA took several steps in that direction. Most obvious were the various efforts to improve the standing of the donor states, but no less significant was its targeting of funds to metropolitan areas. Transportation investment is often more difficult and time-consuming in these areas; the temptation arises to simply more money elsewhere and underfund metropolitan needs, and I will be presenting some data on this in a few moments. The amount of money ISTEA assured these areas is not large -- about one-fifth of STP funds, or 4 percent of ISTEA's total funding -- but the message is important. Our metropolitan economies are the engines that drive national economic performance, and we ignore their needs at our peril.

The Surface Transportation Program also targets funding to **transportation enhancement activities** -- 10 percent of the Surface Transportation program, or just about 2 percent of highway authorizations. This program has generated particular controversy, and several of the other witnesses on this panel will focus their remarks directly on it and its value to the country.

From our perspective, the Enhancements program has been one of the most successful pieces of ISTEA for several reasons. It has taken a relatively small amount of money and provided it to a large number of projects in communities all over the country that never got much from the federal program. Indeed, many saw the traditional federal program as doing them more harm than good. Now they are seeing the value of federal involvement in transportation. The program has worked because it acknowledges something we have known for a long time -- that the interface between transportation facilities, communities and the natural environment can be a troubled one. Targeted funding for enhancements was a recognition of both the need to improve these relationships and the enthusiasm that projects to bridge these gaps can generate.

In addition, the enhancements program has gotten transportation professionals to involve the public in a positive rather than an adversarial way -- a valuable achievement no matter what your point of view. It has also given the transportation agencies new experience in designing projects specifically for the place they will inhabit instead of just taking standardized designs out of a book. I think it is fair to say that this program was not well-loved by many of those who were asked to implement it in 1991, but it is also true that much of this skepticism has given way to respect for the program's goals and, most importantly, its results. Not everyone is a believer, but I think you will find that the list of coverts is longer than you might expect. Our long term goal is for the projects funded by the enhancements program to make their way through the system on their own merits without guaranteed funding, but we do not feel this is possible yet. Accordingly, we support a guaranteed minimum share of federal funds for transportation enhancement activities.

The Surface Transportation Program is also the portion of ISTEA that **directly targets federal resourcaa toward transportation safety**. Although we may disagree in some areas, STPP, the American Highway Users Alliance, AASHTO and USDOT have all identified safety as a matter of compelling federal interest. We believe that this means federal resources should be targeted to safety projects. We are examining this program and the projects it funds to determine if improvements are needed, and will be making recommendations shortly. For example, preliminary data indicate that although 17 percent of transportation fatalities involve bicyclists and pedestrians, nowhere near this portion of funding is being used to make bicycle and pedestrian travel safer.

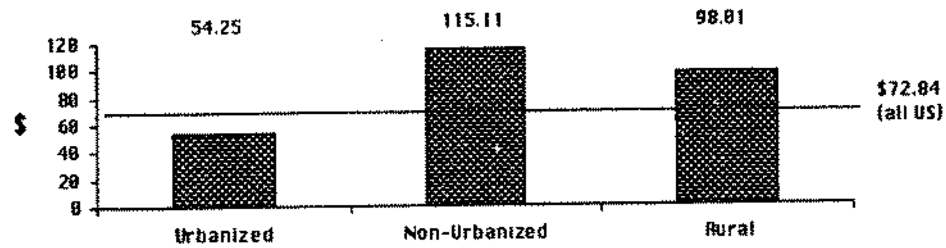
II. Implementation of the Surface Transportation Program

To provide a better understanding of how the Surface Transportation Program is working, I would like to present data from three different sources -- our report *Getting A Fair Share*, which uses Federal Highway Administration data to track the expenditure of federal money geographically, a Federal Highway Administration memorandum regarding the use of STP's targeted metropolitan funding, and analysis of the enhancements program by the Rails-to-Trails.Conservancy.

Getting A Fair Share

We have spent considerable time over the last two years tracking the expenditure of ISTEA funds to see how they correspond to the country's population distribution. The results are in, and they show significant inequity in the use of federal transportation funds. As Figure 1 in my testimony shows, expenditures of highway account funds in FY1995 averaged just over $72 per person for the entire country. In what the Census Bureau defines as "urbanized areas" -- communities with population of 50,000 or more -- spending was significantly lower, at roughly $54 per person. Spending in rural areas was about $98 per person, and in what are rather confusingly called "non-urbanized areas" -- cities and towns with more than 5000 people but less than 50,000 -- was over $115 per person. (We had hoped to analyze all five years of ISTEA funds, but gaps in data reporting in ISTEA's early years made this impossible.) If these numbers are recalculated without the Interstate Construction Program, which was the least flexible ISTEA program in FY 95, they change slightly: the per capita figures for urbanized, non-urbanized, and rural areas are $50.53, $110.43, and $97.18, respectively.

Figure 1
Per Capita ISTEA Spending by Area for FY 95
(includes 50 states, Washington, DC and Puerto Rico)



Source: Data were collected by state DOTs and reported to the Federal Highway Administration's Financial Management Information System. Geographic areas are defined using FHWA and Census Bureau methodology. Analysis performed by STPP.

To express this disparity in a manner more commonly used in the funding equity debate, we analyzed the donor or donee status for each class of community, that is, how much was paid into the highway trust fund and how much gotten back. The resulting conclusions should not yet be considered authoritative due to the complexities of attributing gas tax receipts by region. Nevertheless, they are instructive even in rough form. As Figure 2 shows, in FY 1995 rural areas received just over one dollar back for each dollar they contributed; "non-urbanized" areas -- medium-sized towns and suburban jurisdictions mostly on the outer fringe of cities and their larger suburbs -- got back about $2.05 for each one they put in; and "urbanized" cities and larger suburbs got back about 85 cents for each dollar contributed. Although we have confidence in these numbers as rough estimates, a greater effort should be made to develop better gas tax contribution figures.

Figure 2

Return on Contributions to the Highway Account, FY 1995

Class of Area	Share of ISTEA Funds Received	Share of Gas Tax Contributions	Return on Investment
Urbanized	46.66%	54.62%	0.85 to 1
Non-Urbanized	14.01%	8.85%	2.05 to 1
Rural	39.33%	38.53%	1.02 to 1

Source: FHWA's Financial Management Information System provided expenditure data. Gas tax contributions were estimated using *Highway Statistics* Table VM-1 and Table HM-71.

As a multi-regional coalition, STPP does not take a position on the distribution of federal funds among the states. But if the question of who pays for the program and who benefits is a valid one for states, it is equally valid for metropolitan areas. Our analysis shows that residents of larger cities and their principle suburbs are paying more than they get back, and that the magnitude of their donor status is on par with that of the donor states. We feel that this data supports the decision made in 1991 to target some funds specifically to these urbanized areas, and that if anything, ISTEA's move in this direction was not large enough.

We have conducted similar analyses for ISTEA's individual programs. The proportion of the Surface Transportation Program spent in urbanized areas is low (37%), compared to the share of urbanized area population (64% of US) and relative to other major ISTEA funding programs, such as the National Highway System (48%), Interstate Maintenance (47%), and ISTEA as a whole (46%). This also indicates that improvements need to be incorporated into the STP Program when ISTEA is reauthorized.

Transportation Enhancements -- Most States Are Making The Program Work

Data collected by the Rails-to-Trails Conservancy shows that, contrary to dire predictions, transportation enhancement money is on the whole being spent efficiently and responsibly. Over half of the money obligated so far has gone to providing transportation infrastructure for those who chose to reach their destinations by walking or by bicycle. And although it is true that there have been significant implementation problems in some states, that is by no means true for all states. In places where the state and local authorities have committed to making the program work, it has worked. The many good transportation enhancement programs around the country assure that funds go to projects that have a strong functional relationship to transportation, significant community support, and demonstrable community benefits.

On average, 77 percent of the funds provided for this program have been programmed to date, but some states -- Pennsylvania, Oregon, Virginia, Georgia and New York -- have managed to program all the funds they have received and even more. The streamlining provisions contained in the NHS bill enacted last year by this Committee were a good step toward resolving some implementation problems and we hope to recommend other steps in the months to come. Nevertheless, it must be pointed out that many states have been able to work through their initial implementation problems and now have successful, popular programs, with high rates for both the programming and obligation of funds and a long list of exemplary projects.

At this point I would like to place in the record a brochure from the recently concluded conference "Transportation Enhancements: Better Transportation, Better Communities" held six weeks ago and sponsored by the Federal Highway Administration, AASHTO, the Rails-to-Trails Conservancy, STPP and several other groups. It contains a summary of 25 transportation enhancement projects that represent the benefits of this program for transportation and for communities, the broad support these project enjoy from a wide range of stakeholders, and the potential the program has to get even better in the years ahead.

Targeted Metropolitan Area Funds -- Spending Is Being Delayed

One of the reasons that the needs of metropolitan areas have been underfunded is the slower rate at which states are spending the funds that are directed to these areas. According to an April, 1996 memo from FHWA's Executive Director, the obligation of ISTEA's metropolitan funds has been slower than for other programs even though ISTEA requires these funds to be spent at the same rate as other funds over the life of the bill. If the Chairman will allow, I would like to introduce into the hearing record a copy of this memo, which is attached to my testimony. As the table contained in the memo's Attachment 1 shows, as of February 26, 1996, 81.58 percent of ISTEA's metropolitan funds have heen obligated to projects, while 95.92 percent of all ISTEA funds have been obligated. This represents a shortfall of nearly $900 million, and 36 states will have to significantly accelerate the expenditure of these funds in the next 16 months if they are to comply with ISTEA's requirements.

III. Potential Improvements to the Surface Transportation Program

I hope the members of the Committee will not interpret my remarks to mean that we do not see room for improvement in this program. We certainly do. The area in which most improvement is needed is implementation of the program. As previously pointed out, many states have been slow to program and obligate transportation enhancement funds. We think this can improve, and that the Committee should look into determining how best to do so.

Both of these situations can be seen as parts of a larger and more basic problem with the implementation of this program, which is its basic intent. As those members of the subcommittee who were here in 1991 will recall, the Surface Transportation Program was the centerpiece of a new process for decision making created by ISTEA. Instead of having all federal funds divided into categories with strict eligibility rules of one sort or another, ISTEA set up a system where there was guaranteed funding for certain categories of projects -- for interstate maintenance, bridges, enhancements, the NHS, air quality -- but the largest share of the federal money was flexible. ISTEA states that a dialogue should ensue at the state and local level over how to use this flexible money. The flexible funds no longer "belonged" to any one player in the debate or mode of transportation; they were subject to a full and open debate.

The reality has been somewhat different. In most states, the enhancement and CMAQ programs have provided the only money that is in any sense "up for grabs," and STP funds have been subject to very little meaningful back-and-forth and have gone almost entirely to traditional road maintenance and expansion projects, as if ISTEA never happened. If we have one priority for this program in the coming reauthorization, it is to implement the original vision of ISTEA, where the flexible funds provided by the federal government spur a robust, multi-party debate over the costs and benefits of different transportation modes.

Mr. Chairman, thank you again for your attention and courtesy. I am happy to answer any questions you or other members of the subcommittee may have.

AMERICAN HIGHWAY USERS ALLIANCE

U.S. HOUSE OF REPRESENTATIVES

TRANSPORTATION AND INFRASTRUCTURE

SUBCOMMITTEE

on

SURFACE TRANSPORTATION

July 25, 1996
Washington, DC

Statement of the

American Highway Users Alliance

William D. Fay
President and CEO

Better Highways Keep America Moving

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Good morning, Mr. Chairman and members of the subcommittee. I am Bill Fay, President and CEO of the American Highway Users Alliance. The Highway Users represents a broad cross-section of businesses and individuals who rely on good highways to carry them and their customers, employees, and products to their destination safely and on time. We appreciate this opportunity to testify during the subcommittee's review of the Surface Transportation Program created in the Intermodal Surface Transportation Efficiency Act (ISTEA).

There are three principal elements of my testimony. First, I will outline the streamlined Surface Transportation Program (STP) which The Highway Users' recommends for inclusion in reauthorization legislation next year. Second, I will describe the factors upon which our recommendations are based. Finally, I will review the concerns we have with the STP program as it is currently structured.

REAUTHORIZATION OF STP

The Highway Users recommends that Congress include a streamlined STP program in next year's surface transportation bill. Under the reauthorized program, STP funds should be available for use on currently eligible highway, bridge and safety projects; highway-related activities required by the Clean Air Act; research and planning activities; and mass transit capital projects. Current federal set-asides in the STP account, such as the funds reserved for "transportation enhancement activities," should be eliminated so that all STP funds are available for use on any eligible project at the discretion of state and local officials. The STP program should be funded at not more than 15 percent of the total highway program.

In a nutshell, those are our recommendations for a reauthorized STP program. Now, let me discuss the considerations upon which those recommendations are based.

FEDERAL ROLE IN SURFACE TRANSPORTATION

This subcommittee began its reauthorization hearings by asking, "What is the appropriate federal role in surface transportation?" That is exactly the right first question. And any reauthorized STP program, like all other elements of the federal highway program, should serve clearly defined federal interests and be consistent with the appropriate federal role in transportation.

As I indicated in previous testimony before this subcommittee, The Highway Users believes there are clear national interests at stake in surface transportation. The nation's economy, our national defense, and an important element of our individual freedom -- all depend on a network of safe, efficient highways connecting the country from coast-to-coast and border-to-border. Without such a highway network, many U.S. businesses would be unable to compete in national and international marketplaces, military readiness would be put at grave risk because of the inability to mobilize quickly, and the ability of individual Americans to travel where they want, when they want, would be severely hampered.

Stated another way, a strong federal role in the development and maintenance of highways is essential to support economic growth, protect our freedom, and sustain our quality of life. Few other federal programs are justified by such a sweeping national impact.

Yet, it seems equally clear that the national economic and defense interests that justify a federal program focused on interstate travel do not necessarily justify a federal program that supports projects of purely local interest. For instance, it is difficult to identify the national economic or defense interest served by construction of a scenic pedestrian pathway in a small community with little, if any, highway congestion and few, if any, pedestrian commuters. But today, Surface Transportation Program funds -- federal taxes paid by highway users -- can be used for just that purpose. In fact, I have a theory that one of the reasons some donor states are trying to diminish the federal role in highways is that the federal program has lost sight of true national priorities.

For that reason, it is important that Congress identify the national interests in surface transportation and target federal funds to meet those interests.

The Highway Users Program Recommendations

The Highway Users began developing its own recommendations for reauthorization last year. Bearing in mind two overriding national goals of improved interstate mobility and safer travel, we recommend a simplified highway program, targeting federal funds toward five program accounts. They are:

- **The National Highway System (NHS)** -- the NHS constitutes only 4 percent of the nation's road mileage, but it carries 40 percent of all traffic and 75 percent of commercial truck travel. The Federal Highway Administration estimates that the nation would need to invest over $18 billion annually just to maintain current conditions on NHS highways and $24 billion annually to improve them. Yet, the current federal highway program provides only $6.5 billion per year for NHS improvements.

- **Bridges** -- both on and off the NHS, bridges are high-cost, critical links in our nationwide highway network. FHWA says the nation would need to spend $5.1 billion annually to maintain current bridge conditions; $8.9 billion to improve them. The current federal highway program provides only $2.8 billion per year for bridge work.

- **Safety** -- over 40,000 Americans are killed each year in highway accidents, and the total has increased during each of the last three years. The federal government currently invests approximately $700 million annually in highway safety programs. As Americans continue to travel more miles than ever by highway, we must focus more attention and resources on safety improvements. It's a nationwide challenge requiring a greater financial commitment of the federal government.

- **Research and Development (R&D)** -- the federal government currently invests approximately $400 million annually in R&D activities to develop new technologies, construction materials, and construction techniques that will ease congestion, make travel safer, and prolong the useable life of roads and bridges. By providing up-front financing, coordinating research activities at sites around the country, and transferring information and technologies among interested parties in the public and private sectors, FHWA programs reduce the cost and enhance the benefits of the nation's highway-related R&D activities.

- **Roads on Federal Lands** -- the federal highway program provides approximately $500 million per year for improvements to roads on federal lands, such as national parks. This program is essential to provide public access to such areas, and it should be continued.

By targeting at least 85 percent of federal highway funds in the above five program accounts, we believe Congress would significantly improve both safety and interstate mobility.

Interstate Study Highlights Benefits Of Targeted Funding

Mr. Chairman, the importance of tatgeting highway user fees toward national transportation priorities is nowhere better illustrated than in a review of the benefits attributable to the construction and use of our Interstate Highway System. As you and the other members of this subcommittee are aware, June 29 marked the 40th anniversary of the Interstate System. Forty years ago that day, President Eisenhower signed legislation that changed a nation forever.

The advent of the Interstate System enriched the quality of life for virtually every American by making travel and the movement of freight easier, safer, and less expensive. Thus, it brought new job, housing, and educational opportunities to many, particularly lower income and rural Americans. It made American products more competitive in domestic and international markets by reducing transportation costs. It improved our national security by making possible the quick, efficient mobilization of military personnel and equipment. And perhaps most important, it reduced highway accidents, saving thousands of lives and preventing millions of injuries.

Last week at a press conference with Chairman Shuster and Congressman Oberstar, I released a study of the benefits of the Interstate System, entitled "The Best Investment A Nation Ever Made." A copy of the study, including state-by-state charts on the safety and economic benefits of the Interstate System, was delivered to each of your offices last week, and I would be happy to make additional copies available to subcommittee members.

By analyzing accident, fatality, and injury rates on non-Interstate quality highways and adjusting them to reflect the greater traffic volumes found on Interstate roads, authors Wendell Cox and Jean Love were able to estimate the safety benefits of the Interstate System. They found that over 40 years, use of the Interstate System has saved at least 187,000 lives and prevented nearly 12 million injuries. In addition, the authors estimate that the Interstate System has returned more than $6 in economic productivity for every $1 spent on its construction.

A higher quality of life for virtually every American, a stronger economy with more job opportunities, greater national security, and improved safety for the traveling public -- those are the benefits directly attributable to a highway program in which, for forty years, taxes collected from highway users were targeted toward projects that met clear national priorities. That is why we believe most highway funds should be targeted in just five program areas -- the NHS, bridges, safety, R&D, and roads on federal lands -- in the reauthorization legislation.

We recognize that some amount of federal highway funds must be made available to help state and local officials meet important transportation priorities that don't fit neatly into one of the five "national" categories listed above. For that reason, we recommend continuation of the STP program, funded at not more than 15 percent of the total highway program and streamlined to eliminate the current set-asides for safety (funded separately, under our proposal) and "transportation enhancement activities."

STP in ISTEA

Our recommendations for the reauthorized STP program are based on two principal concerns about the program as currently structured. First, it is difficult to identify a clear national interest in many of the projects currently eligible for STP funds. Second, the set-aside for transportation enhancement activities (TEA) forces state and local officials to expend federal highway funds on projects that often have little bearing on the safe and efficient movement of goods and people. I will review each of these concerns in greater detail.

STP Projects and the Federal Interest

Under the provisions of ISTEA, state and local officials may use STP funds on any of the following projects and programs:

- Wetlands protection or reconstruction
- Development and implementation of management systems for pavements, bridges, safety, congestion, public transportation, and intermodal facilities
- Transportation control measures listed in the Clean Air Act
- Transportation enhancement activities
- Planning
- Capital and operating costs for traffic control facilities
- Transportation research and development
- Safety
- Carpool and bicycle projects, corridor parking facilities, and pedestrian walkways
- Public transit capital assistance
- Road and bridge improvements

And if one is not immediately struck by the variety of projects eligible to be funded under the STP program, a more detailed review of the term "transportation enhancement activities" (TEA) should clarify the point. As defined in ISTEA, state and local officials may use TEA funds to pay for:

- Facilities for pedestrians and bicycles
- Scenic easements and scenic or historic sites
- Scenic or historic highway programs
- Landscaping and other scenic beautification
- Historic preservation, rehabilitation and operation of historic transportation buildings, structures, or facilities (including historic railroad stations and canals)
- Preservation of abandoned railway corridors and the conversion of such corridors into pedestrian or bicycle trails
- Control and removal of billboards
- Archaeological planning and research
- Mitigation of water pollution due to highway runoff

That is a considerable list of projects and activities to be financed with taxes collected from highway users. While many of these projects may be important to the local economy or the aesthetic sensibilities of people in a particular community, we wonder how they compare in importance with the fatalities and debilitating injuries that might be prevented by straightening "dead man's curve" or adding a paved shoulder to the two-lane road out of town.

Further, we find it difficult to identify a clear national interest in the preservation of a historic canal, for example. One might argue that the STP program is designed to give state and local officials maximum flexibility to prioritize transportation projects or transportation-related activities in their area. Yet, it seems there should be some identifiable federal interest in projects financed with highway user fees since the "donor/donee" relationship among the states can only be justified to the extent that the entire nation benefits from those projects.

As I have indicated in previous testimony before the subcommittee, we also question whether there is a clear national interest in many of the public transit projects financed with federal highway user fees. In addition to the two-cents per gallon federal fuel tax now deposited in the mass transit account of the Highway Trust Fund, ISTEA made it possible for state officials to transfer STP and other highway funds to subsidize capital costs on transit projects.

As a result, during the first four years of ISTEA, 43 states, the District of Columbia, and the Virgin Islands have transferred nearly \$2.2 billion of federal highway funds to transit. Nearly all of the transferred funds came from the STP, the Congestion Mitigation/Air Quality, and the Interstate Substitute accounts. More than 10 percent of the \$20.5 billion spent in those three accounts during the past four years was used to subsidize public transit. By comparison, during the 18 years prior to ISTEA that Federal Aid Urban System funds were available for transfer to transit projects, only \$278 million, or 2.2 percent, was actually used on transit projects.

What kind of transit projects are being financed with STP and other highway funds? In addition to the bus and subway car purchases that one might expect, the list of 1995 projects financed with highway funds includes: renovation of a historic train, purchase of bike racks, engineering services for a railroad depot preservation project, and a "reduced fare demonstration" program (funded even though operating assistance is not permitted with dollars transferred from the highway program).

While state and local officials have been able to "flex" highway funds for a variety of transit projects, we have found only four cases where states have transferred transit funds (less than $2 million in total) for highway projects. Although ISTEA was touted as having established a level playing field between highway and transit projects, the so-called "flexible" transit funds can be transferred to a highway project only if: 1) the MPO approves; 2) the agency proposing the transfer can show that all requirements of the Americans with Disabilities Act have been met; and 3) the proposing agency can show there is a balanced local approach to highway and transit funding. Given these conditions, the flexibility provisions of the transit program may never provide any realistic option for state and local officials to "flex" transit funds.

It is worth noting, Mr. Chairman, that the funding equity accounts -- minimum allocation, donor state bonus, 90% of payments adjustment, and hold harmless -- and the Interstate Reimbursement account all have the same eligibility criteria as the STP program. In total, almost half of all federal highway funds distributed annually to the states can be used for any of the projects or activities that are eligible to receive STP funds. We believe that making half of all highway funds available for such a wide variety of activities is inconsistent with the need to focus our limited federal resources on projects that will clearly improve mobility and save American lives.

The Transportation Enhancement Activities Set-Aside

Ten percent of the STP funds apportioned each year to the states are reserved exclusively for use on transportation enhancement activities (TEA). In FY 1995, for instance, the TEA set-aside meant that over $385 million in taxes collected from highway users could be spent only on acquisition of scenic easements, preservation of historic canals, archaeological planning, and other similar projects as defined in ISTEA and listed previously in my testimony today. Over the six years of ISTEA, approximately $2.2 billion will have been reserved exclusively for TEA projects.

We recently reviewed a list of projects financed with TEA funds to date. Following are just a few of those projects that I picked out to illustrate for the subcommittee how TEA funds are being used in states around the country.

- $ 420,423 To construct a berthing facility for historic ships
- $ 546,000 To install a purification device, filter, and aeration system in a lake
- $ 650,000 To renovate a lighthouse
- $ 400,245 To enhance a jungle trail
- $ 159,500 To preserve a Shaker barn
- $ 50,000 To construct an artistic mural on a street under crossing
- $ 69,387 To rehabilitate a reservoir dam
- $ 86,500 To rehabilitate an airport passenger terminal
- $ 44,000 To restore the engine of a steam locomotive
- $ 316,000 To renovate a historic water tower
- $ 30,000 To publish a book by a state historical society
- $ 337,690 To drydock the USS Cobia
- $2,063,207 To restore a firemans' hall
- $ 320,000 To restore the interior dome of a state capitol rotunda

Again, Mr. Chairman, many of these may be worthwhile projects with a salutary impact on the local economy or the aesthetic sensibilities in a particular community. One wonders, however, how much they contribute to improved mobility or better air quality in the local area. More importantly, one wonders how these TEA projects compare with the need for safety improvements on area roads and bridges, improvements that would prevent accidents, injuries, and the loss of life.

Unfortunately, we cannot gauge the priority of TEA projects relative to traditional road improvements because funding TEA projects is a federal mandate. When it comes to funding projects of aesthetic or historic interest but with little bearing on mobility or safety, ISTEA doesn't give state and local officials a choice. Their only choice is to spend or lose the TEA funds.

While some witnesses at this and previous subcommittee hearings have attested to the popularity of "transportation enhancement" projects, I reiterate The Highway Users' concern that the federal interest in many of these projects is hard to identify. If Congress decides to reauthorize the TEA program, we strongly recommend that the funding set-aside be eliminated. If TEA projects are indeed resoundingly popular in many states and metropolitan areas, then no set-aside will be needed. If highway funds are to remain available for use on TEA projects, state and local officials ought to be able to weigh the importance of those projects against the need for increased capacity and improved safety on their roads and bridges.

CONCLUSION

Again, this subcommittee began its reauthorization hearings by asking the right first question, "What is the appropriate federal role in transportation?"

While The Highway Users urges you to reauthorize the STP program, we believe that it, like other elements of the federal highway program, should serve clearly defined federal interests and be consistent with the appropriate federal role in transportation. Specifically, we recommend that the TEA program be terminated because there is no identifiable federal interest in most of the projects it supports. The current set-asides of STP funds should be eliminated so that state and local officials have the greatest possible flexibility to select high-priority projects that meet STP eligibility criteria. And STP funding should not constitute more than 15 percent of the total highway program.

As the subcommittee considers reauthorization legislation, we urge you to keep in mind that 187,000 lives were saved and 12 million injuries avoided over the last 40 years because Congress targeted federal highway funds toward improvements to a system of roads that would carry the bulk of personal and commercial travel. You can replicate and even improve upon that success by ensuring that most highway user fees are targeted toward NHS, bridge, and safety projects and that all federal highway funds are utilized for projects that will improve mobility and make travel safer.

Thank you for this opportunity to present The Highway Users' views. I would be pleased to answer any questions you may have.

LEAGUE OF AMERICAN BICYCLISTS

TESTIMONY OF ALLEN GREENBERG

GOVERNMENT RELATIONS DIRECTOR

LEAGUE OF AMERICAN BICYCLISTS

BEFORE THE U.S. HOUSE OF REPRESENTATIVES

SURFACE TRANSPORTATION SUBCOMMITTEE

JULY 25, 1996

Founded in 1880 as the League of American Wheelmen • Bicycle Advocacy, Education, and Recreation
Government Relations Office • 1400 16th St. N.W., Suite 710, Washington, D.C. 20036
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Mr. Chairman and members of the subcommittee, my name is Allen Greenberg and I am the Government Relations Director of the League of American Bicyclists. I also represent the International Police Mountain Bike Association (IPMBA), a division of the League.

The League of American Bicyclists was founded in 1880 as the League of American Wheelmen. Today representing over 30,000 individual and family members and over 160,000 additional bicyclists through 500 affiliated bicycle clubs and advocacy organizations, the League remains true to its founding mission of bicycle advocacy and education for transportation and recreation.

It is my pleasure to testify before you today on the importance of the Intermodal Surface Transportation Efficiency Act, or ISTEA, and its Surface Transportation Program (STP) in particular, to bicycling and to transportation in general in the United States. Before ISTEA, very few federal transportation dollars were available for bicycling, relegating bicyclists to second class citizen status. Today, bicycling improvements can be funded with money from virtually all transportation programs but are guaranteed money from none.

The STP, more than any other single program, represents the essence of ISTEA. It provides regions resources and authority, through metropolitan planning organizations (MPO's), to plan for and execute their own futures. The action takes place close to home which, when combined with ISTEA's public involvement requirements, allows the public a vital role. The base program is very flexible, but a set amount of money is provided for two vital, but under-served, national priorities--transportation safety and community transportation enhancemants. Improving transportation safety, through both construction and behavioral programs, and strengthening the relationship between community values and transportation spending are essential to ISTEA and establishing programs, as ISTEA has done, specifically for these purposes helps appropriately focus planning efforts and resources. This focus should continue. We know, for example, that the Transportation Enhancements Program works because, according to a Georgia DOT representative at a recent public forum, it is responsible for 99 percent of public involvement but less than two percent of ISTEA funds. Public involvemant is the only means of guaranteeing that the public is served. A designated share for Enhancements is necessary to ensure such involvement.

In addition to the STP, these other ISTEA programs and elements have been important to bicyclists and the nation:

o Public participation is required before transportation planning and funding decisions can be made. Bicyclists have been the most active members of the public as a result of this requirement, and there have been many improvements made at the local level to show for it.

o Regional authorities, in addition to controlling STP funds, are held accountable through planning requirements and other means. This has been essential in helping to ensure the public an effective means of participation. It has been much easier for bicyclists to approach their local elected representatives and planning officials with concerns than it was to approach impenetrable state highway bureaucracies under the old system.

o Transportation spending must conform to Clean Air Act Amendment standards and goals. Undoubtedly, there is a federal interest in clean air end public health. Bicycling projects have made significant contributions to reducing air pollution.

o The Congestion Mitigation Air Quality Improvement Program (CMAQ) was established to ensure sufficient funding for clean air projects and some of this funding has gone for bike lanes and bicycle parking, which, in many cases, represent the most efficient investments for this purpose.

This nation also needs to move forward from ISTEA's 1991 transportation policy milestone and make some minor but important improvements. The League makes the following general program recommendations:

o Create federal program incentives to reward states for successful efforts in maintaining their existing infrastructure, improving safety, and reducing fuel consumption--three essential reasons for federal involvement in transportation. Require states that are substantially underperforming in these areas to target their federal dollars to them.

o Streamline project approval processes by eliminating federal sign-off requirements, but create an appeals process that is open to citizens to enable enforcement of federal requiremants. The Transportation Enhancements Program streamlining provisions in the National Highway System legislation were an important start.

o Require regions and states to establish, with citizen input, performance targets for achieving their goals for transportation as related to accessibility, safety, or whatever they may chose. Regions and states should be required to measure and report on their status in achieving these goals.

o Provide project selection authority to metropolitan planning organizations (MPO's) for all federally supported projects within their geographical boundaries, regardless of the accounts from which such projects are funded.

o Require states to allocate federally appropriated funds to ISTEA spending accounts proportionate to each account's obligation ceilings to ensure that general federal funding priorities are incorporated into state and local decisions.

For improvements to ISTEA relating to bicycling in particular, the League makes the following recommendations:

o Require bicycle accommodations to be considered whenever a road is built, re-engineered, or improved, or when changes are proposed, such as converting shoulders to travel lanes or adding dual turning lanes, that could present hazards to bicyclists. Require public involvement and an affirmative determination of the appropriate accommodation for each such project.

o Require a federal rule-making process for any new proposed bicycle roadway prohibition documenting the unique safety hazard that requires such a prohibition and specifying the alternative routes available for bicyclists. This is the identical process that ISTEA mandates for prohibiting motorcycles on high occupancy vehicle (HOV) lanes. The difference between the two is that bicycle prohibitions often preclude bicycle travel entirely, while motorcycle HOV restrictions merely require the use of general travel lanes.

o Maintain the STP safety set-aside with the following modifications: (1) MPO's with existing project selection authority for STP flexible funds should also be granted such authority (coupled with public involvement requirements) for safety funds. (2) Add to the existing Section 130 requirement that states must plan to at least sign all grade-crossings that they must also plan to make all such crossings bicycle-safe. (Non-bicycle-safe crossings present the double hazard of causing bicycle crashes and enabling an additional tragedy if an injured cyclist cannot escape an on-coming train). (3) Under the Section 152 hazard elimination program (a) make projects that increase hazards to or inhibit access for bicyclists and pedestrians ineligible for funding, (b) require public participation in identifying and establishing priorities, (c) add bicyclists to the list of roed users for which bazards should be identified, (d) include safety improvements to paved trails as specifically aligible for program funding, and (e) require, or at least make eligible, the creation of "spot-check" programs for the rapid-response elimination of low-cost hazards such as monster pot holes and roadway and trail debris.

Mr. Chairman, many have already testified before this subcommittee that the federal transportation program should "get back to the basics." But paying attention only to big highways and providing more resources to unaccountable state highway bureaucrecies are not "the basics." Ninety-three percent of congested travel in this country takes place on our urban roedways and unless we provide realistic transportation options within our urbanized areas, we will fail to meet the transportation needs of our citizens. The League seeks only to build upon the successes of ISTEA and to provide substance to the rhetoric of this Congress for decentralized decision-making, public involvement and initiative, community values, and accountability for and judicious allocation of federal resources. These are the basics on which we should be focusing and they are represented within both ISTEA and the recommendations outlined here. Thank you for this opportunity to testify. I welcome your questions.

UNITED STATES HOUSE OF REPRESENTATIVES

COMMITTEE ON TRANSPORTATION AND INFRASTRUCTURE
SUBCOMMITTEE ON SURFACE TRANSPORTATION

ISTEA REAUTHORIZATION

Testimony of Edwin L. Harper
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July 25, 1996

INTRODUCTION

Mr. Chairman and members of the Subcommittee, my name is Edwin L. Harper. I am President and Chief Executive Officer of the Association of American Railroads (AAR).[1] I appreciate your invitation to appear before this Subcommittee and present AAR's views on the reauthorization of the Intermodal Surface Transportation Assistance Act (ISTEA).

As you begin your work on ISTEA reauthorization with these hearings, I would like to discuss two particular issues of significant concern to the railroad industry. The first of these

[1] AAR is a trade association whose members account for 75% of total rail line-haul mileage, produce 93% of total rail freight revenues, and employ 91% of the freight railway workforce.

issues is one of overriding interest to all of us - transportation safety, and in this instance safety at highway-rail grade crossings. The second issue involves an essential element in any serious effort to continue to improve the movement of freight in this country and in the global marketplace - intermodalism, and specifically the important connections between different transportation modes.

HIGHWAY-RAIL GRADE CROSSINGS

There has been an extremely successful partnership among federal and state governments, the railroad industry, and other transportation safety interests for many years. This partnership has resulted in a reduction in annual public grade crossing accidents of over 60 percent since the early 1970's. This success has been accomplished primarily as a result of engineering improvements carried out under the federal Section 130 Program, and the driver education/public information and traffic law enforcement efforts of the Operation Lifesaver Program. In fact, the Federal Highway Administration estimates that the Section 130 Program and Operation Lifesaver efforts have prevented over 8,500 fatalities and 38,900 serious injuries since 1974.

Despite the impressive safety improvement, the record of 3,972 accidents and 455 fatalities at public grade crossings in 1995 is unacceptable. More must be done to eliminate these tragic accidents, and the partnership among the involved interests must be strengthened. AAR is proposing four initiatives which it believes will result in a significant improvement in highway-rail grade crossing safety:

1. <u>The federal government should continue and increase funding for the Section 130 Grade Crossing Improvement Program.</u> The historic Highway Safety Act of 1973 created and funded a national highway safety program specifically dedicated to enhanced safety at highway-rail crossings by providing for needed engineering and warning device improvements (Section 130 Program). In fiscal year 1996, approximately $150 million in highway user revenues was apportioned to the states to carry oin this important program. As mentioned earlier, as a direct result of the earmarked federal funding for highway-rail crossing improvements, the annual crossing accident rate has been reduced by over 60 percent. This substantial reduction in accidents has occurred despite significant increases in both highway and rail traffic.

Without funding dedicated or earmarked for the Section 130 Program, crossing projects rarely compete successfully with more traditional highway needs, such as highway capacity improvements and highway maintenance. In fact, this problem was the primary reason a separate crossing improvement program was established in 1973. Despite the proven success of the Section 130 Program, however, many states continue to assign an extremely low priority to crossing improvement projects. Through the end of 1995, over $240 million of Section 130 Program funds remained unspent by the states, and nearly $200 million had been transferred to other federal-aid highway program categories. In fact, I am advised that an additional $30 million has been transferred out of the Grade Crossing Program by states during the first five months of 1996.

Earmarked funding for the Section 130 Program should be continued, and the annual funding level should be increased to at least $185 million. The "Rail-Highway Crossing Study" completed by the U.S. Department of Transportation in 1989 found that:

> "For warning systems, an estimated annual investment of $185 million in improvements is necessary to maintain current overall safety performance . . . . An initiative to cost effectively reduce current accident levels would require another $30 million annually."

Additionally, in order to increase state priority for Section 130 Program projects and assure crossing improvement spending, the authority to transfer Section 130 Program funds to other federal-aid highway program categories should be restricted and obligation authority should be specifically reserved for the Section 130 Program. Section 130 funds should also be available to be used as incentive payments to local governments to close unneeded grade crossings.

2. The federal government should establish a national mandate and a uniform process for closing unnecessary public grade crossings. Highway and rail safety officials have long advocated the closure of a large proportion of the public highway-rail grade crossings in the United States. Many grade crossings are redundant, serve no significant transportation mobility or access purpose, and continue to constitute a rail and highway safety hazard.

However, closing grade crossings is often not an objective transportation safety decision because the issue causes local emotional/political confrontations. The railroads support the establishment by Congress of a federal crossing closing program implemented through a uniform nationwide process. Such a process should require state transportation agencies to identify and evaluate candidate crossings for closure, utilizing uniform criteria established by the U.S.

Secretary of Transportation, and to develop and implement a statewide crossing closing plan. Active participation in this National Grade Crossing Closure Program should be required of all states. DOT should also develop guidelines which states would be required to follow in deciding whether to permit the opening or creation of any new grade crossings.

3. <u>The federal government should finance a multi-year national grade crossing safety education and public awareness campaign to be conducted by Operation Lifesaver, Inc.</u> Since motorists frequently are unaware of the grave dangers of their behavior, government should take responsibility for a major, multi-year public awareness campaign designed to illustrate the life-or-death consequences of motorists' behavior at grade crossings. ISTEA authorized $300,000 annually for the National Operation Lifesaver Program to increase public awareness of the grade crossing safety problem. Additional funds to support Operation Lifesaver are generally included in annual Federal Railroad Administration appropriations. However, a substantially increased commitment of resources is required to ensure the broadest understanding of the inherent danger of highway-rail grade crossings and the critical responsibility of motorists and the public to exercise appropriate care.

This expanded national Operation Lifesaver campaign must garner the same universal recognition and acceptance that Mothers Against Drunk Driving (MADD), for example, enjoys for its attack on drunk driving. The need to "Look, Listen ... and Live" at grade crossings must be as familiar to the general public as "Friends Don't Let Friends Drive Drunk".

As an example of a possible component of such a national campaign, Operation Lifesaver -- joined by FRA and various state agencies -- is sponsoring a national campaign called "Highway or Dieways." AAR is giving significant support to this campaign. This is a very graphic and hard-hitting public service advertising campaign promoting highway-rail grade crossing safety. The campaign consists of television and radio spots, print advertising, and billboards. The strategy is to introduce the campaign in every state through Operation Lifesaver state coordinators. Since January of this year it has been introduced in three states, Texas, Georgia and South Carolina, and has received significant media interest.

4. The federal government should create a national grade crossing warning device problem alert system. Despite regular and thorough grade crossing warning device testing, inspection, and maintenance conducted by railroad personnel, the industry has occasionally experienced problems in receiving timely and accurate notification when warning device problems occur. To address this problem, in 1982, the Texas legislature created the Texas 1-800 Number Rail-Highway Crossing Notification Program. Texas has installed signs at public crossings encouraging the public to call the 1-800 telephone number in the event of a crossing warning device problem. The calls are received by the Texas State Police, which in turn alert the appropriate railroad personnel.

The railroad experience with the Texas 1-800 System has been generally positive. Although occasional "crank" calls are received and the public's perception of a warning device problem may be inaccurate, the system continues to provide valuable and timely information concerning warning device problems to appropriate railroad maintenance personnel.

The railroad industry supports the creation of a publicly funded, nationwide grade crossing warning device problem alert system operated by appropriate state agencies. The federal government should evaluate the feasibility of a variety of possible nationwide alert systems, and adopt and implement an effective system.

These four grade crossing safety initiatives will significantly enhance safety at highway-rail grade crossings and strengthen the essential partnership between the railroad industry and government. I urge this Committee to include these recommendations in ISTEA reauthorization legislation.

INTERMODAL CONNECTORS

I would now like to discuss briefly the second issue of concern to the railroad industry - intermodalism and intermodal connector highways.

In ISTEA, Congress declared that:

> "It is the policy of the United States to develop a National Intermodal Transportation System . . . The National Intermodal Transportation System shall consist of all forms of transportation in a unified, interconnected manner . . ."

In an effort to achieve that important objective, the Congress established the National Highway System, and determined that:

> "The purpose of the National Highway System is to provide an interconnected system of principal arterial routes which will serve major population centers, international border crossings, ports, airports, public transportation facilities, and other intermodal transportation facilities . . ."

The importance of the interconnectivity of our transportation modes and systems was subsequently underscored by the National Commission on Intermodal Transportation when it found that:

> "Barriers to safe and efficient movement of freight occur at connections between modes . . . For example, inadequate roadway access to freight terminals is a barrier to the intermodal freight system and a major contributor to urban congestion. The lack of adequate connectors between the interstate highway system and the Nation's port, rail, airport, and truck terminals results in urban congestion, air pollution, negative impacts on adjacent neighborhoods, and delivery delays for shippers."

Approximately two months ago, on May 24, 1996, Transportation Secretary Peña sent to the Congress a recommended list of highway connectors to major intermodal freight and passenger termittals. In his letter of transmittal, Secretary Peña observed:

> "The Congress, in creating the NHS, recognized that the Nation's transportation infrastructure must be viewed as a single system with each mode complementing

the others. With the NHS and its connections to major intermodal terminals as the united force, our national transportation network will sustain economic growth, increase our competitiveness in the international marketplace of the 21st century, and enhance the personal mobility of every American."

Representing our major freight railroads, I can assure you that these observations and findings concerning intermodal highway connectors are absolutely correct. These essential highways are the glue that holds much of this country's intermodal transportation system together. Without first rate connections, trains, trucks, barges, and planes are condemned to operate separately and inefficiently. Government and America's private transportation companies can provide the finest transportation systems and services in the world - and we are doing so - but wa can never realize a completely efficient intermodal transportation system without qnality connections.

During ISTEA reauthorization these important intermodal connectors are to be considered for inclusion on the National Highway System (NHS). AAR enthusiastically supports improvement of intermodal connectors and urges their addition to the NHS.

Finally, permit me to observe that ISTEA attempted to establish a new approach to transportation throughout the country, by striving to break out of traditional, but limiting, perspectives. Transportation after ISTEA would no longer suffer from historic compartmentalization. The interests and concerns of beth public and private providers of transportation facilities and services would be considered jointly and cooperatively. Passenger and freight transportation needs would both receive adequate attention and an appropriate allocation of resources. State, local, and metropolitan transportation interests would each have an appropriate and important role in planning and resource allocation. We have not yet achieved these goals of ISTEA, but that should in no way tarnish the vision or diminish our efforts.

Private railroads are working closer than ever, and more successfully, with states and MPOs to develop effective transportation plans and programs. It has been an evolutionary process, primarily because we all have had a great deal to learn about each other and about just how to integrate our respective interests and needs into a truly comprehensive transportation planning process. But we are learning, and we are improving, and transportation in this country is winning as a result.

ISTEA is working, because all of us are truly working together. We must continue the progressive agenda established by the Intermodal Surface Transportation Efficiency Act into the 21st Century.

Thank you for inviting me here today to present our views on ISTEA reauthorization. I would be pleased to answer any questions you may have.

NACo National Association of Counties

STATEMENT BY

THE HONORABLE JEAN JACOBSON

COUNTY EXECUTIVE, RACINE COUNTY, WISCONSIN

AND

VICE CHAIR, TRANSPORTATION AND TELECOMMUNICATION STEERING

COMMITTEE

THE NATIONAL ASSOCIATION OF COUNTIES

ON

THE SURFACE TRANSPORTATION PROGRAM

BEFORE

THE SUBCOMMITTEE ON SURFACE TRANSPORTATION

HOUSE COMMITTEE ON TRANSPORTATION AND INFRASTRUCTURE

JULY 25, 1996
WASHINGTON, DC

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Washington, DC 20001-2080
202/393-6226
Fax 202/393-2630

MR. CHAIRMAN AND MEMBERS OF THE SUBCOMMITTEE, I AM JEAN JACOBSON, THE COUNTY EXECUTIVE IN RACINE COUNTY, WISCONSIN. TODAY I AM REPRESENTING THE NATIONAL ASSOCIATION OF COUNTIES (NACo)* WHERE I SERVE AS VICE CHAIR OF THE TRANSPORTATION AND TELECOMMUNICATIONS STEERING COMMITTEE. ON BEHALF OF NACo, I WANT TO THANK THE SUBCOMMITTEE FOR INVITING ME TO APPEAR BEFORE YOU ON THE TOPIC OF THE SURFACE TRANSPORTATION PROGRAM.

THE SURFACE TRANSPORTATION PROGRAM (STP) IS THE KEY FEDERAL TRANSPORTATION PROGRAM FOR COUNTY GOVERNMENT, ALONG WITH THE BRIDGE AND TRANSIT PROGRAMS. THIS IS A PROGRAM THAT RETURNS FEDERAL TRANSPORTATION FUNDS TO MANY COUNTIES ACROSS AMERICA. THIS IS A PROGRAM THAT RETURNS GAS TAX FUNDS TO THE LOCAL TAXPAYER FOR USE ON COUNTY OWNED ROADS, BRIDGES AND TRANSIT SYSTEMS. IT IS A PROGRAM THAT CONTRIBUTES TO THE ECONOMIC DEVELOPMENT OF THE URBAN, SUBURBAN AND RURAL COUNTIES OF AMERICA.

COUNTIES HAVE A MAJOR STAKE IN SURFACE TRANSPORTATION IN THE UNITED STATES. COUNTIES OWN AND MAINTAIN 1.7 MILLION MILES OF HIGHWAYS OR 43 PERCENT OF THE TOTAL ROAD MILEAGE IN THE UNITED STATES. WE OWN 219,000 BRIDGES, 45 PERCENT OF THE TOTAL BRIDGES IN THE NATION. FINALLY, WE OWN 25 PERCENT OF THE TRANSIT SYSTEMS. MANY OF THESE COUNTY HIGHWAYS, BRIDGES AND TRANSIT SYSTEMS ARE ELIGIBLE FOR STP FUNDING. IN RACINE COUNTY, WHERE I HAVE BEEN AN ELECTED OFFICIAL FOR OVER 16 YEARS, TRANSPORTATION IS A BIG TICKET ITEM IN OUR COUNTY BUDGET. WITH A BUDGET OF ALMOST $9 MILLION OUR PUBLIC WORKS DEPARTMENT IS RESPONSIBLE FOR 400 LANE MILES OF COUNTY ROAD

* The National Association of Counties is the only organization representing county government in the United States. Through its membership, urban, suburban and rural counties join together to build effective, responsive county government. The goals of the organization are to: improve county government; act as a liaison between the nation's counties and other levels of government; and achieve public understanding of the role of counties in the federal system.

AND MAINTAINS OVER 500 MILES OF STATE ROADS, INCLUDING 72 LANE MILES OF INTERSTATE HIGHWAYS. YES, IN WISCONSIN, THE COUNTIES MAINTAIN INTERSTATE HIGHWAYS.

STP WAS INCLUDED IN THE INTERMODAL SURFACE TRANSPORTATION EFFICIENCY ACT (ISTEA), IN PART, TO REPLACE THE SECONDARY AND URBAN SYSTEM PROGRAMS WHICH FOR MANY YEARS HAD BEEN A MAJOR SOURCE OF FEDERAL FUNDING TO COUNTIES. IN GENERAL, STP HAS BEEN A SUCCESS AND NACo STRONGLY SUPPORTS ITS CONTINUATION AS A SEPARATE PROGRAM WHEN ISTEA IS REAUTHORIZED NEXT YEAR.

I WANT TO TAKE A FEW MOMENTS TO COMMENT ON FOUR ISSUES RELATED TO THE STP PROGRAM: PROJECT SELECTION, FLEXIBILITY, LOCATION, AND FUNDING.

THE STP PROGRAM HAS PROBABLY BEEN OF THE GREATEST BENEFIT TO URBAN AND SUBURBAN COUNTIES, PARTICULARLY THOSE COUNTIES IN METROPOLITAN AREAS IN EXCESS OF 200,000 POPULATION SUCH AS REGION IN WHICH RACINE COUNTY IS LOCATED. SINCE THOSE ARF THE AREAS IN MOST STATES WITH THE LARGEST POPULATIONS, THEY RECEIVE THE MOST STP FUNDS. EQUALLY IMPORTANT, IT IS IN THOSE METROPOLITAN AREAS THAT LOCAL ELECTED OFFICIALS HAVE THE ABILITY TO PARTICIPATE IN THE METROPOLITAN PLANNING ORGANIZATIONS AND MAKE THE KEY DECISIONS CONCERNING HOW THE STP FUNDS ARE TO BE SPENT. BECAUSE OF STP, COUNTY OFFICIALS NOW HAVE MORE OWNERSHIP IN THE FEDERAL SURFACE TRANSPORTATION PROGRAM. THERE IS ABSOLUTELY NO QUESTION THAT COUNTY AND OTHER LOCAL OFFICIALS SERVING ON MPOs ARE IN THE BEST POSITION TO MAKE THE KEY FUNDING AND PROJECT SELECTION DECISIONS CONCERNING THE ALLOCATION OF STP FUNDS. THEY UNDERSTAND THE TRANSPORTATION PROBLEMS OF THE REGIONS THEY GOVERN AND ARE IN THE BEST POSITION TO SET PRIORITIES. ALONG WITH DECISIONS SURROUNDING LAND USE, IT MAKES COMPLETE SENSE FOR LOCAL OFFICIALS TO ALSO MAKE THE DECISIONS ON TRANSPORTATION PRIORITIES.

IN SOUTHEASTERN WISCONSIN WHERE I LIVE, THOSE FEDERAL PLANNING AND COMPANION PROGRAMMING REQUIREMENTS ARE MET BY A SEVEN COUNTY ORGANIZATION KNOWN AS THE SOUTHEASTERN WISCONSIN REGIONAL PLANNING COMMISSION. I KNOW THAT I SPEAK FOR THE SEVEN COUNTIES COMPRISING THE REGION WHEN I SAY THAT THE FEDERAL COMMITMENT TO METROPOLITAN TRANSPORTATION PLANNING IS SOUND AND IN THE PUBLIC INTEREST AND SHOULD REMAIN INTACT AS THE CONGRESS CONSIDERS ISTEA AND SETS THE TONE FOR THE FUNDING AND DEVELOPMENT OF THE NATION'S MAJOR TRANSPORTATION SYSTEMS OVER THE FORESEEABLE FUTURE.

NACo BELIEVES THAT THE STP PROGRAM COULD BE ENHANCED BY BRINGING THOSE COUNTY OFFICIALS IN AREAS OF LESS THAN 200,000 MORE INTO THE PROCESS. ISTEA PROVIDES THAT IN METROPOLITAN AREAS OF LESS THAN 200,000 PROJECT SELECTION FOR STP FUNDING SHALL BE DONE BY THE STATE IN COOPERATION WITH THE LOCAL MPO. IN AREAS OF LESS THAN 50,000 THE STATE AGAIN HAS THE PREDOMINANT ROLE IN PROJECT SELECTION WHICH IS DONE IN COOPERATION WITH LOCAL OFFICIALS. WHILE SOME COUNTY OFFICIALS IN SMALLER METROPOLITAN AND RURAL AREAS HAVE BEEN INVITED TO PARTICIPATE IN THE PROJECT SELECTION PROCESS FOR STP FUNDS, OTHERS HAVE NOT. NACo BELIEVES ISTEA IN GENERAL HAS WORKED TO ENCOURAGE COUNTY PARTICIPATION BUT THERE STILL IS A WAYS TO GO. STATE DEPARTMENTS OF TRANSPORTATION VIEW HOW THEY MUST DEAL WITH LOCAL GOVERNMENTS IN DIFFERENT WAYS. THEREFORE, IN REAUTHORIZING THE STP PROGRAM, NACo URGES THIS SUBCOMMITTEE TO STRENGTHEN THE REQUIREMENTS FOR PARTICIPATION IN PROJECT SELECTION BY LOCAL OFFICIALS. THERE ARE SEVERAL DIFFERENT WAYS TO ADDRESS THIS ISSUE. ONE APPROACH WOULD BE TO REQUIRE THAT THE STATE CERTIFY TO THE U.S. SECRETARY OF TRANSPORTATION THAT LOCAL OFFICIALS HAVE INDEED BEEN AFFORDED PARTICIPATION IN PROJECT SELECTION AND INDICATE HOW THAT PARTICIPATION OCCURRED. A SECOND AND RELATED APPROACH

WOULD BE FOR EACH STATE DEPARTMENT OF TRANSPORTATION TO PUBLISH FOR COMMENT AT THE BEGINNING OF THE NEXT REAUTHORIZATION CYCLE HOW THEY PLAN TO INCLUDE LOCAL OFFICIALS AND REQUIRE THE SECRETARY OF TRANSPORTATION TO APPROVE THE PLAN. A THIRD APPROACH WOULD BE TO REQUIRE REGIONAL PLANNING BOARDS BE ESTABLISHED THAT COVER NOT JUST METROPOLITAN AREAS BUT RURAL AREAS AS WELL. THESE REGIONAL BOARDS WOULD INCLUDE BOTH STATE AND LOCAL OFFICIALS AND WOULD FUNCTION LIKE MPOs IN TERMS OF PROJECT SELECTION. I UNDERSTAND THAT BOTH COLORADO AND MINNESOTA HAVE CREATED SUCH BOARDS. NACo LOOKS FORWARD TO WORKING WITH THE SUBCOMMITTEE TO DEVELOP THE BEST APPROACH TO INCREASING THE INVOLVEMENT OF LOCAL ELECTED OFFICIALS IN THE PROJECT SELECTION PROCESS.

NACo BELIEVES THE FLEXIBILITY OF THE STP PROGRAM IS ONE OF ITS OUTSTANDING CHARACTERISTICS, PARTICULARLY AS IT IS TIED INTO LOCAL PARTICIPATION IN PROJECT SELECTION. THERE IS NO QUESTION THAT DIFFERENT REGIONS HAVE DIFFERENT TRANSPORTATION NEEDS AND REQUIREMENTS. THE STP PROGRAM ALLOWS FEDERAL FUNDS TO BE TAILORED TO THE PARTICULAR NEEDS OF A COUNTY, CITY, REGION AND STATE. WE AGREE THAT LOCAL OFFICIALS ARE IN THE BEST POSITION TO DECIDE, FOR EXAMPLE, WHETHER STP FUNDS SHOULD BE SPENT ON HIGHWAYS, BRIDGES, TRANSIT SYSTEMS, CARPOOL PROJECTS, PARKING FACILITIES, RAILWAY-HIGHWAY GRADE CROSSING OR SAFETY IMPROVEMENTS. THIS IS THE TYPE OF BLOCK GRANT APPROACH NACo SUPPORTS.

REGARDING PROJECT LOCATION, NACo SUPPORTS THE EXISTING LAW WHICH ALLOWS STP FUNDS TO BE SPENT ON BRIDGES ON PUBLIC ROADS OF ALL FUNCTIONAL CLASSIFICATIONS. NACo ALSO URGES CONTINUING ELIGIBILITY FOR STP FUNDING FOR ALL ROADS WHICH ARE FUNCTIONALLY CLASSIFIED ABOVE MINOR RURAL COLLECTOR OR WERE PREVIOUSLY ON THE FEDERAL-AID HIGHWAY SYSTEM. NACo HAS ALSO ADOPTED POLICY WHICH RECOMMENDS THAT THE ENHANCEMENT SET ASIDE BE

LOWERED FROM 10 PERCENT TO 5 PERCENT AND SUCH FUNDS SHOULD BE USED FOR PROJECTS WHICH ARE TRULY TRANSPORTATION RELATED. OUR MEMBERS ARE CONCERNED THAT GAS TAX FUNDS ARE BEING USED FOR NONTRANSPORTATION PURPOSES.

AS MEMBERS OF THIS SUBCOMMITTEE KNOW, 2000 OF THE 3000 COUNTIES IN THE UNITED STATES ARE RURAL. THESE 2000 RURAL COUNTIES ACCOUNT FOR MUCH OF THE 1.7 MILLION MILE COUNTY ROAD SYSTEM. PRIOR TO ISTEA, THE FEDERAL SECONDARY SYSTEM PROGRAM PROVIDED FUNDS FOR THE TYPES OF ROADS OWNED BY COUNTIES. AS MENTIONED EARLIER, ISTEA REPLACED THE SECONDARY PROGRAM WITH STP. IN AN EFFORT TO ENSURE FUNDING CONTINUED TO RURAL AREAS, ISTEA INCLUDES A RURAL SET ASIDE REQUIREMENT. STATES MUST OBLIGATE STP FUNDS TO AREAS OF LESS THAN 5000 POPULATION AMOUNTS WHICH ARE NOT LESS THAN 110 PERCENT OF THE AMOUNT OF FUNDS APPORTIONED TO THE STATE FOR THE FEDERAL-AID SECONDARY SYSTEM FOR FY91. WHILE THIS RURAL SET ASIDE IS VERY HELPFUL, IT DOES NOT NECESSARILY FILL IN THE GAP LEFT BY THE SECONDARY PROGRAM. WHILE THE 110 PERCENT IS TIED TO THE SECONDARY ROAD PROGRAM FUNDING, UNDER STP THIS RURAL SET ASIDE CAN BE USED FOR ALMOST ANY TYPE OF ROAD, INCLUDING AN INTERSTATE HIGHWAY WHICH HAPPENS TO PASS THROUGH A RURAL AREA. IN ORDER TO ENSURE THAT THE SET ASIDE IS SPENT ON RURAL ROADS MAINLY SERVING THE RURAL POPULATION, IT IS NACo's VIEW THAT THIS RURAL SET ASIDE SHOULD BE RESTRICTED TO RURAL MAJOR COLLECTOR ROUTES OR ROADS FORMERLY ELIGIBLE FOR THE FEDERAL-AID SECONDARY SYSTEM PROGRAM.

MY FINAL POINT HAS TO DO WITH FUNDING. IN THE NEW LEGISLATION, NACo BELIEVES THAT STP SHOULD BE PROVIDED WITH THE MAXIMUM FUNDING POSSIBLE. WE ALSO SUPPORT THE 80-20 MATCH AND CONTINUING TO PERMIT TRANSFER OF FUNDS FROM OTHER SELECTED CATEGORICAL PROGRAMS TO STP.

MR. CHAIRMAN AND MEMBERS OF THIS SUBCOMMITTEE, THIS CONCLUDES MY TESTIMONY. IF THERE ARE ANY QUESTIONS, I WOULD BE PLEASED TO ANSWER THEM AT THIS TIME OR PROVIDE WRITTEN RESPONSES AT A LATER DATE. ONCE AGAIN, THANK YOU FOR THE OPPORTUNITY TO TESTIFY ON THIS IMPORTANT SUBJECT MATTER.

Testimony
of
The Honorable Brian Rude,
Assistant Republican Floor Leader, Wisconsin State Senate
presented to the
Surface Transportation Subcommittee
of the
Transportation and Infrastructure Committee
of the
U.S. House of Representatives
July 25, 1996

Good morning. Mr. Chairman and Members of the Committee, my name is Brian Rude. Until recently, I was President of the Wisconsin State Senate, am now Assistant Republican Floor Leader, and delighted to be here to briefly speak with you about the Transportation Enhancement Provisions of the Surface Transportation Program.

As the Chairman of Wisconsin's state Transportation Enhancements Selection Committee and a recent speaker at the National Transportation Enhancements Conference sponsored by the Federal Highway Administration, AASHTO, Rails-to-Trails Conservancy, the Surface Transportation Policy Project and other national groups, I bring to the Committee an experienced and informed position on the strengths and weaknesses of the Transportation Enhancements Program.

While I could speak at length about the successes nationally of the Transportation Enhancements Program, in the interest of time, I want to share five main points with Members of the Committee.

- *First, transportation is about more than roads.* True, we all need and benefit from highway infrastructure, however bicyclists and pedestrian need safe routes and sidewalks and convenient access to transit stations. Renovated transportation facilities have the potential to become focal points for new transit riders, increased Amtrak users and related commercial development. And, local community leaders want transportation-related projects that help to offset the strains that are sometimes imposed by highway infrastructure development. Remember, the *Intermodal* Surface Transportation Efficiency Act called for public investment in a variety of transportation modes and types of transportation facilities. The Transportation Enhancements Program helps to meet these broader transportation goals by directing *less than two-percent* of ISTEA's funds to projects which help build diverse transportation infrastructure.

- *Second, the Transportation Enhancements Program helps to build community by improving the quality of life in communities lucky enough to have received enhancement funding since 1991, and stimulating local economic development --both of which are goals associated with* *any* *type of transportation project.* And, unlike many other types of transportation projects, Transportation Enhancement projects are actually very popular.

Nationally, more than 6,000 Enhancement Projects have been programmed for funding. As the attached pie chart shows, just over 50 percent of those projects are either bicycle/pedestrian or trail projects. And, states have just begun to scratch the surface. In fact, for every project programmed nationally, many more go unfunded.

A dramatic example of this was demonstrated two weeks ago in California when the California Transportation Commission considered testimony from MPO's seeking funding for their highest priority transportation enhancement projects. Though the state had only $39.8 million in Enhancement funds to program in its third round of funding, more than $50 million in proposed projects were forwarded for consideration by the CTC. And, that was after most MPO's had gone through their own project competitions. The San Diego area MPO reported that it had received 83 project proposal worth $57 million even though the CTC had asked them to recommend their top $500,000 worth of projects.

In addition to emphasizing that there are literally tens of thousands of possible enhancement projects that are still going unfunded, another important observation is that *the Enhancements Program responds to local* priorities. Because enhancement projects tend to be small projects (the average federal share is $289,000), local community leaders have been able to play an important role in helping to define and design transportation enhancement projects.

And, though the Transportation Enhancement Program has come under criticism for funding some projects which may have less than obvious transportation linkages, it is equally important to understand that 1) states were given tremendous latitude over the ways in which they could design their enhancements programs and their project selection process; and 2) it is the state DOT or Transportation Commission which makes the final decision about which projects get funded. If complaints are being lodged about particular projects, the problem, if any, rests with the state designed project selection process, *and does not reflect any structural problem with the Transportation Enhancements Provision.*

- *My third primary point is that the Transportation Enhancement Program -- perhaps more than any other new program created by ISTEA -- builds new public support for transportation funding.* Clearly, a rising tide lifts all the boats, and transportation enhancement advocates understand this concept as well as anyone. With the constant reality of on-going budget battles, it only makes sense to broaden the constituency that supports continued an/or increased funding for transportation. The Transportation Enhancement Program has attracted more new players than other program or provision of ISTEA. While enhancement opponents may in fact, see this phenomenon as a negative aspect of the program, these same groups are the first to complain that there are not enough dollars for transportation investments. As fellow politicians, I'm sure you can relate to the fact that its hard to increase or even maintain funding for projects this day and age without broad public support.

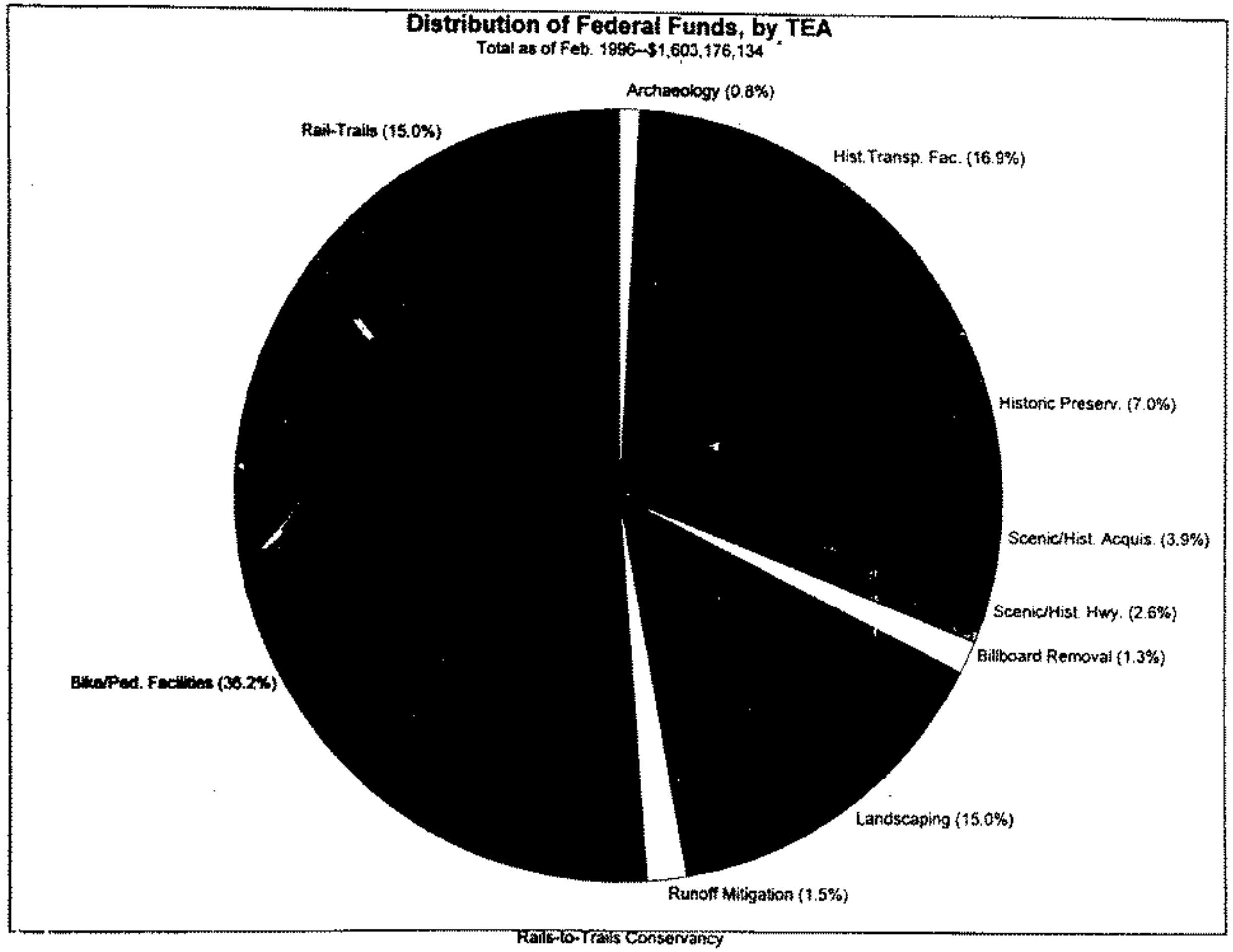
- *Fourth, federal enhancement dollars leverage more than the required twenty percent match.* Again, more than any other ISTEA program, the Transportation Enhancements Program has leveraged the highest percentage of local transportation investment. In fact, the average local match for Transportation Enhancement projects is 27 percent. That's a 7 percent overmatch nationally. Specifically, communities in the states of Maryland and Virginia have been willing to provide over 50 percent in matching funds and Washington, Mississippi, Michigan, Texas, California, South

Carolina and New York have provided over 30 percent. These outstanding figures suggest that Transportation Enhancement dollars are able to leverage a significant amount of funding from other sources. And, typically these sources come from outside the State DOT with many representing non-traditional transportation partners including local governments and private foundations. This type of local investment speaks volumes about the commitment these communities, and local elected officials, feel toward Transportation Enhancement projects, and without Enhancement funds, many of these non-traditional funding sources would not be available.

- *Fifth, and finally, I want to urge the Committee in the strongest possible terms, to reauthorize ISTEA's Transportation Enhancement Program within ISTEA II.* It is certainly my hope, and the desire of groups like Rails-to-Trails Conservancy and the Surface Transportation Policy Project that eventually we will not need a separate set-aside for the Transportation Enhancements Program. Unfortunately, I am sorry to report, I do not believe we can risk losing the benefits of Transportation Enhancement projects by decreasing or eliminating the set-aside right now. Nor am I alone in that surmise. At last month's National Transportation Enhancements Conference, participants in the closing plenary were asked, in a show of hands, how many of them felt that a continued minimum federal mandate for enhancements would be necessary in their state for the program to survive. Keep in mind that this was an audience comprised of approximately one-third local project sponsors, one-third private citizens, and one-third state and federal DOT officials. Distressingly, well over 90 percent of the 300 participants representing 42 states, raised their hands confirming that without federal protection, the Transportation Enhancements Program will become its own brief shining moment in American transportation history. I wish it were not so, but I agree.

I look forward to working with the committee to identify ways to make this already strong program even stronger.

Thank you.


Distribution of Federal Funds, by TEA
Total as of Feb. 1996--$1,603,176,134
Archaeology (0.8%)
Hist.Transp. Fac. (16.9%)
Historic Preserv. (7.0%)
Scenic/Hist. Acquis. (3.9%)
Scenic/Hist. Hwy. (2.6%)
Billboard Removal (1.3%)
Landscaping (15.0%)
Runoff Mitigation (1.5%)
Bike/Ped. Facilities (36.2%)
Rail-Trails (15.0%)
Rails-to-Trails Conservancy

STATEMENT
OF
CHARLES H. THOMPSON
SECRETARY, WISCONSIN DEPARTMENT OF TRANSPORTATION

BEFORE THE
HOUSE OF REPRESENTATIVES
SURFACE TRANSPORTATION SUBCOMMITTEE

JULY 25, 1996

THE SURFACE TRANSPORTATION PROGRAM

I am Charles H. Thompson, Secretary of the Wisconsin Department of Transportation. I would like to thank the Chairman, Wisconsin Congressman Thomas Petri, as well as other members of the Subcommittee, for the opportunity to present testimony today on issues related to the federal Surface Transportation Program (STP) as part of the reauthorization of the Intermodal Surface Transportation Efficiency Act (ISTEA).

My testimony will include a general review of the original intentions of the Surface Transportation Program as it was adopted under ISTEA in 1991; a broad look at how the program has functioned in Wisconsin; and finally, some suggestions on how to make meaningful improvements to the Surface Transportation Program in NEXTEA.

I. ISTEA: DRAMATIC CHANGES FOR SURFACE TRANSPORTATION

ISTEA involved a complete rewrite of federal surface transportation policies and programs -- the most comprehensive and dramatic overhaul of federal surface transportation programs since the initiation of the Interstate Highway System in the 1950's. ISTEA was structured to:

- completely change the rules for how federal highway and transit dollars were distributed to the states;
- create new program categories, while eliminating others that had been a part of federal law for years, with the purpose of streamlining the federal-aid system; and
- provide an unprecedented level of flexibility for states and their local governments to invest federal dollars for highways, transit and a full range of other potential transportation priorities.

The STP under ISTEA was first conceived as a large block grant program, funded at $23.9 billion over six years. The expressed intent was to fund a full range of transportation priorities, including highway, transit, car pool/vanpool, bicycle, pedestrian, environmental, safety and planning projects from a single source.

ISTEA was premised on the notion that state and local governments must work together in deciding how federal funds are distributed and invested statewide. The idea was to shift the decision-making authority to those most in tune with local transportation problems and the solutions that would best fit those needs.

The Surface Transportation Program was structured to be a flexible funding source to address a full range of transportation challenges. This was different from the federal government's long-standing practice of distributing federal aid based solely on the restrictions of several program categories.

These were high hopes for ISTEA and the Surface Transportation Program. We were excited about STP's creation because we felt it provided us the tools to do our job of meeting Wisconsin's transportation needs more effectively.

The chairmen of the congressional transportation committees envisioned a dramatic and welcome change in federal transportation policy with creation of the Surface Transportation Program.

Senator Moynihan said STP would "give states unprecedented flexibility to decide how and where funds are spent...for states to allocate as they see fit."

Similarly in the House, Representative Roe of New Jersey hailed it as "...the beginning of a new era...which provides state and local decision makers unprecedented authority to make and influence decisions on transportation spending in their areas."

II. THE WISCONSIN EXPERIENCE

Five years later, it is time to reflect on the implementation of ISTEA. There is no doubt that ISTEA was an important piece of legislation that provided many improvements to the federal transportation program -- a good start that we now have the opportunity to improve upon and refine.

We, in Wisconsin, have some specific ideas for you to consider when crafting NEXTEA. But first, let me provide you with a few examples of how the current Surface Transportation Program has functioned in Wisconsin. I hope the examples will provide some constructive ideas to help you identify weaknesses and build upon the strengths of the STP.

Categories and Mandates

ISTEA envisioned streamlined programs and more flexibility in how money is used. But we've actually seen a proliferation of narrow categories and increased difficulty in matching funding to priorities identified through ISTEA's state and local planning processes.

Prior to ISTEA there were six federal aid categories; post-ISTEA there are 14 categories due to

STP sub-allocations, special programs, and set-asides. These categories complicate programming decisions and create numerous accounting problems. Each category has distinct rules regarding eligibility, usage and time lines which makes it very difficult to allocate funding to plan-based priorities. As a result, process is driving funding decisions, rather than needs.

In addition, prohibitions against apportionment transfers within the STP program mean Wisconsin may not be able to use all of the federal-aid available to us. For example, Wisconsin has $26 million in unused apportionments for urbanized areas but insufficient projects in these categories. At the same time, we are projecting a zero balance of unused STP flexible funds (apportionment "33D") at the end of FY97 because we have more eligible projects than funds available in this category. For the first time in ISTEA history, we are concerned that state plan priorities may go unmet because of balances in inappropriate categories.

Enhancements

Mandated set-asides, like transportation enhancements, provide another example of how well-intentioned federal programs can be problematic for the states.

There are other ways in which the enhancement program could be improved upon. Currently, enhancement projects are subject to nearly the same federal and state highway rules and regulations as any other highway project. That is to say, these projects must meet the same design, environmental, right-of-way, bid letting and contract administration requirements as any other highway project we undertake. Administrative costs can easily equal project costs themselves for small enhancement projects. Project sponsors often find themselves confused and frustrated over the myriad of rules and regulations involved in these relatively small projects (the average project in Wisconsin is $120,000). Because of the relatively small size of projects, some sponsors even report that administrative costs exceed total project costs.

When WisDOT compiled all applicable federal and state regulations into one easy-to-read format, the result was a hefty 130-page manual that has received considerable public criticism since its publication. In addition to incompatible rules, many local project sponsors are not aware of the numerous federal requirements which must be met under NEPA or the Americans with Disabilities Act. Many sponsors must often alter their plans several times before they can be approved.

ISTEA Reauthorization offers an opportunity to not only eliminate or streamline the enhancement program, but also to move forward with the original intentions of a block grant approach.

III. NEXTEA: OPPORTUNITY FOR A BOLD NEW PROGRAM

When it fashioned ISTEA, Congress clearly moved in the right direction. In the next year, Congress has the opportunity to move forward and fully implement the original intentions of a block grant approach. The challenge of NEXTEA will be to make decisive choices and communicate the choices directly so that public expectations are clear.

The fundamental question to be answered when fashioning NEXTEA: What are the appropriate federal and state roles in planning and financing highway system investments other than the National Highway System?

Prior to ISTEA, there was a clearly established national interest in the Interstate, and urban/rural routes which warranted close federal oversight to ensure that funding was used to improve specific local systems. With completion of the Interstate system and enactment of ISTEA, Congress moved toward a new vision for surface transportation in America: one which narrowed the federal interest to the National Highway System and shifted most responsibility for priority setting to the state and local level. This is especially true on projects not on National Highway System routes, where the federal role is limited to providing resources (both financial and technical assistance) to help meet the needs identified by state and local planning processes.

In Wisconsin, we embraced this new vision and embarked on an intensive long-range planning process that has been nationally recognized for its public outreach and state-of-the-art modeling. We engaged thousands of Wisconsinites in developing this long-range transportation vision for the state.

Congress should reaffirm its commitment to and trust in ISTEA's planning processes when it reauthorizes the program next year. Congress should clearly communicate its faith in local priority setting and expect some differences, since each area's transportation needs will be tailored to unique state and local environments.

The current situation of mandated set-asides hinders the planning process by encouraging constituencies to have their pet projects guaranteed by Congress, rather than validated by local planning and political processes.

Congress now has the opportunity to take bold steps forward in fully implementing many of the intentions of ISTEA. I urge Congress to take the following actions during ISTEA reauthorization to redefine the federal role and restructure programs more effectively:

- focus the national interest on the National Highway System;
- continue to devolve program responsibility to the states;
- create a true block grant program; and
- ensure federal accountability through an annual certification process.

In the past, the Federal Highway Administration's (FHWA) traditional paradigm was one of control. It wanted to ensure that Congressional intent was carried out by carefully monitoring all funds, reviewing all plans and decisions, and imposing very detailed information gathering and reporting systems on top of existing state systems.

FHWA's future role should focus on *how states do business*; making sure they plan and manage programs correctly rather than focusing on how *money is spent*.

An annual certification process would shift Surface Transportation Program delivery and compliance responsibilities to state agencies. The underlying premise is that states have all the incentive needed to get the biggest bang for the buck. After all, state legislatures are just as interested in efficiency as Congress. Annual reporting mechanisms can also certify that projects:

- meet all applicable federal environmental, uniform relocation and civil rights laws; and
- will be constructed, operated and maintained in accordance with state-approved standards and procedures, including safety requirements.

WisDOT reviewed U.S. DOT's newly published ISTEA Reauthorization booklet outlining the administration's current policy statement and principles. We will be providing comments directly to U.S. DOT which encourages it to work with states on an individual basis to ensure accountability while avoiding unnecessary red tape.

IV. CONCLUSION

In conclusion, we need to focus on building upon the strengths of ISTEA. But, in doing so, we need to pay special attention to avoiding the pitfalls. Reauthorization offers a prime opportunity to refine federal, state and local roles in surface transportation programs.

Thank you for this opportunity to share my thoughts and ideas. I urge you to give them careful consideration so we can provide the most efficient transportation for the people of Wisconsin.

NARC National Association of Regional Councils

TESTIMONY OF

THE HONORABLE F.G. "BUDDY" VILLINES
COUNTY JUDGE, PULASKI COUNTY, ARKANSAS
AND
CHAIRMAN, ASSOCIATION OF METROPOLITAN PLANNING ORGANIZATIONS
BOARD OF DIRECTORS, NATIONAL ASSOCIATION OF REGIONAL COUNCILS

REGARDING THE
"THE SURFACE TRANSPORTATION PROGRAM"

BEFORE THE SUBCOMMITTEE ON SURFACE TRANSPORTATION
COMMITTEE ON TRANSPORTATION AND INFRASTRUCTURE
U.S. HOUSE OF REPRESENTATIVES

JULY 25, 1996

Web Site:
http://narc.org/narc

1700 K Street, N.W., Suite 1300 • Washington, D.C. 20006 • 202/457-0710 • FAX: 202/296-9352

Mr. Chairman and Members of the Committee, my name is Buddy Villines. I am on the Board of Directors of the National Association of Regional Councils (NARC). I am also the Chairman of the Association of Metropolitan Planning Organizations (AMPO). AMPO, a non-profit corporation affiliated with NARC, was established in 1994 to provide a technical assistance, information exchange, and policy development forum for MPOs of all sizes across the country.

On behalf of our members, I appreciate your invitation to testify before the Subcommittee on matters concerning the Surface Transportation Program. My testimony today reflects the policy positions collectively developed by more than 110 MPOs that are members of NARC/AMPO. They also reflect my personal experiences as County Judge in Pulaski County, Arkansas, the past Chairman of the Board of Metroplan, the MPO for the Little Rock metropolitan area, and as the former Mayor of Little Rock.

Metroplan recently had the privilege of hosting our state association of MPOs annual policy officials meeting at which Congressman Hutchinson was the keynote speaker. The Congressman did an excellent job in discussing the reauthorization of the Intermodal Surface Transportation Efficiency Act (ISTEA). As local elected officials, we were pleased to hear him talk of the emphasis that this Congress is placing on pushing decision-making out of Washington and as close to the people as possible. We believe that ISTEA has done that.

Over the last year, the local elected officials and professional staff of our member MPOs have been engaged in a discussion of the philosophy and framework of ISTEA. We have undertaken a searching assessment of ISTEA implementation and a self-examination of our own institutional and technical capacities as MPOs. One product from those discussions is a document titled *"ISTEA II: Building A Coalition/Concepts for Discussion."* AMPO identified what we believe to be the key issues for ISTEA reauthorization as the first step in seeking consensus on the fundamental principles regarding the federal role in transportation. It was and is our aim to further the dialogue among the key stakeholders in this debate. With your permission, I would like to include this document as part of the record.

National Interest. I want to begin by stating that we believe there has been and always will be, a national interest in surface transportation beginning with national defense and carried forward to enhance our national economy. My experience tells me that no one level of government alone can shoulder the burden of meeting our Nation's transportation needs.

We believe strongly that the national interest in transportation extends beyond the Interstate and National Highway System facilities. ISTEA's reauthorization should reaffirm and strengthen the critical national interest in effective Metropolitan Transportation Systems which support regional economies.

These regional or metropolitan centered economies are the building blocks of our national prosperity and their continued vitality is essential to the Nation's ability to compete globally. Today, over 75% of all Americans live and work in metropolitan areas. At some point in the distribution chain, nearly all goods must move to, from or through our metropolitan areas. It becomes critical, then, that the Metropolitan Transportation Systems function efficiently.

Consequently, we believe that is important that the federal transportation program address issues of metropolitan mobility and access for both passengers and freight, intermodal connections, safety, quality of life, environmental compatibility and support for continued economic and community development.

Surface Transportation Program. ISTEA's philosophy as embodied in the preamble of the Act has led to unprecedented innovation, collaboration, consensus and vision. All despite the lack of full funding. The Surface Transportation Program (STP), with its broad eligibility and flexibility provisions epitomizes ISTEA's philosophy. Through enlightened state and local partnerships, we have invested in projects that will make a real difference in the lives of our citizens, businesses, and metropolitan economies.

For example, in my area, the spirit of cooperation spawned by ISTEA helped bring about such a strong sense of common destiny and purpose to the eight cities in Pulaski County that we were able to pass a county-wide sales tax to redevelop our river front. We will use STP funds to invest in transportation improvements -- roadway, transit, pedestrian and water borne -- to serve new facilities that we hope will lead to a rebirth of our central business districts.

In the first year of ISTEA, STP's flexibility also allowed our MPO to fund new alternative fuel buses for what, at the time, was the Nation's oldest bus fleet. The new buses are important to us in our efforts to maintain our air quality attainment status.

The Surface Transportation Program has provided metropolitan areas across the country with flexibility to invest in innovative projects that will have a positive impact on the effective functioning of their current and future metropolitan transportation systems. For example, the Philadelphia MPO has set aside STP funds to invest in signage and intersection improvements to enhance freight movements at two of their port facilities. The Cincinnati MPO has invested STP funds in an abandoned rail right-of-way in an extremely congested part of the metropolitan area to ensure that commuter rail or light rail can remain a viable option as they decide the future transportation investment strategy for the heavily traveled eastern corridor of their region.

The St. Louis MPO is planning to use STP funds for a number of projects identified by their Intermodal Advisory Committee, including for example, the expansion of an existing roadway to provide better access to a major truck terminal in their region. The San Diego MPO is using a portion of its STP funds to leverage additional financing for a variety of highway and transit projects funded largely through the revenues from a one percent local sales tax. They are also using a portion of their STP funds to support their freeway service patrol program which provides roving tow trucks for improved incident response and management.

Prior to ISTEA's enactment, the Milwaukee metropolitan area received approximately $5 million per year in Federal-Aid Urban Funds. Their apportionment of STP suballocated funds is now about $20 million per year. With this four-fold increase in guaranteed funding, the Milwaukee MPO has been able to program STP funds for long-deferred improvements to state urban, county and local highway arterials. The funds have been used for highway resurfacing, reconstruction, widening, and gap completion on major arterials that are critical components of the region's Metropolitan Transportation System.

Partnerships and Suballocation. The essence of ISTEA is the partnership arrangement. An important lesson we have learned from ISTEA is that collaboration produces better results -- whether measured by cost-efficiency, by success in meeting national objectives, or by community support. However, for there to be a true partnership between the state and local government, there has to be a real local role in deciding the transportation investment plan -- that is, in the programming of funds.

ISTEA provided a first step for local governments by suballocating STP funds through MPOs. Our ability to tailor the use of funds to solve the increasingly complex problems of our metropolitan areas is critically important. Where the collaborative process has worked well, it has produced better investment decisions. However, in too many places, key funding sources are off-limits. NHS, Interstate, and Bridge funds are considered "state-only, local-hands-off" with little of the cooperative decision-making envisioned in ISTEA.

We believe ISTEA's reauthorization should reinforce the metropolitan transportation systems concept and enhance the partnership approach between states and local governments.

Therefore, we recommend the Committee consider an alternative approach to suballocation by giving the states the authority to adopt, in joint cooperation with its MPOs, a formula for the distribution of all transportation revenues to each MPO area.

As we envision it, such a process would work the same way highway planning funds are distributed within each state. Currently, Section 104(f) of Title 23 of the U.S. Code requires that each state and its MPOs jointly develop a formula for distributing planning funds that considers such factors as "population, attainment of air quality standards, metropolitan area transportation needs, and other factors necessary to provide for an appropriate distribution." The key to success, however, is the requirement that the formula be jointly developed.

In discussions about this approach, concerns have been expressed that the ability of areas to compete for large projects might be impaired, or that the process might become embroiled in intrastate political battles. We believe these concerns can be overcome with a number of "protections." For example, the states would be required to establish, in cooperation with the MPOs, substate and metropolitan suballocations prior to development of metropolitan and statewide Transportation Improvement Programs (TIPs), giving adequate consideration to population, vehicle miles traveled, air quality attainment, degree of congestion, condition of facilities, and requirements of projects of statewide significance. Simply requiring an open and objective process with documentation of factors used in the allocations should be an improvement. In addition, ISTEA requires a formal federal review and re-certification of the MPO process, including the state's responsibilities in that process, every three years. A state's good faith efforts in the suballocation process could be subject to certification review.

We believe this approach could:

- provide additional flexibility in resource allocation,
- ensure linkages to national goals and objectives,
- enhance the partnership arrangement; and,
- strengthen the investment decision process in support of transportation systems.

At the same time, we recognize that there are both perceived and real risks associated with abandoning the statutorily defined STP suballocation, and that there remain serious issues to be resolved with such a proposal. Still we believe that a rapidly changing world requires us to think "out of the box" on occasion. We offer this as a conceptual proposal and believe that it is worthy of further discussion.

Finally, Mr. Chairman, we must acknowledge that the federal transportation program, and the ISTEA framework in particular, is a bold experiment in federalism. Implementation of a fundamentally different national transportation policy direction through state and local cooperation is a radical approach, perhaps taken before its time. Nevertheless, much has been achieved in an era of rapidly changing public policy -- and with unprecedented fiscal constraints. We hope that you view criticism of ISTEA's implementation and practice in this light. The dynamic of the "working through" of competing interests and philosophies cannot fully satisfy all the participants, but will -- and has -- produced better decisions. Criticisms should be interpreted carefully to avoid tossing the "baby" of ISTEA out with the "bathwater" of conflicting agendas.

We appreciate your asking us to participate in the Subcommittee's hearings. We look forward to working with the Committee to seek ways in which to better streamline the planning process without sacrificing ISTEA's intended discipline and accountability with respect to national policy and program objectives.

Thank you for the opportunity to testify today. I respectfully request that my statement and attachments be made part of the official hearing record, and I will be happy to answer any questions you may have.

ISTEA II

BUILDING A COALITION

Concepts for Discussion

PRODUCED BY
THE ASSOCIATION OF METROPOLITAN PLANNING ORGANIZATIONS
A PROGRAM OF THE NATIONAL ASSOCIATION OF REGIONAL COUNCILS

April 5, 1996
(Revised)

This is a preliminary document that represents initial thoughts on the reauthorization of the Intermodal Surface Transportation Efficiency Act (ISTEA). The concepts presented are intended to stimulate discussion, and are necessarily general. These thoughts should be viewed as the Association of Metropolitan Planning Organizations' (AMPO) first step in seeking collaborative efforts to form a consensus on a framework and policies for ISTEA's reauthorization.

"Metropolitan or regional cooperation seems to be the wave of the future, not only because of the voluntary actions of local officials, but because the federal government and various state governments have encouraged this approach to problems requiring comprehensive areawide planning."

The Municipal Yearbook: 1995.
International City/County Management Association.

STRENGTHEN OUR ABILITY TO COMPETE

INVEST IN THE FUTURE

I

LONG-TERM, SUSTAINED INVESTMENT IN AN INTEGRATED TRANSPORTATION SYSTEM THAT RESPONDS SIMULTANEOUSLY TO NATIONAL, STATE, REGIONAL, AND LOCAL NEEDS, IS ESSENTIAL TO AMERICA'S CONTINUED ECONOMIC COMPETITIVENESS IN WORLD MARKETS

In passing the original ISTEA in 1991, the U.S. Congress recognized that the nation's ability to compete successfully in world markets depends upon moving people and freight between points of production and consumption quickly and efficiently. The capacity, safety and convenience of our roads, transit systems, airports, seaports and railways are critical to provide the jobs and the goods and services required for a healthy economy and a cohesive, opportunity-based society.

37-734 97 – 34

BUILD STRONG REGIONAL ECONOMIES

FUEL OUR ECONOMIC ENGINES

II

STRATEGIC, COORDINATED INVESTMENT IN THE TRANSPORTATION SYSTEMS SERVING AMERICA'S ECONOMIC REGIONS BUILDS A STRONG NATIONAL ECONOMY.

Economic interdependence of cities and suburbs throughout America has given birth to modern multi-jurisdictional communities that are metropolitan in scope. These urban regions are now the economic engines driving the nation's economy, and their continued vitality depends upon the efficient intermodal flow of goods and people both within and among them. While most of this movement takes places on these metropolitan transportation systems, rural and interstate flows are critical as well. The partnership in planning and decision making among federal, state, metropolitan and local transportation providers that was started by ISTEA will ensure the coordination required to integrate state, metropolitan and local transportation facilities and services into a unified and efficient system.

LET TRANSPORTATION PAY FOR ITSELF

FULLY FUND ISTEA FOR TRANSPORTATION

III
TRANSPORTATION TRUST FUND REVENUE SHOULD BE FULLY INVESTED AND ITS USE LIMITED TO TRANSPORTATION PURPOSES.

During these times of fiscal austerity, no one should expect federal user-tax revenues to be increased to fully fund the growing demands being placed on the nation's transportation system. It is reasonable to expect, however, that taxes presently levied on transportation users to maintain transportation systems are, in fact, used for that purpose. Reauthorization of ISTEA and other appropriate congressional action should ensure that:

- *Funds derived from the gasoline tax are returned to the Highway Trust Fund;*
- *The Highway Trust Fund is taken "off budget" so that the special user tax being paid by citizens is, in fact, used for the purposes for which the tax is levied;*
- *Regardless of the trust fund level, the proceeds of the Highway Trust Fund and the Mass Transit Account are fully invested in a timely manner.*

MEET THE NATION'S DIVERSE NEEDS

MAINTAIN THE FLEXIBILITY OF ISTEA

IV

FLEXIBILITY IN THE USE OF TRANSPORTATION FUNDS IS ESSENTIAL TO MEET THE DIVERSE NEEDS OF THE STATES AND METROPOLITAN AREAS.

ISTEA recognized that many modes of travel are needed to contribute to the safe and efficient movement of people and freight. It also recognized that the mix of appropriate modal investments will vary among metropolitan areas because of their different development patterns, funding histories and local goals. For example, the level of investment for public transit will vary from one metropolitan area to the next; the need to accommodate these different circumstances is critical. Flexibility should be provided to accommodate the diversity of local needs and to promote wise investment decisions. The successes achieved in the Surface Transportation (STP) and Congestion Mitigation and Air Quality Programs (CMAQ) are attributable to the flexibility in those programs.

PRESERVE AND STRENGTHEN THE PARTNERSHIP

V

A STRONG FEDERAL, STATE, METROPOLITAN AND LOCAL PARTNERSHIP IS ESSENTIAL TO THE BUILDING OF AN INTEGRATED AND BALANCED TRANSPORTATION SYSTEM.

When Congress formulated ISTEA, it established the framework to encourage state and local partnerships. The partnership was reinforced by a formula to allocate Surface Transportation Program (STP) revenues to eligible metropolitan areas. As a result, states and MPOs have engaged in extensive collaborative decision-making. Strong state/MPO partnerships have evolved that serve needs at all four levels -- national, state, metropolitan and local. These still youthful partnerships should be strengthened and new opportunities for collaboration expanded in reauthorization of ISTEA. Building on ISTEA's framework, each state should be given the authority and responsibility to adopt, in cooperation with its MPOs, a formula for the distribution of all transportation revenues to each MPO area.

TAKE ADVANTAGE OF LOCAL INSIGHT

EXTEND ISTEA TO ALL MPOs

VI

THE PLANNING AND DECISION MAKING MODEL EMBODIED IN ISTEA FOR MPO PLANNING AREAS WITH POPULATIONS OF 200,000 OR MORE HAS BEEN PROVEN EFFECTIVE AND SHOULD BE EXTENDED TO ALL MPOs, REGARDLESS OF SIZE.

Local elected officials and citizens in ALL MPOs should have the opportunity to participate in decision-making that vitally affects their communities. If the MPO does not wish to assume such responsibility, they should have the option to maintain their present status.

GIVE EVERY AMERICAN A VOICE

STRESS PARTICIPATION & INVOLVEMENT

VII

PUBLIC AND INTEREST-GROUP PARTICIPATION IN TRANSPORTATION DECISION MAKING HAS NEVER BEEN HIGHER OR MORE OPEN . . . IT SHOULD BE REINFORCED IN REAUTHORIZATION.

The original ISTEA gave unparalled opportunities to citizens, interest groups and local elected officials to participate in transportation decisions that affect their daily lives. They have voiced opinions on the selection of projects, the allocation of transportation funds among projects, air quality mitigation measures, and other issues. ISTEA made these opportunities a fact of life across America. As a result of this involvement we are experiencing the reshaping of transportation investments. ISTEA should continue to be, a model piece of legislation for ensuring broad-based citizen and local elected official involvement in federally supported transportation programs that impact our local communities.

PROMOTE SOUND INVESTMENT DECISIONS

EMULATE SOUND MANAGEMENT PRACTICES

VIII
THE DECISION MAKING PROCESS SHOULD BE STREAMLINED BY RETAINING THOSE PROVISIONS IN ISTEA THAT DELIVER WISE INVESTMENTS.

ISTEA followed sound management practices by requiring transportation plans and transportation improvement programs (TIPs) be fiscally constrained. The USDOT also promulgated regulations requiring the use of "major investment studies" (MISs) as a means of selecting the best projects to be included in transportation plans and TIPs. These initiatives ensure that efficient and effective investment decisions are made, and should be reflected in reauthorization. The USDOT should be careful, however, not to be overly prescriptive in carrying out the positive intent of such directives.

ENSURE USDOT/ISTEA COMPATIBILITY

THE USDOT: FORM FOLLOWS FUNCTION

IX

USDOT'S REORGANIZATION AND PROGRAM CHANGES SHOULD OCCUR SIMULTANEOUSLY WITH ISTEA REAUTHORIZATION.

The USDOT should be organized to deliver efficient services. Since its services are defined by the Congress, it follows that DOT's organizational structure should align with its authority and responsibilities outlined in its legislative mission. The pending USDOT reorganization proposal should be synchronized with the reauthorization of ISTEA and a revised organizational form be related to ISTEA's programs, funding, and policy directions. However, in the interim, rationalization of the department's field structure to achieve efficiencies in program management and administration is desirable, and should be pursued. Such rationalization should be consistent with ISTEA's programs, especially focusing on improved service delivery in metropolitan areas.

ENHANCE THE COORDINATION OF TRANSPORTATION AND AIR QUALITY PLANNING

X

SIMPLIFY THE CONFORMITY PROCESS

THE CONFORMITY PROCESS HAS PROVEN TO BE A COSTLY AND INEFFICIENT TOOL FOR ASSURING CONSISTENCY OF TRANSPORTATION AND AIR QUALITY GOALS, AND SHOULD BE SIMPLIFIED WHILE MAINTAINING THE COMMITMENT TO CLEAN AIR.

In non-attainment areas, vehicle emissions are part of the problem and their reduction must be part of the solution. However, the current law and regulations on conforming air quality abatement plans are too burdensome and produce unnecessary costs and delays to the transportation planning and programming process. The conformity provisions in ISTEA and the Clean Air Act should be simplified to: (1) ensure that reduction measures committed by the transportation sector are implemented in a timely manner; and (2) to require that conformity of the 20-year long range transportation plan is assessed on the basis of the existing state air quality implementation plan to either attain air quality standards or to maintain them.

FACT

In 1990, approximately 77 percent of the U.S. population lived in metropolitan areas, compared to 63 percent in 1960. *The Fublic Capital*, Spring 1990.)

FACT

In 1992, Americans spent $463.7 billion on transportation, or 11.3 percent of total personal expenditures. *(National Transportation Statistics: Annual Report: 1993*, Bureau of Transportation Statistics, USDOT)

PETER J. VISCLOSKY
1ST DISTRICT, INDIANA

COMMITTEE ON APPROPRIATIONS
CONGRESSIONAL STEEL CAUCUS
EXECUTIVE COMMITTEE CHAIRMAN
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CONGRESSIONAL COALITION
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WHIP-AT-LARGE

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Washington, DC 20515–1401

[illegible] RAYBURN BUILDING
WASHINGTON, DC 20515–1401
[illegible]

[illegible] WEST [illegible] AVENUE
GARY, IN [illegible]
TTY-TDD SERVICE AVAILABLE
[illegible]

PORTAGE CITY HALL
[illegible] CENTRAL AVENUE
PORTAGE, IN [illegible]
[illegible]

VALPARAISO CITY HALL
[illegible] LINCOLNWAY
VALPARAISO, IN [illegible]
[illegible]

Testimony of Congressman Peter J. Visclosky (D-IN)
Regarding the Surface Transportation Program

Subcommittee on Surface Transportation
2167 Rayburn House Office Building

July 25, 1996

Chairman Petri, Mr. Rahall, members of the Subcommittee, I would like to thank you for the opportunity to appear today at your hearing on the Surface Transportation Program (STP).

My remarks today will focus on the STP set-aside for highway-rail grade safety improvements. As you know, the Highway Safety Act of 1973 led to the establishment of the Rail-Highway Crossing Program, also known as the Section 130 program. The program's goal is to provide federal funds for state efforts to reduce the incidence of accidents, injuries, and fatalities at public railroad crossings. The program currently provides states with railroad crossing funds as part of a 10% set-aside of each state's STP funds. The states use these funds to build underpasses and overpasses, install passive or active warning devices, and improve pavement surfaces and markings.

Accidents at railroad crossings are the leading cause of deaths associated with the railroad industry. Almost half of all rail-related deaths in the United States are the result of collisions of trains and vehicles at public railroad crossings. Section 130 funds are clearly essential to help states curtail the incidence of accidents at public crossings. However, I believe these funds could be distributed in a more cost effective and equitable manner. I have introduced legislation, the Highway Rail Grade Crossing Safety Formula Enhancement Act, H.R. 3000, which would provide states which have the most crossings, and the most accidents at crossings, with more federal assistance for highway rail grade safety.

This lifesaving, bipartisan legislation would provide a more effective method of targeting available federal funds to enhance safety at our nation's most dangerous highway rail grade crossings. Specifically, H.R. 3000 would improve the federal funding formula to account for risk factors that identify which states have significant grade crossing safety problems. The factors considered in the bill include a state's share of the national total for public highway rail grade crossings, its number of crossings with passive warning devices, and its total number of accidents and fatalities caused by vehicle-train collisions at crossings.

Maximizing the return from federal funds requires that they be targeted to areas with the greatest risk. In a 1995 report to Congress on the status of efforts to improve railroad crossing safety, the General Accounting Office (GAO) found anomalies among the states in terms of the funds they received in proportion to three key factors: accidents, fatalities, and total crossings.

Rep. Visclosky
Page 2

Several hundred people are killed, and thousands more injured, every year in the United States as a result of vehicle-train collisions at highway-rail grade crossings. A significant number of these accidents occur in rail-intensive states, such as Indiana, Illinois, Ohio, and Texas. Almost one quarter of the nation's 168,000 public highway rail grade crossings are located in these four states. They accounted for 33.5 percent of deaths and 29 percent of injuries caused by vehicle-train collisions nationwide during 1991-1993. Overall, 23 states would receive an increase in Section 130 funds for grade crossing improvements under H.R. 3000.

We have a unique opportunity to maximize existing resources, improve safety at highway rail grade crossings, and save lives. The establishment of a new funding formula is an innovative step in that direction. By targeting funds to states on the basis of risk factors, we can put scarce resources to work and use a common sense approach by allocating federal dollars where the need is greatest. Given the limited resources available for railroad crossing safety, it is crucial that available funds be targeted to the most cost-effective approaches. I urge the Subcommittee to recommend this change to the formula for funding highway-rail grade safety improvements when considering ISTEA reauthorization next year.

I would again like to thank the Subcommittee for providing me with the opportunity to testify today.

REGIONAL TRANSPORTATION COMMISSION OF CLARK COUNTY, NEVADA

CONCERNING THE SURFACE TRANSPORTATION PROGRAM

TESTIMONY BEFORE THE US HOUSE OF REPRESENTATIVES SUBCOMMITTEE ON SURFACE TRANSPORTATION

JULY 25, 1996

KURT WEINRICH, DIRECTOR
REGIONAL TRANSPORTATION COMMISSION
OF CLARK COUNTY, NEVADA
301 EAST CLARK AVENUE SUITE #300
LAS VEGAS, NEVADA 89101
(702) 455-4878

Mr. Chairman, Congressman Rahall, Members of the Subcommittee, I am Kurt Weinrich, Director of the Regional Transportation Commission (RTC) of Clark County, Nevada. I would like to thank you for the opportunity to appear before the Subcommittee regarding the RTC's views on the Surface Transportation Program (STP) in the Intermodal Surface Transportation Efficiency Act of 1991 (ISTEA). I request that the written testimony I have submitted be entered into the Subcommittee's record.

As a preface to the RTC's views on the STP, I would like to provide you with some background information on the RTC and its operating environment. First, the RTC of Clark County, Nevada is a public agency created under the laws of the State of Nevada. The RTC serves as the Metropolitan Planning Organization for the Las Vegas metropolitan area. Second, the RTC is the county gasoline tax agency and the public transit operating authority. The RTC is not only a multi-modal planning entity, but a multi-modal service provider funding well over $100 million annually in new roadway construction and operating a mass transit system that moves over 3.0 million passengers a month and recovers over 50 percent of its operating and maintenance costs from the farebox. (See Exhibit A).

Over the last several years, the Las Vegas metropolitan area has experienced phenomenal growth. As shown in Exhibit B, between 1980 and 1995, population and employment increased by over one third. By the year 2010, the population of Las Vegas is expected to exceed 1.5 million residents and employment is expected to exceed 750,000 jobs. In 1995, Las Vegas welcomed over 29 million visitors and, with over 100,000 hotel rooms, Las Vegas is a world class destination resort and convention center. In addition, Las Vegas is rapidly diversifying its economy and becoming a regional business center for finance and a major western distribution center for trucking and air freight. With Nevada's positive business climate, strategic location, and reputation as a tourist destination, it is clear why Las Vegas is the fastest growing urban area in the United States. The historical trends demonstrate that the RTC's task of planning, funding, and operating a multi-modal transportation system is becoming increasingly more complex from year to year.

This complexity is best demonstrated by the findings from the RTC's Regional Transportation Plan and Transportation Improvement Program. Currently, 53 percent of the Las Vegas Valley's roadway system operates at or above capacity. Within the Resort Corridor, vehicle demands regularly exceed the streets' practical capacity. Citizens Area Transit (CAT), the fixed route bus system operated by the RTC, moves over 35,000 passengers per day on the route serving Las Vegas Boulevard (the Strip). Valley wide, CAT carries over 3.0 million passengers per month, and ridership is growing at a rate of 3.2 percent per month. (See Exhibit C).

By the year 2015, the Las Vegas Resort Corridor (shown in Exhibit D) will require that an additional 18 east-west and 21 north-south freeway lanes be constructed to meet projected demand. There is not enough real estate available to pave in this fashion. Even if such a monumental and unprecedented road building plan could be realized, congestion and delay experienced by the motoring public would not be expected to improve over current conditions. More importantly, such a road building program would generate emission levels that would definately put the Las Vegas urbanized area in violation of the National Ambient Air Quality Standards and the Clean Air Act Amendments of 1990. In fact, the Las Vegas Valley is already in moderate non-attainment for Carbon Monoxide and serious non-attainment for Particulate Matter less than 10 microns. If the Las Vegas Valley is going to accommodate future growth, improve mobility options for tourists and citizens, and meet the requirements of the Clean Air Act Amendments of 1990, then future transportation improvements must be multi-modal.

Given the success of the Citizens Area Transit system, we believe that Las Vegas has progressed to a point where a thorough analysis of transportation alternatives is essential. To that end, the RTC has been conducting a Major Investment Study for over a year to identify regionally significant high capacity transportation improvements for the Resort Corridor. It is clear from the work completed to date that a rail system, carefully planned to serve both the rapidly growing population as well as the tremendous growth in visitors, is warranted.

The RTC is now considering the comparative merits of constructing a fixed guideway system consisting of 14 miles of elevated guideway serving 29 stations. Preliminary analysis indicates that the preferred investment strategy will likely include a phased program consisting of both enhancements to the roadway and the fixed route bus transit systems, and the construction of a fixed guideway system. This action seems best suited to achieving the RTC's goals of alleviating long term congestion, assuring the Valley's continued economic vitality, and providing a desirable quality of life for citizens and visitors.

The RTC contemplates that a substantial portion of the construction costs for a fixed guideway system will be paid for through a fair share funding plan that will consist of local public dollars as well as cash contributions from the private resort industry. The RTC is looking at innovative financing techniques that include tax increment financing, value capture, joint development opportunities, and a transportation infrastructure investment bank. It is within this context of this rapid growth, growing reliance on multi-modal services, and a desire to creatively finance transportation investments that I wish to address my remarks on the STP.

The RTC wholly supports the Congressional policies outlined in the ISTEA and the STP. The decisionmaking authority allocated to MPOs has proven effective with respect to RTC leveraging STP funds with local funds for regionally significant projects. The RTC believes that the STP's broad statutory mandate should remain and that an increased emphasis should continue on the flexible use of funds in the reauthorization proposal. Transit agencies and state DOTs must out of necessity be encouraged to form partnerships which will enable then to effectuate major multi-modal investments. The RTC believes a public transit authority cannot and should not have the sole financial responsibility for financing major investments.

The RTC encourages the Subcommittee to consider a reauthorization proposal that leaves the option of whether to transfer funds from the STP to the FTA capital program a local and state decision as it pertains to project implementation. Specifically, we would recommend that a transit agency and a State DOT be permitted to move forward project financing without taking the steps of transferring funds to the FTA capital program and then subsequently applying for those funds through the FTA grant process. The advantages of this approach include reducing administrative burdens and the facilitation of a streamlined approach for the development of creative financing schemes through mechanisms such as infrastructure development banks, certificates of participation or state revenue bonds.

Furthermore, we recommend that the Subcommittee require that such a flexible approach only be allowed after the completion of an MIS, local adoption of a preferred investment strategy, and creation and execution of the appropriate financial arrangements between the State DOT and the public transit authority. By coupling project financing requirements to the MIS, the Congress will improve the strength of the MIS process, encourage intergovernmental cooperation, and assure that Federal requirements are included at the earliest stages of the planning process. Already, FTA and FHWA are active participants in the MIS process and therefore both agencies have ample opportunity during project development to ensure that STP funds are expended in a manner that meets local, state, and national objectives.

Currently, many state DOTs use Federal funds to back bonds sold to support roadway improvements. By encouraging direct STP financing of transit projects through a state DOT, public transit authorities may be better positioned to lower their financing costs for major investments. This would be possible because the transit agency will benefit from using the creditworthiness and bonding capacity of state government.

With regard to the STP program in Nevada, I would like to point out that Nevada operates under a special rule governing the formula for the distribution of funds. See 23 U.S.C. § 133(d)(3)(C). In most states, the majority of STP funds are allocated by statutory provisions of ISTEA to urbanized areas. In Nevada, a special provision of ISTEA reverses the distribution formula and allocates 65 percent of the STP funds available to the Nevada Department of Transportation (NDOT). As a result, urbanized areas receive only 35 percent of STP funds, even though the two urbanized areas (Las Vegas and Reno) population accounts for 90 percent of the total state population.

In dollar terms, the urbanized areas have received $53 million in STP funds under the Nevada Special Rule. Under the national formula, the urbanized areas would have received $95 million.

The NDOT has been effective in spending the statewide STP funds in the Las Vegas urbanized area. However, the projects are very large in scope and cost, and consist of freeway widenings and new interchanges on the interstate system. This emphasis on large costly projects has resulted in delays by the NDOT in implementing smaller STP urban area projects programmed by the RTC in the TIP.

In reviewing the obligation rates for the STP in Nevada, the NDOT has obligated 73 percent of the total STP funds available. The Las Vegas urbanized area has seen $17.9 million of the STP urbanized allocation obligated since 1992. This is 48 percent of the maximum amount of funds available for obligation under the STP urbanized allocation. We would like to point out that the state has allocated a portion of the 65 percent statewide STP funds to the Las Vegas urbanized area, but such allocations have varied dramatically and have been unpredictable in amount. Furthermore, those statewide STP projects in the Las Vegas urbanized area have tended to be large and costly NHS projects as compared to those projects financed by the urbanized area allocation. As a result, the RTC's ability as the MPO to undertake projects with flexible STP funding is affected by insufficient and uncertain financial resources.

We believe, as does the NDOT, that the special rule is in direct contravention to the legislative intent of the STP to direct funding to urban centers with significant transportation needs. The increased availability of STP funding could be an important part of any fair share financing package for a rail project in the Las Vegas area. Accordingly, the RTC requests that the special rule in ISTEA be repealed. The NDOT Director has stated on the public record several times that they also support this request.

The RTC also suggests that reauthorization of the STP must strengthen the intergovernmental processes between local/stste government and the U.S. DOT so as to encourage and facilitate the timely obligation of STP funds. Only through joint cooperative efforts will MPOs, transit operators and state DOTs improve their performance in obligating funds. Indeed, our earlier recommendation on streamlining project financing will surely lead to improved obligation rates, more creative project financing, lower project costs, and the early completion of multi-modal projects.

In closing, the RTC, as an MPO, a highway funding agency, and a public transit authority, strongly supports the STP. It is a program that encourages cooperation, allows for broad program flexibility and, as the RTC progresses forward with the start-up of a [illegible] project, provides support for multi-modal solutions to urban transportation problems. The RTC believes the STP can be nationally strengthened and enhanced by a streamlining of the Federal process. Further, within Nevada, repeal of the ISTEA special rule will restore the legislative intent of the STP and allow the RTC to more effectively and creatively address the significant congestion problems experienced in the Las Vegas Valley.

Thank you.

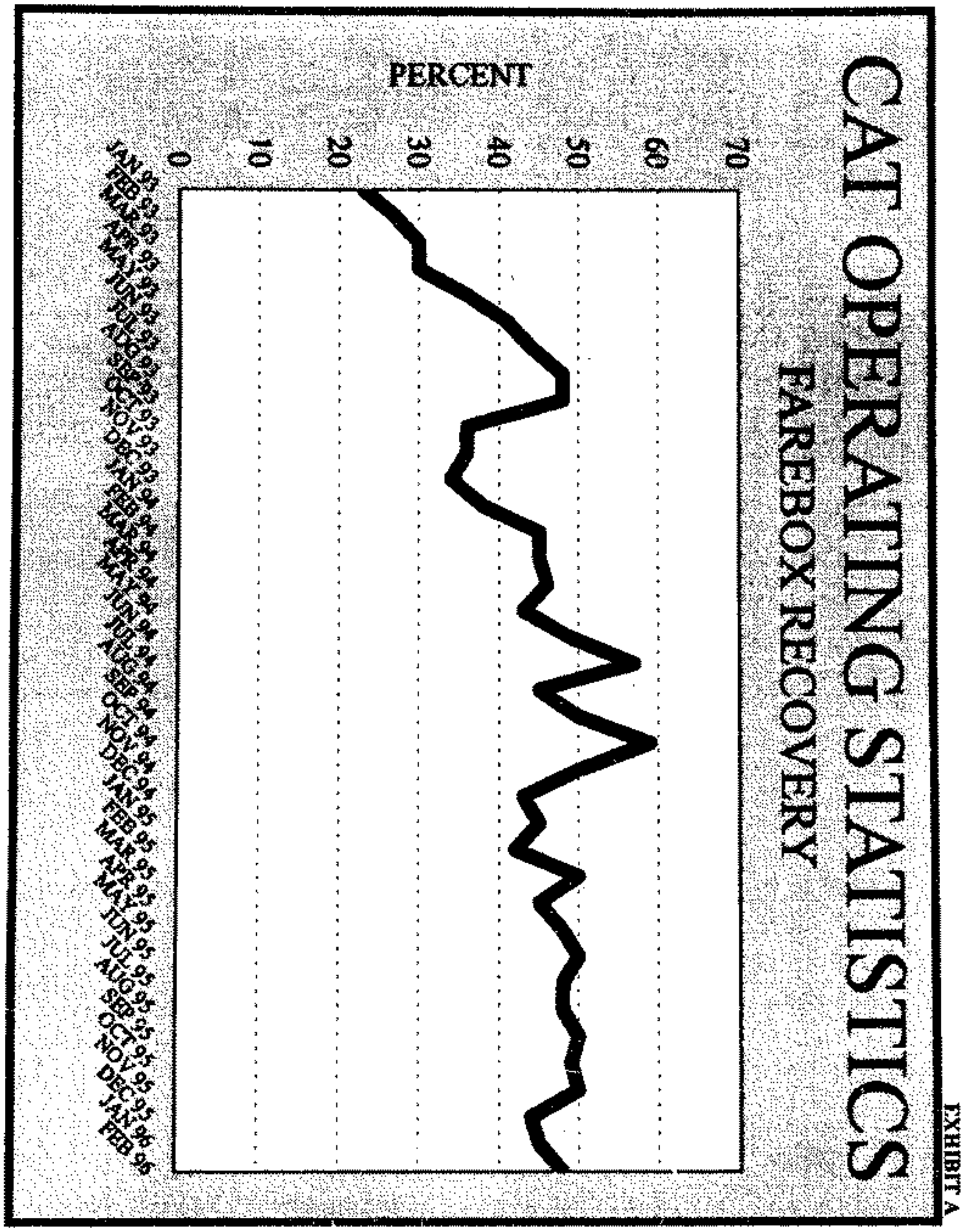
EXHIBIT A
CAT OPERATING STATISTICS
FAREBOX RECOVERY
PERCENT
70
60
50
40
30
20
10
0
JAN 93
FEB 93
MAR 93
APR 93
MAY 93
JUN 93
JUL 93
AUG 93
SEP 93
OCT 93
NOV 93
DEC 93
JAN 94
FEB 94
MAR 94
APR 94
MAY 94
JUN 94
JUL 94
AUG 94
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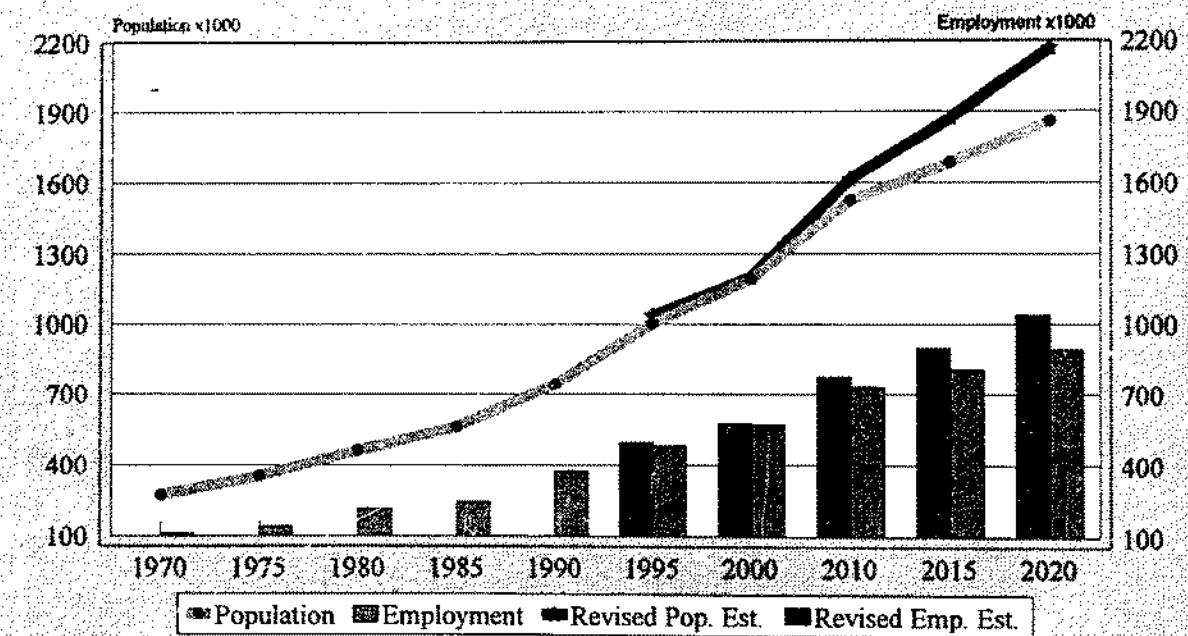
OCT 94
NOV 94
DEC 94
JAN 95
FEB 95
MAR 95
APR 95
MAY 95
JUN 95
JUL 95
AUG 95
SEP 95
OCT 95
NOV 95
DEC 95
JAN 96
FEB 96

EXHIBIT B

ESTIMATED AND PROJECTED POPULATION and EMPLOYMENT
CLARK COUNTY, NEVADA



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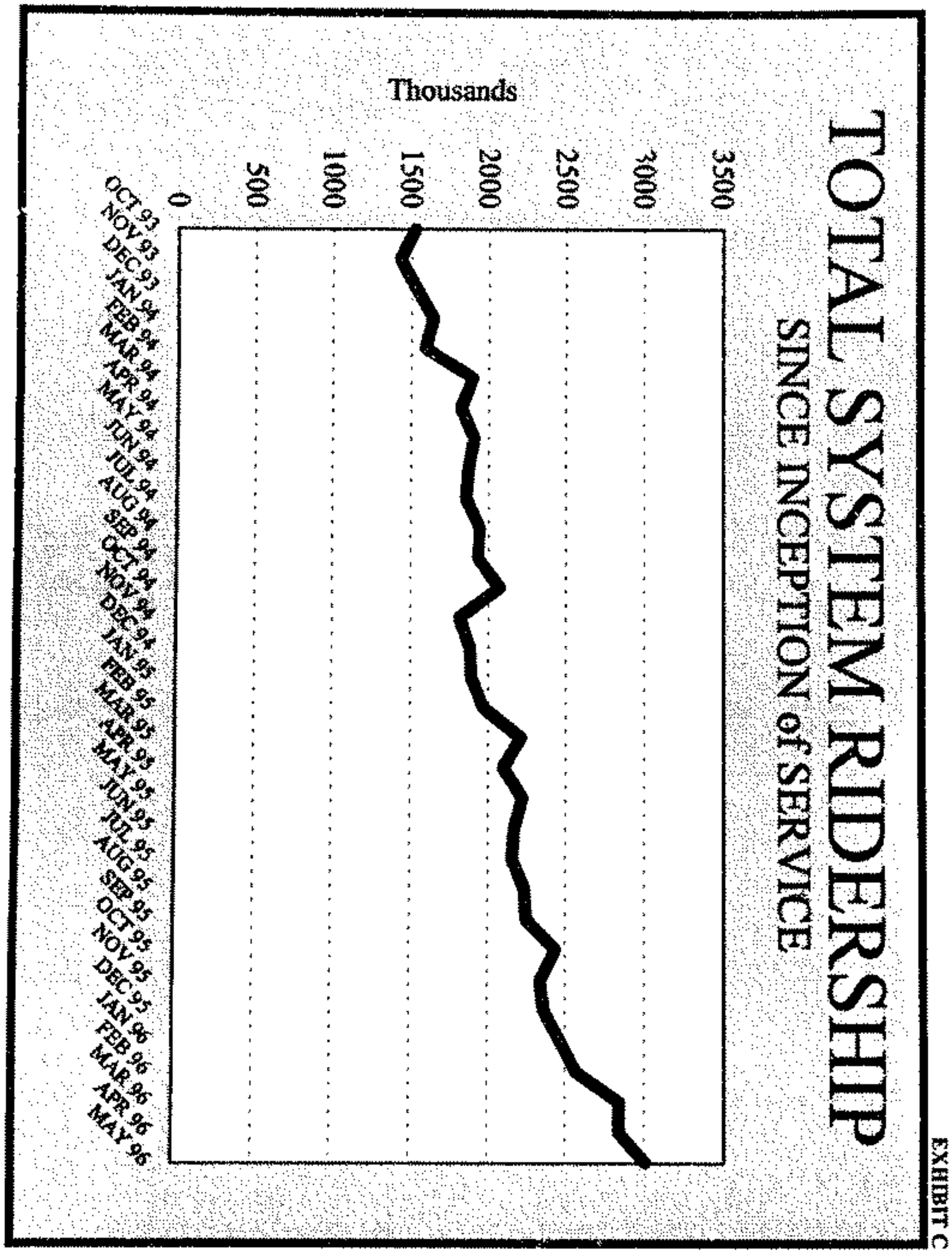
EXHIBIT C
TOTAL SYSTEM RIDERSHIP
SINCE INCEPTION of SERVICE
Thousands
0
500
1000
1500
2000
2500
3000
3500
OCT 93
NOV 93
DEC 93
JAN 94
FEB 94
MAR 94
APR 94
MAY 94
JUN 94
JUL 94
AUG 94
SEP 94
OCT 94
NOV 94
DEC 94
JAN 95
FEB 95
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MAY 95
JUN 95
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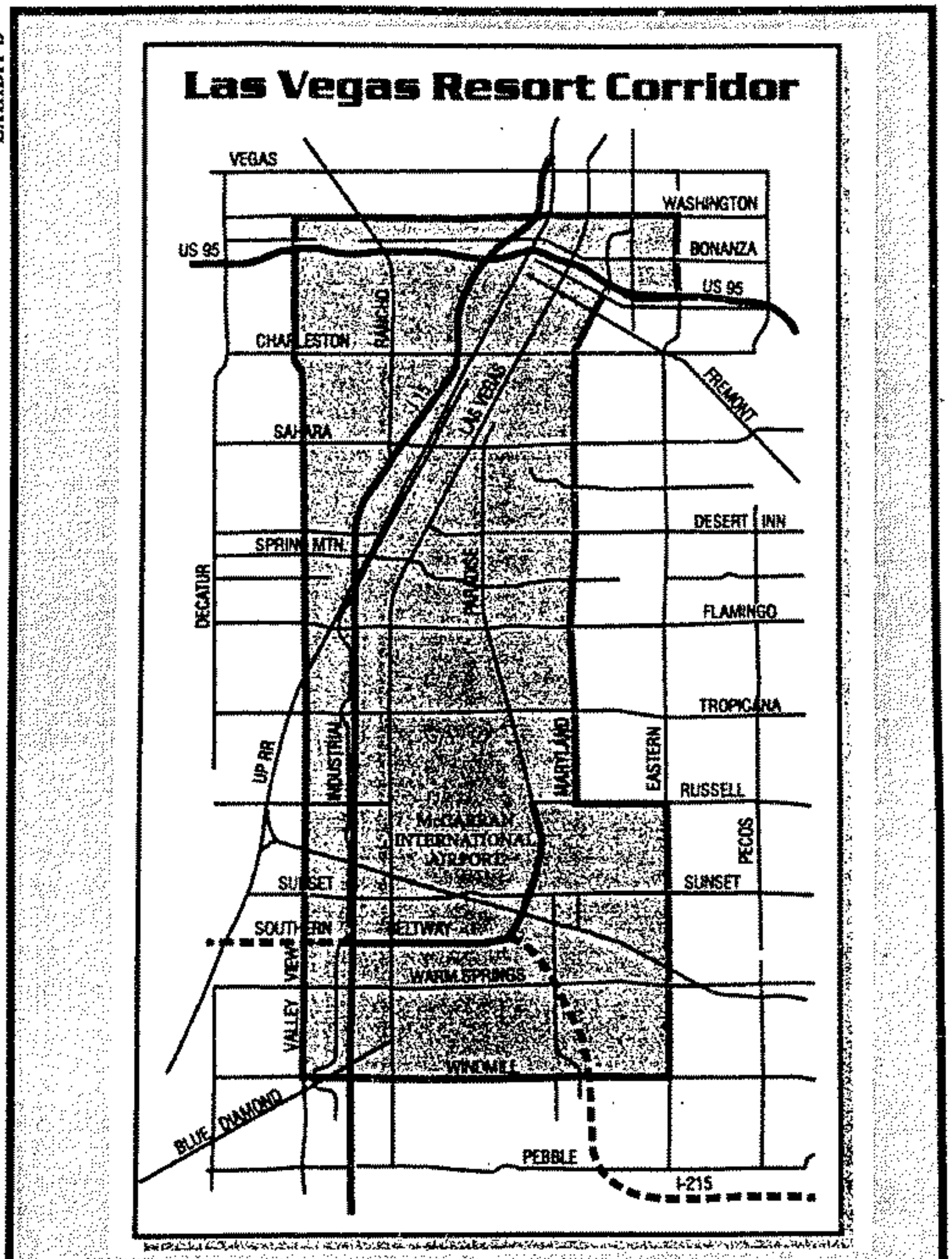
APR 96
MAY 96

EXHIBIT D


Las Vegas Resort Corridor
VEGAS
WASHINGTON
US 95
BONANZA
US 95
CHARLESTON
RANCHO
FREMONT
I-15
LAS VEGAS
SAHARA
DESERT INN
SPRING MTN.
PARADISE
DECATUR
FLAMINGO
TROPICANA
UP RR
INDUSTRIAL
MARYLAND
EASTERN
RUSSELL
McCARRAN
INTERNATIONAL
AIRPORT
PECOS
SUNSET
SUNSET
SOUTHERN
BELTWAY
WARM SPRINGS
VALLEY VIEW
WINDMILL
BLUE DIAMOND
PEBBLE
I-215

INTRODUCTION OF THE I-94 INTERNATIONAL TRADE ALLIANCE TO THE U.S. CONGRESS HOUSE OF REPRESENTATIVES SUBCOMMITTEE ON SURFACE TRANSPORTATION JULY 25, 1996

STATFMENT SUBMITTED BY
DENNIS W. ARCHER
MAYOR OF THE CITY OF DETROIT
AND
EDWARD H. MCNAMARA,
WAYNE COUNTY EXECUTIVE

Today, we are formally introducing the I-94 International Trade Alliance. This public/private partnership met for the first time on June 20 in Detroit. Over 120 people from Windsor, Ontario to Chicago, from government and the private sector convened to discuss the importance of multimodal transportation in the I-94 Corridor and how to protect and enhance the economic prosperity and quality of life of the people dependent on I-94.

When you consider the facts, it's no surprise that our futures are tied to the I-94 Corridor. It would be hard to find a job, a business or any other economic event in Michigan that isn't closely connected to the Corridor.

For example:

- Almost 10 percent of <u>all</u> U.S. exports comes from the Detroit and Chicago metropolitan areas. This depends on I-94.
- Detroit's exports of manufactured goods in 1994 ranked first among all metropolitan areas in the U.S. Chicago ranked 6th. Of that movement of goods, 79 percent went either to Canada or Mexico. This depends on I-94.
- Over 80 percent of Michigan's total manufacturing output is tied to automobiles and related industries. This depends on I-94.
- More than half the region's auto-making facilities and 72 percent of its auto-making jobs depend on I-94.
- The Detroit/Windsor border crossings handle more than one-third of all trade volume between the U.S. and Canada and the largest part of Mexican-Canadian trade. This depends on I-94.
- The Ambassador Bridge here in Detroit carries more truck traffic (nearly 2.3 million in 1995) than any other international border crossing in North America. This depends on I-94.

The businesses and the export-import industry of the U.S. greatly benefit from the Midwest's extensive toll-free expressway system which links almost half of the U.S. markets in less than a one-day drive. These facilities are tied together by I-94, one of the longest toll-free roads in the United States.

I-94 connects. It connects Windsor, Ontario with Detroit and with southeastern Michigan, Indiana, Chicago, Milwaukee, and Minneapolis, then westward to Montana. In fact, I-94 directly connects three of the top ten exporting markets in the U.S.: Detroit, Chicago, and Minneapolis.

I-94 connects with I-75 which serves major new automotive facilities and is the primary Intelligent Highway System Link to major southeastern markets.

I-94 connects with I-69 for southbound routes in Indiana and beyond. It terminates at its eastern end at the border crossing at Port Huron, where it links to Canadian Highway 402, which in turn links to Highway 401.

I-94 connects directly to Highway 401 at Windsor. Highway 401 connects the Detroit/Windsor area to Toronto, Montreal, and eastern Canadian seaports.

In addition to highway access, the I-94 Corridor includes rail services linking Midwest port facilities, foreign trade zones, distribution centers, and manufacturing facilities. The Corridor handles major cargoes, including automobiles, auto parts, steel, chemicals, food products, grain, coal, building materials, raw materials, and marine containers.

While highways and rail are at the heart of the trade debate — almost 90% of all trade among Canada, the U.S. and Mexico goes by truck and rail — other modes are important in the I-94 Corridor. The airports are major trade centers. The three Wayne County airports — all served by I-94 — accommodate 85% of Michigan's air cargo. O'Hare's airport ranked 9th worldwide among airports in cargo handled, while Detroit Metro placed 37th. And these airports' worldwide rankings are even higher in passengers served — O'Hare is 1st and Detroit Metro is 13th. Detroit Metro is pursuing a $1.6 billion improvement to reinforce its critical role in serving people and cargo.

The people aspect of transportation cannot be overlooked in the I-94 Corridor. Whether its' a high speed rail connection between Chicago and Detroit (also serving northern Indiana), or the urban transit systems that made development of our great cities possible, the re-authorization of ISTEA must accommodate public transportation.

That's a snapshot of what we have and its importance to our economic vitality — to the creation and preservation of jobs. But, how do we protect what we have? How do we protect our network of transportation facilities, the dominance of Detroit/Windsor border crossings, and the influence they have on North American trade?

Future versions of federal transportation legislation and funding must emphasize the maintenance and improvement of this existing investment. By so doing, a huge region of the United States will continue to serve as an expeditor of world trade opportunities, helping many communities — large and small — realize a maximum return in jobs on relatively minimal additional expenditures.

I-94, along with the Ambassador Bridge and the Detroit/Windsor Tunnel should be enhanced with technological improvements, which will allow the border crossings to be tied into these interstate facilities for ease of customs clearances and traffic management.

Routes that feed nearby activity centers off I-94 should also be appropriately improved. Enlargement of the Detroit/Windsor rail tunnel to international double-stack capacity is also needed in order to provide full border crossing access for all five rail lines serving the industrial facilities in the region.

All of these improvements should be part of the continuing development of federal transportation legislation and funding. They should be accomplished in recognition of their positive impact on the social and economic fabric of a multi-state region, as well as the ripple-wave effects on the people of both Canada and Mexico.

Maintenance and improvement of this existing and highly used infrastructure will allow continued development of jobs in population centers of all sizes. Maintenance and improvement of this infrastructure will also contain urban sprawl and preserve open space, agricultural lands, and wetlands, thereby protecting the environment. As a matter of fact, maintenance and improvement of these facilities is noted in an EPA-funded report on Michigan's environment. That study indicates two of the six most significant environmental risks facing

Michigan are the absence of land-use planning and the worsening of the urban environment due to suburban sprawl and infrastructure degradation. So, like me, others have found that the failure to utilize the existing transportation infrastructure — in other words the failure to focus on I-94 and the Detroit/Windsor border crossings — will increase threats to our environment.

Clearly, recognition of I-94 as a primary international trade route should magnify, rather than diffuse, the industrial base of a large region of the United States. It should enhance the job base. On the other hand, failure to emphasize the I-94 Corridor, failure to improve the U.S.-Canada rail crossing, and failure to emphasize and improve the Detroit-Windsor auto/truck crossings could have long-term negative consequences on the economy of a large part of the United States.

So, in order to meet the transportation challenges of the 21st Century, the talents and creativity of all levels of government and the private sector have been drawn together in I-94 International Trade Alliance. Its goals are: (1) to help increase the I-94 Corridor's capacity — for all modes; (2) to improve information and logistics technology in the Corridor; (3) to work as a team to allow all communities along I-94 the opportunity to sustain existing business and industry while attracting new developments related to our transportation strengths; and (4) MOST IMPORTANTLY, to join in a partnership that will allow a focused message to be articulated about the new version of ISTEA.

You will be seeing and hearing from us over the next 18 months as the Congress and President Clinton address the reauthorization of the Intermodal Surface Transportation Efficiency Act. Our message will be consistent and direct. Our needs will be well-studied, justified and defined. Together, we can ensure that recognition of I-94 as a primary international trade route will reinforce the economy of a large region of the United States.

37-734 97 - 35

August 8, 1996

Congrassman Thomas E. Patri
Chairman, Subcommittee on Surface Transportation
2262 Reyburn House Office Building
Washington, D.C. 20515-4906

Dear Mr. Chairman:

Pursuant to conversations with the professionel staff of your Subcommittea, i am anclosing five copias of my testimony ragarding the reauthorization of the Intermodel Surfece Transportation Efficiency Act. I would request thet my testimony be included in the heering record of your July 25th hearing on ISTEA or in another appropriate haaring record on this important subject matter.

The raauthorization of ISTEA can provide a visionery blueprint for a strategic end integrated trensportation system plenned for the next century. I believe that my testimony clearly defines a criticel rola for tha Netionei Aviation and Transportation Center® to assist in tha developmant of a truly intermodal transportation natwork that wiil facilitata commerca, save taxpayars dollars, and addrass tha findings and recommendations of the National Commission on Intermodal Transportation. Thank you for providing the NAT Center® with this importent opportunity end I look forwerd to working with tha Subcommittea on Surface Trensportation in the future on these critical netional issues.

Sinceraly,

Clifford R. Bragdon, Ph.D., AICP

CRB:lt

TESTIMONY OF DR. CLIFFORD BRAGDON
VICE PRESIDENT FOR ADVANCED TECHNOLOGIES AND PROGRAM DEVELOPMENT
THE NATIONAL AVIATION AND TRANSPORTATION CENTER

BEFORE

SUBCOMMITTEE ON SURFACE TRANSPORTATION
COMMITTEE ON TRANSPORTATION AND INFRASTRUCTURE
UNITED STATES HOUSE OF REPRESENTATIVES

INTERMODAL SURFACE TRANSPORTATION EFFICIENCY ACT, 1996

JULY 25, 1996

***

MR. CHAIRMAN, Members of the Subcommittee, I want to thank you for this opportunity to testify on behalf of the National Aviation and Transportation (NAT) Center with regard to the reauthorization of the Intermodal Surface Transportation Efficiency Act.

As your Subcommittee continues its deliberations on this important piece of legislation, I know that there will be literally hundreds of viewpoints expressed as to what the next five years of surface transportation policy should look like and how we should spend our increasingly scarce transportation dollars. Your challenge will be to determine how to follow up on the historic ISTEA bill that, perhaps for the first time, recognized in ststute that the Nation's reliance on highway construction alone would not meet the mobility needs of American commuters and commerce in the future. For that, you, your Subcommittee and the entire Congress deserve tremendous credit.

As you weigh the successes and lessons of ISTEA and take a look five years down the road to where transportation policy should be going, I wanted to appear before this distinguished panel to strongly support continued focus and emphasis on "intermodal transportation" programs and on the application of advanced intermodal transportation technologies to enhance overall transportation planning at lower costs to the Federal, Stste and local taxpayers of the United States. To this end, The National Aviation and Transportation Center in the Town of Brookhaven on Long Island, New York, has been working with the U.S. Department of Transportation in Washington, D.C. and in New York to adopt this approach to bringing state-of-the-art simulation and related technologies to tackling real-world transportation problems with a clear focus on developing intermodal solutions to such problems.

MR. CHAIRMAN, under Title V of ISTEA, Congress called for the establishment of a National Commission on Intermodal Transportation, including a call to "study new technologies for improving intermodal transportation and problems associated with incorporating these new technologiea in intermodal transportation, (subsection (c)(5)." The Final Report of that Commission, entitled "Toward a National Intermodal Transportation System (September, 1994) stated that 'improvements in the U.S. intermodal transportation system are critical to this Nation's economic health and well-being'. The Commission report goes on to recommend, among other things, that the Nation 'expand the intermodal focus of research, education, and technology development efforta." And finally, the Commission report strongly recommended that the Federal Government "enaure Federal policies foster development of the private sector freight intermodal system and reduce barriers to the free flow of freight, particularly at international porta and border crossings."

The proposal that I am recommending for inclusion in the ISTEA Reauthorization bill today is in concert with all of these recommendations proposed in the Final Report of the National Commission on Intermodal Transportation and builds upon initiatives by the NAT Center that are already in progress to address these important findings and national intermodal transportation policy recommendations that were generated by the initial ISTEA bill.

Specifically, MR. CHAIRMAN, on behalf of the NAT Center, I am recommending the authorization of a total of $12,500,000 over the next five years to allow The National Aviation and Transportation (NAT) Center to establish an "Institute for Intermodal Transportation Simulation." This institute would combine the expertise of The NAT Center and its existing Intermodal Transportation Simulation System (ITSS), to provide innovative, quick, accurate, and cost-effective solutions to the increasing demands of cities, States, and policy makers for intermodal solutions to our transportation problems. The NAT Center, armed with an enhanced ITSS under the proposed Institute for Intermodal Transportation Simulation, will have the expanded capability to assist States, municipalities and the private sector to evaluate transportation "connectivity" issues by investigation solutions to improve mobility, economic and environmental impacts, safety, security, and produce cost-effective outcomes available to other States having similar concerns and analogous "connectivity" problems. Our objective will be to build this innovative institute into an internationally-recognized resource for planning and designing of intelligent, intermodal systems and transportation-related infrastructure projects, thereby dramatically reducing both time and costs attributable to such projects.

MR. CHAIRMAN, the proposed Institute for Intermodal Transportation Simulation will focus on the core issue of intermodalism-- that is, the matter of "modal crossing issues." The NAT Center's unique ITSS capability for modal crossing enables simulations of vehicles or operation centers, including the efficient use of our infrastructure and energy resources; improvement of emergency preparedness, reduction of health, safety, security, and environmental hazards; and overall growth in the economy. Again, this primary focus of our proposal is consistent with the most important findings and recommendations of the National Commission on Intermodal Transportation, as outlined on pages 27 thorough 28 of the Final Report, with regard to the importance of intermodal transportation improvements at international porta and border crossings. This focus is also in harmony with recommendations set forth by the Secretary of Tranaportation, Federico Pena, in his letter to Congress on May 24, 1996, with regard to the need 'to provide connections to major ports, airports, international border crossings, public transportation and transit facilities, interstate bus terminals, and rail and other intermodal transportation facilities."

More specifically, the Institute would focus the funds provided in the ISTEA Reauthorization bill on the following critical areas of study:

Identify gapa in modal service. Once this is completed, develop selection criteria for intermodal facility alternatives by evaluating anticipated impacts of each alternative from the perspective of serviceability, maintenance, expected life cycle, and costs based on environmental, societal, and social benefits, prior to any federal allocation for the best practice solution.

Design effective solutions for a myriad of transportation business needs and work to expand research and development partnerships with business bringing new intermodal products to market more rapidly and providing solutions to logistical and transportation problems,
especially at ports and international border crossings along the U.S.-Mexico and U.S.-Canada borders.

Use of marketing visualization tools via the ITSS to attract private funding and private partnerships in support of national initiatives to maximize the positioning of the United States.

Provide critical support services to public and private sectors by focusing on the interrelated nature of all modes of transportation, based on land, sea, and air, particularly at ports and international border crossings along the U.S.-Mexico and U.S.-Canada borders.

Maintain and disseminate information on public and private intermodal facilities and services using state-of-the-art technologies.

Evaluate economic development opportunities through The NAT Center's capability of simulating industrial sites for expansion or development, and/or creating intermodal transportation hubs, especially at ports and international border crossings, using visualization technology coupled with geographic, social, demographic, and business data.

MR. CHAIRMAN, let me briefly describe why we feel so strongly that The National Aviation and Transportation Center in New York is uniquely qualified to take on this critically important intermodal transportation initiative.

Building upon over 26 years of transportation programming and research, and the commitment to sharing resources through carefully forged private and public partnerships, The National Aviation and Transportation (NAT) Center was developed five years prior to the enactment of the Intermodal Surface Transportation Efficiency Act (ISTEA). From inception, The NAT Center was designed to focus on the application of advanced intermodal transportation technologies and systems integration at modal crossings. Today, complemented by its diverse national partnerships and consortial resources, and in collaboration with industry, advanced technology work in support of intermodal transportation is carried out in several modes: highway, maritime, rail, and air. The NAT Center provides resources and expertise to:

design effective solutions for a myriad of transportation business needs;

expand applied research and development of partnerships with business bringing new products to market more rapidly;

provide for technical advancement by implementing specialized continuing education programs for those already in the field;

expand intermodal transportation degree programs; and

improve the transportation industry's quality management approach.

To revitalize, and redirect the transportation industry by transforming it to a knowledge-based economy that continually develops new technologies, a unique, intermodal simulation environment has been developed. Over the past two years, The NAT Center has developed a $2.87 million intermodal Transportation Simulation System (ITSS). For example, the reconfigurable ITSS makes it possible for a surface vehicle driver, a marine bridge operator, and a train engineer to approach a multimodal crossing and for each to simultaneously view it and interact from his own perspective. The ITSS can then be transformed into a virtual airport, with air traffic control, pilot, service vehicles, and ground transportation interacting. The ITSS, 3-D simulation research network, makes it possible to explore alternative intermodal transportation scenarios, improve communication and coordination at modal crossings, help identify feasible and sustainable transportation technologies, and validate plans and solutions which can advance the implementation of intelligent transportation systems and intermodalism world wide.

I am proud to inform the Committee that the NAT Center and its university partners at the University of Texas at El Paso, have formed a NAFTA Intermodal Transportation Institute which will focus on how to facilitate the flow of U.S. goods to new markets in Mexico and Canada through intermodal transportation, with special focus on how to help small businesses take advantage of new business opportunities presented by the NAFTA. Again, this initiative is a reflection of how the NAT Center and its partners have been at the forefront of intermodal transportation matters and the importance of intermodal transportation through our ports and international border crossings.

While the National Highway System has identified the connectors, much work remains to be done to improve the efficiency of commercial and traveler movements at these key points. By undertaking selected connector site studies, the ITSS can provide a comprehensive reality-based decision modeling and simulation system for strategic decision making, planning, problem solving instruction, and training. The networked ability of the ITSS has crated a "virtual industry" in which the boundaries between the modes are seamless and resources can be leveraged for maximum benefit and simulation results can be shared by geographically dispersed end users. Disseminating ITSS-generated connector studies over the internet to various States where connectors are proposed offers promise of demonstrating to the public the benefits of investing in technology designed to make better use of transportation infrastructure and technology improvements.

As multifaceted ISTEA programs are reauthorized which empower state and local officials to move further towards intelligent intermodal transportation programs, The NAT Center is poised to use the ITSS capabilities to assist municipal, regional, state and bi-state planning organizations to plan and evaluate alternatives prior to construction, thereby developing electronic virtual reality scenarios before expending capital dollars. Flexible funding programs which provide the means to deploy new technologies and build new intermodal facilities to move people and commerce without delay will need to be categorized and assigned priorities. The NAT Center can assist municipalities throughout their mandated public involvement process by jointly conducting consensus-based transportation decision making an analyzing alternatives and results in a virtual transportation environment. In an interdisciplinary setting, government assisted by The NAT Center, will facilitate joint planning and strengthening of interstate partnerships which will encourage compatibility of infrastructure and regulation, as well as interpretability of technology.

In closing, MR. CHAIRMAN, I want to reiterate my request for a five year-authorization for our proposed Institute for Intermodal Transportation Simulation and for the support of this Committee. As you begin the difficult task of crafting the ISTEA Reauthorization bill, I would hope that the Committee will give "intermodalism" even higher priority than it was given in the initial ISTEA legislation. It is absolutely essential that we no longer view our transportation policies, programs and projects in isolation. Instead, we must ensure that surface transportation projects are in sync with air and marine considerations. At the same time, we must ensure that our airports are improved, restructured, or built new, in concert with the surface transportation infrastructure that feed into the airports and which allow passengers and commercial interests to move freely and efficiently to their destinations. Passenger and freight systems must be examined collectively in order to maximize transportation mobility, which is the backbone of a vibrant and competitive economy. The Nation must make investments in railroads, highways, and ports with the best, most sophisticated planning and technology tools available, so that decisions are made accurately before a shovel is put in the ground-- not afterwards. The Institute for Intermodal Transportation Simulation can make a significant contribution to achieving these goals and the goals set forth in the Final Report of the National Commission on Intermodal Transportation. I hope that you and the Subcommittee concur.

Thank you, MR. CHAIRMAN and Members of the Subcommittee, for allowing me this opportunity to testify at this hearing.

UNITED STATES HOUSE OF REPRESENTATIVES

COMMITTEE ON TRANSPORTATION AND INFRASTRUCTURE

SUBCOMMITTEE ON SURFACE TRANSPORTATION

Statement of George L. Kline
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Hearing on the Reauthorization of the
Intermodal Surface Transportation Efficiency Act

The Surface Transportation Program

July 25, 1996

Chairman Petri, and Members of the Subcommittee, I am George Kline, President of Safetran Systems Corporation. Safetran and its predecessor companies have been involved with the railroad industry and grade crossing safety for nearly eighty years.

Mr. Chairman, I appreciate your inviting me to present to the Subcommittee my views on the very critical issue of rail-highway grade crossing safety and the reauthorization of the Intermodal Surface Transportation Efficiency Act of 1991 (ISTEA).

HISTORY

The critical need to reduce the number of deaths and injuries at rail-highway grade crossings was first addressed by this very Committee in 1973 when the Congress enacted the then proposed Highway Safety Act as part of the Federal-aid Highway Act. The Rail-Highway Grade Crossing Program was a part of the Highway Safety Act. This was the first step in a series of Congressional actions that have led to a Federal safety program which was described by Federal Rail Administrator Molitoris in recent testimony before the Railroad Subcommittee as "the most successful highway program administered by the FHWA."

Initially, the program concentrated on improving safety at the most hazardous crossings. Later your Committee broadened these efforts to include refinement of grade crossing control systems to meet the changing conditions presented by faster trains and an ever increasing number of motor vehicles, each vying for use of the same grade crossing at or about the same time. The role of the Federal Government in promoting and funding rail-highway grade crossing safety was clearly established when this Committee succeeded in leading the fight for enactment of the Federal-aid Highway Act Amendments of 1973. This program has been credited with preventing an estimated 9,000 fatalities since its inception.

The need to continue this program is crucial if we are to further the safety commitment made by your predecessors on this committee in 1973. The impact of this safety commitment can best be described if we take the three year span from 1978 through 1980, when rail-highway grade crossing accidents were reduced by 22 percent, deaths were reduced by 24 percent and injuries by 15 percent. The first ten years of this program were highlighted by even greater reductions in the number of accidents, deaths and injuries as the states concentrated their efforts on the most hazardous crossings. Once the most hazardous crossings were signalized and public safety was greatly improved, the program continued to show positive results. While the number of accidents continues to decline almost every year, there have been situations where the number of fatalities and injuries has increased over the previous year. This can be attributed to many factors, for example, motor vehicles, including minivans and larger buses, are capable of carrying more passengers. Also, in addition to increased size, there are simply many more motor vehicles and school buses on the highway. The tragic school bus accident at Fox River Grove, Illinois, illustrates the point in that this incident involved one vehicle, the school bus, but resulted in the death of seven school children.

The Rail-Highway Grade Crossing Program is codified at Title 23 of the United States Code at Section 130. The program is commonly referred to as the "Section 130 Program". Congress mandated that all hazards at rail-highway grade crossings be alleviated and not less than fifty percent of the Section 130 authorization be spent on grade crossing warning devices, such as gates, bells and cross bucks, with the lion's share of the remainder devoted to closing crossings and building grade separations, usually overpasses, for motor vehicle traffic.

EFFECTIVENESS

The 1994 Annual Report on Highway Safety Improvement Programs, published annually by the FHWA, states:

> **"The Rail-Highway Crossings Program continues to show the greatest percentage of accident rate reductions. Fatal, nonfatal-injury, and combined fatal-plus nonfatal-injury accident rates have been reduced by 89, 62, and 66 percent respectively."**

This report goes on to evaluate the crossing improvements by project cost range. The report shows that the under $20,000 project yields a benefit-cost ratio of an astounding 47:1. The $20,000 to $60,000 projects yield a benefit to cost of 9:1. Let me also point out that the 956 projects costing over $1,000,000 yielded a 1:1 benefit to cost ratio.

On March 6, 1996, Federal Rail Administrator Molitoris testified before the Subcommittee on Railroads. During her presentation she stated:

> **"Under ISTEA, states currently receive about $4.5 billion each year for the Surface Transportation Program. Each year, 10 percent of this must be set-aside for two safety programs, one of which is the Section 130 Program. In ISTEA, the Congress specified that states should continue to fund the Section 130 program from the 10 percent set-aside at least at the same level as in 1991, about $150 million per year. After both safety set-aside programs are funded at their minimum levels, states may use the remaining set-aside funds, about $143 million per year, for either program. Tbe Federal Highway Administration (FHWA), which administers this program, estimates that States have obligated over $3 billion since 1974 for nearly 30,000 projects. This has saved almost**

9,000 lives and prevented 40,000 injuries. In terms of percentage reductions, this is the most successful highway safety program administered by the FHWA."

Mr. Chairman, these numbers alone stand as a testament to the success of the Section 130 Rail-Highway Grade Crossing Program. The initiative shown by this Committee has proven to be vital to the safe and efficient movement of motor vehicles, including school buses, through the very dangerous grade crossing/roadway area. I urge this Committee to support the continuation of the current Section 130 Rail-Highway Grade Crossing Program.

FUTURE

As to the future, let me say that while there has been a dramatic reduction in the number of accidents, deaths, and injuries at rail-highway grade crossings, the job of eliminating hazards and improving safety at these public grade crossings is not complete. The combination of increasing motor vehicle registrations, rising rail traffic and increasing speed merits further consideration by this Committee as to the continuation of the Section 130 program. Speaking before the 1993 National Conference on Highway-Rail Safety, Secretary of Transportation, Federico Pena stated, "crossing safety programs are the most successful run by the Federal Highway Administration." He went on to say that, "We must continue the downward trend in highway-rail accidents despite the contrary pressures which will occur as the economy picks up and the traffic and speeds increase."

Mr. Chairman, at the end of 1993 there were 168,116 public grade crossings throughout the United States. Of this number, 59,456 crossings have active protection (signals and/or gates) leaving 108,660 crossings with passive or no protection. These 108,660 crossings are candidates for being equipped with either active warning devices, closure, or grade separation. In a typical year, railroads are installing an average of 1,400 new crossing signal systems and providing an additional 400 system upgrades. The system upgrades are at locations which had signal systems installed many years ago. Inasmuch as it has been twenty-three years since the Rail-Highway Grade Crossing Program was instituted, and conservative estimates are that warning devices will have a useful life of 20-25 years, some of the equipment installed in the early years of the program may be ready for replacement. Some crossings may be in need of upgrading, such as adding automatic gates or upgrading the train detection circuitry. The need has been established to review each location and prepare a recommendation based on the best interest of public safety.

The "Rail Highway Crossing Safety Action Plan" of 1994, as prepared by the U.S. Department of Transportation with input from the FHWA, FRA, FTA and NHTSA, clearly identifies the objective for the future as a further reduction in accidents and fatalities at highway-rail crossings of at least fifty percent before the year 2002. The "Plan" proposes a goal of reducing annual grade crossing accidents to under 2,500 and fatalities to less than 300. The continuation of the Section 130 program is the key ingredient that will impact our ability to attain this goal.

CONCLUSION

There is little doubt that unless the Section 130 Rail-Highway Grade Crossing Program is continued, most future State plans for grade crossing safety either will not be implemented or will be conducted at a greatly reduced level. History has indicated that unless funds are dedicated for crossing safety improvements, they will, in many cases, be utilized for other non-safety purposes. The facts show that this is a successful program. Where else can you get a $47 return for each dollar invested. DOT Secretary Pena has called the grade crossing program the "most successful run by the Federal Highway Administration." I urge the Committee to continue the Section 130 program.

Mr. Chairman, thank you for affording me the unique opportunity to present these views on grade crossing safety and the reauthorization of the Intermodal Surface Transportation Efficiency Act.

Basic Principles
and
Preliminary Concepts

for

Reauthorizing Federal-aid Surface Transportation Programs

Offered for Discussion by the
Transportation Departments of:

Idaho
Montana
North Dakota
South Dakota
Wyoming

August 1996

Principles for Reauthorizing the Federal-aid Surface Transportation Programs

Authorizations for Federal highway and transit programs will expire on September 30, 1997; therefore, various parties are currently considering how future legislation in this area can improve transportation in the United States as we move into the 21st century.

To assist in achieving broad consensus and facilitate a timely reauthorization of federal-aid surface transportation programs, the transportation departments of Idaho, Montana, North Dakota, South Dakota, and Wyoming strongly recommend that reauthorization legislation be based on the following five basic principles. Specifically, surface transportation reauthorization legislation should:

- Reaffirm the strong national interest in federal investment in the nation's transportation system;
- Increase total federal funding for surface transportation;
- Continue to distribute federal surface transportation funds in a way that reflects the national interest in rural and intercity, as well as urban transportation;
- Make the National Highway System (NHS) the focus of federal investment in the nation's surface transportation system; and,
- Streamline ISTEA by reducing regulations, mandates and set-asides and increasing flexibility for state and local governments to develop multimodal solutions.

The five states recognize that these principles can be achieved in a variety of ways, and desire to work closely with all interested parties in advancing these broad principles into legislation. The following pages describe more fully why these basic principles are important and also offer specific comments on how these principles relate to legislative proposals.

Reaffirm a strong national interest in federal investment in the nation's transportation system

The federal government should continue to make major investments in surface transportation for many reasons; however, the most important are:

- There is a strong national interest in good transportation for economic competitiveness and growth, national defense, and personal mobility;
- Federal involvement is essential to create a national network which binds the "United" States of America together - we are not 50 individual states;
- If federal funding is reduced through "turnback" to the already hard pressed state and local governments that currently provide the bulk of transportation funding, there is a strong likelihood that the nation will suffer even greater disinvestment in transportation at the very same time that more investment, not less, is needed.

Federal investment in transportation infrastructure is beneficial to everyone. These investments support efficient, productive interstate commerce, competitive international trade, and enhanced national defense. They also provide an interconnected, continuous network linking regional, national, and international production areas and markets. This integrated, responsive, and flexible transportation system is necessary for the nation to compete.

In the new global economy, the ratio of business inventory to final sales continues to drop as our transportation system replaces the warehouse. Such conditions, as just-in-time deliveries, make a flexible and reliable transportation system, particularly its arterial elements, imperative for the nation's success.

Unmet transportation needs exist throughout the country, in both rural and metropolitan areas. The NHS routes and other major arterials which cross rural areas provide system continuity and a way for agricultural products and other resources to reach urban centers, and for manufactured goods and services to reach rural areas. They also provide access to national parks and monuments. For goods or people to move from New York or Chicago to Seattle, they must cross the Plains and Rocky Mountains. Therefore, metropolitan area residents, as well as rural residents, benefit from good roads in rural areas, and this "bridge state" concept has long been reflected in national policy.

There are also important needs in metropolitan areas. Extreme congestion can prevent timely delivery of freight or airport connections, cause productivity losses and reduce personal mobility. Clearly there continues to be a national interest in the intermodal transportation systems of urban areas. However, these population centers also depend on links to other cities and the ability of the nation's transportation system to access raw materials, agricultural products and markets for manufactured goods.

"Turnback" proposals which would repeal federal fuel taxes threaten these vital national interests. Few, if any, state legislatures will be eager to increase state fuel taxes by10 or 15 cents, or even 5 cents per gallon to replace federal fuel taxes that would be repealed and "turned back." The vast majority of highway and transit funds are currently generated and spent by state and local governments - thus most of the transportation program is already "turned back." States can't absorb much more. So turnback is a sure prescription for disinvestment in highways. This would be the case even in most donor states. Consequently, turnback presents an unacceptable risk of a significant decrease in transportation investment in nearly all states in both highway and transit at a time when the nation needs to increase transportation investment.

In efforts to justify such extreme proposals, turnback proponents sometimes advance the view that a smaller federal program may mean that fewer projects would be subject to federal rules and regulations and that, without those rules, state and local governments could do more even with fewer federal dollars. This argument misses the point. The way to reduce the negative impact of obstructive federal rules is to attack the problem rules and get them changed or eliminated. The NHS Designation Act was a good beginning in the effort to eliminate unproductive rules, and that effort should continue in the next authorization. In this manner, unnecessary rules and regulations can be eliminated in a way that does not cause disastrous reduction in our nation's investment in transportation infrastructure; investments that we must make to keep America economically competitive and improve our quality of life.

"Turnback" proposals which abrogate Congressional responsibility for supporting interstate commerce are detrimental to national economic competitiveness and national defense because these routes are essential to the mobility and quality of life in both urban and rural areas.

Increase Federal Funding for Transportation Programs

Federal funding for surface transportation programs should not only be continued, it should be significantly increased.

The needs of the nation's highway and transit systems are far in excess of the funds being made available to address those needs. AASHTO's "Bottom-Line" Report, adopted in April 1996, shows a need for greatly increased federal investment on the nation's highway and bridge infrastructure above the current funding level of approximately $20 billion per year. These needed increases above the current level are approximately $10.7 billion per year just to maintain the existing system at its current physical and capacity condition, and an additional $18.8 billion per year to upgrade the system to an economically justifiable physical and capacity condition that would better meet the expectations of the driving public.

In transit, the current Federal funding level is approximately $2.5 billion per year. The needed increases are $2.5 billion per year to maintain the current physical and performance condition of the existing system, and an additional $5.1 to $6.6 billion per year to upgrade the system to more acceptable physical and performance levels. Of this amount, $2.1 billion per year is needed to upgrade the physical condition of the existing system, and $3.0 to $4.5 billion per year is projected for future capacity increases.

So, it is clear that increasing federal investment in surface transportation would well serve the national interest. Authorizations for highways and transit programs should be set at a level equal to:

1) All current income into the Highway and Transit accounts respectively,
2) All interest on the account balances, and
3) A gradual draw-down of the Trust Fund balances over the life of the reauthorization period (which is proposed to be 2002) to the lowest level permitted by the Byrd rule and its transit counterpart.

Recent Congressional Budget Office reports show that, assuming continuation of current highway taxes to the Highway Trust Fund, this approach can support an ongoing annual highway program of $25 - $26 billion, as well as an increased transit program.

In addition, the 4.3 cents per gallon of user taxes now going to the General Fund for deficit reduction should be redirected to the Highway Trust Fund to serve its historically recognized and widely accepted use in maintaining and upgrading the nation's transportation system. This source of revenue would support increasing the program funding level by an additional $6 billion per year.

If all of these federal investments are made, it will only maintain the current conditions of our existing highways, bridges and transit systems. These increased investments would not require new fuel taxes, and they would keep faith with the intent of the Trust Fund. State and local governments are already carrying a disproportionate share of the investment in our nation's transportation infrastructure. If the federal government abandons its responsibilities, the quality of the nation's transportation systems will decline.

Continue to distribute federal surface transportation funds in a way that reflects the national interest in rural and intercity as well as urban transportation

Everyone benefits from a well-maintained, inter-connected national transportation network; therefore, federal funding distribution must recognize the national interest in diverse states and regions.

The national interest continues to warrant significant investments in roads, particularly NHS routes, which allow freight and people to move across and throughout rural, as well as urban, areas. The entire nation benefits from good roads in and across rural areas, and that important concept must be reflected in funding allocations.

It must also be recognized that many states cannot expand their economic bases due to extensive federal or tribal land holdings or geographic constraints, and many rural states with small populations have a very limited ability to raise revenue. Many of those same states serve not just as important bridges between major population centers, but they provide natural resources, agricultural commodities and scenic beauty, which benefit all of the nation's citizens. Due to low population density and large land-area, states like ours already maintain higher per capita levels of state transportation investment than other areas; however, our rural populations on our own are unable to finance all of the needed improvements. For example, Florida can raise over $99 million for every cent in state motor fuel taxes, so it has a relatively low tax of 12 cents per gallon. In Montana, only $5.9 million can be raised for every cent of motor fuel tax, yet it has one of the highest tax rates in the nation at 27 cents per gallon. Therefore, the national interests in transportation across and in rural areas cannot be preserved with a federal program based strictly on contributions into the Trust Fund.

Federal funding distributions must continue to support both highway system connectivity and highway access. The Interstate, which is now 40 years old, was built in our states to higher standards than we need - now we are faced with the high costs to maintain or replace them. Highway system preservation and maintenance or replacement of the nation's aging Interstate System is a major responsibility - which can only be accomplished as a national program - and must continue to be reflected in the funding distribution. The allocation of National Highway System funds among the states should balance both the extent and the use of the NHS.

The impact of federal lands ownership on state transportation programs is also far ranging and should be taken into account in devising funding distribution policies. In Idaho, for example, over 62% of the land area is under federal ownership. For all western states, over 54% of the total land area falls under that category. Our states are not able to collect property taxes from these federal lands, nor can our citizens establish businesses on them. On the other hand, federal lands often attract additional traffic to the state in the form of tourism and natural resource-based industry, thus increasing the cost of maintaining transportation systems within the state. Funding for a federal lands highway program, including its public lands highway element is important and should be continued at current, or preferably higher, levels. Further, the percentage of federal lands should be taken into account in the distribution formulas for all other program categories.

Also, no state should be penalized financially under other aspects of the federal highway program because federal lands highway projects within its border are funded. The current Section 1015(a) hold harmless provisions of ISTEA penalize states which apply for and receive Public Lands Discretionary Funds by reducing their Surface Transportation Program funding by that same amount in the following fiscal year. This provision punishes states with public lands and serves as a disincentive to apply for these funds. ISTEA gave particular status to Indian Tribes, but the hold harmless provisions hurt Native Americans by penalizing states which attempt to improve BIA and Tribal roads using Public Lands Funds. Hold harmless provisions should not be applied to federal or public lands programs as the entire nation, not just the residents of the state in which they are located, benefits from such investments.

Obviously, the overall funding allocation scheme must also take into account the needs of urban areas. It should be noted that historically the transit program has served, and will continue to serve, as a major investment by the nation as a whole in transportation in urban areas and urbanized states.

A minimum allocation or apportionment that favorably reflects the contributions made by the highway users in donor states should be a feature in the next legislation; however, the donor/donee relationship should not be the overwhelming issue within the surface transportation program. Rather, the national interest should be the basis for distributing transportation funds, as it is in other federal programs including national defense, the space program, and responses to savings and loan failures. If the donor/donee relationship continues to be a primary consideration in surface transportation program distributions, then it may be that the time has come for transit funding, as well as highway distributions, to be taken into account in equitably distributing surface transportation funds.

In summary, there are sound reasons to continue to distribute Federal surface transportation funds in a way that reflects the national interest in rural and intercity, as well as urban transportation. And this means, for lack of a word that will be better understood, that there should be a continued "donee" status under the Federal program for rural, western states.

One final point to be emphasized regarding the national interest in investing more federal highway funds in states like Idaho, Montana, the Dakotas, and Wyoming than those states generate in federal highway user taxes is that this is not a new position, nor a regional one; but, it is a long standing national consensus position. Such a funding distribution outcome was intended by ISTEA's formulas, as well as in previous programs, such as Interstate 4R. It is also reflected in the STEP 21 proposal which includes a low population density adjustment.

This consensus view can be achieved through a variety of approaches, not only through an access, or low population density adjustment. For example, it can be achieved by apportioning a high percentage of the overall highway program, perhaps in the range of 50-60%, to the NHS, and allocating those funds significantly on the basis of the extent of NHS lane miles in a state. Within that framework, there is room for a variety of ways, such as usage factors, to take into account other interests and achieve good national policy in the overall distribution of funds, including a positive response to those states calling for equity.

Make the NHS the focus of the federal transportation investment

The focal point for federal surface transportation investment should be the National Highway System (NHS), which serves as the backbone of the nation's intermodal transportation network. The NHS serves and provides access to all areas of the country, both urban and rural, and is essential to interstate and international commerce and to the movement of people across the nation. While the full promise of the NHS has yet to be realized, the NHS should be the major emphasis of federal highway program funding in the next reauthorization and well into the future. A high level of federal investment in the NHS reflects both the importance of the system to the nation and its centrality to the federal role in transportation. Recent studies by FHWA have indicated that an annual expenditure of approximately $18 billion is needed just to maintain the highways on the NHS, including the Interstate, in their current physical and capacity condition. An annual investment of $24 billion is needed to improve them.

By definition, the NHS is the principal grid upon which goods and services are carried safely and efficiently across the country - simply the NHS is the nation's most important roads. It should also be recognized that the NHS is comprised of only 4 percent of the nation's total roadways but supports 40 percent of all vehicle travel and 75 percent of commercial truck travel.

A large portion of the NHS is the Interstate System. The Interstate had its fortieth anniversary this year and much of the Interstate's aging pavement needs major rehabilitation or replacement. This is a major responsibility - which can only be accomplished as a national program. "Turnback" proposals simply will not address this critical national problem. The federal government must invest in this system and not leave that responsibility to other levels of government.

Because of its extreme importance, we believe that a very large percentage of the overall highway program, in the range of 50-60%, should be apportioned to the NHS category. This is not too large a component, especially if the NHS program is restructured to include all Interstate and NHS roadway maintenance, plus Interstate and NHS bridge replacement and rehabilitation. Also, for those states that would not want to spend that much on their NHS, the reauthorization legislation should continue to allow a state to transfer a significant portion of funds from the NHS to other projects without USDOT permission and allow even greater transfer with approval.

The other major highway program category would be like today's Surface Transportation Program (STP) category with broad flexibility and eligibility for projects on other federal-aid highways, transit, enhancements, safety, congestion mitigation and air quality improvement.

In addition to the NHS and STP categories, any funds apportioned or allocated under a minimum allocation program, or for other policy or equity reasons (such as a low population density adjustment) should be available for use as if part of the STP program. Decisions on distribution and use of funds at the project level would be established by state/local/tribal governments through the ISTEA planning process involving broad public participation.

Streamline ISTEA by reducing regulations, mandates and set-asides

Many of the regulations and program provisions imposed by ISTEA and earlier laws make it difficult for states and local governments to advance the priorities established through ISTEA's planning process. Although several of the most onerous mandates and regulatory provisions were eliminated or revised by Congress under the National Highway System Designation Act, a number still need to be addressed by the reauthorization legislation to allow state and local governments to develop and implement an efficient, effective transportation system. Specifically, the five states support the following policy positions:

1. Streamline program categories and provide greater flexibility:
    - Reduce the number of program categories (with their own distribution formulas), legislatively mandated sub-allocations, and mandated set-asides, such as the enhancement set-asides, that limit flexibility and obstruct priorities identified through the statewide planning process.
    - The statewide and MPO planning process, with wide public and local/tribal government participation, should be the means to identify needs and allocate resources.
    - Direct federal regulations away from mandates and sanctions. Sanction provisions are counterproductive and result in reducing already inadequate funding resources. To the extent regulations are retained, they should not be enforced through funding sanctions.

2. Simplify and reduce the federal regulations and clearances related to transportation program delivery:
    - Many of the problems with ISTEA implementation are caused by overly prescriptive interpretations of federal regulations (USDOT, USFWS, Corps of Engineers, EPA, etc.) which should be simplified.
    - Consideration should also be given to new deregulatory initiatives. For example, consideration should be given to exempting all non-NHS projects from federal requirements to the extent these federal requirements are derived solely from federal funding. Another alternative would be to prohibit federal agencies from imposing increased or additional requirements through regulation or guidance. Examples of such proposals are top down performance measures which USDOT apparently is considering for its funding programs and EPA's move toward more stringent particulate standards with its ties to the transportation program through conformity requirements.
    - It is also emphasized that, through initiatives such as these, the transportation community can demonstrate that funding turnback is not needed to reduce federal regulations. Simply, it is possible to have the national benefit of federal investment without excessive regulatory costs or program distortions.

3. Preserve many of the positive and innovative elements of ISTEA, such as:
   - State/local/tribal cooperation and partnerships
   - Statewide and MPO long-range intermodal planning with its broad public participation requirements
   - Flexibility to transfer funds
   - Continue existing federal-state matching ratios
   - Balance rural and urban interests through the funding distribution.

State and local governments should be given greater flexibility to determine how and where transportation funds available to them are being used. This can be accomplished by adopting a few broad transportation programs (such as NHS and STP categories) with a high level of eligible project activities (such as safety, enhancements, bridge and CMAQ) within each program. The reauthorization legislation should also provide the ability to transfer a significant percentage of funds between the programs. This will allow states and localities to address their unique needs and characteristics and to direct federal funding to those transportation areas where they are needed most as determined through the ongoing statewide and MPO long-range planning and public participation programs. The legislation should also simplify the administration of enhancement projects by eliminating the need to comply with many of the Title 23 requirements that are irrelevant or overkill for those types of projects.

One of the central themes of ISTEA was the development and strengthening of partnerships between all levels of government and also the private sector to provide better transportation systems and services to the public. The five states support the continuation of this effort. Part of this process has been the improvement of transportation planning at all levels and the expansion of the planning process to include all modes - highway, rail, air and water- making it truly intermodal for the first time. Public participation in the process should continue in the future.

Conclusion

The next surface transportation act must:

1. Preserve the nation's existing transportation system, a system which serves the interstate transportation needs of both our citizens and the movement of our nationally significant commodities and resources. It should do this by focusing the majority of federal highway funding on the National Highway System (NHS), but recognizing that rural America also has many important non-NHS highway and bridge needs.

2. Continue to distribute federal surface transportation funds in a way that reflects the national interests in rural and intercity, as well as urban, transportation. The traditional principles of fairness and commitment to all regions of the nation cannot be abandoned. These principles include commitment to a system of highways across America to serve interstate transportation of nationally significant commodities. They also include a commitment to highway users and national defense, and a commitment to provide an intermodal transportation system to support the nation's economic and industrial development.

3. Maintain, with certain modifications, the successful, cooperative federal, state, tribal, local, and private partnerships that have been established under ISTEA. Those important modifications include the flexibility to meet individual state and local needs by reducing regulations, set-asides and mandates.

4. Expand funding to achieve the economic productivity this nation requires to compete and grow in an increasingly global marketplace. The first priority for increasing the overall size of the program can be obtained through a combination of the spend-down of the Highway Trust Fund balance and incoming revenues including interest, transfer of the 4.3 cents per gallon motor fuel tax from the General Fund to the Highway Trust Fund, and continued enforcement of fuel tax evasion.

Legislation which embodies these principles would well serve the nation's interest.

ISTEA REAUTHORIZATION: METROPOLITAN AND STATEWIDE PLANNING

TUESDAY, JULY 30, 1996

U.S. HOUSE OF REPRESENTATIVES,
SUBCOMMITTEE ON SURFACE TRANSPORTATION,
COMMITTEE ON TRANSPORTATION AND INFRASTRUCTURE,
Washington, DC.

The subcommittee met, pursuant to recess, at 9:37 a.m. in room 2167 Rayburn House Office Building, Hon. Thomas E. Petri (chairman of the subcommittee) presiding.

Mr. PETRI. The subcommittee will come to order.

This morning the subcommittee will review the planning process and issues relating to metropolitan planning organizations, or MPOs.

ISTEA includes major modifications in our planning process. It was intended to broaden participation in transportation planning and increase public participation. State and metropolitan areas are directed to produce transportation improvement plans, or TIPs, covering 3 years of projects. These TIPs must be financially constrained; that is, funding for projects has been identified using current or reasonably-available revenue sources and must be updated every 2 years.

In addition, ISTEA lays out numerous specific planning factors which must be considered in the planning process. Under ISTEA, MPOs have taken on new responsibilities and duties and have a dramatically increased role in transportation planning, including the selection of certain projects. This has resulted in new relationships and sometimes tensions between States and MPOs, and even among individual members of the MPOs.

This morning we'll receive a status report on how States and MPOs have adapted to these changes and what improvements can be made in the reauthorization of ISTEA.

We will also review the structure and operation of the MPOs.

ISTEA, quite deliberately, does not impose membership requirements or a one-size-fits-all approach to the structure of MPOs. There are a variety of different types of MPOs, with some very diverse types functioning well and efficiently. What works well in one area may not work well in another; however, we will hear comments on this issue.

I'd like to welcome our witnesses this morning. We look forward to a productive hearing.

I now yield to Congressman Nick Rahall, the ranking democrat on the subcommittee, for any comments he might like to make.

Mr. RAHALL. Thank you, Mr. Chairman.

As you have said, the topic for today's hearing, ISTEA's planning provisions, is especially important, as they have not only promoted the more prudent expenditure of Federal highway and transit dollars, but have also led to the empowerment of local communities in these programs.

Yet, I have to say we need to look at the topic of today's hearing in context.

Recently a major State, California, came before this subcommittee and recommended that we basically turn back the Federal program to the States under a process it called "devolution."

Also recently, the chairman of the House Budget Committee introduced legislation that would eliminate the Federal role in the highway program except for interstate maintenance.

In addition, major constituencies of ISTEA have testified on behalf of eliminating Federal assistance for transit; reducing, if not outright abolishing, ISTEA's flexibility provisions; and for retrenching on many of the law's other innovations.

So is ISTEA under siege? You bet. We are faced with a slew of proposals that would turn back the clock, not only to pre-1991 days and not only to pre-1956 days before the establishment of the interstate system, but all the way back to the Jurassic Era of transportation.

Now many of the witnesses appearing before us today I believe may share my sentiment that we ought to stay the course in the reauthorization of ISTEA. A number of these witnesses represent localities which have benefitted greatly from the planning provisions of the law. I say to them, "Go forth from this hearing and get to work on these guys. Get to work on those who would tear this program asunder."

With that, Mr. Chairman, I thank you for allowing me these opening comments. I look forward to today's hearing.

Mr. PETRI. Thank you.

Statements by Bud Shuster, chairman of the full committee, and James Oberstar, the ranking democrat on the full committee, will be made a part of the record.

[The prepared statement of Mr. Shuster follows:]

OPENING STATEMENT
HONORABLE BUD SHUSTER
SUBCOMMITTEE ON SURFACE TRANSPORTATION
ISTEA REAUTHORIZATION HEARING
METROPOLITAN PLANNING:
METROPOLITAN PLANNING ORGANIZATIONS AND THE PLANNING PROCESS

TUESDAY, JULY 30, 1996
9:30 A.M. 2167 RHOB

- I WANT TO WELCOME ALL OF THE WITNESSES TO ANOTHER ONE OF THIS SUBCOMMITTEE'S HEARINGS ON THE REAUTHORIZATION OF ISTEA. TODAY'S HEARING WILL FOCUS ON THE TRANSPORTATION PLANNING PROCESS -- A PROCESS THAT WAS VASTLY CHANGED IN ISTEA.

- ISTEA INCREASED THE RESPONSIBILITY OF THE PLANNING AGENCIES AND PROVIDED A GREATER DEAL OF STRUCTURE FOR THE DEVELOPMENT OF TRANSPORTATION IMPROVEMENT PLANS (TIPS) THAN EVER BEFORE. TIPS MUST BE FISCALLY CONSTRAINED, INCLUDE INPUT FROM A WIDE VARIETY OF PARTIES, AND CONSIDER SIXTEEN STATUTORY PLANNING FACTORS. AT THE SAME TIME ISTEA DOUBLED THE AMOUNT OF FUNDING FOR PLANNING. THESE CHANGES REQUIRE A GREAT DEAL FROM OUR METROPOLITAN PLANNING ORGANIZATIONS (MPOS) AND STATE DEPARTMENTS OF TRANSPORTATION.

- CONCERNS HAVE BEEN RAISED ABOUT A NUMBER OF ISSUES RELATED TO THE ISTEA PLANNING CHANGES. THE EXPANDED MPO ROLE IN IDENTIFYING PROJECTS FOR FUNDING HAS BEEN ESPECIALLY CONTROVERSIAL. I AM SURE WE WILL HEAR ABOUT THAT TODAY.

- ANOTHER ISSUE HAS BEEN THE ACTUAL STRUCTURE, INCLUDING THE VOTING STRUCTURE, OF THE MPOS. FEDERAL LAW DOES NOT DICTATE THE STRUCTURE OF THE MPOS -- IT IS PRIMARILY A STATE AND LOCAL PROCESS.

- TODAY WE WILL REVIEW THESE ISSUES AND HOW THE ISTEA CHANGES HAVE ACTUALLY BEEN IMPLEMENTED AND WHAT THE RESULTS ARE. WE WILL HEAR FROM MPOS AND OTHER OFFICIALS THAT ACTUALLY HAVE HAD TO IMPLEMENT THESE NEW REQUIREMENTS.

- I LOOK FORWARD TO HEARING TODAY'S TESTIMONY AND THANK CHAIRMAN PETRI AND RANKING MEMBER RAHALL FOR HOLDING THESE HEARINGS

July 29, 1996

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Mr. PETRI. The first panel is made up of: Mr. Kirk Brown, secretary of transportation of the State of Illinois—welcome, sir—who is appearing on behalf of the American Association of State Highway and Transportation Officials; Mr. Jeff Soule, the policy director of the American Planning Association; Mr. William Wilkinson, executive director of the Bicycle Federation of America, on behalf of the Surface Transportation Policy Project; Ms. Ellen McCarthy, the International Downtown Association; and Mr. Richard Ruddell, general manager, Toledo Area Regional Transit Authority, on behalf of tbe American Public Transit Association.

Welcome. Mr. Brown, would you like to lead tbings off?

TESTIMONY OF KIRK BROWN, SECRETARY, ILLINOIS DEPARTMENT OF TRANSPORTATION, ON BEHALF OF THE AMERICAN ASSOCIATION OF STATE HIGHWAY AND TRANSPORTATION OFFICIALS; JEFFREY L. SOULE, POLICY DIRECTOR, AMERICAN PLANNING ASSOCIATION; WILLIAM L. WILKINSON, III, AICP, EXECUTIVE DIRECTOR, BICYCLE FEDERATION OF AMERICA, ON BEHALF OF THE SURFACE TRANSPORTATION POLICY PROJECT; ELLEN M. MCCARTHY, COORDINATOR, TRANSPORTATION INITIATIVE, INTERNATIONAL DOWNTOWN ASSOCIATION; AND RICHARD RUDDELL, GENERAL MANAGER, TOLEDO AREA REGIONAL TRANSIT AUTHORITY, ON BEHALF OF THE AMERICAN PUBLIC TRANSIT ASSOCIATION

Mr. BROWN. Thank you very much, Mr. Chairman and members of the committee. It's a privilege to be here. I appreciate the opportunity to provide these remarks for the American Association of State Highway and Transportation Officials.

We have three principal concerns that I'd like to address today.

Firat of all is the preservation of the State role in the planning proceas and in the Federal programs.

Two, the understanding that the MPOs—and what happens in our metropolitan areas, we have to always remember that that process has to be accountable to the elected officials in the local area and in the State.

And, finally, to talk a little bit about simplifying the process and allowing us to get back to work in the cooperative planning that we've been able to do in the past.

The State role is—as you know, the Federal highway program is defined as a "Federally-assisted State program." That is crucial to maintain that role for the future.

Every State is different in its relationships with metropolitan areas. It's different in its division of urban versus rural population. We have to allow a atructure and a process that allows those decisions to be made that are best for each individual area because of the great diversity across the country.

States have had a long tradition of making the allocations between urban versus rural. Those have to be made. Someone has to make that, and we believe the States are in the best position to do that.

As far as the accountability of the MPO process, that is very important. Too often we forget what it is.

MPOs are not groups that do anything. They cannot approve programs. The folks that do things, that make transportation happen in our metropolitan areas, are States, cities, transit agencies, and so there has to be a cooperative process. You can't just say we want something done if a government is not willing to then go and do it.

By the same token, the governors, members of general assemblies, members of county boards, members of city councils, mayors, county board chairmen, those people are held accountable at the ballot box for what happens in transportation, and we think it's vitally important, in anything we do with the MPOs, to keep that relationship in mind.

Folks that are elected to make the decisions have to be in a responsible position to either serve, themselves, on the MPOs, or appoint the people that will serve on the MPOs.

Finally, I think it's important to look at the process, itself, and what we've done to it in ISTEA. We have included a lot of new planning requirements that we really need to eliminate because we found, really, that they are unproductive.

In fact, in the Chicago area we had a project that we were working on before ISTEA called "Operation Green Light." We think it was a pace-setting type of program, looking at everything from transit improvements to signal coordination, having transit and highways work better together. When the requirement came for a congestion management system, we said, "Boy, we've got it made. We've got just what the doctor ordered."

Unfortunately, the regulations that have been implemented by the Administration for that program have meant that, for the congestion management system, have meant that the staff of our MPO, the staff of our transit agencies, the staff of my department are so absorbed in filling out Federal reports, meeting detailed Federal requirements, that all planning work has stopped on Operation Green Light; that we have only the time to do what's required to meet Federal requirements, gather endless amounts of data that is not useful to the decision-making process—prescriptive requirements for data.

So I think we have, as we look at ISTEA, we want to—we would like to see some of those prescriptive requirements, but we're certainly not wanting to go back to the Jurassic Age. We support the MPO planning process and we look forward to many more years of what should be the case—cooperative planning between State and local governments.

Thank you.

Mr. PETRI. Thank you.

Should we go right down the line, Mr. Soule?

Mr. SOULE. Thank you, Mr. Chairman, members of tbe subcommittee.

APA represents 30,000 members nationwide, and we're concerned about the overall role of planning in the process.

While you'll hear testimony from other individuals at the local level about the need to preserve diversity, we think that the planning process under ISTEA has worked quite well to serve the needs of the diverse communities Across America.

Our members represent small towns, they work in big cities, they work for MPOs, but, by and large, we believe that information leads to making good decisions, and we also believe in the concept of brains before bricks, and this is what ISTEA is all about.

I'm going to highlight very briefly several points that I think should be preserved in the process, and this is a preliminary discussion. We look forward to working with you over the course of the next year on ISTEA reauthorization.

First of all, we don't think that an overhaul is necessary. We think that ISTEA has generally lived up to its original billing of being a collaborative, a new day in transportation planning, and an integrated approach.

We think that the partnership element is extremely important—the MPOs, the local governments, the State, and the Federal Government working in concert. That partnership should be a model for other Federal regulations.

Third, we cannot turn back the clock. Building first and asking questions later is not something that we want to see returned. An integrated approach to transportation, where we're looking at land use decisions, economic development, tourism, and a way to generally shape communities better for the future is what ISTEA is all about and should be maintained.

Fourth, the legislation establishes a framework of 15 planning factors that create an effective and simple means for enlisting creative and comprehensive solutions.

We would resist any effort to streamline that process. We would like to discuss the idea of making it more accessible and perhaps looking at performance-based measures, but not necessarily backing away from the criteria, themselves, because they have worked effectively.

Fifth, regional cooperation is something that we have seen the benefits of ISTEA's process reaped in other areas that we could not have imagined initially: in the areas of tourism, economic development, quality of life issues. People that were not used to working together, although it was a little bumpy at first, I think are now in the habit. This is something that is part of ISTEA's legacy.

Sixth, the local flexibility element that has already been mentioned I think is critical, because if we don't let the creativity of our communities, planners, and other professionals that work day-to-day to solve local problems in unique ways, we're not harnessing that creativity, so flexibility has to be maintained.

Seventh, we have to keep funding accessible, because if we have flexibility without adequate funding, that means that we're going to see the big competitors come in and take all the funding away, as it was in the past, so adequate funding has to go hand-in-hand with flexibility.

The certification of MPOs is also an issue that I think needs to be maintained in the reauthorization, because the process of developing a broad-based group of citizens, activists, local nonprofits, private, and public is the basis for a good working MPO, and we'd like to see the pre-1991 MPOs come up to those standards.

Finally, we should preserve the fiscal and environmental connections. The fiscal restraint that is imposed by the process provides a sense of reality and a discipline to the process that is helpful in planning.

Let me just share with you three examples from around the country that I think exemplify this kind of—the value of ISTEA.

First, the Florida 20/20 plan: this plan involved over 5,000 people in an active process to develop long-range goals and short-range objectives. It was based on collaboration, and this notion that citizens closest to the problems have the best solutions sometimes, so Florida's 20/20 plan represents a State planning process thet we think is quite good.

LUTRAQC, which is the land use transportation and air quality connection in Portland, Oregon, wes a 5-year process that resulted in the decision not to fund a bypass.

Finally, a Route 6A corridor plan in Cape Cod was another example of a more local scale of bow this process has worked.

So, Mr. Chairman, thank you. We look forward to working with you in the future.

Mr. PETRI. Thank you.

Mr. Wilkinson?

Mr. WILKINSON. Good morning, Mr. Chairman. Thank you for the opportunity to speak here today on behalf of the Surface Transportation Policy Project.

I'd like to make five points with regard to today's subject.

First, the metropolitan focus in ISTEA must be maintained. For more than 40 yeers, Federal transportation programs and State transportation agencies heve focused on building the interstate highway system. Now that job is done and we have a huge, great system of interstate highways.

We also have the consequences of decades of neglect of other transportation needs, such as: getting to work, getting to shopping and day care, and to getting around without a car.

These are needs that are not well served by programs planned and implemented et the Federal or State level, and it requires a local and regional approach to define and respond to the transportation needs of people where they live and work and shop and play, and where our children grow up, and where our parents and ourselves grow old.

Today two out of every three Americans lives in the metropolitan area. Metropolitan areas are where the big needs and challenges for transportation exist, and it is at the metropolitan level that the solutions to these needs must be developed.

Are metropolitan transportation needs important? Are they a matter of national interest? Absolutely.

Can they be dealt with effectively by our traditional approach to transportation system planning and programming? Absolutely not.

We must maintain and expand the new role ISTEA has established for MPOs and local governments in creating the transportation systems and services of the 21st century.

Our second point is the public involvement in ISTEA, in transportation planning end decision-making, is critical and must be maintained and expanded.

Government, at all levels, through its public agencies and public programs, must learn to involve the general public in the process of defining the vision of the future, creating the plan to achieve that vision, and supporting the actions needed to implement the plan.

This approach, this exercise in participatory democracy, is not without its challenges. The democratic process is not a neat, clean, simple thing. But the benefits make it worth the effort. If the public feels that the proposed actions are designed to achiave their vision for their community and region, they will support them. This can include such actions as increasing the level of revenues available to implement their plans.

Public involvement is most important and effective at the local and regional levels, but this only works if the big decisions are being made at these same levels.

The third point: the fiscal constraint requirement of ISTEA Must be maintained. this requirement of ISTEA does not preclude the development of visionary plans; it simply calls for a hard-nosed consideration of and commitment to addressing the revenue side of the budget, as well as the expenditures.

Our fourth point: the MIS requirement should be included in ISTEA. A comprehensive assessment of all proposed major projects and programs, including such things as ITS, should be undertaken as part of the long-ranga plan development process to ensure that such critical components of the plan are feasible, warranted, and bast meet performanca criteria such as cost-effectiveness and environmental compatibility.

Finally, our fifth point: the ISTEA planning process should be guided by a set of performance criteria. Experience has indicated that wa can improve upon the approach of relying on the ISTEA planning factors to achieve the aims of the planning process. This is not to say that we get rid of the planning criteria; it's to say that we augment it and wrap around it a more general performanca-based approach.

These are the points we wanted to bring out in today's hearing. Thank you for the opportunity to comment.

Mr. PETRI. Thank you.

Ms. McCarthy?

Ms. MCCARTHY. Mr. Chairman, members of the subcommittee, good morning. My name is Ellen McCarthy. I'm director of transportation initiatives for the International Downtown Association. Founded over 40 years ago, IDA is a national association of organizations, individuals, and companies involved in revitalizing city centers in North America and throughout the world.

Most of our members are business-backed organizations established to represent the collective voice of the local business community in the regeneration and enhancement of downtowns and edge cities; groups such as the Downtown Council in Minneapolis, the Somerset Alliance for the Future in New Jersey, Center City District in Philadelphia, and others.

Today I'd like to address the need to maintain and enhance local decision-making power and flexibility to use funds as necessary to implement the results of that local decision-making.

First, from the standpoint of the business community that we represent, the metropolitan area or region is the key level of decision-making for transportation planning. The primary economic unit for most of us is the region or the metropolitan area. In fact, as the Philadelphia Federal Reserve study points out, our national economy is actually a set of metropolitan regional economiea working together.

From our perspective, then, it's important that all aspects of the regional economy, particularly its infrastructure, be as seamless as possible. It is, therefore, appropriate that local elected officials in the region, with input from business and civic leadera, have the primary role in articulating regional needs and designing the solutions to those needs through their MPO.

State or municipal boundaries are really artificial boundariea. They don't have any real relationship to travel patterns or economic activities which underpin a metropolitan area. Indeed, in several major metropolitan areas the region overlaps two and sometimes even three States. Giving States the primary responsibility for planning for metropolitan areas over 200,000, as some have suggested, makes no sense. A State government just cannot be as knowledgeable about the opportunities and needs of the region as the people in that region are.

However, we wish to be clear when we say that the major locus for decision-making in transportation planning and investment programming should be the region. We're certainly not saying Statea have no role to play. Not only do State constitutions make cities creatures of the State, but in most States the State government is an important financial partner in major transportation investment decisions.

In addition, clearly the role of the State and national government ia to provide for inter-regional travel.

However, the creation of the three-way partnership between the Federal Government, the States, and the region for metropolitan areas over 200,000 in population is one of the most important contributions made by ISTEA.

Secondly, regional decision-making is the best way to maximize intermodal efficiency.

As you know, in the business climate today, re-engineering is a pretty popular term, and one of the most important principles of re-engineering is to ensure that decisions are made closest to the customer, and that key players in each system work together to modify and improve overall system performance. Regional transportation is a set of systems.

Keeping the decision-making about transportation closest to the local level follows the principle of being market responsive and it facilitates the involvement of business and civic leaders, which I think is very important because they bring a perspective to the process that's free of the institutional, jurisdictional, and modal blinders which can affect transportation professionals at times and interfere with systems integration.

Thirdly, transportation must be planned as part of an overall community development strategy, encompassing economic development, environmental quality, affordable housing, recreation and open space, and related elements of creating healthy, economically-viable, and attractive communities.

That's much more easily accomplished at the regional level, as has been acknowledged by both the Department of Housing and Urban Development and EPA in recent years as they have decentralized their planning process in order to make it possible for communities to plan more holistically.

Fourth, controlling sprawl should be a key national priority, with the metropolitan planning organization playing a major role in developing integrated transportation and land use solutions. In region after region, millions are spent on replicating infrastructure, building new schools, fire houses, libraries, recreation centers, while center cities languish in desperate need of infrastructure maintenance and repair.

In summary, transportation can be a major contributor to economic development and quality of life, or it can drain millions from the economy and contribute to sprawl, congestion, and restricted opportunity.

Thank you for the opportunity to testify before you today. I'd be happy to answer any questions that you've got.

Mr. PETRI. Thank you.

Mr. Ruddell?

Mr. RUDDELL. Good morning, Mr. Chairman.

In addition to managing the transportation authority in Toledo, Ohio, I also chair tbe Legislative Committee of the American Public Transit Association.

On behalf of APTA's membership, I appreciate this opportunity to present the transit industry's view on transportation planning and metropolitan planning organizations.

We have submitted a written statement for the record, which I will briefly summarize.

APTA strongly supports the continuation of ISTEA's MPO and planning provisions. As we stated at your June 18th hearing, APTA believes that the Federal Government has a vital role in maintaining an efficient, comprehensive transportation system that supports a healthy economy and other national goals. ISTEA promotes balanced transportation investments, recognizing the importance of various modes and ths fact that the entire network functions most effectively if coordinated.

The planning provisions of ISTEA are an essential element of the law. They allow States and localities to identify cost-effective solutions to local transportation problems and avoid wasteful duplication. The planning process also mandates that funds are spent to preserve and maintain the existing infrastructure, and that congestion and environmental factors are considered.

ISTEA's planning provisions are the mechanism through which flexible funding works. They allow communities to identify those investments that will best serve their needs for economic development, community revitalization, and other goals.

The use of flexible transportation funds for mostly transit capital projects total almost $2.2 billion in the first years of ISTEA. That says quite clearly that transit is a priority at the State and local level, and that ISTEA's flexible funding and planning provisions have been used as intended.

Regarding metropolitan planning organizations, APTA believes that MPOs should remain key players in the transportation decision-making process, and that their role would not be weakened.

We also support ISTEA's State-wide planning process and the Federal certification reviews.

By requiring that State and local transportation implementation plans, or TIPs, are consistent with one another, the law recognizes that coordination in the planning and implementation of transportation projects is important.

Further, APTA strongly supports the continued use of major investment studies. The MIS process is flexible and non-prescriptive. It reduced modal biases in the development of transportation strategies.

We also support retention of existing public involvement requirements. The importance of participatory planning in developing transportation plans, programs, projects, and policies cannot be over-emphasized.

APTA supports the underlying premise of the 16 factors that must be considered in metropolitan planning and supports the inclusion of an additional factor: the consideration of central city issues.

We also believe ISTEA's financial constraint requirements are necessary to protect the integrity of the State and MPO planning processes and support the coordination of transportation planning and land use planning.

In closing, APTA strongly supports a continued Federal role in transportation. ISTEA's planning provisions have workad well and they promote a more-inclusive, comprehensive, locally-responsive and user-based approach to transportation planning. The result is good for our economy, our communities, and all Americans.

Mr. Chairman, thank you for this opportunity to appear before you today. I'll be glad to try to answer any questions you may have.

Mr. PETRI. Thank you.

You are a gold-star panel. You all concluded your remarks within the 5 minutes, or right at it. I think that's the first time that's happened in the series of hearings we've had so far.

Mr. Rahall, do you have any questions?

Mr. RAHALL. Thank you, Mr. Chairman. I just have two quick questions.

Mr. Ruddell, let me just start with you, if I might.

Do you believe that public transit would survive in this country under the so-called "turn back" proposal that we've heard touted about quite a bit?

Mr. RUDDELL. I think that the current establishment in ISTEA of the metropolitan planning requirements and the requirements for local metropolitan areas to be heavily involved in the distribution of ISTEA funds is really a vital part of maintaining transit systems in America.

It's oftentimes difficult for States to make the kinds of decisions necessary between their metropolitan areas and their rural areas and all the different interests in a State, where the local metropolitan areas see very clearly the need for transit and local transportation needs within those metropolitan areas.

Mr. RAHALL. So, I guess, if I hear correctly what you're saying, you're not really complaining that much about what we hear many complaints about, and that is the unfunded mandates?

Mr. RUDDELL. Well, I didn't say that.

[Laughter.]

Mr. RUDDELL. There is not enough funds.

Mr. RAHALL. I'm sorry?

Mr. RUDDELL. There are not enough funds to meet all of the mandates required by transit systems and transit authorities throughout the country. The list is quite extensive, and the Federal Government certainly does not pay or provide enough funds to support all of the mandates and requirements that are put on us by the Federal Government, so we make do with our own local funds to meet some of those Federal requirements when we could be using them to more effectively meet some of the needs of our communities.

But it still relates—I think it still relates strongly to these local communities and metropolitan areas in making and being involved in making those decisions of how to spend the money that we do have.

Mr. RAHALL. Secretary Brown, let me ask you a question, if I might, if you'd put on your Illinois cap now for a moment and not as a representative of AASHTO. What does the State of Illinois think about the turn-back proposal?

Mr. BROWN. Well, we're not in favor of turn-back. We wouldn't have the highway system that we have today if we did not have a strong Federal highway program. We believe that there ought to be a set of strong priorities. The States, left to ourselves, we're good, but you atill need to have a strong sense of Federal priorities.

We think those priorities ought to first be the interstate system, the NHS system, and bridges, and that we ought to focus our efforts on that.

We didn't get to the finest transportation system in the world by not having a strong Federal program.

Mr. RAHALL. Thank you.

Thank you, Mr. Chairman.

Mr. PETRI. Ms. Johnson, have you any questions?

Ms. JOHNSON. No, I do not.

Mr. PETRI. Thank you.

I have one or two.

I think, Mr. Brown, your testimony about people being diverted from their joba or working on a locally-beneficial project to filling out paperwork and answering questions that really didn't seem to be of any real use in the planning process reminded me of something that seems to be a problem around here. That is, when asked why some questions or some paperwork was required, people in Washington in the Department said, "Well, someone asked at a Congressional hearing about that, and we didn't know the answer."

So I think we all here have to be very careful not to ask dumb questions or not unknowingly ask a question out of idle curiosity, or whatever, which then causes people to start putting in forms so that they are prepared at the next hearing to answer questions about how many whatever it is happens.

Mr. BROWN. We know that.

Mr. PETRI. It is sort of off-the-wall and irrelevant, or at least not cost-beneficial, and I suspect many people take a little bit of this process too seriously. Or they want to look good, and that—is counterproductive to us getting our job done which is getting—the most high-priority things done in the most cost-effective way.

So any questions that are asked here should not inspire any paperwork——

Mr. BROWN. It won't.

Mr. PETRI.——in any agency of the Federal or State government, as far as I am concerned.

I had a couple of questions for you and for the other panelists. One was whether AASHTO is comfortable with the current MPO set-aside in the surface transportation program, whether we should raise or lower the population threshold of 200,000 or leave that whole area as it is.

Mr. BROWN. I'll speak for myself on that, if I could, and I think most of the folks at AASHTO would agree that we're pretty comfortable with what it sets. What we're not comfortable with, as I mentioned before, is all the requirements that everyone has to do within those guidelines.

We heard some testimony here about what a great idea the major investment system plan is, the MIS. That's great if you're talking about building a new expressway in a major metropolitan area; it's not such a great requirement or a productive requirement when you want to take a 2-lane road to a 4-lane road in Peoria, Illinois, because it turns out being really a boon for consultants and a drain on the Federal highway program when we're dealing in those.

So you don't want to throw the baby out with the bath water. That's the problem.

So, by and large, we're comfortable with the—that States are, with the MPO process as it exists today. What we do need to do is take a lot of these things that are good ideas and, where the plannera have sat either in Washington or wherever and come up with all of the great ideas that we ought to do to implement the strategies that were set forth in ISTEA, we need to kind of ratchet back from those.

We don't need to throw out the concept of what we're trying to do here, but we need to bring some real realism into the implementation of it.

Mr. PETRI. Maybe the other panelists, too—I'll just ask the question another way. How do you think the relationship between the States and MPOs is evolving, and what improvements do you believe should be made in this area? Any comments on that at all?

Mr. RUDDELL. Yes, Mr. Chairman. I think the relationship is basically good at present. I think some great strides were made forward when ISTEA was first envisioned, and some of the requirements to keep or to require local transportation and local transit involvement in the MPO process was good, and I think that we should basically maintain what we have going in ISTEA with the MPO requirements, and the way the structure is right now is very acceptable.

Mr. PETRI. As I indicated in our opening remarks, I think the idea we have here is to not move more in the direction of one-size-fits-all. Instead we want to allow a considerable amount of flexibility for local arrangements to work out because things, whether it's logical or not, things seem to work one way or another, because of political history or how institutions have evolved in different parts of the country, or just the way communities are physically located.

So I guess that seems to be generally in line with everyone's thinking.

One other area. We're kind of discussing guidelines or other requirements, and I wonder if any of you would care to comment on the planning factors. ISTEA currently actually includes specific planning factors that should be considered. Is this too prescriptive? Should the planning factors be changed or dropped?

We want input not just at this hearing, but as we go along from your departments or your associations on ways to try to make this whole process more cost-effective and efficient.

Obviously, you can't dropall requirements. On the other hand, for those that you do have, you need to make sure are really useful and not there for their own purpose.

Mr. SOULE. Mr. Chairman, I think the—as far as the American Planning Association goes, we'd like to see some thought given to the idea of the performance criteria, but we would not like to see our members think that the 15 criteria represent a good framework that is not too prescriptive, in that those factors result in insisting on some creative solutions, and they also emphasize the interconnectedness of transportation planning with other features of the bigger picture.

So we wouldn't like to see the 15 factors reduced or streamlined, but we do agree that there is some potential for looking at a context within that to perhaps make the broader connections a little bit easier to understand. But we wouldn't like to see them reduced.

Mr. WILKINSON. I think we feel very much the same. It's like the factors we put in there are the examples, and what we want to do now is come back and add the overall objectives in the form of some performance criteria. But the examples are very important to helping define the ultimate goal here, and that is to fully integrate transportation planning and decision-making into the context that the application and development and construction of these facilities takes place so it becomes an integral part of the community and it supports the overall aims and goals and needs of communities.

Mr. PETRI. Well, we all hear horror stories of where it's very obvious what needs to be done, and they go in and are told by some regional office or something else that they've got to hire consultants and do a study of 10 different alternatives, none of which can be done at the end of the day but it costs another $50,000 or $100,000 or whatever.

And, on the other hand, there are probably cases where if you don't look at the alternatives you miss a trade-off or an opportunity to do something a little better way.

So how you walk that line is the problem, and we need some override mechanism, I think, or some way that people can set aside the planning process if they can make a good case that it's stupid in a particular situation.

Mr. Brown, you've been through this a lot, so——

Mr. BROWN. There is nothing wrong with the planning factors. They're fine. What gets wrong with them is we just heard, "Let's add to them and add some more things," and that's where we're suffering.

We can't look at being more efficient, more effective, downsizing government, cutting back on what we're doing, making our system work more efficiently, and keep adding to the things that we need to do that are really not helping us make better transportation decisions.

So we would just encourage you to be very careful, because whatever the Congress does, the bureaucracy will take five steps further, and that's the problem when you're discussing things like planning factors. There is nothing wrong with any of those; it's how we—as you said, Mr. Chairman, how you find that give and take.

They're all reasonable things for everybody to be doing, but there has got to be some—we believe there has to be some relief in that prescription of what we're doing and how it gets carried out, and let's not add to it, at least.

Mr. PETRI. Yes, sir?

Mr. RUDDELL. Just a comment on that, Mr. Chairman.

I recently led a study team in Europe of viewing medium-and small-sized cities in five European countries, and I'm sure that many Congressmen have been to Europe and have seen some small-and medium-sized cities over there.

One of the things that our entire study team was struck with was the vibrance of the downtowns and the central cities in many of those communities—downtowns that I know my city, and I suspect most cities in America, would die for—alive and vibrant and people living and working and moving in their downtown activities and areas.

I think we agree with the factors that now exist in ISTEA for planning, but I do think that there is room for some improvement, and I think adding some central city issues to those factors could help the overall process.

Mr. PETRI. Yes?

Ms. MCCARTHY. That seems like a segue for the International Downtown Association.

[Laughter.]

Ms. MCCARTHY. I should add that I think they certainly are complicated issues in terms of figuring out how to make sure that you encompass transportation and land use and all the broad factors that need to be brought into play, or, as someone has said, transportation is a wonderful servant and a cruel master. We've got to be sure that transportation plays a part of making communities better, and that is a complex undertaking.

Mr. Wilkinson and I, Mr. Soule, and several others are actively involved right now in a task force trying to figure out how to take those transportation planning factors and make them most easily operable, but also with measurable performance criteria so that it's relatively easy to see how you're doing in the process, but also easy to make sure that the process is as comprehensive and inclusive as it needs to be.

We'd be happy to send you the result of that task force when we finish working.

Mr. PETRI. Thank you. One of the unintended consequences of a lot of our environmental laws seems to be the hollowing out of older areas in the cities, because people aren't willing to buy an old factory or facility because of the liability that may accrue to it, and instead build out in green fields because they know that they're not going to get hammered.

This certainly wasn't the intention of any of that. In fact, I'm sure that most people that were pushing this felt just the opposite: they wanted to promote revitalization. But somehow we haven't figured out how to do it and there are a lot of things beyond our scope in this committee or subcommittee, unfortunately, that are essential to urban transportation planning.

Well, thank you very much. We appreciate your testimony, and we look forward to working with you and your organizations as this process goes forward.

The next panel consists of a series of witnesses who are appearing on behalf of the National Association of Regional Councils and the Association of Metropolitan Planning Organizations, and the people who are so appearing include: Mr. Francis G. Slay, who is a board member of the East-West Gateway Coordinating Council, St. Louis, Missouri, and president, Board of Aldermen, City of St. Louis, Missouri; Mr. Stuart W. Stein, chairman of the Transportation Council Policy Committee of the Ithaca-Tompkins County Transportation Council, Ithaca, New York, and chairman of the Tompkins County Board of Representatives, accompanied by David Boyd, the executive director of the Ithaca-Tompkins County Transportation Council; Mr. Henry Wilson, chairman of the Regional Transportation Council.

I think Mr. Wilson has a representative who would like to introduce him, and that's Representative Bernice Johnson, and then Mr. Selph will be introduced.

Ms. Johnson?

Ms. JOHNSON. Thank you, Mr. Chairman.

It is a pleasure of mine to introduce Mr. Henry Wilson, who is a city council member from the city of Hurst, and he is chairman of the Regional Transportation Council of North Central Texas Council of Governments.

He's a University of Texas at Austin graduate, University of Texas, Arlington, and one of my alma maters, Texas Christian University.

He's employed by Bell Helicopter Textron Company, and he has been there since 1969, and he is currently chief of product data systems in the engineering department.

He has been a city councilman for 12 yes, and he has served on the COG board of the Regional Transportation Council for the cities of Hurst, Euless, Bedford, Colleyville, and Grapevine. He has served as secretary, vice chair, and now chairman.

I'm delighted to introduce Mr. Wilson.

Mr. PETRI. Thank you.

Mr. BREWSTER. Mr. Chairman, I'm pleased today to introduce to the committee John Selph.

John Selph is a county commissioner from Tulsa, Oklahoma. Commissioner Selph has been very active in participating in enacting Tulsa's metropolitan planning organization's planning process. He's a member of the board of directors of the National Association of Regional Councils, and the vice chairman of the Indian Nations Council of Governments, the metropolitan planning organization for the Tulsa transportation management area.

He's here today on behalf of the metropolitan planning organizations to discuss with you the success MPOs have had since the enactment of ISTEA, and he will share with you his thoughts on furthering the success ISTEA has had utilizing MPOs.

In Oklahoma, the Oklahoma Department of Transportation has recognized and regularly utilizes the MPO as a true partner in the transportation planning and implementation process.

I'm pleased Commissioner Selph is here to discuss with you in detail the successful role MPOs have served in transportation planning.

Thanks for being here, John.

Mr. SELPH. Thank you.

Mr. PETRI. Thank you. Shall we begin with Mr. Slay?

TESTIMONY OF FRANCIS G. SLAY, BOARD MEMBER, EAST-WEST GATEWAY COORDINATING COUNCIL, ST. LOUIS, MISSOURI, AND PRESIDENT, BOARD OF ALDERMEN, CITY OF ST. LOUIS, MISSOURI; JOHN SELPH, VICE CHAIRMAN, INDIAN NATIONS COUNCIL OF GOVERNMENTS, TULSA, OK, AND BOARD MEMBER, NATIONAL ASSOCIATION OF REGIONAL COUNCILS, TULSA, OK; STUART W. STEIN, CHAIRMAN, ITHACA-TOMPKINS COUNTY TRANSPORTATION COUNCIL, ITHACA, NY, AND CHAIRMAN, TOMPKINS COUNTY BOARD OF REPRESENTATIVES, ACCOMPANIED BY DAVID BOYD, EXECUTIVE DIRECTOR, ITHACA-TOMPKINS COUNTY TRANSPORTATION COUNCIL, ITHACA, NY; AND HENRY WILSON, CHAIRMAN, REGIONAL TRANSPORTATION COUNCIL, NORTH CENTRAL TEXAS COUNCIL OF GOVERNMENTS, ARLINGTON, TX, AND COUNCIL MEMBER, CITY OF HURST, TX, ACCOMPANIED BY MICHAEL MORRIS, DIRECTOR OF TRANSPORTATION, NORTH CENTRAL TEXAS COUNCIL OF GOVERNMENTS

Mr. SLAY. Thank you.

Mr. Chairman, members of the committee, my name is Francis Slay. I'm the president of the Board of Aldermen for the city of St. Louis. I'm also a member of the board of directors of East-West Gateway Coordinating Council, which is the metropolitan planning organization for St. Louis, Missouri/Illinois metropolitan area.

East-West Gateway's jurisdiction lies both in Missouri and Illinois and in two Federal districts. The St. Louis metropolitan area includes 230 municipalities, all members of the organization.

This fragmented, multi-jurisdictional metro area is a real test for the cooperative regional decision-making process envisioned in the ISTEA. I'm here today to tell you how we are making that process work and why informed and cooperative transportation investment decisions are so important.

The city of St. Louis makes up less than 20 percent of the population of the St. Louis region, yet our downtown continues as the region's geographic and commercial center. Like most major center cities, we are facing a declining population and tax base, along with serious social and economic challenges. Much of our infrastructure is obsolete.

Through the cooperative planning process which is at the center of ISTEA, we have been able to work through our MPO to link regional transportation investments with our special infrastructure and economic needs. This process is bringing results for the city of St. Louis. Let me cite you a few examples.

Important new projects are moving ahead. The city of St. Louis includes one of the very first links in the interstate system, Interstate 70. Completed in the late 1950s, Interstate 70 is now well past its design life and is very badly deteriorated.

As a direct result of the new working relationships and our new regional plan, this critical highway finally will be rehabilitated. National highway system connectors to major freight facilities in the city of St. Louis will be improved. Access to the city's planned multi-modal transportation terminal will be built by the Missouri Highway and Transportation Department, the MHTD.

We are leveraging transportation investments in new and unique ways. The regional jobs initiative is an $8 million public/private effort principally funded by the Annie E. Casey Foundation to forge connections to help businesses find qualified employees and to spur job creation and economic development efforts.

Transportation is a key element in the connection of people with jobs, and it has been fully integrated into the planning process for this project.

This is the first time we are explicitly linking transportation investments to targeted community-based job development.

None of these things would have happened prior to the ISTEA.

Much the same way we in the city of St. Louis have unique transportation needs, my colleagues in the suburban and rural areas of our region have transportation problems which must be addressed. In two of our counties, for example, we identified safety as a principal concern. Dealing with congestion continues to be a principal concern for the planning process. We now look at those investments far differently than before, though.

We consider the economic returns on our investment in congestion relief with a more careful examination of the State-wide system and community impacts of these capital-intensive projects.

While the impact of the ISTEA on the city of St. Louis is important to me, it illustrates some important principals which go beyond this jurisdiction.

Transportation is more than just connecting points on a map. It's about building stronger, self-sustaining communities and regions. It is about building metropolitan transportation systems which serve the economic goals of the Nation's metropolitan areas.

Of the Nation's population, 77 percent lives in metro areas, and an even larger portion of the economy is centered in these economic units. There can be no better argument for building metropolitan transportation systems that really work. Likewise, there is no substitution for the cooperative decision-making process housed in metropolitan planning organizations like East-West Gateway. How else can decisions be made which transcend a myriad of State and local boundaries?

We know that the process is hardly perfect. In a financially-constrained environment, there are natural tensions, some of which will be reflected in the testimony of some individuals at this hearing this morning. There are conflicts between the competing goals of expanding capacity in the fast-growing suburbs and preserving existing assets in the center city. There is tension in trying to satisfy economic and environmental goals. Competition between modes is a constant.

It is only recently that we in St. Louis have resolved our long-standing disagreements with the State of Missouri about our role in the decision-making process and the level in investment in our region. Our recently-concluded memorandum of understanding with the Missouri Highway and Transportation Department for a fully-cooperative planning process resulting in one regional transportation plan was adopted by the MPO. This agreement would not have been concluded without the role and the decision-making process that local officials acquired with the ISTEA.

Not everyone at the MPO table where investment decisions are made will be entirely satisfied. The important lesson of the ISTEA, however, is that the natural tensions of the transportation planning process are best resolved at home, and often only through the give-and-take of the political process, but they can only be resolved if the local officials are sitting at the table where the decisions are made and our vote really counts.

Thank you for allowing me the opportunity to speak.

Mr. PETRI. Thank you.

Mr. Selph?

Mr. SELPH. Good morning, Mr. Chairman and members of the committee. My name is John Selph. I'm vice chairman of our local Council of Governments, Indian Nation Council of Governments. My comments today draw from my personal experience as a county commissioner in Tulsa County, Oklahoma, and also participating in and reflecting upon our MPO planning process.

The role of INCOG and MPOs has significantly grown as a result of enactment of ISTEA. Prior to the implementation of ISTEA, the process was driven or really dominated by the State Department of Transportation. Local policy officials really were not consulted, and policy-making and priority-setting was largely decided by the State DOT. In short, it was the Golden Rule. The State DOT received Federal money and made all the rules.

Also, prior to the implementation of ISTEA, meaningful financial constraint was largely unknown with respect to the transportation improvement plans and long-range plans.

In Oklahoma, as well as many other States, the TIPs became wish lists. The State DOTs over-committed to projects to satisfy political pressures, and there was a real disconnect between planning and implementation.

In our State, completion of Federally-assisted local projects was an arduous process, at best.

Enough about the past. ISTEA has fundamentally changed the process for the better.

The Oklahoma Department of Transportation began to recognize the MPO as a resource that could be utilized to develop a comprehensive program where hard decisions would be made in light of scarce financial resources. In the spirit of ISTEA, the MPO became a true partner in the transportation planning and implementation process.

ODOT and our State's MPOs now work together on a regular basis as a team in policy development, research, modeling and forecast, as well as public participation efforts.

Our key policy officials, ODOT senior management, as well as our State transportation commissioner, meet on a regular basis in

Tulsa to discuss project status, strategy, funding priorities, and potential areas of cooperation.

One of the most important factors that has made the process worthwhile is the idea that the elements of fiscal constraint prevails. We don't deal with wish lists any more. We're now forced to set our priorities within the framework of the limited resources that are available to us, forcing the debate to face very real problems, and also forcing us to make difficult choices.

This is difficult, but it is necessary if the process is going to be accountable.

Another major element introduced into the transportation process is flexibility. A good example of this in our area is in regard to the relationship between transportation and air quality planning as it relates to ISTEA and the Clean Air Act.

Tulsa is deeply concerned about the possibility of losing its hard-earned attainment status. In addition to the health benefits of improved air quality, another motivation for us to remain in attainment is to avoid the complex conformity procedures and offset requirements that would adversely affect economic development efforts.

In Tulsa, for example, we had developed a highly-successful ozone alert program. It's a voluntary program that has been in existence since 1991. It's the Nation's first episodic air quality program. It has been very successful. So far we've called 38 ozone alert days, and we've only had, I believe, three exceedences on those days. It has worked well.

Tulsa, being an attainment area, was not eligible to receive a direct allocation of congestion mitigation air quality, CMAQ, funds like non-attainment areas do. The message was: you only get the funds when you fail, violate the standards. We won't help you not fail.

To ODOT's credit, they recognized that an ounce of prevention was worth a pound of cure. The governor in Oklahoma, as well as the ODOT administration, at our request, provided around $400,000 a year for the life of ISTEA to Tulsa and Oklahoma City for the development of air quality programs, which we really appreciate.

We have taken our air quality initiatives one step further by becoming the first EPA-approved flexible attainment region in the city. This innovative program was signed into effect about a year ago. ODOT is a full working partner in this effort.

ISTEA in our area works because all the stakeholders are supportive and willing to devote the time and effort to make it work and because of our approach. Our central city, Tulsa, is treated as an important force in this process, and it is a key player in that process.

The policy committee consists of local governments, the Indian tribes, the State DOT, and all transportation modes—pedestrian, transit, airport, port, rail, and trucking. In fact, the local bicycle/pedestrian representative currently chairs the Policy Committee chair.

By our decision-making process, all of our plans that are approved by the TIP have to come before our local COG, our board of directors, and receive approval. That consists primarily of elected officials from the city of Tulsa, as well as the county of Tulsa, so we think that the interest of our central city is treated fairly.

I have put forth a number of recommendations. I won't go through those this morning, but I hope you'll take the time to read those, and I do appreciate the opportunity to appear before you this morning.

Mr. PETRI. Thank you.

Mr. Stein?

Mr. STEIN. Mr. Chairman, members of the committee, I do also appreciate this opportunity.

First, let me tell you, I think I come with a somewhat special point of view because I come from, if not the smallest, the next-smallest MPO in the country. We're in Tompkins County, upstate New York, in the Finger Lakes region. Our central city is Ithaca. Our population for the MPO is 50,132, barely over the 50,000 mark. I believe we're the second. I'm told that Brunswick, Georgia, has 50 people fewer than we have. But, nevertheless, we won't argue about that.

My comments are made from that perspective—a small MPO.

I chair the MPO board. I also chair the county legislature. I'm talking from both those points of view as an elected official for the county.

First, let me say that our experience with ISTEA has been profoundly positive, and we have had a—it has given us a very healthy climate for transportation planning and decision-making, and if there is one message I want to leave with you here, it is: from our viewpoint, we urge you to continue this program and to continue in its basic form.

I do have some comments that I wish to make about some changes and corrections, but they should be taken in the context of improvement of an existing good piece of legislation. I can't stress that strongly enough from our point of view.

It has been very helpful to us, primarily because it has provided us with professional help. Remember, we are quite small. We have always had limitations on our funding ability to bring professional competence to this process.

We operate with a very small staff—three people, one of which is a secretary—and an annual budget of $150,000. That's a lot of money for us, and it has really helped us to raise the professional level of our decision-making.

It has also brougbt together at the table other colleagues, elected officials that have, for—very rare for us to do this. The ISTEA MPO program has forced us to meet and discuss issues and work together, and that has been very helpful and very positive, and it has been helpful well beyond the ISTEA process. It has shown us that we can work together, and we're taking on other kinds of issues as a result, leading to improvement of government, consolidation possibilities in a whole range of areas, and also helping us in economic development.

It has also brought the public and the community into the process in a way that is much more substantial than previously, and this has also been helpful in terms of community involvement. I also want, as others have, to stress that point.

We have some concerns and we'd like you to consider these. Contrary to some of the other suggestions about either keeping or raising the 200,000 population, obviously, coming from my size community, I would like you to drop that 200,000. We feel, in a sense, like second-rate citizens because we feel we have, even with a limited staff, competence to make very good, sound decisions, and the 200,000 population for these decisions is somewbat restraining and psychologically restraining.

We don't see any reason for keeping that, and we'd like to suggest you consider dropping that and including us in the sense of the spirit and soul of the whole project, of the whole approach. I think that you should include the smaller MPOs in that, as well.

We find that some of the requirements that are in legislation or administration—the 15 requirements are somewhat restrictive for us. We're not suggesting that they be dropped, but we think that we need much more flexibility because some of them do not—are very difficult for us, with our limited staff and just because some of the issues just may not apply directly to us. We think flexibility is really an important aspect to that.

We also would like to—we do not receive direct sub-allocation of funds, as other MPOs do that are 200,000 or more, and we would like to be considered in that. Again, it's in the context of being treated, instead of a two-tier system, to be treated as part of the whole.

So let me just repeat my first comment, and that is we found ISTEA to be very positive, very successful, and we do not want you to turn back the clock on this. We want to move ahead, basically as it is, with some of the improvements. From our point of view as a small MPO, we strongly encourage its continuation.

Thank you for your time.

Mr. PETRI. Thank you.

Mr. Wilson?

Mr. WILSON. Thank you, Mr. Chairman and members of the subcommittee.

I bring you the perspective from the other end of the scale. I'm a city council member from the city of Hurst, Texas, chairman of the North Central Texas Council of Government's Regional Transportation Council, the metropolitan planning organization for the Dallas/Ft. Worth area.

We recognize or responsibility for planning and programming. We are responsible for an area over 5,000 square miles. Our metropolitan area includes nine counties, over 100 municipalities, eight of which are larger than 100,000 in population, including our two central cities, Dallas and Forth Worth.

The Dallas/Ft. Worth metropolitan planning area is the key economic and social and political center for Texas and is very important to the United States, accounting for over 30 percent of Texas' gross regional product. Employment has grown by 34 percent in the 1980s, and is projected to increase by another 50 percent to 3.5 million by the year 2010.

The Dallas/Ft. Worth region has also experienced some very large population growth, growing 30 percent during the 1980s, expected to grow 32 percent, to 5.4 million, by the year 2010, and our current population of 4.1 million is larger than 27 other individual States.

The economic growth we're experiencing, however, is not without cost and challenges. Growth in jobs and population has translated to greater demands for increased population capacity. Over 100 million vehicle miles of travel occur daily within our region, resulting in 30 percent of our roadways being congested during the peak travel times, and this is an annual expense and cost of over $2.8 billion to our region.

With projected transportation funding shortfall of over $9 billion by the year 2010, identifying future revenue resources for our growing mobility needs is a very huge challenge.

Coupled with the anticipated financial shortfall is the environmental challenge of air quality, a very real and present dilemma which we're striving to overcome. Local elected officials, acting together on behalf of our region, have been given a very excellent tool for addressing these challenges, and that tool is the Intermodal Surface Transportation Efficiency Act of 1991, or ISTEA.

We feel ISTEA has been tbe answer for our region. Through ISTEA we're making great strides of programming transportation funds that best meet the needs of our area, allowing us within the area to address congestion, safety, and air quality problems. ISTEA has allowed us to build regional consensus for future multi-modal transportation investments, planning for our area, which has resulted in a more balanced, efficient, effective regional transportation system.

In the time I have remaining, I'd like to highlight some of our experiences with ISTEA which we feel are benefitting us.

The Regional Transportation Council has taken an active role in selecting the transportation projects, programming the funds, and working closely with the local governments, transportation authorities, Texas Department of Transportation, to ensure these projects are implemented. Since 1993, we have programmed over $650 million of ISTEA funds in our region.

Examples of these projects include: intersection improvements, signal system improvements, commuter rail, high occupancy vehicle lanes, van pools, ride shares, freeway incident detection and response systems, bicycle and pedestrian facilities, conversion of transit and other public vehicles to alternate fuels, as well as the traditional mobility projects.

The financial constraints of ISTEA that impact the development and implementation of the metropolitan transportation plan have challenged us in a very real way, and we feel the challenge is really for the better. It has forced us to recognize that funds in the future, as they are today, are likely to be very limited, and we, the local elected officials, working through the MPO staff, the local governments, the transportation agencies, must strive to identify new transportation improvements and programs that can meet the mobility requirements that we have with the limited funds available.

ISTEA has provided key mechanisms in the planning process for achieving regional consensus on future transportation investments. The process provides a means of building consensus within many entities, including the elected officials, the local elected officials, the technical staffs, the business communities, the neighborhoods, special interest groups, and the general public. We all bring them together in a very detailed planning process.

Information regarding the performance and cost/benefit of these various projects are brought to the table and discussed.

I see my time is running out, so I'm going to go down toward the bottom.

ISTEA has brought home the reality of financial constraints, forcing us to be smarter in the way we plan and allocate our resources, resulting in new partnerships and innovative strategies for funding our mobility needs. It has provided mechanisms for building regional consensus, the opportunity of including the public in our transportation policy-making. It has also given us the flexibility in intermodalism and cooperation that we didn't have prior to ISTEA. It has served to reinforce these concepts and provide a successful framework for which the MPO can carry this out.

Ladies and gentlemen, in our region, bottom line, ISTEA works.

Mr. Chairman, I want to thank you for allowing me to make these remarks, and I'll be happy to answer any questions that you might have.

Mr. PETRI. Thank you.

Mr. Rahall?

Mr. RAHALL. Thank you, Mr. Chairman.

Mr. Stein, let me ask you a question. When you suggested that we drop the 200,000 threshold, were you speaking within the context of the surface transportation program only, within the context of those funds?

I ask that because last week we had a witness that suggested we sub-allocate to MPOs all ISTEA funding, including NHS and interstate maintenance funds.

Mr. STEIN. I was suggesting it for the former rather than the latter, but I hadn't—I can't say that I've given any thought to the broad approach on that.

The point I was trying to make—and I think it's a generic point—is that we feel as if—psychologically we feel as if we're second-rate citizens because we don't have the same decision-making authority as those other MPOs of 200,000 or more.

So, given that generic approach, it should apply to everything.

We feel we have the ability and competence to make good, sound, solid decisions, and we want to do that, and the 200,000 population limitation is—makes us feel as if we are not given that authority.

So we want to be like everybody else, in other words.

Mr. RAHALL. So your suggestion then was coming only within the context of STP funds?

Mr. STEIN. Yes.

Mr. RAHALL. Okay. Thank you.

Thank you, Mr. Chairman.

Mr. PETRI. I wanted to follow up on that a little bit, too.

The larger MPOs have more authority, but they presumably have more paperwork that they have to comply with as a part of exercising those spending decisions or recommendations. So do you want them both, or do you just want the authority? How do you work that out?

Mr. STEIN. We want the best and we want to remove the worst.

Mr. PETRI. There are probably some trade-offs there, and we would be sympathetic to trying to make it more flexible. 200,000 is an arbitrary number, 50,000 is an arbitrary number. Situations vary, and in some particular parts of the country or neighborhoods there might be a real benefit in having this, and probably people will develop it anyway, as you have, without the full authority.

But we'd be eager to get advice as to how to make this work better. We don't want to give you something you're asking for and then have you or others discover that you wish you hadn't because you end up with three people overwhelmed.

The Illinois Department of Transportation was saying that they were overwhelmed with some of the planning requirements, so this is a kind of the other side of the story, so to speak.

Mr. STEIN. I think that's an extremely important point, because we feel somewhat overwhelmed as it is with some of the paperwork, since we have, as I mentioned, a very small staff and very limited resources, and we certainly want to avoid any more. We want less.

Let me offer that I'm not prepared to give you specific recommendations at this point. I would like to have the opportunity to send them to the committee at a later time.

Mr. PETRI. We'd appreciate that, and any other specific suggestions as to how to make this process work better, building on what we already have. You're the people on the firing line who have to make it work, and so you probably can give us a lot of good advice as to how it can be structured a little more efficiently.

Mr. STEIN. We'll try to do that. Thank you.

Mr. PETRI. Thank you all.

We're joined by several of our colleagues who I know would like to introduce members of the next panel. I think I'll introduce Ms. Susan Mortel, who is the assistant deputy director for planning for the Michigan Department of Transportation.

Mr. Baker, have you any other Californians you'd like to——

Mr. BAKER. Mr. Chairman, thank you.

I'd like to introduce Mr. Larry Dahms, who is executive director of Metropolitan Transportation Council in San Francisco. It's our MPO, our planning area for transportation. It's also an area where we have a tremendous amount of congestion. There about five million people that live in the bay area, and they all come together in two or three focal points, and there are as many politicians as there are solutions, or about twice as many solutions as there are politicians.

It is this organization's goal to get everyone singing from the same song sheet when they come here.

BART to San Francisco Airport was one heck of a mess. When we got here, people were lobbying the Federal Government on the routes. So we got them all in a room, and with Larry's leadership were able to get everyone to agree on routes and the approach to the airport now, including the airport and even some of the airlines.

I really want to welcome Larry Dahms here and to thank him for all the good work he's doing refereeing the various transportation interests in the bay area in California.

Mr. PETRI. Thank you. And we have two other Californians. Mr. Stan Oftelie is the chief executive officer, Orange County Transportation Authority, Orange County; Mr. Ron Bates, city councilman, city of Alamitos, on behalf of the Southern California Association of Governments and the League of California Cities.

We're joined by our colleague from Colorado, Joel Hefley, who would like to introduce another.

Mr. HEFLEY. Mr. Chairman, I would—first of all, I want to thank you for holding these hearings on the important issue of the structure of the metropolitan planning organizations as that issue relates to the reauthorization of ISTEA.

One of the steps taken by ISTEA was the significant enhancement of the power and the role given to the MPOs, and it is most appropriate that this role be examined to determine how well it's working and whether reform is needed.

It is my sincere pleasure today to introduce Michael Cooke, who is a commissioner for the Douglas County, Colorado, Board of Commissioners.

Commissioner Cooke, as an elected official from our Nation's fastest-growing country, has first-hand knowledge of how this aspect of ISTEA is working. I know you'll find her testimony invaluable.

Commissioner Cooke is Douglas County's representative to the Denver Regional Council of Governments and was first elected to the board in 1992.

To lay the perspective out here, here you have the fastest-growing county in America outside a big metropolitan area of Denver, Colorado, so you have fast-growing, with all the demands placed upon a fast-growing county infrastructure—highways, all kinds of demands. You have an MPO dominated by its bigger neighbor to the north.

Before I turn to Commissioner Cooke, I wanted to inform the subcommittee that I've reviewed Commissioner Cooke's testimony, and, because I work closely with Douglas County and their relationship to the MPO, I believe reform is desperately needed.

In the near future I'll be introducing legislation that will encompass the thrust of the Douglas County recommendations to you today, and I hope that the committee will consider this when you begin to mark up your reauthorization bill for possible inclusion into that bill.

With that, I would like to present to your committee Commissioner Michael Cooke.

Thank you, Mr. Chairman.

Mr. PETRI. Thank you.

Would you like to begin?

Mrs. COOKE. That would be fine.

TESTIMONY OF STAN OFTELIE, CEO, ORANGE COUNTY TRANSPORTATION AUTHORITY, ORANGE COUNTY, CA; LAWRENCE D. DAHMS, EXECUTIVE DIRECTOR, METROPOLITAN TRANSPORTATION COMMISSION, SAN FRANCISCO, CA; RONALD BATES, CITY COUNCILMAN, CITY OF LOS ALAMITOS, ON BEHALF OF THE SOUTHERN CALIFORNIA ASSOCIATION OF GOVERNMENTS AND THE LEAGUE OF CALIFORNIA CITIES; MICHAEL COOKE, COMMISSIONER, BOARD OF COMMISSIONERS, DOUGLAS COUNTY, COLORADO; AND SUSAN P. MORTEL, ASSISTANT DEPUTY DIRECTOR, BUREAU OF PLANNING, MICHIGAN DEPARTMENT OF TRANSPORTATION

Mrs. COOKE. Thank you, Mr. Chairman, members of the subcommittee.

For the record, my name is Michael Cooke. I am a county commissioner from Douglas County, Colorado, as you've heard.

I'm here to testify today on the need for reform of the metropolitan planning organizations in the reauthorization of ISTEA.

As you heard, according to the latest census figures, Douglas County is the fastest-growing county in this Nation, and our population today exceeds 110,000 persons. That represents an 83 percent population growth since 1990.

The county lies between the two largest cities in the State of Colorado, Colorado Springs and Denver, and so, in addition to the impacts of population growth, we have the impacts that are generated by the commuter traffic traveling to and from those cities that we link.

Although we have worked, Mr. Chairman, to cooperate within the system and with our MPO, the Denver Regional Council of Governments, or DRCOG, we have concluded that the MPO process for the approval of transportation funding is inadequate.

While we understand the intent of ISTEA was for more flexibility and certainly more local control, it did not give local governments the ability to make decisions as to whether or not to participate in a system such as the MPO system.

In fact, Federal regulations dictate that in order to redesignate an MPO, three things must happen: first, you need the approval of the governor of the State; second, you need the approval of the local elected officials representing 75 percent of the total population of the region; and, third, you need the approval of the local officials within the central city within that MPO region.

To achieve these requirements today for us is a virtual impossibility.

The population of the DRCOG region is approximately two million people, and we in Douglas County make up about 5 percent of that total people. Yet, in the 1993-1995 transportation improvement program funding cycle, Douglas County was allocated one-third of 1 percent of the total funding available, and in the 1995-1997 cycle we were allocated 1.2 percent. It's this funding inequity and the fact that we believe there to be an inability for us to change the system that has brought us here to address you today.

Specific details of problems that the county has encountered with DRCOG are included in my written testimony, which has been provided for you, but I will briefly summarize some of those issues.

Beginning with the fact that we applied for funding to complete a 4-lane section of roadway, our busiest roadway in Douglas County, and the project met all of the established criteria; however, the MPO labeled this project a capacity enhancement and denied the funding. In fact, this was clearly a continuity project, as this road was widened on both ends.

We also applied for funding for a safety project to separate bicycle traffic from automobile traffic on a roadway in Douglas County. By the time the MPO completed work on this project, it was so severely altered it no longer met our stated needs and we rejected it.

The MPO was also initially in support of and, in fact, somewhat of an obstacle in our efforts to designate a section of highway in Douglas County as part of the national highway system. After 5 months of persuasion, DRCOG did issue a letter of support to Federal Highways, but it only was sent 2 days prior to your action on that national highway system.

We've also given you written information in the testimony detailing difficulties we've had with unreasonable deadlines and the inflexibility of those deadlines, and also on the reallocation of construction funds on one of the most critical projects in Douglas County, and that's Interstate 25, which links Denver to Colorado Springs—the reallocation of that funding to projects outside of Douglas County.

We've come to the conclusion, Mr. Chairman, that the system does not resemble a democratic process, and today are asking for your consideration of our proposals for reform of the MPO system.

At this time I'd like to read those proposals into the record.

Number one, we request that you lower the unreasonable barrier for a jurisdiction's withdrawal and redesignation from an MPO to the approval of local officials representing 50 percent of the population of the entire metropolitan area outside of the central city.

Number two, if this criteria is achieved, there is no justification for a central city having veto power, and so we would request that the central city veto be eliminated.

Number three, if a jurisdiction is successful in achieving the previous two, we still have a Federal requirement that that jurisdiction be required to cooperate, consult, and coordinate with the MPOs in the area.

We think that then hampers the ability for local decision-making and request that language to read only that the new MPO consult with other entities.

Number four, because State departments of transportation have knowledge, experience, and expertise to assure project selection based on sound data and engineering, we request that the authority for project selection be returned to those entities.

In closing, Mr. Chairman, we believe there should be a requirement that an MPO must have a process in place for equitable, agreed-upon local decision-making, and that that process should be utilized. It is not being done so today.

With that, I thank you, Mr. Chairman, for giving us an opportunity to address the subcommittee.

Mr. PETRI. Thank you.

Ms. Mortel?

Ms. MORTEL. Thank you, and good morning.

My name is Susan Mortel. I'm the assistant deputy director of planning for the Michigan DOT. Thank you for the opportunity to testify this morning.

MDOT is a strong supporter of the principles of ISTEA. We have 14 MPOs, ranging in size from less than 100,000 to several million in population.

We've met the ISTEA deadlines for the creation of our long-range plans and our transportation improvement programs on time, and we have worked very hard to meet the changing needs of the urban areas' transportation.

The State and MPO relationship is anything but perfect, but it is working.

As we enter reauthorization, I'd like to offer MDOT's perspective on where we think we should be headed.

We need to work harder on establishing mutually-agreeable priority structures in our urbanized areas. If we have those priority structures in place, we can ensure that the most important needs move forward on schedule.

In order to do this, we're going to need to tie project selection more securely to our long-range program goals.

All of the partners need to agree on the priorities. We need a project selection framework that sets criteria to ensure that regional needs are met and not just those of individual units of government. The project selection responsibilities outlined in ISTEA can work within this framework.

Next, we need to ensure that the owners and the operators of the transportation system have an important role in the project selection. For example, the Grand Rapids Transit Agency still doesn't have a vote at the MPO table. The agencies responsible for the condition of system and the quality of the service must be at the table, and each partner brings a different perspective to this process.

Local jurisdictions, for example, the cities or counties, have a narrower perspective, guided by their political boundaries, than the State. The State must be able to balance the needs of multiple urbanized areas, and at the same time recognize that the condition of the local system, the local streets, can affect the operation of the higher-level system. The MPO is the place where the partners can come together and find common ground.

Third, we need to move away from sub-allocation formulas within urbanized areas. When a large urban area, a TMA, receives an allocation of STP money provided under ISTEA, the first thing that some of them do is to sub-allocate to the individual political jurisdictions in their urbanized area.

This achieves geographic equity within the urbanized area, but it also creates some problems. A small pot becomes smaller. The individual unit of government becomes to thinking that the money is theirs outside of any regional priority structure or priority-setting mechanism, and it encourages a fairly narrow view or narrow focus and makes it very difficult to encourage coordination and partnerships that allow large, regionally-important projects to be built.

We need to move towards a needs-based, criteria-driven project selection process in our urbanized areas. It needs to involve the transportation providers, local elected officials, and interest groups.

Now, it is true that there is nothing in ISTEA that prevents us from doing that right now, and we are moving in that direction.

As we reauthorize ISTEA, it's really important that we don't make it impossible for us to continue moving in that direction. Some have suggested that the answer to our national priority-setting problem is to allocate money directly to all of the MPOs, or directly to central cities.

MDOT believes that it's not in anyone's best interest to put any of the partners in the position of going it alone. The partnership doesn't mean that the State selects all the projects, and it doesn't mean that the MPOs should select only projects on city streets. We need to use the MPO forum to settle our differences and agree on priorities and make the project selection mechanisms that are currently in the ISTEA work.

We need to focus more carefully on what our customers are telling us, and "us" is the partnership. Allowing any of the partners to opt out of the process is not a solution to our problems.

Local city streets, county roads, feed State trunk lines—buses travel roads of all jurisdictions. I haven't met anybody, any of our customers yet who care whether or not the State owns the road or the city or the county owns the road. What they care about is whether or not there are potholes and whether or not there is a bus there and whether or not it's on time.

The partnership is evolving, the partnership can work, and the partnership is good for the customer.

Michigan has had a very boisterous process in the last year. Some of us are still bruised. But the highest priority State and regional projects are moving forward.

There have been many positive instances where we have been able to meet mutually-agreeable project goals and make the process work.

One comment on flexibility. What we're hearing from a lot of our smaller MPOs is that they are feeling fairly overwhelmed by some of the planning requirements. Also, we need the ability to move forward on our STP without lengthy, time-consuming, multiple Federal approvals.

We need to apply the financial constraint mechanisms that are in the STP in a way that accomplishes our need to be financially constrained without making it so difficult to take advantage of the new flexible in funding that's provided in the NHS bill.

With that, thank you very much for the opportunity to comment.

Mr. PETRI. Thank you.

Our colleague, Jay Kim, has joined us, and I think he wanted to make several introductions.

Mr. KIM. Thank you, Mr. Chairman. I'd like to thank you again, Mr. Chairman, for holding this hearing on MPO issues.

The next panelist, Mr. Ron Bates, is well-known and has a good reputation in southern California as not only a councilman but also a transportation expert. He's the incoming vice president of the League of California Cities. He's appearing on behalf of the SCAG, of which I used to be a member when I was a mayor.

Again, as you know, SCAG is one of the largest MPOs in the country, I believe. SCAG serves 6 counties and more than 15 million people in southern California.

I'm so proud to see you today, and I'm looking forward to hearing from you today, Mr. Ron Bates. Welcome.

Thank you, Mr. Chairman.

Mr. PETRI. Thank you. Will you care to proceed?

Mr. BATES. Mr. Chairman, committee members—thank you, Mr. Kim, I appreciate that introduction. My name is Ronald Bates. I'm a council member with the city of Los Alamitos in Orange County. I chair the Transportation and Communications Committee at SCAG, and I'm also a second vice president of the League of California Cities.

We'd like to tell you today—I'm sure you already know this—that ISTEA works. It's working in southern California. We'd like to see it authorized essentially as is, with its provisions for continuous, comprehensive, and coordinated planning.

I have three points I'd like to make today with you, and those are, first, that the economy of the regions, transportation, economic development are linked.

Secondly, I'd like to tell you a little bit about our structure at SCAG.

And then, third, some of the successes that we've had over the last 5 or 6 years.

First let's talk about the linkage. As you may know, there are 45 major metros with over a million people. They also include 60 percent of the population of this country. I think what's significant here is 90 percent of the Nation's jobs and growth are coming from those major metros.

Southern California, alone, I think as Congressman Kim has indicated, would be the twelfth largest economy in the world.

In 1995, we had a HUD report, "The Challenge of Community," which states that global competitiveness is tied to America's metro areas. Certainly our transportation system is inextricably linked to the economic development, the environment, and the quality of our lives in our regions and ultimately in the country.

We have a linkage.

Now let's talk a little bit about how SCAG is structured.

We have a 71-member, locally-elected body. Each member represents about 200,000 in population, with each member having one vote. We're on 2-year terms, so we are accountable to our peers who elect us to the regional council.

We have a board structure that has three policy committees, one of which I chair—Transportation and Communication—and then three standing committees.

We have a Regional Transportation Agencies Coalition, which has the transit operators on that coalition providing direct input into the regional council.

We have a Regional Advisory Council, which has to do with businesses, environmental groups, individuals, so they give direct input into the process.

Probably what's unique to major MPOs is we have 13 sub-regions that have policy bodies that provide a bottoms-up planning approach in our region, so we get good integration, good public input into our planning process.

In terms of some of the successes, I'd like to point out, as you may know, that we're the only extreme ozone attainment area for air quality, and we have been able to make conformity findings for several regional transportation plans.

We have been involved in the planning and are a board member of the Metrolink program that involves the transit operators and transportation commissions in southern California.

We've established the Alameda Corridor Transportation Committee, which involves the shipping through the ports of LA/Long Beach, bringing that into the region, and hopefully developing a regional concept for a southwest passage between southern California, Texas, and on to the east coast.

We've developed transportation strategies that focused on advanced technology, pricing solutions, smart shuttles to address transportation issues, and we've expanded our outreach program so that we have televised electronic forum, town hall meetings for transportation input from the various cities around the region to involve them into the planning process.

So I'd just like to say, in conclusion, that it's working in southern California. Certainly there need to be some improvements in the legislation, itself. We think those improvements are minor.

We'd like to thank you for this opportunity to comment, and we would enjoy working with you on the details and would be happy to provide input in formulating the ultimate ISTEA-II.

Thank you.

Mr. PETRI. Thank you.

Mr. Kim, would you care to make another introduction?

Mr. KIM. Thank you, again, Mr. Chairman, for yielding.

Our next speaker—you may know him pretty well—is Mr. Stan Oftelie, a long friend of mine. He's tbe CEO of the Orange County Transportation Authority, and we've known each other almost a decade.

I have to tell you about him just a little bit. He was the one that put together this consolidation of seven different transportation agencies and made it one solid transportation authority, and he's the one that had the innovative idea about bringing all the privatization concept, and we got three corridors out there.

It's the first time in California history we're going to have a private road—privately funded, privately maintained.

Again, in spite of all the bankruptcy—I don't know how he did it, but the transportation project was ongoing, and without any delay. The project has been successfully completed.

Again, I'd like to applaud you and thank you again for coming. I'd like to welcome you again.

Thank you, Mr. Chairman.

Mr. PETRI. Sir, please proceed.

Mr. OFTELIE. Thank you, Mr. Chairman.

It is always great to be introduced by your Congressman.

We have two issues today. One, we'd like to focus a little bit on how the MPO boundaries are determined. Like Commissioner Cooke, we recommend that there be a more flexible process for the redesignation of metropolitan planning organizations be enacted as we take a look at ISTEA. We suggest that you look at a fine tuning of the existing approach, rather than a re-invention or a re-evolution or re-devolution of the transportation system. We're talking about fine-tuning, and we think some fine-tuning can make good sense.

In a broader area, we're seeking greater flexibility in transportation decision-making, while recognizing the value of local control and home rule.

The support concepts of having MPO-like agencies be the key building block of transportation planning, while recognizing a one-size-fits-all approach has severe limitations, is good news and it's the kind of thing we'll bring to you as part of our input today.

Specifically, Ron has chatted with you a little bit about the size of SCAG. The Southern California Association of Governments is a six-county agency, 38,000 square miles, 14.5 million residents.

To illustrate just how large that is, if Mr. Stein, who spoke earlier, if his single MPO was put into the mix in southern California, we'd have to have 290 MPOs just for the SCAG region. That would be outlandish, just as outlandish as having one for the entire region doesn't make very good sense.

We think that you should look a little bit differently at agencies that includes three separate air quality districts, five counties which have locally-adopted sales taxes for transportation improvements, hundreds of cities. We think this is a very large and sometimes unwieldy area to work within.

I understand the frustration of the State of California when they talk about devolution. I think their prescription on how to solve the problem is much, much too troublesome. There are simpler, easier ways to refine this problem.

We think the specific provision that requires transit operators to be full members of the MPO should be a key decision-making element that we look at. There is a process outside the SCAG formal decision-making process for sub-groups to work as transportation. We can present that information at the podium. We're not allowed to be a part of the 71-member decision-making board. We think that the roles should be more sharply defined to make sure transportation interests are clearly at the table.

We'd like to bring some context to something that Congressman Kim said.

Seven different transit agencies were merged into one in Orange County 5 years ago. We took some of the ideas that were brought forward in ISTEA and tried to localize them. We tried to mix the transit provider.

In Orange County the bus system is about the same size as Cleveland, Ohio. Mix that with an aggressive, more than $1 billion freeway reconstruction program, and significant involvement of local cities in doing enormous amount of street and road work—which they're doing on budget and on time.

This coalition forms unique and very special types of transportation opportunities. Having those outside the SCAG process or in a secondary role as a stepchild of the SCAG process is troublesome. It doesn't provide for a clear definition of how we should be doing transportation planning.

Mr. Chairman, I think these are resolvable issues. I think one way to resolve them in a straightforward and clean manner is as Commissioner Cooke outlined—take a look at the process for redesignating MPOs, recognizing that one size doesn't fit all, and in some of our urban areas and our suburban areas we may also have to look at how existing MPOs are structured and look for ways to redefine them.

Mr. Chairman, I'd be pleased to respond to any questions. Thank you very much for having us here today.

Mr. PETRI. Mr Dahms?

Mr. DAHMS. Thank you, Mr. Chairman, Mr. Rahall, Mr. Baker, members of the committee. I am Larry Dahms, executive director of the Metropolitan Transportation Commission for the San Francisco Bay area.

You have already heard from a wide range of parties today and earlier, and importantly the transit, highway, freight, State and local governments, community advocates that have been appearing before you reflect the range of viewpoints that we have been challenged to reconcile in the metropolitan planning process over the last 5 years of ISTEA.

Transportation planning is a function, I guess, probably that dates back to the time when it ensured that all roads would, in fact, lead to Rome. In our time, it was the Highway Act of 1962 that first established metropolitan planning.

Planners, then armed with transportation modeling tools, were expected to provide technical information to inform local officials and decision-makers.

Over the past 30 years, the role of metropolitan planning organizations has evolved from one of technical advice and consultation to one of collaboration and partnership.

The inputs to good planning processes are resources that are sufficient to meet the needs of the system, both in terms of maintenance and strategic expansion; predictable so that budgets can be developed; and flexible to ensure the project funding decisions are driven by system needs rather than categorical restrictions.

The Federal Government's ongoing interest in this arena is driven by the fact tbat metropolitan communities form and function as the economic engines that drive the Nation's economy.

MPOs are focused on metropolitan transportation systems. These are the systems that tie the regions together and to the rest of the country.

ISTEA reinforced the tenets of effective planning and provided tools to move towards an even more collaborative and productive Federal, State, metropolitan partnership through designation of the national highway system, planning requirements with the system emphasis, a partnership framework, and the linkage of transportation plans to budgets.

ISTEA finally recognized that metropolitan mobility and its limiting congestion are critical factors of concern to the Nation's economy.

Our task in addressing the goals of ISTEA, however, has only begun. MTC's experience with ISTEA has been positive and, in large part, due to the responsiveness of the State of California to meet the directives of the act and the willingness of our new partners to work together.

In our region, we convened the Bay Area Partnership, consisting of the top managers from 31 agencies responsible for moving people and goods in the region. By the end of 1994, MTC had used a multi-modal priority-setting process to allocate more than 500 million in flexible ISTEA funds to some 500 projects, and the sponsors of these projects have put that money to work well ahead of statutory obligation deadlines.

Let me turn now to the future in ISTEA-II. We start again with the premise that the health of the national economy depends on effective functioning of a hierarchy of transportation systems. This reality is a primary justification for sustained Federal interest in transportation—an interest that was given some new meaning with the concern for system integration and efficiency when they were emphasized in ISTEA in the first place.

In order to make further progress, Federal transportation policy should continue to embody these fundamental elements established by ISTEA: adequate resources to fund infrastructure needs, the goal of integrated systems, improved efficiency, and the continued incentive for partnerships to deliver on these elements.

ISTEA should build on the sound foundation of the original act and move forward in accomplishing these fundamentals.

We are concerned with the range of current reauthorization proposals which seem to be driven by an entirely different set of objectives and which do not seem to reflect the nexus between efficient transportation systems and national economic productivity. Rather, these proposals seem to be driven by Federal budget problems and the formulas for allocating funds among States.

Current discussions about devolution and the accompanying turn-back of the Federal gas tax to the State are evidence of these differing objectives.

The turn-back discussion is part of a larger trend in Government which seeks to shed responsibility from Federal to State, from State to local. There is, however, a critical missing piece of these discussions of devolution—the acknowledgement of strict limitations on the ability of local levels of government to raise additional revenue necessary to backfill the reductions from State and Federal sources.

Proposals to raise taxes are no more popular at the local level than they are at the State and Federal level. Even so, five of our counties have invested local sales taxes heavily in the full range of transportation investments for the last two decades. Their ability to continue such investments, however, has been thwarted by a recent Supreme Court decision requiring a two-third vote to approve such measures in the future.

Further, our State legislature has just rejected an MTC proposal to put a regional gas tax measure before the voters. With these events fresh in mind, we are naturally skeptical of the prospect of losing a major funding partner.

If the government doesn't do the job, can we expect the private sector to fill the gaps? Private capital is attracted, but primarily to revenue-producing expansion projects, not the nitty-gritty challenge of sustaining the existing system.

In our region, for example, we forecast a $2 billion shortfall for street and road maintenance and a $1 billion shortfall for transit operations over the next 20 years. We do not expect to see private funds for such purposes.

Attached to my testimony is a two-page discussion of turn-back and a special report produced by MTC in anticipation of the ISTEA reauthorization debate. The latter was prepared to complement a conference we hosted in conjunction with the California Department of Transportation last March in San Francisco to solicit input from the citizens of the bay area.

We have already been working and we are here to work with you in developing improvements to the law, and we thank you for this opportunity. I'll be happy to answer any questions.

Mr. PETRI. Thank you.

Mr. Rahall, do you have any questions?

Mr. RAHALL. Thank you, Mr. Chairman.

Let me begin with you, Larry—and it's good to see you again.

I like very much the attachment to your testimony. You say you want a devolution. I guess I'm kind of reminded of that old Beatles song, "Do you want a Revolution?" or something like that. I'm just wondering, did Tom Bolger write this for you?

[Laughter.]

Mr. DAHMS. Well, I think his sentiments are reflected there, but Steve Heminger, who you met when you were out there, was the author of that, Mr. Rahall.

Mr. RAHALL. Right. Let me ask you a question. You know, whether you call it a devolution or a revolution or turn-back or Kasich proposal, or whatever the words are that are being batted around, what do you really think these proposals would do for transit? How devastating would they be? And also to the concept of MPOs, as we developed it in ISTEA?

Mr. DAHMS. Well, on the first question, I don't really know whether the—what approaches total turn-back, whether that's to be seen as a negotiating position or a solution. If it is to be seen as a negotiating position in the donor/donee debate, that's one thing. If it is to be seen as a solution, then there is concern.

In our State it would require the State Legislature to act and increase gas taxes by approximately $0.09 to put back the highway fund part, and if it didn't do that, then we would see a substantial reduction.

I guess I would have to turn the question back to the Congress as to whether the Congress would have a transit program if it didn't have a highway program.

I guess my guess is you probably wouldn't, and if you didn't, we would have a substantial reduction there, as well.

So our concern is that, as I pointed out in my testimony, we already have a shortfall, and we have a shortfall despite the fact that our local governments have put substantial hundreds of millions of dollars even on the Federal highway system, but we still have a shortfall. It doesn't seem to me we could afford to have less user fee revenues. It seems to me, if anything, we need more.

While more may not be likely, and maybe we do need to work with what we have, we certainly don't need less. And it seems to me it's a very high-risk game to presume that 50 States are going to replace all that would be turned back.

Mr. RAHALL. And what about MPOs?

Mr. DAHMS. Well, that will be a State-by-State question. I think in our State our relationship with the State is such that I think we would still have a firm partnership, but I doubt that that would be the case in all other States. I think it's of particular concern in those places where a metropolitan area spills over State boundaries.

As I understand it, there are 38 metropolitan areas that actually straddle two or more States, beginning right here. I don't see how you make a metropolitan system work.

It does seem to me that in improving ISTEA we need to pay more attention to how metropolitan systems work and how they integrate with the national highway system. It seems to me that is a major challenge of ISTEA-II, and I don't know how you make it work if you've got Washington, D.C., and New York City and St. Louis and all of these places where the metro area spills over two or more boundaries and you do not have some forum for pulling the many, many agencies that have to cooperate together.

To me, that's a strong argument for continuing building on the strengths of ISTEA.

Mr. RAHALL. Thank you.

Let me ask this question, in particular, to Commissioner Cooke and Councilman Bates.

Some are proposing to eliminate or severely scale down the surface transportation program and instead focus Federal resources on the NHS. How would this affect the communities that each of your represent?

Mrs. COOKE. Thank you, Mr. Chairman.

Our request for reform of the MPO structure primarily has to do with what we see as a very complex system, particularly in the Denver Regional Council of Governments.

We are not trying to—if I understand your question correctly—scale back necessarily on projects that would favor——

Mr. RAHALL. Yes. I wasn't accusing you of offering such a proposal. I just said "some are offering such a proposal."

Mrs. COOKE. We're very supportive of the national highway system and projects. We are supportive of transit projects in Douglas County. Our difficulty actually has more to do with the structure and complexity of the MPO system than it has to do with the distribution, if I understand you correctly.

Mr. RAHALL. Councilman Bates?

Mr. BATES. Thank you.

I think it's clear that the national highway system needs to be tailored to handle the goods movement issue, and especially as it's going—in California about a third now of the goods that are moving throughout the country are coming through California. We anticipate that amount will continue to increase.

So we think, as far as goods movement, especially through a southwestern passage between California, also with NAFTA, the southwest and on to the east, that that's important. But I still think the key to ISTEA Is the regional economies, as I kind of indicated in my testimony.

I think we need to continue to focus on making the regional system work, because ultimately that's going to produce the jobs, that's going to produce the kind of competitive economy we need as a country to be successful in the next century.

Mr. RAHALL. Thank you. Thank you, Mr. Chairman.

Mr. PETRI. Mr. Baker?

Mr. BAKER. Thank you, Mr. Chairman.

Mr. Dahms, the balance between having local input and local control and then the regional government response, and then, as yet, State and Federal, is unclear as we go into negotiations over ISTEA.

Your call for a strengthening of ISTEA or a maintaining of ISTEA because of the necessity of rail has to be tempered by recent actions of the Senate where a locally-funded project is being made into Swiss cheese by the Senate committee which has tacked on a couple of hundred requirements onto this project—not the Transportation Committee that studied it, but the Appropriations Committee.

How, if we don't have some form of local control over the revenues sent here from donor States, how do we get out of this bind which Ms. Mortel said several Federal approval processes? How do we simplify this and get the projects moving faster when the locals do get their act together and approve of a project?

Mr. DAHMS. I think that Mr. Baker's question illustrates how we've had to wrestle with some of the intricacies of the Federal process, and at the moment our project of connecting the BART to the San Francisco Airport is dependent upon the Appropriations Committee delivering on the authorization that came in ISTEA.

There was an authorization for this project, and then on a year-to-year basis we need to get an appropriation in support of that. Those appropriations up to now have come with language. At the moment, the Senate language is onerous.

Mr. BAKER. Let me expand on that, because I don't want to just dwell on this one project. It is of recent memory to you, and that's why I brought it up. But having Federal environmental standards fall or State's EPA standards falling upon local environmental standards, all of them running end-to-end, not concurrently, so you can delay your projects 3, 4, or 5 years, and if inflation is only 3 or 4 percent, you've only added 15 or 20 percent to the cost of your project. How do we get that out of these laws? How do we protect a small area like Douglas County, Colorado, from being squashed by their larger neighbors who pig out, if you will? How can we, when we redraw ISTEA, take care of all these problems so there is some fairness and so we can have some more efficiency in delivering transportation projects—in 30 words or less?

[Laughter.]

Mr. DAHMS. I don't think there is an answer in 30 words or less. There are these protections and our citizens have access to those protections. I think that for most projects we will be able to move them. There is certainly room for streamlining.

Even in our own case, we at MTC have been pounding our chest about what a good job we did in terms of involving our partners in selecting the projects that I referred to in my testimony.

The fact is that we involved our partners so much that our own process got so cumbersome it already needs to be streamlined. So even in our case there are some things that we've done that made the process more cumbersome. We could be criticized by some of our partners.

I do think that there is lots of room for the Federal Government, for the State government, and even for our own agencies to streamline the process, but in the meantime I don't think we can afford to lose the investment in the system.

It does seem to me that, as you look towards next year when you write ISTEA-II, we need to somehow or other get back to the notion that it's about transportation, it's about mobility.

One of the witnesses that testified earlier said that transportation should be the servant, should be the good servant, not the ugly master, and I think that's our challenge. Mobility is what we're trying to provide. We need a system context in order to be able to do that. We then have to reconcile a number of these other things, and at the moment we have, in some cases, State law with Federal law piled on State law, and it's a big challenge.

But in 30 words or less, I can't answer the question, but I do think this partnership that ISTEA has been encouraging does provide the basis for finding those answers.

Mr. BAKER. I thank you. That was a good answer, and you have, indeed, brought it about in the bay area of California, but apparently it hasn't reached Denver yet.

I hope that the various MPOs will get together and help us to redraft this so there is some flexibility and we can get some dollars directly to the locals to be spent at their need through the State.

I'm spoiled, because my State has a priority-setting mechanism that's not porked. There is a State Highway Commission, or Transportation Commission, that evaluates rail and rosd projects and you cannot have a bill go through the Legislature with a project in it, so we can't have project-sensitive bills, or pork. It has to go through this priority setting from State level down to local level, and at that point MTCs are mandatorily involved.

So we've taken care of most of the problems in California. There is still a shortage of dollars, of course, and in the project that was just mentioned we only had two valid initiatives in San Francisco. The airport commissioner is shooting at the mayor, the mayor is shooting at the State Senator who was chairman of the Transportation Committee in the State Legislature, and then on back to local governments, who were all bickering about routes and whether it was in my back yard.

This priority-setting was one for the books, but in the end the good guys won out in getting everybody on the same page and the system will work.

So I call upon you folks to help us draft the next rendition of ISTEA that has this flexibility in it that will protect areas like Douglas County.

Thank you very much for your answer.

Mr. PETRI. Mr. Bates, did you have a word you wanted to add?

Mr. BATES. Thank you. I'll make it in 30 words or less, or try hard.

Mr. Baker, to maybe address your comments directly, I think in the reauthorization, clearly if we can set some performance standards for environmental clearances and the State process can meet those performance standards, it seems to me that we ought to let the State process prevail.

I know in southern California what we've been using is master environmental impact reports for our area so that some of the projects by the various sub-regions can already clear through the process under a master environmental impact report.

Those would be two other possibilities that we might be able to incorporate into the new legislation.

Mr. PETRI. Mr. Poshard, any questions?

Mr. POSHARD. Mr. Chairman, I have no questions for this panel, but I have submitted a statement for the record and ask unanimous consent for it to be accepted.

Mr. PETRI. Without objection, it will be made a part of the record.

Mr. Kim?

Mr. KIM. Thank you, Mr. Chairman.

I do have one question for Mr. Bates, another question for Mr. Oftelie.

First question to you, Mr. Bates, is: are you familiar with Route 71, which runs from Highway 10 down to 60, near Pomona, and cuts through Chino Hills down to 91, where the city of Corona is located?

That freeway is a typical example of what a MPO should do or shouldn't do. Let me tell you what happened. You get the picture now, don't you?

That's the only freeway running north and south between 15 and Route 57. San Bernadino County is expanding Route 71 to an eight-lane freeway right up to the county line, the Riverside County line. Well, Riverside County doesn't want the traffic, so they intend to keep their side a two-lane road.

In other words, "We don't want your traffic coming into our traffic or our county." This "your traffic versus my traffic" mentality is really ridiculous, in my opinion.

Can you imagine eight lanes coming into two lanes? It's going to be a nightmare out there. It will be "Blood Alley," I call it.

Isn't that the MPO's job to make sure that kind of nonsense can be avoided?

Now I ask a question: what do you think we should do—Congress—to give you authority to solve this kind of ridiculous problem?

Mr. BATES. Congressman Kim, thank you for your analysis.

I would just like to comment that it has been through Congressman Kim's help that we have been able to make some progress in this area, because he has outlined the problem very, very well.

We have been working with the Congressman, working with both the Riverside Transportation Authority and San Bernadino to try to solve this problem. It is both a transportation problem and a political problem.

The situation that we are in with the MPOs, as you can appreciate, is we have the big hammer. The problem is, it's very difficult to use that big hammer. What you really sometimes need is a little fly swatter.

I don't think at this point, Congressman Kim, that I've got a good answer to that in terms of what we can use to gain cooperation when we've been working on it for a number of years and hopefully now are making some positive steps, but we definitely will look into that and try to come up with something that would give us enough authority, without—again, we don't want to get into the process where we're dictating local programs, but certainly those—in some other areas, those have been the problems we've been able to solve, but in this particular one we have been having problems there and we'll work toward a solution.

Mr. KIM. All right. Thank you for encouragement. So we don't have to do anything in terms of Congress. You can handle it yourself.

My next question is to Mr. Oftelie. I understand you said that OCTA requested membership in SCAG as a transit provider, and the membership was denied. Can you tell us why your membership is being denied by SCAG?

Mr. OFTELIE. I'm not sure that's not a more appropriate question for SCAG than it is for us.

Mr. KIM. Then let me ask you why you think they denied it, and then I'll ask the question to Mr. Bates.

Mr. OFTELIE. I believe that the MPO in southern California has got a 71-member board that is made up of locally-elected officials, city and county officials. There is, I believe, a disconnect between some of the transportation operators and some of the transportation planning.

I think the issue that you've raised on State Route 71 illustrates that disconnect, and that is that not always do we find the transportation implementers or the operators at the same table as the transportation planners.

I think there is a separate side process rather than being part of the main show that causes some transportation agencies in southern California to feel like second-class citizens.

We have formally requested to be part of the 71-member MPO, and that was turned down.

Mr. KIM. Mr. Bates, I understand Orange County has been concerned about lack of their participation. Why is SCAG denying their participation?

Mr. BATES. We have 13 members from Orange County that sit on the regional council, and we think we do a pretty good job of representing OCTA on the regional council, quite frankly. But I think it's partly a philosophical issue, and that is that we feel that general purpose government officials are in a better position to balance the transportation issues with the environmental issues with the economic development issues and make those trade-offs.

So what we have provided is an extensive program for the transit operators and the transportation commissions to be involved in our process. I mean, we sit with them on our regional transportation agencies' coalition. They sit right at the table with me and debate these issues, and I sit there as a member of SCAG representing the chairmanship of SCAG, so we debate them there.

They have representatives on the committee that I chair who sit at the table. In fact, their chairman sits at the table on our Transportation and Communications Committee.

So our feeling is they are extremely well-represented and, quite frankly, the 13 of us who sit on the regional council feel like we do a good job in making that connection between the transportation authority in Orange County and the regional council. But certainly there are differences of opinion.

Mr. PETRI. Thank you.

Representative Millender-McDonald?

Ms. MILLENDER-MCDONALD. Thank you, Mr. Chairman.

I would like to extend my welcome to those of you who are coming in, especially SCAG, from the southern Los Angeles area, and the other transit authorities that are coming in from the State of California.

I would like to commend you on the work that you have done, because I recognize that you were right with us as we began planning for the Alameda Corridor, and SCAG was right there in the planning process to help to solve some of the complex problems with the balance of the air quality, as well as the transit and transportation types of problems that occurred.

It is, indeed, a pleasure to have you sitting at the table, all of you coming together, because when I was on city government I worked very well with SCAG, and then went to the State House and you were there to help us in some of the plans of the projects that we had from the State level.

I just wanted to extend my welcome to you this morning and certainly will work with you as we begin the top of the year in a planning mode in trying to ensure that transportation does have the balancing that is needed and should be within the ISTEA component.

Thank you so much for being here.

Mr. BATES. Thank you for your comments.

Mr. Chairman, I'd like to introduce Mark Pasano, who is with us, who is the executive director of SCAG. Certainly he has been very instrumental in a lot of the work that the Congresswoman has outlined.

Ms. MILLENDER-MCDONALD. Yes. He and I flew in together last night. It's good to see you.

Mr. PETRI. Good. Well, thank you all for your testimony. We appreciate your responsiveness to the questions.

With that, this hearing is adjourned.

[Whereupon, at 11:47 a.m., the subcommittee was adjourned, to reconvene at the call of the Chair.]

PREPARED STATEMENTS SUBMITTED BY WITNESSES

SOUTHERN CALIFORNIA ASSOCIATION OF GOVERNMENTS

**TESTIMONY ON THE ROLE OF THE METROPOLITAN PLANNING ORGANIZATION
PRESENTED TO THE HOUSE SUBCOMMITTEE ON SURFACE TRANSPORTATION
SUBMITTED BY RONALD BATES, Ph.D., CHAIR, SCAG TRANSPORTATION AND
COMMUNICATIONS COMMITTEE AND COUNCILMEMBER, CITY OF LOS ALAMITOS
JULY 30, 1996**

INTRODUCTION

Good morning Chairman Petri and Members of the Subcommittee. My name is Ron Bates and I am a city councilmember from the city of Los Alamitos located Orange County, California. I am a member of the Southern California Association of Governments' (SCAG) Regional Council and chairman of the Transportation and Communications Committee. SCAG is the Metropolitan Planning Organization (MPO) for the six counties of Ventura, Los Angeles, Orange, San Bernardino, Riverside and Imperial and the 184 cities therein. I am also here as first vice president of the League of California Cities which represents 470 member cities. Thank you for inviting me to participate in the hearing today.

In my presentation I will cover three main topics beginning with the leadership role metropolitan areas have in the linkage between economic development and transportation systems, how the SCAG structure works, and, finally, what we have accomplished as a region under ISTEA. But before I begin, SCAG would like to stress that ISTEA is working well and that we support ISTEA in its current form. The established regional and local decisionmaking process should be retained in the reauthorization of ISTEA through the roles and responsibilities of MPOs.

The basic MPO concept is elected officials working together on the right scale for transportation planning. We have been doing that for years at SCAG -- now, as a central principle of ISTEA, this is how transportation planning for all metropolitan areas is being done.

ISTEA's central ideas are continuous, comprehensive, coordinated planning in a multijurisdictional basis to achieve multiple objectives, including air quality, improved traffic flow and congestion management, and goods movement. ISTEA makes this planning more realistically grounded and more effective through funding flexibility, required suballocations, and project selection. These principles should be retained in ISTEA reauthorization.

MAJOR METROPOLITAN AREAS, ECONOMIC DEVELOPMENT, AND TRANSPORTATION

Most people living in the United States reside in a major metropolitan area . There are 45 major metropolitan areas of over one million residents in this country and almost 60% of the population lives in them. From Los Angeles to Miami to Philadelphia to New York City, these regions are the economic engines of this country. A 1995 U.S. Housing and Urban Development report entitled The Challenge of Community states: "Global competitiveness is tied to America's metropolitan areas where 90% of the nation's population and job growth is taking place. Metropolitan areas are the centers of innovation, production of goods and services and information."

To reinforce this point, as another indicator of the central role of metropolitan areas in the national economy, in 1995, my state alone, which contains some of the nation's largest metropolitan areas, contributed 12.9% to the gross national product while the Southern California region, which is the world's 12th largest economy, contributed 6% to the gross national product and 47.9% to the gross State product.

Since it will be the economies of the major metropolitan areas that lead this nation into the next century, regions must continue to play a strong role in the implementation of the nation's policies. And, since transportation systems are necessary for the nation's engines to run smoothly, the attendant issues of preserving and in some cases expanding transportation infrastructure should remain the focus and responsibility of all levels of government and particularly regions.

As Congress and the Administration discuss devolution, we believe shifting responsibilities and funding to the most appropriate level of government that can address the issue is the best approach to devolution. We want to ensure that major metropolitan areas, where the interdependent issues of transportation systems, economic development, the environment and the communities' quality of life are inextricably linked, continue to have a significant decision-making role in achieving these goals.

To underscore this first point, in transportation policy, it is at the regional level where the rubber meets the road. Roads, transit service and carpool lanes do not end at county or even state borders. They require coordination at a regional level to ensure that systems will serve both existing and future needs. To address effectively all the issues involved in transportation planning as identified in the 16 metropolitan planning factors in ISTEA, such as air quality, housing, goods movement and the economy, SCAG has developed a regional coordinating body under which no city, county or special interest can dominate and where stakeholders from the entire region are represented.

COMPOSITION OF THE MPO AND ITS PARTNERSHIPS

SCAG's executive board, or Regional Council as it is called, was expanded more than four years ago from a 20-member body to a 71-member Board comprised of city councilmembers, mayors and county supervisors to make the Board more representative of the region. We have found the expansion to be extremely successful as it has created greater participation in regional planning and a better connection to the delivery of services at the local level as intended in ISTEA.

Each member of SCAG's 71 member board represents approximately 200,000 residents and each member has one vote. This means that some members, like myself, represent several small cities whose combined total population is 200,000 while other cities have more than one representative from their city on the board. For example, the city of Los Angeles has a population of over three million and each councilmember represents about 200,000 residents and therefore each has a seat on the SCAG board, as does the mayor of Los Angeles. The single greatest strength of this composition is the equity that the one-person-one-vote ensures. Under this structure neither voting blocks nor domination occurs.

We have built an accountability factor into our structure as well. SCAG regional council members are elected by their peers for two year terms. This means that I, for example, must go back to the three cities I represent every two years for re-election to the SCAG board. If they are not satisfied with my representation of them on the SCAG board, they are free to elect a challenger. I am happy to say that has not happened in the three cities I represent, but it has in other cases on the SCAG board. Accountability is the foundation of a democratic system and it is a bedrock of this MPO.

At the same time, the Board expanded the committee structure to include more stakeholders. There are three standing committees of the Regional Council and three policy advisory committees -- Transportation and Communications, Energy and Environment, and Community Economic and Human Development -- which make recommendations to the Regional Council. Before an issue is voted on by the Regional Council it is first referred to a policy committee for a recommended action before being reviewed by a standing committee and then acted upon by the full Regional Council.

The policy committees have voting representation from a wide spectrum of interests including single purpose agencies such as County Transportation Commissions (representing transit operators), the State Department of Transportation (CALTRANS) and subregional organizations. In addition, there are members from the air quality districts, and the Regional Advisory Council which is composed of citizens from the community, representing varied interests including private companies and environmental groups. It is our philosophy that general purpose local governments represented by general interest elected officials from the entire region are best suited to make the policy and trade-off decisions that result from the interrelationship of economic, social and environmental issues with transportation. While transit operators should – and do -- have input into the regional decision making process, it is general purpose local governments who should make the final decisions for the region.

A moment ago I mentioned subregional organizations. They are so integral to our structure that their role must be described. In 1992 we began a process of "bottom-up" planning that truly decentralized the process. Thirteen subregions, composed of cities, counties and others were established to link the concerns of the residents of Southern California into effective and coordinated decision making. In some subregions, including my subregion, Orange County, the County Transportation Commissions have a voting seat which is yet another opportunity to provide input into the process.

SCAG, together with the County Transportation Commissions and the State, formed the Regional Transportation Agencies Coalition (RTAC) which is comprised of the County Transportation Commissions and air quality management districts in our region, along with the State Department of Transportation. The RTAC, which meets on a monthly basis to make recommendations on regional plans, work programs and the transportation improvement program, reports to the Regional Council.

This all results in a transportation planning process for the region in which SCAG is the coordinating agency that promotes comprehensive planning and resolution of intercounty disputes as part of the regional planning process. Transportation systems cannot be planned in a vacuum -- they must be considered, as required by ISTEA, in relation to many other factors. These interdependent issues are best addressed by a regional body, not several single purpose county-level agencies. The MPO role assures coordinated transportation planning. Without that multi-county MPO role in Southern California, local project disapproval based on a finding of non-conformity with air quality plans as required by federal law, would jeopardize over $1 billion in federal funds annually provided to the region. Our fully participatory regional planning process, based on strong partnerships, has assured that funds continue to flow to local projects including intercounty connections, HOV expansions, and traffic synchronization.

Partnerships with the groups mentioned above is a major by-product of our fully participatory regional planning process. A good example of our cooperative efforts is the recently released California Consensus Policy Principles on the reauthorization of ISTEA which contain nine principles jointly developed by MPOs across the state, as well as the three State agencies involved in transportation planning and operations. This is a significant document that demonstrates California's ability to work together in a spirit of cooperation and partnership. Because we know not all states have this kind of working relationship with their Departments of Transportation, we view this as a significant accomplishment. To underscore, the structure that is currently in place which emphasizes partnerships in transportation planning is functioning well and the process for allocating funds from the federal level to the State to the region should remain in the next authorization of ISTEA.

ACCOMPLISHMENTS OF THE SOUTHERN CALIFORNIA ASSOCIATION OF GOVERNMENTS

Finally, I want to share a few of Southern California's accomplishments as an MPO over the last few years, some of which were achieved even before ISTEA became law in 1991.

- While SCAG contains the only extreme ozone non-attainment area in the country, we have been able to make air quality conformity findings, resulting in the approval of several regional transportation plans and regional transportation improvement programs that permitted billions of federal transportation dollars to flow into the region.

- Metrolink, a rail system that has been established, was formed out of discussions with SCAG, transit operators and county transportation commissions. Together we recognized, developed and launched the concept of inter-county commuter rail services.
- Establishment of Alameda corridor transportation authority: SCAG identified the need for improvements and more detailed studies for the Alameda corridor. Out of SCAG's leadership, the Alameda corridor transportation authority was established with SCAG as a board member.
- SCAG has developed a transportation strategy addressing facilities, advanced technology and pricing that is included in the state's air quality implementation plan, enabling our region to meet federal air quality standards.
- Airport studies: SCAG is conducting ground access studies at each of the five major passenger airports in the region. The results of these studies will help meet future aviation needs of the region. In addition, SCAG's regional aviation plan identified the need and framework for including surplus military facilities into the regional aviation system.
- Establishment of the goods movement advisory committee: composed of a public private partnership with representatives of the seaports and airports, railroads, shippers and receivers and trucking industry, we are working together to address goods movement concerns throughout the region, such as improvements on the more than 100 dangerous at-grade crossings in congested, urbanized locations along the main freight and passenger lines, as well as exploring the development of a "southwest passage" which would create a land bridge through the southwestern states, linking Los Angeles to Texas with better connections to the East Coast.
- SCAG's studies of joint use of military bases at Point Mugu Naval Air Station in Ventura County and March Air Force Base in Riverside County, demonstrated future economic viability under a joint use plan and enabled the bases to remain in the region.
- SCAG initiated new transportation programs such as the smart shuttle, which provides taxis and various sizes of vans that will run on semi-fixed routes. The smart shuttle

program will be deployed in areas throughout the region, including parts of the City of Los Angeles.

- SCAG established a public-private partnership in advanced transportation technologies that advance our region's environmental, economic and mobility goals.
- We have developed a regional transportation plan that employs performance standards and is part of a regional comprehensive plan and guide that enables the region to carry out the 16 planning factors specified by Congress in ISTEA. The environmental impact report for this plan was constructed to serve as a master environmental assessment for all transportation projects, thus simplifying the environmental process in our region.
- Expanded public outreach programs: our region conducts televised electronic town forums to ensure maximum community input into regional plans and programs.

CONCLUSION

These accomplishments have been possible only through the extended involvement of government agencies, elected officials, the business community, members of the public and community groups throughout the region. This is the kind of involvement that ISTEA challenges us to engage in and it can only be done by a region that works together.

We recognize that there are varied experiences with the MPO process across the country. To that end, we hope that any changes in the reauthorization would not be based on a one-size-fits-all model. The disruption that would come from restructuring or redesignation should he avoided. We would recommend that Congress be more concerned that the MPO is representative of the local region and that it is capable of carrying out the responsibilities of ISTEA than in specifying details of MPO organization. We look forward to working with the Subcommittee during reauthorization of the next ISTEA to ensure that the role of the MPO is not only maintained but strengthened to meet not only the spirit but the requirements of the law.

American Association of
State Highway and
Transportation Officials

Wm. G. Burnett, P.E., President
Executive Director
Texas Department
of Transportation

Francis B. Francois
Executive Director

STATEMENT BEFORE THE

HOUSE SUBCOMMITTEE ON SURFACE TRANSPORTATION

Relating to

METROPOLITAN AND STATEWIDE PLANNING:
METROPOLITAN PLANNING ORGANIZATIONS AND THE PLANNING PROCESS

By

Kirk Brown
Secretary
Illinois Department of Transportation

July 30, 1996

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Working To Connect America

Mr. Chairman, my name is Kirk Brown, and I am the Secretary of the Illinois Department of Transportation. On behalf of the American Association of State Highway and Transportation Officials (AASHTO), we are pleased to accept your invitation to testify on issues related to state/metropolitan planning organization (MPO) relationships in the nation's surface transportation program as a part of the reauthorization of the Intermodal Surface Transportation Efficiency Act (ISTEA).

We believe that timely reauthorization of the nation's surface transportation program is vital because transportation plays a crucial role in supporting our national and international economies. Transportation serves all of our citizens daily in traveling to their jobs, services, and other social activities; in providing goods to wholesale and retail outlets that serve customers; in traveling to recreational activities; and in a variety of other activities in which we all participate.

In November, 1994, AASHTO organized its Reauthorization Steering Committee to look at a range of issues related to ISTEA and the reauthorization of the nation's surface transportation programs. The Steering Committee chose to examine federal/state/local relationships as one of eleven major topic areas. This testimony highlights recommendations developed from the assessment of that topic.

AASHTO supports the long-standing practice of a close working partnership among state and local governments, transportation providers and other interest groups in developing long-range transportation plans and short-range transportation improvement programs. We continue to support the legislative provisions in ISTEA that strengthened the role of MPOs - the mechanism for bringing the states and those parties together. A cooperative working partnership is essential for reaching decisions on broad investment strategies and on allocation of federal, state and local dollars for programs of projects.

State and local governments agree that strategic investment in transportation infrastructure is crucial for a strong economy. All parties agree that current levels of investment are far short of what is needed just to maintain current conditions and performance, let alone improve conditions and performance with cost-beneficial projects. State and local governments also agree that fully utilizing all available federal transportation user revenue for transportation purposes is a paramount goal.

I want to emphasize three key points in this testimony about AASHTO's view of state/MPO relationships. First, the states must retain their preeminent role in overall statewide transportation planning and programming, including decisions on how to allocate federal funds, among metropolitan areas as well as the rest of the state. Only the state is in a position to uniformly assess needs statewide and make decisions on balancing relative needs and improvement resources.

Second, state and local elected officials must be the fundamental, bottomline decision makers on the allocation of public funds for transportation improvement.

Third, in many cases unproductive, overly prescriptive federal requirements imposed to carry out the legislative provisions of ISTEA need to be eliminated, reduced, or made voluntary.

A more complete explanation of these key points is given below.

Retain Preeminent Role of States

AASHTO believes that states must retain their preeminent role in transportation planning and programming. We urge that any changes to state/MPO relationships in the reauthorization fully maintain that standing.

States - governors, legislatures, and DOTs - must retain a preeminent role in statewide planning and programming of funds among competing needs throughout the state. MPOs play a crucial role in transportation planning and programming within each separate urbanized area - particularly the larger metropolitan areas. The MPO staff undertakes the actual planning studies, public involvement process, air quality conformity analysis and holds innumerable meetings involved in "coordinating" the activities of the various participants.

Outside urbanized areas states and local governments work directly to plan and program funds. However, all this planning and programming for individual geographic areas must be integrated. The state has a leadership role in providing a process for coordinating metropolitan and statewide planning and improvement programs. States must make the hard decisions on balancing resources among the needs in all rural areas and the different metropolitan areas, large and small.

Expanded federal funding allocation requirements would interfere with the flexibility states need to carry out an optimal allocation of resources. We understand the desire of local governments to have an assured amount of funds for local projects. Many state DOTs make agreements to share federal funds with local governments - but based on statewide priorities. We are comfortable with the STP suballocation to metropolitan areas over 200,000 population. However, expanded suballocation of federal funds would be quite contrary to the flexibility needed by the states to balance needs in metropolitan areas with the rest of the state. As a practical matter, there is no one formula or method to fairly or equitably suballocate to every urbanized area.

Greater mandated authority for MPOs in the programming of other federal funding categories such as Interstate Maintenance, NHS, and Bridge program, that must be programmed from a total statewide perspective, is also opposed by AASHTO. All MPO participants are already full partners in the decision making process and all programming of federal surface transportation funds must be jointly approved by those participants. In addition, federally mandated suballocation of the STP funds now going to metropolitan regions over 200,000 population to even smaller geographic areas such as central cities would be totally contrary to the key ISTEA principle of flexibility in use of funds in order to meet high priority needs.

Recognize Elected Officials Are Final Decision Makers

AASHTO recognizes that elected officials are, and agrees that they should be, the final decision makers concerning the allocation of resources for transportation improvements. We urge that any changes to state/MPO relationships in the reauthorization fully recognize that reality.

In all parts of the state, state and local elected officials or their representatives are the fundamental participants in the cooperative transportation planning and programming process. While MPOs are a very useful mechanism for creating a forum for cooperative decision making, state and local governments must be allowed to create an MPO structure and process that works for them and retains their preeminent standing. Officials in different regions know what works for their area and must be given freedom to fashion an MPO structure and process that meets local needs. There are legal and state constitutional constraints as well.

We recognize that even after a workable MPO structure is created, their are occasional disagreements among the participants, but the states and MPO participants have the ability to work out these disagreements - the federal government does not. The planning and programming process must have the support of elected officials or else the resultant plans and projects will not have the political support to be implemented. While input from a wide range of interest groups into each MPO's planning and programming process can enhance decisions on the allocation of resources, elected officials, accountable to and representing all the public interest, must be the fundamental, bottomline decision makers. State legislatures, county boards, and city councils are the ultimate decision makers because the final implementation products of long range plans and transportation improvement programs - projects - must receive funding approval through actual appropriations from these bodies.

Reduce Unproductive Requirements

AASHTO believes that many of the requirements developed to carry out the intent of the legislative provisions of ISTEA are unproductive and overly prescriptive. We urge that the upcoming surface transportation reauthorization legislation make changes to direct US DOT to eliminate, reduce or make voluntary requirements that do not directly add value to transportation investments. Techniques such as certifications or use of guidance rather than regulations should become the standard form.

States, local governments, transit operators, and MPO staffs generally agree with the intent of most ISTEA legislative provisions, but also agree that overly prescriptive requirements that have been imposed to carryout these provisions must be reduced. Federal surface transportation legislation and associated regulations should be reviewed with the aim of eliminating, modifying, or at least making voluntary those requirements that do not clearly add direct, significant value to the use of federal funds.

In an era of tight funding at all levels of government, the nation cannot afford to waste time and resources on activities that do not directly contribute to an improved transportation system.

Many provisions of law and accompanying regulations associated with the use of federal funds provide no "value added" for transportation programming, project development, and construction. Examples of federal requirements that fail the test of cost effective value include prescriptive Congestion Management System requirements, prescriptive long-range planning and Transportation Improvement Program requirements; requirements that Major Investment Studies be done even for projects that are not truly "major"; and requirements for transportation plan/program conformity with state clean air plans - a time-consuming, duplicative, expensive and unintelligible process, unsupported by science that has little or no impact on cleaning up the air. One-size-fits-all requirements may appear reasonable and workable on paper but not when it comes to the complexities and individualities of surface transportation projects. There must be flexibility and explicit state/local authority for common sense application of federal guidance rather than always a single regulation that must be followed in every instance. States and local governments will accept the accountability to the public for tough decisions.

I thank you, on behalf of AASHTO, for giving us the opportunity to highlight our key points concerning state/MPO issues that may be addressed in the reauthorization of the federal surface transportation programs.

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07/29/96

DOUGLAS COUNTY
Office of the Douglas County Commissioners

STATEMENT BY M. MICHAEL COOKE
COMMISSIONER, DOUGLAS COUNTY, COLORADO

Before the

HOUSE SUBCOMMITTEE ON SURFACE TRANSPORTATION
HOUSE TRANSPORTATION AND INFRASTRUCTURE COMMITTEE

on

THE INTERMODAL SURFACE TRANSPORTATION EFFICIENCY ACT
(ISTEA)
OF 1991-THE STRUCTURE OF METROPOLITAN PLANNING
ORGANIZATIONS

JULY 30, 1996

Robert A. "Chris" Christensen
Commissioner - District I

James R. Sullivan
Commissioner - District II

M. Michael Cooke
Commissioner - District III

Mr. Chairman, my name is Michael Cooke and I am a Commissioner on the Douglas County Board of Commissioners in Colorado. I am here to testify today before your Subcommittee on the need for reform of the Metropolitan Planning Organizations (MPO's) whose duties and responsibilities were enhanced significantly with the passage of ISTEA. Although I believe the intent of returning more power over the purse and decision making on transportation priorities to local areas was admirable, its practical impact in areas such as Douglas County has in many ways created an unfair system for the citizens of Douglas County and, at the same time, has created a system that is difficult to modify or escape.

BACKGROUND ON DOUGLAS COUNTY

Douglas County, Colorado, is the fastest growing county in the State of Colorado and in the United States. As of July, 1996, the County's population is 110,000 persons. The latest census figures indicate that the County has been the fastest growing county in the United States for the first half of this decade and remains so today.

Douglas County's population increased 65% from 1990 to 1995, putting significant pressure on public services, from the need for more schools to expanding the transportation infrastructure to keep up with increased traffic. This growth particularly impacts us because approximately 77% of our total population resides in the unincorporated areas of the County and depend upon the County government for the provision of essential services. While the majority of the population lives in the northern tier of the County, rapid growth has been experienced all along the Interstate 25 corridor, linking Denver and Colorado Springs.

Our situation in Douglas County is not unique. We have an expanding population, and with that expansion comes a need to accommodate growth with the necessary public infrastructure, including adequate highway and transit capacity. We would contend that the MPO decision-making process for the approval of transportation funding is inadequate; it is subject to extensive bureaucratic inertia that protects the status quo and has created a system protected by federal mandates.

Before I go any further, let me say for the record that Douglas County has not come before your Subcommittee today without doing everything within its power to work cooperatively within the system and with our MPO, the Denver Regional Council of Governments (DRCOG). We will document the extensive number of times that we have tried to pursue project funding or project enhancements and have run into real or perceived roadblocks. The reason we are here today is because the current system makes real local decision-making illusory and the prospect for improving the system locally all but impossible without some sort of federal assistance.

THE NEED FOR MPO REFORM: NATIONAL ISSUES

There is no doubt that transportation planning is an essential element of any transportation program. MPO's were established to facilitate that planning and to help coordinate planning in a regional context, but in most cases the role of the MPO was strictly advisory and generally voluntary. However, in ISTEA MPO's theoretically took on a much more extensive role, including the actual approval of specific federal transportation funding projects and in some cases taking that direct authority away from local governmental entities who are responsible for providing services to citizens.

With the authority to approve specific transportation projects and to set priorities for overall transportation projects in a particular region have come problems with the local makeup of the MPO and whether one area dominates the other. This issue is at the very root of the problems that have been experienced in Douglas County and which I will describe in greater detail later in my testimony.

ISTEA gave allegedly more "flexibility" and "greater local decision-making" to local elected officials, but it failed to give local governments the ability to choose whether they wanted to be part of this federally imposed effort or not. Federal regulations require that in order to redesignate an MPO in a metropolitan area you must accomplish the following:

1. Obtain the approval of the Governor of the state;

2. Obtain the approval of local officials representing 75% of the population in the entire metropolitan planning area; and

3. Obtain the approval of the local officials in the central city within the metropolitan planning area.[1]

Even if by some miracle you were able to accomplish all of those federal requirements, the law goes on to say that if there is a redesignation of an MPO, this new MPO would still be required to cooperate, consult and coordinate with the state and other MPO's in the metropolitan planning area.[2]

Therefore, if a local government believes that the MPO and its decision-making process is unfair and wants to have more control over its own future, the federal government makes it virtually impossible for the local government to make its own decisions. We believe that the national trend is to send more decision-making and responsibility for the allocation

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[1] 23 CFR Sec. 450.306(g).

[2] 23 U.S.C. Sec. 134(d)(1) and (e); 23 CFR Sec. 450.312(e)

and management of resources back to the local government. The MPO federal mandate tends to inhibit local decision making and has resulted in a heavy handed bureaucracy that is in many ways worse than the process was before ISTEA. We believe the MPO process is in great need of reform.

DOUGLAS COUNTY'S CASE FOR MPO REFORM

The federal planning process has become extremely complicated and archaic, resulting in local transportation decisions being dictated by the planning bureaucracy. Federal regulations governing this process have become so burdensome that no one outside the planning professionals understands them, and the local elected decision makers simply do not have the time to read all the regulations that are now on the books.

When MPO's served in an advisory role such a situation was tolerable. However, now that MPO's, in some cases, have taken on the role of allocating scarce federal transportation resources, the bureaucracy has become problematic. In the case of Douglas County and in its capacity as a fast growing, transitional community the decisions of the local MPO could have disastrous short and long term effects.

To the point, the population for the entire DRCOG region is approximately two million persons, based on DRCOG's 1994 estimate. Douglas County is about 5% of that total. However, the County has received only .35% of DRCOG transportation funding in the FY 1993-1995 Transportation Improvement Program (TIP) cycle and only 1.2% of the FY 1995-1997 TIP funding cycle. This funding inequity and the unlikelihood of any real potential for change under the current MPO structure are the main reasons why we are here today.

For the record, we would like to document for the Subcommittee the major issues that have arisen between the County and the MPO since the enactment of ISTEA that we hope will show the County's frustration with the current system:

** During the preparation of the first DRCOG TIP under ISTEA in 1993, Douglas County applied for funding to complete a four lane section of Lincoln Avenue, the County's most heavily travelled road. The engineering was totally funded by Douglas County, and the project was in the final design phase. Nearly all of the right-of-way had been obtained, and the County had the local match identified. DRCOG denied funding for the project, declaring the project a "capacity enhancement". The reality is that the project simply would have widened a 2.5 mile, two lane section of road that was already four lanes on either end;

** Also in 1993, the County applied for funding for a bicycle project that was originally planned to add a shoulder to 22 miles of Highway 105 under the County's jurisdiction. This project was intended to mitigate a significant safety issue by separating automobile traffic from bicycle traffic. The cost of the proposed safety project was $5 million. DRCOG unilaterally and drastically modified the scope of the project and narrowed the project to a 2-3 mile section of a roadway that was under the State's jurisdiction, not the County's. We were requested to pay a local funding match on a section of roadway we did not own. Therefore, the project that was dictated to the County did not meet our stated needs and was rejected by the County;

** DRCOG was not initially supportive and, in fact, was often an obstacle in Douglas County's efforts to have additional mileage on Highway 85 added to the proposed National Highway System in 1995. Douglas County approached DRCOG in July 1995 and was told that adding mileage to Colorado's request "was not possible", and in fact if such mileage were added it would mean deletion of other routes in Colorado. Obviously this was simply not factual.

Despite DRCOG staff reservations and with the much needed support of Congressman Joel Hefley, the DRCOG Board on September 20, 1995 gave direction to the staff to send a letter to the Federal Highway Administration (FHWA) in support of the project. However, it was then determined by DRCOG staff that DRCOG's Transportation Committee must ratify the request. Ultimately, ten weeks after the County made the request a formal letter was sent by DRCOG on September 27, 1995 to the FHWA, only two days before the decisive action was taken on the NHS bill in the U.S. House of Representatives. The FHWA approved the new NHS with the Highway 85 section added;

** As further evidence of DRCOG's opposition to equitable highway funding, especially regarding the Highway 85 project in Douglas County, the County attempted to apply for NHS funds for a dangerous intersection at Titan Road and Highway 85. The County was not allowed to apply for funding due to the fact that DRCOG had set a deadline for applying for NHS funds of January 5, 1996. This application deadline was less than 20 days after the FHWA had allocated funds to the State and a little over 35 days since the NHS had been enacted into law. While we understand the need for deadlines, we consider this to have been unreasonable;

**On another safety related issue, in early 1996 the Colorado Department of Transportation (CDOT) submitted a request to DRCOG for $30 million to widen northbound and southbound I-25 from Lincoln Avenue to Castle Pines Parkway, in an area that has experienced a high level of fatalities and injuries from truck related accidents. DRCOG attempted to reallocate the construction funding requested to another project outside of Douglas County, without the knowledge of CDOT, and recommended instead that $300,000 be allocated for the roadway to be studied in 1999. This action by DRCOG was discovered, and CDOT and the County protested the action and requested that funding for the project be restored. I am glad to say that $7.5 million was placed back into the budget for that much needed highway improvement, but it is still only 25% of what is needed.

These are specific examples of how we have tried to work through the system and cooperate with DRCOG. At nearly every turn, our efforts are frustrated and we have reluctantly reached the conclusion that the system is not a democratic decision making process and that change within DRCOG is nearly impossible.

The size and complexity of DRCOG also hampers our efforts to proceed with necessary infrastructure projects. DRCOG is made up of 39 municipalities and 8 counties, with the City and County of Denver, our central city, having a seat on the board for each category. This structure makes it particularly difficult for county governments because of the control of the municipalities. It is extremely problematic for Douglas County due to the percentage of our population which resides in unincorporated areas of the county.

State departments of transportation provide a consistency that MPOs cannot, as they vary from region to region and state to state. In Colorado, MPOs do not design, engineer or construct projects. Why then, should they be responsible for the selection of those projects? As an elected official, I am accountable to the citizens I represent. As an organization, DRCOG is not. It is clear that DRCOG is a federally mandated and protected local decision maker that is staff driven. We do not believe that was the intent of ISTEA, and for that reason we believe national reform is needed.

RECOMMENDATIONS FOR NATIONAL MPO REFORM

For the reasons specified above we would ask this Subcommittee to consider the following reforms for MPO's in the reauthorization of ISTEA:

1. Lower the unreasonable barrier for a jurisdiction's withdrawal and redesignation from an MPO to the approval of local officials representing 50% of the population in the entire metropolitan area **outside of** the central city. Problems in suburban communities are drastically different from the central cities, and if their colleagues agree that further involvement with that MPO is not meeting the needs of those communities, they should be allowed to withdraw, be redesignated or be allowed to join an adjacent MPO;

2. Assuming that the above criteria are achieved, there is no justification for the official of the central city having a veto power over that decision. If this is allowed to continue, why are other local officials surrounding the central city not given the same veto power over a proposal by the central city? This central city veto authority should be eliminated;

3. If a jurisdiction seeking to determine its own transportation planning future should satisfy the above criteria it is again required, by federal law," to cooperate, consult and coordinate with the state and other MPO's in the metropolitan planning area." In our judgement, this would completely negate whatever effort there would be to make one's own decisions. We would recommend that this language be modified to read only that the new MPO "consult" with the other entities; and

4. Because state departments of transportation have the knowledge, experience and expertise to assure project selection based on sound data and engineering analysis, the authority for project selection should be returned to those entities. MPOs should have an expanded role in research and development focused on problems and technology transfer that answers back to state and local governments responsible for solving problems.

5. As long as the federal government is going to be involved in the planning process and assuming that the intent is truly to foster greater local decision-making, there should be a requirement that an MPO must have a process in place for equitable, agreed upon local decision making and that process should be utilized. If it can be shown that a democratic locally accepted voting process is not being utilized, there would be a basis for the MPO's federal certification not to be renewed.

Mr. Chairman, thank you for this opportunity to present our views and I would be glad to try to answer any questions that you may have.

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Statement of Lawrence D. Dahms
Executive Director
Metropolitan Transportation Commission

before the
Subcommittee on Surface Transportation
Committee on Transportation and Infrastructure
U.S. House of Representatives

July 30, 1996

Statement of Lawrence D. Dahms
Executive Director, Metropolitan Transportation Commission
Before the House Transportation and Infrastructure Committee
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Good morning, Chairman Petri, Mr. Rahall and members of the committee. I am Lawrence Dahms, Executive Director of the Metropolitan Transportation Commission, the metropolitan planning organization (MPO) for the nine-county San Francisco Bay Area. Thank you for the opportunity to appear before you to offer testimony on the reauthorization of federal surface transportation programs.

Over the past two months, your Committee has heard from a wide range of parties interested in the reauthorization debate. Importantly, the transit, highway, freight, state/local governments and community advocates appearing before you reflect the very same range of viewpoints we have been challenged to reconcile in the metropolitan planning process over the past five years under the direction of the Intermodal Surface Transportation Efficiency Act (ISTEA). ISTEA's planning provisions encourage all partners in transportation decisionmaking to be at the same table. This morning I would like to review the critical importance of the planning process to transportation investment decisions and how that process can be strengthened and reinforced from its already solid base.

Transportation planning is, of course, centuries old--dating back to a time that ensured that all roads would, in fact, lead to Rome. In our time, it was the Highway Act of 1962 that first established a role for metropolitan planning in the transportation policy process. (Legislation which created the current MPO institutions was enacted in 1975). Planners armed with transportation modeling tools were expected to provide technical information to inform local officials and decision makers. Over the past thirty plus years, the role of metropolitan planning organizations has evolved from one of technical advice and consultation to one of collaboration and partnership. One purpose of MPOs has, however, remained constant-- ensuring that the diverse metropolitan interests of this country are anticipated and planned for. With this in mind, while the planning challenge has changed, it remains essential to advancing mobility while reconciling other vital objectives of the community.

What are the essential elements of a good planning process and why does the federal government have an interest in sustaining it?

The inputs to good planning are resources that are <u>sufficient</u> to meet the needs of the system, both in terms of maintenance and strategic expansion, <u>predictable</u> so that budgets can be developed, and <u>flexible</u> to ensure that project funding decisions are driven by system needs rather than categorical restrictions. All of these elements ensure that planning has a positive influence on transportation decisions.

The federal government's on-going interest in this arena is driven by the fact that metropolitan communities form and function as the economic engines that drive this nation's economy. MPOs represent the transportation interests of these communities providing a

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forum for consideration of investment decisions on the metropolitan transportation systems. These systems tie the regions together and to the rest of the country.

The Intermodal Surface Transportation Efficiency Act (ISTEA), reinforced these tenets of effective planning in our nation's urban areas and provided the tools to move toward an even more collaborative and productive federal/state/metropolitan partnership through:

- the designation of a National Highway System, encouraging states to have an integrated system throughout the country;
- planning requirements and a systems emphasis, ensuring that MPOs, states and metropolitan partners give serious attention to planning and investing in a multimodal metropolitan transportation system;
- a partnership framework reinforced by a formula to allocate ISTEA's Surface Transportation Program (STP) funds to metropolitan areas and the requirement for joint state/local approval of the Transportation Improvement Program (TIP);
- the linkage of transportation plans to budgets, bringing a sense of fiscal discipline to the planning process.

While the relationship of states and their respective MPOs varies throughout the country, we can say that ISTEA has resulted in a new level of productive communication and cooperation between vital partners. In doing so, ISTEA finally recognized that metropolitan mobility and its limiting congestion are critical factors of concem to the nation's economy. Our task in addressing the goals of the Act, however, has only begun.

MTC's experience with ISTEA has been positive in large part due to responsiveness of the State of California to meet the directives of the act and the willingness of our new partners to work together. Immediately following enactment of ISTEA, California adopted legislation to translate federal law directly into state law, ensuring that the STP formula allocations to metropolitan areas --as well as the new CMAQ funds--were directly passed on within the state.

In our region, MTC convened The Bay Area Partnership, consisting of the top managers from 31 agencies responsible for moving people and goods in our region. The Partnership developed an inclusive process for screening and ranking projects to benefit from the flexible ISTEA funding flowing to the Bay Area. By the end of 1994, MTC had used the multimodal priority setting process to allocate more than $500 million in ISTEA money to some 500 projects. And the sponsors of these projects have put that money to work well ahead of statutory obligation deadlines. All parties deserve credit for making the changes so quickly. We claim a high grade for progress to date--that is, progress, not yet fulfillment of the integration and efficiency objectives of ISTEA.

We recognize that every state did not have the head start California did and that there are many examples where agencies at both the state and local level have further to go and a steeper learning curve. We are interested in working with you and your staff to develop strategies that will ensure the future success of ISTEA's planning objectives for all states and MPOs.

Let me now turn to the future and ISTEA II. We start with the premise that the health of the national economy depends on effective functioning of a hierarchy of transportation systems. This reality is a primary justification for the sustained federal interest in transportation--an interest that was given new meaning when the concern for system integration and efficiency were emphasized in ISTEA. In order to make further progress, federal transportation policy should continue to embody the following fundamental elements established by ISTEA:

- adequate resources to fund infrastructure needs;
- the goal of integrated systems;
- improved efficiency;
- the continued incentive for partnerships to deliver on these elements.

ISTEA II should build on the sound foundation of the original act and move forward in accomplishing these fundamental objectives.

We are concerned with the range of current reauthorization proposals which seem to be driven by an entirely different set of objectives and which do not seem to reflect the nexus between efficient transportation systems at the international and metropolitan levels and national economic productivity. Rather, these proposals seem to be driven by federal budget problems and the formulas for allocating funds among the states. Current discussions about "devolution" and the accompanying "turnback" of the federal gas tax to the states are evidence of these differing objectives.

The notion of turnback raises many questions and serious concerns which should be carefully evaluated by this Committee and by all interested in reauthorization. These include the on-going federal interest in transportation, the risk of turning back federal gas tax revenues that may not be reenacted by the states, restrictions in state law which disallow expenditures on state gas tax revenue for public transit purposes, and other factors. I have attached an issue paper to my testimony elaborating on these concerns for your consideration.

The turnback discussion in transportation policy is part of a larger trend in government which seeks to shed responsibility down the chain of public policy making--from federal to state, from state to local. There is, however, a critical missing piece in these discussions of devolution--the acknowledgment of strict limitations on the ability of lower levels of government to raise additional revenue necessary to backfill the reductions from state and federal sources. Proposals to raise taxes are no more popular at the local level than they are at the state or federal level. Five of our counties have invested local sales taxes heavily in the full range of transportation improvements for the last two decades. Their ability to continue such investments, however, has been thwarted by a recent state supreme court decision requiring a 2/3 local vote to approve such measures in the future. Further, our state legislature has just rejected an MTC proposal to put a regional gas tax measure before the voters. With these events fresh in our minds, we are naturally skeptical of the prospect of losing a major funding partner.

If the government doesn't do the job, can we expect the private sector to fill in the gaps? In the transportation arena, approaches to innovative finance are now being evaluated as one option for confronting this fiscal challenge. ISTEA offered new opportunities for cutting red tape that delays projects, for involving the private sector, and for financing transportation improvements through tolls and other means. The establishment of infrastructure banks builds upon this progress. Such finance initiatives should continue to be part of federal policy, but private capital is attracted primarily to revenue-producing expansion projects, not the nitty-gritty challenge of sustaining the existing system. In our region, for example, we forecast a $2 billion shortfall for street and road maintenance and a $1 billion shortfall for transit operations over the next 20 years.

In conclusion, the central elements of ISTEA--strategic infrastructure investment, system integration, flexibility, partnership and effective planning--should be reinforced in reauthorization of the federal transportation program. Also attached to my testimony is a special report produced by MTC in anticipation of the ISTEA reauthorization debate. It was prepared to complement a conference we hosted in conjunction with the California Department of Transportation last March in San Francisco to solicit input from the citizens of the Bay Area. We are here to work with you in developing improvements to the law and look forward to substantive discussions in the months ahead. Thank you. I would be glad to answer any question.

YOU SAY YOU WANT A OEVOLUTION?

In recent months, officials from the States of California, Florida, and Ohio have promoted the notion of devolving the federal transportation program, repealing the federal gas tax, and turning back administration of the program and collection of the tax to the states. This provocative proposal would mark a radical change in federal transportation policy, and it prompts many questions and concerns. Here are four issues that turnback proponents need to address in order to better inform the debate over devolution.

A Nation or a Confederacy?

After declaring their independence from Great Britain, the former American colonies experimented with a "confederation" model of government under which the individual states retained primacy at the expense of a weak central authority. The failure of that model led to the adoption of the U.S. Constitution in 1787, which established a strong federal government entrusted with promoting certain national objectives, including interstate commerce. Distributing products to market, ensuring highway safety, improving quality of life for urban and rural dwellers alike, and protecting a sound transportation system for our national security -- these national interests all have been advanced to justify a continuing federal role in transportation policy.

The Intermodal Surface Transportation Efficiency Act (ISTEA) of 1991 delegated considerable decision-making authority over transportation policy and project selection to state and local officials. The ISTEA model is a three-way partnership between federal, state, and local officials. Admittedly, that partnership is difficult and requires constant attention. Is this partnership so unwieldy, however, that the federal leg of the stool simply must be sawed off?

Who's For New Taxes?

The "turnback" idea also involves a significant political risk. Assume, for the sake of argument, that the Congress did repeal all but a few pennies of the 18 cent federal gas tax. In the current anti-tax climate and after recent spikes in the price of gasoline, how likely is it that the nation's state legislatures and governors will enact state gas tax increases to make up the difference? According to an editorial in USA Today, under the current system the states "get the tax benefit without the tax heat".

The major impetus for the turnback idea is coming from so-called "donor" states that contribute more gas tax revenue to Washington than they receive in federal funding. As a matter of fact, the highway program is one of the few federal programs that even considers tax collection as the basis for distribution of federal funds, and ISTEA guarantees that each state receive at least 90% of the amount it contributes to the Highway Trust Fund. For the sake of the remaining 10%, however, don't the turnback advocates run the risk of trading that 90% federal guarantee for 100% of a much smaller program at the state level?

What About Public Transit?

Another potential problem with the turnback proposal is that federal law is considerably more friendly to public transit funding than many states. The Highway Trust Fund earmarks two cents of the 18 cent federal gas tax for mass transit purposes. By contrast, in 31 states, state gas tax funds by law can only be used for highway purposes. Since turnback relies on reenacting the federal tax at the state level, transit could be hit for big funding losses in those states.

Even in states that do allow more flexible uses for state gas tax funds, transit could be in trouble. In California, for example, the expenditure of state gas tax revenue is governed by Article XIX of the State Constitution. That article allows using state gas tax funds to construct rail transit guideways, but not to purchase transit vehicles -- while federal law permits both uses. During the six-year ISTEA period, the San Francisco Bay Area used 55% of its federal transit funds to replace aging rail cars and buses. Under the turnback scenario, the region wouldn't be allowed to spend a dime of state gas tax funds for that purpose.

Doesn't 29 States = 58 Senators?

Since donor states are pushing the turnback idea, it's likely that the 29 historical recipient states will oppose it because they could lose their status as net importers of federal gas tax funds. For example, the New York Department of Transportation has estimated that turnback would require an average 28 cent increase in northeast state fuel tax rates to replace lost federal aid. In the Unifed States Senate, those 29 recipient states are represented by 58 senators, a sizable majority that could block any action on turnback. Regardless of its merits or demerits, then, turnback faces an uphill climb to becoming federal transportation policy.

In light of that legislative challenge, why not consider less radical solutions to some of the problems cited by turnback advocates? If the motivation for turnback is the inequity to donor states of current funding formulas, this issue could be dealt with by adjusting the 90% return-to-source guarantee during ISTEA reauthorization. If the motivation for turnback is intrusive federal regulation, these too can be trimmed back and streamlined during reauthorization.

July 25, 1996

Statement of Ellen M. McCarthy

Coordinator, Transportation Initiative
International Downtown Association

on

ISTEA Reauthorization

Metropolitan Planning:
Metropolitan Planning Organizations and the Planning Process

before the Subcommittee on Surface Transportation
Committee on Transportation and Infrastructure
U.S. House of Representatives

July 30, 1996

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Chairman Petri and Members of the Subcommittee on Surface Transportation, good morning. Thank you for the opportunity to testify today. My name is Ellen M. McCarthy. I am coordinator of transportation initiatives for the International Downtown Association (IDA).

I respectfully request that the full text of my statement be submitted into the official hearing record.

Founded over 40 years ago, IDA is a national association of organizations, individuals and companies involved in revitalizing city centers, both in North America and throughout the world. While we encompass developers, architects, planners, retailers and others, most of our members are business-backed non-profit organizations established to represent the collective voice of the local business community in the regeneration and enhancement of downtowns and edge cities. Particularly in North America, where the vitality and vibrancy of downtowns and town centers were initially threatened by the forces of transportation and technology, IDA has served as the primary network for sharing information about ways to face new challenges. Today, IDA is recognized in a global framework for its role as a guiding force in creating healthy, dynamic centers which anchor the well-being of towns, cities and regions of the world.

Transportation has always been a high-priority issue for our members. The ability to move people and goods efficiently into and around our city centers is critical to the successful functioning of those centers. We currently have two transportation initiatives underway. The first is funded by the Energy Foundation, and has permitted us to survey our members who represent "best practice" in the successful involvement of the business community in local transportation planning and programs. Based on their experience with transportation issues, we are putting together a handbook for other areas who would like to improve the effectiveness of their business participation in transportation. We are also putting together a presentation on best practice in this area, and will work with other national business organizations to get the word out about how the business community can play a more effective role in improving regional transportation systems.

Our second initiative is working with the U.S. Department of Transportation, the Surface Transportation Policy Project, Project for Public Spaces and others in establishing the National Partnership for Transportation and Livable Communities. The goal of this effort is to increase awareness of the role that transportation can play in improving the livability of cities, towns and regions, and provide assistance in implementing this approach.

Today, I would specifically like to address the need to maintain and enhance local decision-making power and the flexibility to use funds as necessary to implement the results of that local decision-making.

1. From the standpoint of the business community we represent, the metropolitan area or region is the key level of decision-making for transportation planning. The primary economic unit for most of us is the region or metropolitan area. It is the primary trading area. It is where most customers and clients live. It is home to the work force. In fact, as a Philadelphia Federal Reserve Study points out, our national economy is a set of metropolitan / regional economies working together.

From our perspective, it is important that all aspects of the regional economy, particularly its infrastructure, be as seamless as possible, allowing for easy movement of goods, services, people and information. It is therefore appropriate that local elected officials in the region, with input from business and civic leaders, have the primary role in articulating regional needs and designing the solutions to those needs.

Given that our national economy is really a collection of regional economies, then the regional transportation system is the key to the healthy functioning of that economy. Our employees must be able to get to work, our shoppers to their retail destinations, our tourists to their hotels and attractions, our citizens to their doctors appointments and recreational activities.

State or municipal boundaries are artificial boundaries. They do not have any real relationship to the travel patterns or economic activities which underpin a metropolitan area. Indeed, in several major metropolitan areas, the region overlaps two, or sometimes even three, states. Giving states the primary responsibility for planning for metropolitan areas over 200,000, as some have suggested, makes no sense. A state government just cannot be as knowledgeable about the opportunities and needs of the region as the people in that region are.

However, we wish to be clear that when we say that the major locus for decision-making in transportation planning and investment programing should be the region, we certainly are not saying that the state has no role to play. Not only do state constitutions make cities creatures of the state, but in most states, the state government is an important financial partner in major transportation investment decisions. In addition, clearly the role of state and national government in providing for interregional travel is essential to achieve the efficient movement of people and goods between metropolitan areas. However, the creation of the three-way partnership between the federal government, the state and the region, for metropolitan areas over 200,000 in population, is one of the most important contributions made by ISTEA.

2. Regional decision-making is the best way to maximize intermodal efficiency. Good business leaders see much of the world as a set of interconnected systems, and systems within systems. Delivering a product to the customer requires the integration of many sub-systems, including production, marketing, sales and distribution. In fact, you have probably heard much in today's business climate of "re-engineering". One of the most important principles of re-engineering is to ensure that decisions are made closest to the customer, and that key players in each system work together to modify and improve overall system performance. Regional transportation is a set of systems -- highways, transit, roads, air, inter-city water and rail. Keeping the decision-making about transportation closest to the local level follows the principle of being market-responsive, and it facilitates the involvement of business and civic leaders, who bring a perspective to the process free of many of the institutional, jurisdictional and modal "blinders" which can affect transportation professionals at times, interfering with systems integration.

3. **Transportation must be planned as part of an overall community development strategy, encompassing economic development, environmental quality, affordable housing, recreation and open space and related elements of creating healthy, economically viable and attractive communities.** This is more easily accomplished on the regional level, as is reflected by changes made by both the Department of Housing and Urban Development and the Environmental Protection Agency in recent years to decentralize the planning process in order to make it possible for communities to plan more holistically.

4. **Controlling sprawl should be a key national priority, with the Metropolitan Planning Organization playing a major role in developing integrated transportation / land use solutions.** In region after region, millions are spent on replicating infrastructure -- building new schools, firehouses, libraries, recreation centers -- while the center cities languish in desperate need of infrastructure maintenance and repair. The increasing recognition of the importance of integrating land use and transportation planning makes it especially imperative that the main locus of transportation planning be the regional planning body.

In fact, in one South Carolina study, regional planners concluded that newly developing suburban and exurban areas contribute only $1.00 in tax revenue for every $1.37 expended for infrastructure. Several governors, including Maryland's Governor Glendening, are making the concentration of development one of their highest priorities.

Transportation both influences sprawl and is affected by it. It is virtually impossible to separate from land use policy and it should not be separated. The federal government must insist that transportation investments be planned and managed in an overall systems context, with the region in a leading role, in partnership with the state and federal governments. That is one of the best aspects of ISTEA, and that aspect of ISTEA should be maintained and strengthened, not weakened, in any reauthorization bill.

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ROBERT A. WELKE, DIRECTOR

STATEMENT BEFORE THE

HOUSE SUBCOMMITTEE ON SURFACE TRANSPORTATION

Relating to

STATE/MPO AND STATEWIDE/RURAL PLANNING ISSUES IN ISTEA REAUTHORIZATION

by

Susan P. Mortel
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Michigan Department of Transportation

July 30, 1996

Mr. Chairman, my name is Susan Mortel. I am the Assistant Deputy Director, Bureau of Planning, of the Michigan Department of Transportation. I would like to thank you for this opportunity to testify before this Committee on issues related to the reauthorization of the Intermodal Surface Transportation Efficiency Act (ISTEA), particularly on issues related to the State/Metropolitan Planning Organizations (MPOs) relationship and the statewide and rural area planning processes.

HISTORICAL CONTEXT

I wish to emphasize that the Michigan Department of Transportation (MDOT) is a strong supporter of the underlying principles of ISTEA. MDOT actively supported increased coordination between federal, state, and local units of government and with the private sector when ISTEA was debated and enacted by Congress.

ISTEA was meant to strengthen those relationships, to increase public involvement in the planning and decision making processes, and to encourage partnerships with the private sector to meet critical transportation needs. ISTEA was also meant to provide greater flexibility to states and local governments to address their needs.

Michigan has 14 MPOs ranging in size from under 100,000 to several million people. MDOT has historically had a close and cooperative relationship with our MPOs and with local units of government. We have developed relationships that have been able to deal with the changing transportation needs of urban area residents.

We have met all of the ISTEA deadlines for creation of long range planning documents and Transportation Improvement Programs (TIPs) on time. We have worked to improve the varying technical abilities of our MPOs and our department consistent with the requirements of ISTEA. The state provides the broad, multi-modal statewide perspective on issues and priorities while the MPOs provide the regional perspective. It is an imperfect relationship but with all of the recent stresses and strains it is still a partnership that has, for the most part, worked.

Some of you may be aware of the problems we have recently dealt with in developing our program. There were a number of disagreements between MDOT and our MPOs. While we admit this we would also like to point out that the process did work; the highest priority projects are moving forward and we will continue to improve on the relationships between MDOT and our MPOs.

ISTEA FELL SHORT OF ITS PROMISE OF FLEXIBILITY

Although ISTEA has generally worked, we feel that there has been no net gain in state flexibility because of the regulatory processes that were established by the Federal Highway Administration (FHWA). The provisions that were designed to increase state flexibility have been hampered by inadequate funding and by highly prescriptive, costly, and bureaucratic planning and programming requirements which have caused project delays and problems in implementing the State Transportation Improvement Program (STIP) and our State Long Range Plan.

For example, in our region, we were required to make the STIP fiscally constrained, by type of fund, by year, for the three year program. The level of detail for each project that this engendered was overwhelming. Add to that the fact that all of our MPOs were, in the early years of ISTEA, considered non-attainment areas for air quality, and had to demonstrate conformity to the satisfaction of the Environmental Protection Agency before FHWA and the Federal Transit Administration (FTA) could approve their TIP. Consider also that, although MDOT works with its MPOs to create the three year program in each area, we have no specific control over the preparation of their "chapter" of this very detailed document. So when one phase of one of MDOT's expansion projects was inadvertently left out of an MPO TIP in southwestern Michigan, the complicated amendment process and the need to recalculate air quality conformity, coupled with a limited northern construction season, delayed the project for an entire year without any improvement in air quality. I don't believe that type of bureaucratic delay was ever the intention of ISTEA.

SUGGESTIONS FOR ISTEA REAUTHORIZATION

As we enter ISTEA reauthorization there are four main areas we wish to bring to your attention. We feel that addressing these issues will allow Michigan transportation providers to continue to be successful.

1. Tie Project Selection to Long Range Goals and Priorities

ISTEA's project selection framework needs to encourage a local prioritization process to ensure that projects of regional significance are completed. MDOT has been a national leader in the development and implementation of management systems and has put in place a project prioritization process designed to allocate federal and state transportation funds to those projects that provide the greatest transportation benefits.

Local units of government must establish project prioritization processes that are consistent with the intent of ISTEA. Projects selected at the local level are not always consistent with the State Long Range Plan. Local jurisdiction needs are addressed while critical regional transportation projects are stalled for lack of funds. Project selection is not always driven by a process that identifies the most pressing regional transportation needs. Rather, project selection is likely to be based on the most powerful local political interests.

2. Ensure Owners and Operators Play a Role in Project Selection

The owners and operators of transportation systems must have a significant role in the project prioritization process and a vote at the MPO table. In Michigan for example, the transit agency has no vote with the Grand Rapids MPO. As the owner and operator of transportation services within an MPO, MDOT is willing to work with the MPO and other transportation providers in the project selection process.

We acknowledge the importance of the MPO in the development of regional goals and objectives for our transportation system. However, MPOs have a very narrow perspective on transportation priorities that may not go beyond their own jurisdictional boundaries. In some cases, roadways are not fixed beyond MPO boundaries because of different jurisdictions. As a state DOT we must have some influence on the project selection process because we have the responsibility and liability for our state trunkline system regardless of jurisdictional boundaries.

We support changes to the ISTEA process that will address these problems. In Michigan, problems encountered with redirection of federal aid would have been easier to resolve if ISTEA had encouraged MDOT and the MPOs to establish a project prioritization framework. This would ensure that projects of state and regional significance are completed.

3. Move Away from Sub-allocation

When a Transportation Management Area (TMA) receives its current ISTEA allocation of Surface Transportation Program (STP) funds the first thing many of them do is suballocate the funds to individual political jurisdictions based on population. This ensures equity in the geographic distribution of funds but is also problematic. By splitting funds into small pots and distributing them to areas based on the STP population formula, each area receiving funds begins to think of the money as their own to be spent on their local road needs, outside of any regional priority structure. This detracts from the regional, multi-modal emphasis of ISTEA. Rather than encouraging coordination and partnerships among providers it fosters compartmentalization. It does not promote the need to accomplish state and regional goals as set forth in the State Long Range Plan.

We need to move toward a needs-based, criteria-driven project selection process that involves both transportation providers (system owners) and local officials in the priority setting process. If priorities are clear, it is much easier to select projects and manage a program particularly if expected funding doesn't come through. In the reauthorization of ISTEA, we feel that it is imperative that Congress emphasize the need for a project selection process that will contribute to satisfying the intentions of ISTEA to address transportation problems from a regional, multi-modal perspective.

As I mentioned earlier, in Michigan, we recently had difficulties coming to agreement on priorities with several of our MPOs. In one case, while we were able to reach agreement with the MPO's technical committee, the policy committee refused to endorse the agreement. This was due to a partisan political disagreement between our governor and local elected officials, as well a disagreement between two factions of the policy committee, one who wanted to accept our proposal and one who did not. The result was that our entire program was put on hold because of partisan politics, and our STIP could not be finalized for several months, delaying construction projects across the state.

Some have said that the solution to this problem is the direct allocation of STP funds to urban areas, without state oversight or approval. We believe that this would only cause further schisms between the state and local units of government, and slow state investment in urban areas. Polarization of the jurisdictional squabbles we all experience is the last thing we need. As long as trunklines intersect and are fed by local roads, state and local transportation providers and elected officials will need to work together. Our customers do not care about jurisdictional boundaries on their roads, we owe it to them to work together to provide them with the safe, smooth roads they deserve.

4. Simplify Process

We need to be freed from the burdensome processes that have been developed by FHWA in implementing the provisions of ISTEA. MDOT believes that FHWA has adopted planning regulations and requirements that are costly and inconsistent with the intent of ISTEA. MDOT supports changes to the ISTEA planning processes that include the following:

- Change the population threshold of TMAs to 1 million, which is more reflective of urbanized areas likely to have the need for the resources and the technical capabilities to accomplish the extensive planning requirements in the ISTEA.

- Allow state flexibility end discretion in STIP/TIP development to program at a level which enables states to deal with the intrinsic uncertainties of project schedules and with fluctuating levels of federal funding.

- Eliminate the existing multi-agency approval authority of FHWA/FTA and give STIP/TIP approval authority to the Governor or a designee as originally intended by ISTEA.

- Eliminate Federal certification requirements applied to planning and programming processes and allow self-certification at the state level to be done in consultation with USDOT.

As an example of the burdens placed on state DOTs, the development of our STIP must incorporate the programs of fourteen MPOs, twenty-six Rural Task Forces, and the satisfaction of air quality requirements for nearly a third of Michigan's 83 counties. We realize that ISTEA represents the balancing of a number of worthwhile goals. We recognize the need to preserve and improve air quality and that we must develop our program within the confines of available resources. However, it is not easy to attain these goals and implementation has been difficult. For example, strict adherence to air quality regulations does not always result in any net gain in air quality. Also fiscal constraint as implemented in Michigan was an unnecessarily burdensome and procedural. We feel that a certain amount of over-programming is needed to account for unforseen changes in our project planning.

Implementation of ISTEA has resulted in a process that takes at least nine months for us to to complete our STIP. It is a time-consuming and costly effort for everyone involved, and for some projects--such as local Transportation Enhancements that can cost as little as ten or twenty-five thousand dollars--the effort required to list the project in the STIP is almost as costly as the project itself.

Even with the problems we have faced in Michigan this past year, we have been able to reach agreement with our MPOs. So much attention has been paid to the disagreements, in fact, that people sometimes overlook our successes. For example, when the Holland/Zeeland MPO in western Michigan needed additional funds to remove a bottleneck and complete a priority project that serves as an alternate route for one of our major tourist highways, we found a way to provide flexible STP funds to complete the project. The MPO had a local need and the MDOT recognized the regional benefit to be gained through completion of the project. That's the kind of cooperative effort I believe ISTEA was designed to foster.

We are pleased that we will have a successful statewide program this year and we will continue to work with our MPOs to provide the highest level of transportation services to our customers.

STATEWIDE AND RURAL PLANNING PROCESSES

Not all of our customers live in MPOs, however. The regulations developed to enforce ISTEA were developed with a one-size-fits-all approach that puts rural and smaller urban areas at a real disadvantage. Michigan, like many other states, oversees transportation systems that accommodate not only urban areas, but also a large segment of the population which is scattered throughout rural areas, townships and cities of less than 50,000 population. As a result, the statewide and rural planning processes, while offering some positive benefits, have imposed significant cost and time burdens on small local governments.

For example, in our more sparsely-populated areas, the three-year planning process itself can be a problem. Sometimes, the person developing the three-year program is also the one who drives the snowplow and answers the phone. Typically, locally-selected projects in rural areas mean simply resurfacing roads damaged by winter weather or purchasing basic equipment to maintain existing public transit. It's very difficult to predict in October which road will be broken up by snow and ice come April, particularly since a crystal ball is not considered a federal-aid eligible expense. As a result, the three-year programs in these rural areas change far more often than in our more urban areas. The very exercise of developing such a program and conducting formal public involvement can seem ludicrous to transportation providers who realize that the project list will very likely change come Spring.

The public involvement requirements of ISTEA, also developed with urban areas in mind, place an enormous burden on limited staff and financial resources in rural areas and smaller MPOs. In these areas, locally-selected projects generally benefit from the most direct public involvement, as citizens in rural communities often know their local transportation providers personally and do not hesitate to contact them directly to comment on projects. The stringent public involvement requirements that might be appropriate in a larger city are often unnecessary and burdensome in these small communities.

One positive aspect of ISTEA in rural areas is that we've managed to foster a more regional approach than was common in the past. By creating multi-county rural ISTEA task forces, we've encouraged local officials in rural areas to work with each other--and with transit providers and Indian tribal governments--more closely to coordinate their transportation improvement programs and help satisfy their customers.

We inadvertently limited our success, however, by our own use of suballocations. Lacking a more concrete prioritization process for local projects, we relied on rural suballocations--similar to those used by FHWA in allocating money to the TMAs/MPOs--to provide some geographic equity in funding. Regional equity is a worthy goal but it should not be paramount. In Michigan, each Rural Task Force--in fact, each county--is suballocated a share of funds, which they can use independently or in cooperation with other counties to accomplish projects selected for the STIP. We've found that this funding compartmentalization can limit the regional focus for project development, even at the rural level. We plan to move away from such suballocations in the future, just as we are encouraging you to do in the reauthorization of ISTEA. Our future focus will be to work with local units to develop partnerships and encourage a needs-based, criteria-driven, regional approach to the rural planning process, and we hope the reauthorization of ISTEA will encourage that focus for both MPOs and rural areas.

SUMMARY

In summary, Michigan joins many other states in support of the intentions of ISTEA which promised stronger relationships between state and local governments, increased funding, and greater flexibility. Michigan has promoted these worthy goals for many years. But through a combination of inadequate funding, overly-prescriptive requirements, and regulations which failed to recognize that coordination among state and local units of government is predicated on reaching a common understanding of priorities for a total transportation system, ISTEA has failed to fully live up to its promises.

The Congress now has an opportunity to build upon the strengths of ISTEA and to correct its weaknesses. If the new reauthorization bill can lead states and Metropolitan Planning Authorities to reach agreement on performance-based priorities linked to the State Long-Range Plan, streamline plan- and program-development requirements, and to provide the funding necessary to address adequately the problems at all political jurisdictions, it will truly have advanced the state of transportation in America.

Thank you.

**HOUSE TRANSPORTATION AND INFRASTRUCTURE COMMITTEE
SUBCOMMITTEE ON SURFACE TRANSPORTATION**

**METROPOLITAN PLANNING
METROPOLITAN PLANNING ORGANIZATIONS
AND THE PLANNING PROCESS**

TUESDAY, JULY 30, 1996

**Stan Oftelle, Chief Executive Officer
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Good morning Mr. Chairman and members of the Committee. I appreciate the opportunity to be here today to talk to you about Metropolitan Planning Organizations (MPOs). My name is Stan Oftelie, and I am the Chief Executive Officer of the Orenge County Transportetion Authority (OCTA). As some of you may know, OCTA is a unique agency that state legislation created in 1991 to bring local transportation agencies under one umbrella group. Federal law mandates OCTA to work with the Southern California Association of Governments (SCAG), the MPO that represents six counties in Southern Californie. When Congress empowered MPOs to improve local control, I do not believe it intended to create agencies bigger than 47 states. Yet, SCAG does exectly that by encompassing 38,000 square miles end 14.5 million people. Compare that with the much smaller MPO organizations operating in your respective districts. Only New York, Texas and the rest of California have larger populations than the SCAG region. Texas, with 16 million people, has 32 MPOs. Pennsylvania, with 12 million people, has 20 MPOs.

A common misconception of people residing outside of the state of California is that Los Angeles and Southern California are synonymous. However, that could not be further from the truth. Orange County, with its 2.6 million residents, has 8 percent of the state's population, and represents 10 percent of California's exports. This places Orange County's $82 billion economy 32nd in the world. Orange County is unique end distinct from Los Angeles, and has differing transportation needs and goals. OCTA is one of the few agencies in the United States that operetes e transit system while planning and programming freeway, highway and regionel roed projects. Moreover, the Agency is uniquely positioned to design and implement an intermodel transportation network for Orange County.

The primary reasons behind Orange County's strong desire to see greater flexibility in MPO redesignation are simple. It all comes down to money and local control. If Orange County received directly its pro rate share of federal transportation planning funds, it would receive at least $1 million automatically. Instead, OCTA must annually go to SCAG headquarters in downtown Los Angeles and ergue over differing priorities.

In addition, in these times of fiscal constraint, and at e time wnen Congress has the unenvieble yet necessary task of cutting westeful government spending and unnecessary bureaucracy, you should all understand OCTA's dismay upon learning that SCAG spent $25 million in federal trensportetion money for a study, that from our perspective, does not fall within their mandated responsibilities. The project was the development of e Regionel Comprehensive Plan, which covered 15 diverse elements, ranging from housing end economics to water quality, all funded with transportation planning dollars. When elected officials from Orange County spoke with one voice and told SCAG to adhere to its mandated responsibilities, they were outvoted. OCTA, one of the largest transit operetors in the United States, was not allowed to vote. Despite the Intermodal Surface Trensportation Act of 1991 (ISTEA) mandeting transit operator membership on MPO boards, SCAG has rejected our agency's request to serve on the 70-member SCAG Boerd of Directors. It eppears to us that no other MPO in the nation has streyed so far from its central mission of developing and administering a long-renge regional transportation plan.

ISTEA contains explicit language permitting stete and local control and flexibility. Title 23, Section 134 of the Act, which perteins to metropolitan planning, specifies thet en MPO end its bounderies can be determined by stete end local procedures in the instances of designation or of revocation of the MPO. The same flexibility end local control are, however, not permitted in the instances of MPO redesignation end of determining MPO boundaries in an eir quelity nonattainment aree.

The reeuthorization of ISTEA in the 105th Congress will provide the necessary forum for meking these much needed changes. OCTA has proposed allowing stete or local procedures to be determinate in cases of MPO redesignation and in eir quality nonattainment areas. I have ettached e copy of e proposed emendment addressing this issue to my testimony. An extension of this local flexibility to encompass redesignation is importent in achieving OCTA's aim. The benefits of allowing more flexibility to MPO redesignation end boundary chenge procedures would be the power that devolves to stete and local governments and the removel of veto power of a single large jurisdiction. MPOs would have to pay more ettention to equity end fair representetion for ell of their partners in the region.

The State of California has devolved as much power as possible to the county transportation commissions (CTCs) within the constraints of ISTEA. The CTCs in Los Angeles, Orange, Riverside, San Bernadino, and Ventura Counties conduct almost all of the functions mandated under ISTEA. Yet, federal law requires that SCAG perform these same functions, creating an unnecessary, duplicative, and costly bureaucracy.

These CTCs are unique with respect to the rest of the country and were not recognized in the 1991 ISTEA legislation. The California legislature authorized these commissions to generate their own funding sources. In all but one of the counties, the CTCs planned and developed multi-billion dollar transportation improvement programs with local funding. Moreover, under this arrangement, regional coordination resulted in the planning and implementation of a 400-mile non-federally funded commuter rail network within a two-year period. In addition, frequent meetings among the CTCs allow inter-county transportation disputes to be more easily resolved.

Mr. Chairman, a change is needed to current law to allow decisions made about redesignating an MPO and altering its boundaries to be permissible pursuant to state and local procedures. There are proposals at the federal level, and legislation already enacted in California, which devolve transportation planning and programming authority to the local level. Orange County is already organized to successfully manage these responsibilities. Thank you for your time and consideration of this important matter. If there are any questions I can answer, I would be happy to do so.

PROPOSAL BY THE ORANGE COUNTY TRANSPORTATION AUTHORITY
FOR TECHNICAL AMENDMENT OF THE
INTERMODAL SURFACE TRANSPORTATION EFFICIENCY ACT OF 1991

Subject:

Uniform flexibility for Metropolitan Planning Organization designation and boundaries.

Code Sections Affected:

Section 134 (b)(5)(A) and Section 134 (c) of title 23, United Statea Code.

Discussion:

The Intermodal Surface Transportation Efficiency Act of 1991 and the rules enacted by the Department of Transportation pursuant to that Act are replete with language permitting state and local control and flexibility. Within the sections of the Act pertaining to metropolitan planning, a metropolitan planning organization (MPO) and its boundarias can be determined by state and local procedures in the instances of designation or of revocation of the MPO. Howaver, the same flexibility and local control are omitted in the instances of MPO redesignation and of determining MPO boundariea in an air quality nonattainment araa.

Because of the diversity of transportation planning issues, stata and local transportation funding aolutions, social factors, and the geographic configurations of regiona, decisions to be made about an MPO and its boundarias should be parmissable pursuant to state and local procedures. Tha proposed amendments will not affect those araes which hava state and local procedurea in place. In those araas without existing procedures, the proposal will permit dialogue at the appropriate levals in setting the procedures to resolve state or local issues about improving transportation planning while furthering the fedaral goala of intermodalism and bettar utilization of transportation funds. More flexibility is needed where the complexity of factors is the greatest. Opportunities for redesignation and for redetermining boundaries in non air quality attainment areas should not be limited by historical patterns or a single federal prescription.

Contact:

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RUDDELL

TESTIMONY OF THE

AMERICAN PUBLIC TRANSIT ASSOCIATION

BEFORE THE

SUBCOMMITTEE ON

SURFACE TRANSPORTATION

OF THE

HOUSE TRANSPORTATION AND INFRASTRUCTURE COMMITTEE

****

July 30, 1996

SUBMITTED BY

American Public Transit Association
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APTA

APTA represents over 1,000 members, including all major commuter rail operations, motor bus and rapid transit systems, and organizations responsible for planning, designing, constructing, financing and operating transit systems. APTA members include business organizations which supply products and services to the transit industry, academic institutions, and public interest groups.

INTRODUCTION

The American Public Transit Association (APTA) appreciates this opportunity to testify on Metropolitan Planning Organizations (MPOs) and the planning process as part of the Subcommittee's series of hearings on the Intermodal Surface Transportation Efficiency Act (ISTEA) and national transportation policy. APTA strongly supports a continued federal role in transportation planning and endorses ISTEA's MPO and planning provisions.

As we noted in previous testimony before this Subcommittee on various aspects of ISTEA reauthorization, APTA believes that continuation of a strong federal role is needed to provide an efficient, comprehensive transportation system for all Americans. APTA advocates the retention of ISTEA's overall structure, including its innovative flexible funding programs and provisions that contribute to a level playing field between transit and highway investments. ISTEA promotes balanced transportation investments that allow federal, state, and local resources to be used to the greatest advantage for a range of transportation solutions. Such a balanced approach recognizes that:

- various modes of transportation can be utilized to meet regional and local travel demands;
- all modes function most efficiently when they work together; and
- consideration of all transportation alternatives ensures that federal funds are used in the most cost-effective ways.

Balance is also important to ensure that every American has access to affordable transportation, including millions of elderly, low income, disabled and rural people who are dependent on transit to get around.

ISTEA's Planning Provisions are Essential

The planning provisions of ISTEA are an essential element of the law. ISTEA's planning provisions focus funding decisions on integrated transportation systems rather than on individual modes. This allows states and localities to identify cost-effective answers to local transportation problems and avoid wasteful duplication. The planning process also requires that funds are spent to preserve and maintain existing infrastructure, and that congestion and environmental factors are considered. ISTEA mandated the inclusion in the planning process of all those affected by transportation decisions -- local, state and federal officials as well as the public. It requires a comprehensive review of needs and potential solutions, and it gives states and localities the flexibility to use federal funds to address those needs with a locally preferred alternative. By empowering localities and bringing more people to the table, ISTEA ensures broad-based support for the ultimate decisions.

APTA's Reauthorization Proposal and Planning Survey

APTA's reauthorization recommendations are a part of a comprehensive proposal developed by APTA's Legislative Committee that must be reviewed by the APTA Executive Committee before it becomes APTA's policy recommendation. The planning recommendations are based in part on the results of a recent survey of APTA members on ISTEA's planning provisions. The survey results reflect strong support within the transit industry for ISTEA's planning provisions generally and recognize the need for improvement in a few areas.

Flexible Funding Necessitates ISTEA's Planning Provisions

The ability to fund innovative projects that improve the overall transportation system's effectiveness is one of ISTEA's most significant contributions to a balanced transportation system. The use of flexible surface transportation funds for mostly transit capital projects has risen from $303.8 million in FY 1992 to $801.9 million in FY 1995, a total of nearly $2.2 billion in the first four years of ISTEA. For instance, funding under the Congestion Mitigation and Air Quality (CMAQ) and Surface Transportation Programs (STP) has been used to purchase alternative fuel buses, expand parking at rapid transit stations, and for the construction of intermodal facilities that connect local bus service with intercity bus, train, and airline service. Communities have identified these investments as linchpins of their strategies for economic development and community revitalization.

However, the decision to use these funds for transit or other investment goals depends not just on the availability of flexible funding under the federal program, but also on the planning process that makes such decisions possible. ISTEA's planning provisions are the mechanism through which flexible funding works. It allows communities to identify which investments will best serve their needs for economic development, community revitalization, and other goals.

Strengthen Metropolitan Planning Organizations and Transit Relationships

The economic health of metropolitan regions is essential. Some 64% of the nation's people live in urbanized areas and these regions define the nation's economic strength. Making metropolitan regions more economically productive depends on an intermodal transportation system that moves people and goods efficiently into and throughout each of these often congested regions.

APTA believes that Metropolitan Planning Organizations should remain key players in the transportation decision making process in metropolitan areas and that their role should not be weakened.

Eighty-one (81) percent of APTA members surveyed endorsed providing more power to MPOs; 86% supported the current MPO role in long range planning, and 88% endorsed the MPO's role in Transportation Improvement Program development.

Statewide Planning and Federal Certification Reviews

APTA supports federal certification reviews and the statewide planning processes as generally defined in ISTEA. The FHWA/FTA certification process can provide much-needed oversight to ensure that all the players are adhering to the principles of ISTEA. We want to continue to work closely with State departments of transportation as well as MPOs and other regional/local agencies. ISTEA affords each state and region the opportunity to create a partnership tailored to its own needs and circumstances, and we believe that this approach is sound. By requiring that state and local Transportation Implementation Plans (TIPs) are consistent with one another, the law recognizes that coordination of planning and implementation of transportation projects is important.

We believe that the most successful partnerships are those in which every player has a strong voice, because a healthy debate leads to the best decisions. We can no longer afford to make decisions based on less than complete consideration of all transportation modes.

Maintain Inclusive Decision Making in the Planning Provisions

APTA supports retention of existing public involvement requirements. The importance of participatory planning in developing transportation plans, programs, projects, and policies cannot be overemphasized. Effective transportation planning does not take place without meaningful public involvement programs tailored to the particular local circumstances. Benefits of public input include improved planning, facilitated decision making, enhanced legitimacy, and increased implementation prospects. Ninety-five (95) percent of APTA members surveyed endorsed continued public involvement in the transportation planning process.

Support the Continued Use of Major Investment Studies

APTA strongly supports the continued use of Major Investment Studies (MIS) where there are transportation alternatives that have significant costs and substantial effects on the communities in which they are being considered. The MIS process is an attempt to get consensus on the best overall solution to transportation problems in a given corridor. The MIS process is flexible and non-prescriptive. It reduces modal biases in the development of transportation strategies.

Planning Factors and Fiscally-Constrained Plans

APTA supports the underlying premise of the 16 factors that must be considered in metropolitan planning and supports the inclusion of an additional factor, the consideration of central city issues. We also believe ISTEA's "financial constraint" requirements are necessary to protect the integrity of the state and MPO planning processes. They help ensure that decision makers set a more realistic set of priorities in a collaborative, participatory setting.

Promote the Coordination of Land Use and Transportation Planning

Although ISTEA does not require land use planning, it recognizes that transit-supportive land use patterns and associated policies are the cornerstone of success for major transit investments. Reauthorization should extend the coordination of transportation planning and land use planning. For instance, compatible and transit-supportive land use must continue to be a major criterion for capital investments; there should be greater flexibility in the use of ISTEA funds for transit-supportive and development activities; and funding and flexibility for Livable Communities should be increased under reauthorization. One of the greatest benefits of this approach is that private sector investments can benefit from these practices, including higher values for commercial and residential properties located near transit facilities.

Conclusion

APTA strongly supports a continued federal role in transportation planning and generally endorses ISTEA's MPO and planning provisions. The planning provisions are an essential element of ISTEA and promote a more inclusive, comprehensive, locally-responsive, and user based approach to transportation planning. The result is good for our economy, our communities, and all Americans. Thank you for the opportunity to present APTA's views on these issues.

INCOG a voluntary association of local governments serving creek, osage, rogers, tulsa and wagoner counties
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TESTIMONY OF
JOHN SELPH
TULSA COUNTY COMMISSIONER
VICE CHAIRMAN, INCOG BOARD OF DIRECTORS

"MPOs: Roles and Responsibilities"

Before the Subcommittee on Surface Transportation
Committee on Transportation Infrastructure
U.S. House of Representatives

July 30, 1996

Mr. Chairman and Members of the Committae, my name is John Selph. I am e member of the Board of Directors of the National Association of Regional Councils (NARC). I em also the Vice-Cheirman of the Indian Nations Council of Govemments (INCOG), the Metropolitan Planning Organization (MPO) for tha Tulsa Trensportation Management Aree and I chair INCOG's Air Ouality Committee.

On behalf of NARC and the Association of Metropolitan Planning Organizations (AMPO), I appreciata your invitation to testify before the Subcommittee on matters conceming the roles and responsibilities of MPOs. My testimony today is supportive of the policy positions developed by the Association of MPOs and NARC. My comments draw from my personel experiancas as a County Commissioner in Tulsa County, Oklehoma both participating in and reflecting on our MPO planning process.

Before I discuss issues relevent to MPOs in the ISTEA re-authorization process, let me tall you a little bit about INCOG and our region. INCOG is a voluntary association of some 50+ local govemments in the five-county Tulsa metropolitan area and has served as the MPO for over 20 years. The ragion's economic base has become increasingly diversified during the last decade and wa currently are experiencing significant growth in employment end population. The City of Tulsa, our ragion's lergest city, contains about half of the region's 750,000 population.

Over the last year, we have achieved three major milestones that relate to our role as MPO. First, we have adopted 2020 FORESIGHT: The Long Range Transportation Plan for the Tulsa Metropolitan Area. Second, INCOG, the City of Tulsa, and a host of key stete agencies have approved a formal Memorandum of Agreement with the Environmental Protection Agency designating Tulsa as a Flexibla Attainment Region by which federal, stata and local entitias have crafted a plan with specific strategias to improva air quality tailored to meet our community needs. The agreemant makes it possible to design common sense strategies which, hopefully, will keep our area in attainment. And third, a federal review team, consisting of the Federal Highway Administration and the Federal Transit Administretion, has recently certified the Tulsa area transportation planning proceas as meeting the requirementa of ISTEA in the plenning procass and has commended INCOG for its efforts.

The role of INCOG and other MPOs has significently grown as a result of the enactment of ISTEA. Prior to the implementation of ISTEA, the process waa driven or dominated by the state DOTs. Local policy officials were often not consulted and policy making and priority setting wes largely decided by the state DOT. In short, it waa the goldan rule--the state DOT received the federal money and made all the rules. Also prior to the implementetion of ISTEA, meaningful financial constraint was largely unknown with respect to the Transportation Improvement Plans (TIPs) and Long Range Plans. In Oklahoma and many other states, TIPs became wish lists. The state DOTs over-committed to projects, to satisfy political pressures and there was a disconnect between planning and implementation. In our state, completion of federally-assisted local projects was an arduous process at best. Too often, there was no information on the status of projects nor sound guidance on what needed to be done to make them ready for funding. To give you an idea, several committed projects in our area had been in the pipeline for ten years and state officials were unable (or unwilling) to give any estimated schedule when they might be programmed for construction. Predictability, needless to say, was non-existent for affected residents, businesses and the motoring public. Many local and state officials were frustrated and viewed the process simply as a necessary exercise to maintain their region or state's eligibility to receive federal funds.

Enough about the past. ISTEA fundamentally changed the process for the better. And as you know, change is often difficult to accept. Our state DOT, like many others, was apprehensive at first. But with the encouragement of our federal partners, the Federal Highway Administration and the Federal Transit Administration, they increasingly realized that it was a new ball game and that the requirements of ISTEA necessitated opening up the decision-making process by involving both local policy makers and the public earlier in the process and to a far greater extent than they had in the past.

The Oklahoma Department of Transportation began to recognize the MPO as a resource that could be utilized to develop a comprehensive program where hard decisions would be made in light of the scarce resources available. In the spirit of ISTEA, the MPO became a true partner in the transportation planning and implementation process. ODOT and our state's MPOs now regularly work together as a team in policy development, research, modeling and forecasting, and public participation efforts. The role of the MPOs as a valuable partner and resource to our state DOT has been further reinforced as a result of significant downsizing of the ODOT staff.

Our key local policy officials, ODOT senior management, and our State Transportation Commissioner also meet on a regular basis in Tulsa to discuss project status, strategy, funding priorities and potential areas of cooperation. One of the most important factors that has made the process worthwhile is the idea that the element of fiscal constreint prevails. We do not deal with wish lists anymore--we are now forced to set our priorities, within the framework of the limited resources that will be eveilable, forcing the debate to face realities and forcing us to make hard choices --this can be difficult to do, but necessary if the process is to be accountable. It has made the role of local policy official more meaningful in thet we meke the decisions and we have to believe in the process if we are going to take the heat.

The technical planning process has also, in my estimation, improved with the advent of ISTEA. We, as elected officials, demand more substantive information and analysis on which to meke decisions. A beneficial result of this has been the increesing dialog end reliance of our central city, Tulsa, on MPO staff input regarding transportation issues. Now not only has ODOT become a true partner, but the relationship between our member governments has improved--ISTEA hea resulted in improved cooperation and collaboration among all playere.

Another major element introduced into the transportation process is flexibility. A good exemple of this in our area is in regerd to the relationship between transportation and air quality planning as it relates to ISTEA and the Clean Air Act.

Tulsa is deeply concerned about the possibility of losing its hard eamed attainment status. In addition, to the health benefits of improved air quelity, another motivation for ua to remain in attainment, is to avoid the compelx conformity procedures end offset requirements that would adversely affect economic development efforts.

To thia end, the aree hes pureued a seriea of air quality initiatives. We have developed en innovative ewerd-winning program to reduce hydrocarbon emiaaiona, especially on those days when our potentiel to exceed the federal ozone standerd is the greetest. Our Ozone Alertl Progrem, the nationa first episodic air quality progrem, was started in 1991 and the public-private voluntsry effort haa widespread support throughout our aree. The program involves encouraging businesses end citizens on Ozone Alertl Days, to take actiona such aa curteiling driving by walking, biking, taking advantage of free bus rides on Tulsa Transit, cerpooling, or telecommuting and actions such as deleying lawn mowing and limiting refueling to the evening hours. Since the progrem's inception, thirty-eight Ozone Alertl Days have been celled and we heve exceeded air quality standards on only three of those daya. Our increase in transit ridership on Ozone Alart! Days hss typically ranged from 40-50%, indicating that the public is indeed willing to participate in voluntary programs whare there is a clear connection between some parsonal inconvenience and substantial community benefit.

As part of the program, our gasoline suppliera have also voluntarily lowered the Reid Vapor Pressure (RVP) of gasoline sold in the Tulsa area for the summer ozone season. Since Tulsa achieved attainment status before the enactment of the Clean Air Act amendments, gasoline suppliera were not mandated to provide low RVP gasoline for our market as is required in nonattainment areas or areas that have achieved attainment subsequent to tha passage of the Clean Air Act amendments.

Tulsa, being an attainment area, was not eligible to receive a direct allocation of Congestion Mitigation Air Quality (CMAO) funds like nonattainment areas receive for air quality programs. The message wes--you only get funds when you fail (violata the standard)--we won't help you not fail. To ODOT's credit, they recognized that en ounce of prevention wes worth a pound of cure. The Governor of Oklahoma and the ODOT administretion, at our request, provided $400,000 a year for the life of ISTEA to Tulsa snd Oklehome City for the development of air quality programs thet will, hopefully, keep us off tha nonattainment list. We would rether get the $400,000 snd hsve the freedom to dasign our own progrem to meet our needs than receiva the $4.2 million we could be eligible for if we went into nonattainment.

The flexibility provisions of ISTEA hava allowed these CMAQ funds to be used for paying for free bus fara on Ozona Alert ! deys, producing a video and public sarvice announcementa regarding our Ozone Alert! program, launching a suburban transit progrem, expanding our transit oparated van pool program, and implementing a state-of-the-art computarized treffic signal coordination syatem in downtown Tulsa.

We hava taken our air quality initietives one step further by becoming the first EPA approved Flexible Attainment Region in the nation. This innovative agreement is allowing us to tailor local eir quality strategies, taking into account the weather, driving habits, and the economy of the region in designing programs to reduce air pollution. ODOT is a full working partnar in this effort.

ISTEA, in our erea, works becausa all the stakeholders are supportive and are willing to devote the time and effort to make it work and because of our approach. Our central city, Tulsa, is treated as an important force in the process and it is a key player in that process. The Policy Committee of the MPO is composed of local govemments, Indien tribes, tha stete DOT, and all transportation modes --bike, pedestrian, transit, airport, port, rail, end trucking. In fact, the bicycle/pedestrian representative currently serves as our Policy Committee chair. By our decision-making process, the actions of our Policy Committee in approving plana and programs such as the Transportation Improvement Program (TIP) and the Long Range Transportation Plan, raquire the andorsemant of our COG Board of Directors. Our Board is composed principally of local elected officials from member govemments with representation based on a one-person, one-vote principle. The City of Tulsa and Tulsa County, beceuse of their population size, have the largest number of votes. We believe this check and balance system that is inherent in our endorsement process provides en adequate safeguerd to assure our central city -- Tulsa-- that its interest will be considered fairly.

Another area where ISTEA has been effectively used in our metropolitan region is enhancements. Enhencement funds hava been targeted to projects identified in our regional trail system plan. For example, a trail paralleling the Creek Tumpike (an urban toll road) has just been completed and this project along with other enhancement projects will provide for a continuous trail system connecting three suburban cities with downtown Tulsa. It is my view, that without the ISTEA set-aside for Enhancement projects, it ia unlikely thet transportation funds would hava baen mada available to this worthy project.

Tuming to the issue of re-authorization, I want to first state, we believe there has been and alweys will be a national interest in surface transportation related both to national defense and economic competitiveness--intemational, interstate and inter-regional. Saying that, we believe the Committee should build upon the strengths inherent in the original ISTEA legislation -- that promoting effective partnerships among ell stakeholders can improve the decision-making process resulting in sound transportation investments that enjoy broad community support. That recognizing financial constraints is necessery to maintain realism in the transportation planning and programming processes. And that flexibility is desirable in encouraging the crafting of solutions to metropolitan and state transportation problems. In building on these strengths we recommend consideration of the following:

- Continuing and expanding the sub-allocation process, particularly to include CMAQ and enhancement funds in addition to STP-Urbanized Area funds;
- Restructuring the Congestion Mitigation Air Quality Program to allocate funds to nonattainment areas for compliance programs and to attainment and maintenance areas that develop emission reduction programs;
- Continuing a set-aside for Enhancement projects, but more narrowly targeting funds by requiring a more direct relationship to the transportation system and simplifying program implementation;
- Allowing more flexibility in using federal funds for transit operating costs in areas making a significant local investment in transit capital projects;
- Reducing the disparity between donor and donee states in highway and, particularly, transit programs;
- Further increasing the flexibility to transfer funds among categories for a variety of uses, and streamlining the flexing process; and
- Streamlining the conformity requirements and process for non-attainment areas.

In conclusion, Mr. Chairman, we believe that ISTEA is working and working well! Our recommendations regarding re-authorization are intended to help build on the key concepts of ISTEA and "fine tune" the process rather than to "re-invent" it. The concept of collaboration and partnership crafted in the original ISTEA legislation linked with the forced discipline of fiscal constraint is fundamentally sound and, simply put, good public policy. It should be continued in future federal surface transportation authorization legislation . And in fact ISTEA might well serve as a model for other federal domestic programs.

I appreciata being invited to participate in the Subcommittee's haarings. On behalf of NARC and AMPO wa look forward to working with tha committaa to build on tha success of ISTEA.

Thank you for tha opportunity to tastify today. I respectfully request that my statament be mada a part of tha official hearing record, and I will be happy to answer any questions you may hava.

East-West Gateway
Coordinating Council

Linking the cities and counties of the Gateway Region since 1965

TESTIMONY OF

The Honorable Francis G. Slay
President, Board of Aldermen
City of St. Louis
St. Louis, Missouri

"MPOs: Roles and Responsibilities"

Before the Subcommittee on Surface Transportation
Committee on Transportation and Infrastructure
U.S. House of Representatives

July 30, 1996

Mr. Chairman and Members of the Committee, my name is Francis Slay, and I am the President of the Board of Aldermen of the City of St. Louis. I am a member of the Board of Directors of the East-West Gateway Coordinating Council. East-West Gateway is the Metropolitan Planning Organization for the St. Louis Missouri-Illinois metropolitan area. Along with the Mayor of St. Louis, who is now the Vice-Chair, I represent the City of St. Louis on East-West Gateway's Board of Directors.

By way of background, the St. Louis area takes in seven counties plus the City of St. Louis. Our jurisdiction lies both in Missouri and Illinois and in two federal regions as well. The St. Louis metropolitan area includes 230 municipalities, all members of the organization. East-West Gateway is a voluntary membership organization and assessments are paid by the region's counties.

This fragmented, multi-jurisdictional environment is a real test for the cooperative regional decision-making process envisioned in the ISTEA. I am here today to tell you how we are making that process work and why informed and cooperative transportation investment decisions are so important, to the City of St. Louis, the St. Louis region, to metropolitan areas in general and to the nation.

My city of St. Louis makes up less than 20% of the population of the St. Louis region, yet our downtown continues as the region's geographic and commercial center. The City of St. Louis is home to the region's premier medical, educational and cultural institutions as well. Like most major center cities, we are facing declining population and tax base along with serious social and economic challenges. Much of our infrastructure is obsolete.

Yet, our regional leadership recognizes the fundamental importance of the City of St. Louis to the economic health of the entire region. Through the cooperative planning process which is at the center of the ISTEA, we have been able to work through our MPO to link regional transportation investments with our special infrastructure and economic needs. The region's long range transportation plan for the first time places the highest emphasis on preservation of existing transportation assets. The plan also created a new investment focus area on access to opportunity for some of the economically distressed population in our city. Through our participation in East-West Gateway, we have recently restructured our relationship with the Missouri Highway and Transportation Department, which is leading to a dramatic increase in the state's highway expenditures (principally in preservation activities) in the City of St. Louis. More importantly, we and the MHTD are working on a common agenda for transportation system investments in the City of St. Louis which recognize the fundamental economic importance of the center city in our region.

This process is bringing results for the City of St. Louis. Let me cite a few examples:

- Important new projects are moving ahead. The City of St. Louis includes one of the very first links in the Interstate System, Interstate 70, completed in the late 1950's. Interstate 70 is now well past its design life and is very badly deteriorated. As a direct result of the new working relationships and our new regional plan, this critical highway will finally be rehabilitated over the next few years at a cost of over $100 million. National Highway System connectors to major freight facilities in the City of St. Louis will be improved thuough cooperative arrangements with the state. Access to the City's planned multimodal transportation terminal will be built by the MHTD. MHTD will also be building sorely needed freeway ramps to our world-class Missouri Botanical Garden and Washington University Medical Center.

- We are leveraging transportation investments in new and unique ways. The Regional Jobs Initiative is an $8 million public-private effort, principally funded by the Annie E. Casey Foundation, to forge connections to help businesses find qualified employees, and spur job-creation and economic development efforts throughout the region. The result will be family-supporting jobs for young-adult, urban-core workers. Transportation is a key element in the connection of people with jobs and it has been fully integrated into the planning process for this project. This is the first time we are explicitly linking transportation investments to targeted community-based job development.

- East-West Gateway's new "Bridges-to-Work" program brings together the Missouri Department of Social Services, the Economic Council of St. Louis County, the Bi-State Development Agency, the St. Louis Agency on Training and Employment, the St. Louis County Office of Employment and Training and Public/Private Ventures of Philadelphia. The project involves residents of low-income communities, human service providers, job training and placement professionals, and businesses in placing inner-city residents in suburban jobs through the coordination of job placement, transportation, and support services.

None of these things would have happened prior to the ISTEA.

Much the same as we in the City of St. Louis have unique transportation needs, my colleagues in the suburban and rural portions of our region have transportation problems which must be addressed. In two of our counties, for example, we identified safety as a principal concern. In these counties motor vehicle crashes were the leading cause of death and disability for those under the age of 35. Through the planning process we are able to target specific highway investments to address safety problems. Missouri Route

21 in Jefferson County, sometimes known as "blood alley," will finally be rebuilt. This shift in focus came about because local officials were learning more about how the transportation system works and because they were involved in the key decisions that directed the flow of money. Three critical elements of the ISTEA allow this to happen: flexibility in the use of funds, a stronger local voice in decisions, and full acceptance of the broader economic and community goals of metropolitan transportation investments.

Dealing with congestion continues to be a principal concern of the planning process. The majority of our transportation budget is devoted to relieving congestion. We now look at those investments far differently than before, though. We consider the economic returns on our investment in congestion relief with a more careful examination of the systemwide and community impacts of these capital intensive projects. Through Major Investment Studies we are weighing more alternative investment strategies and more meaningfully involving the public in making decisions.

While the impact of the ISTEA on the City of St. Louis is important to me, it illustrates some important principles which go beyond my jurisdiction. Transportation is more than just connecting points on a map. It is about building stronger, self-sustaining communities and regions. It is about building *metropolitan transportation systems* which serve the economic goals of the nation's metropolitan areas. Seventy-seven per cent of the nation's population lives in metropolitan areas and an even larger proportion of the economy is centered in these economic units. There can be no better argument for building metropolitan transportation systems that really work. Likewise, there is no substitute for the cooperative decision-making process housed in Metropolitan Planning Organizations like East-West Gateway. Where else can I as a local elected official work and act together on the future of the St. Louis region with my counterparts from another state and from suburban and rural jurisdictions? How else can decisions be made which transcend a myriad of jurisdictional boundaries? Who else is better qualified to make tough decisions than the elected officials whose constituents will be directly affected?

We know that the process is hardly perfect. In a financially constrained environment there are natural tensions, some of which will be reflected in the testimony of my colleagues at this hearing this morning. There are conflicts between the competing goals of expanding capacity in the fast-growing suburbs and preserving existing assets in the center city. There is tension in trying to satisfy economic and environmental goals. Competition between modes is a constant. The institutional partners in the planning process often have competing goals and a recurring desire to control decisions.

Our Board is now engaged in an often contentious process of deciding how our very successful MetroLink light rail transit system will be expanded. The Board met for over five hours two weeks ago and sifted through the results of major investment studies and other information. We resolved to reach this critical 21st century decision within the next 90 days. There is clear disagreement on priorities at the outset, but we all recognize that we cannot make this decision without a better understanding of the impacts of our decision on the entire transportation system, including its financing. Local elected officials are weighing tradeoffs and making informed decisions with far better information than we would have had before the ISTEA. The decision-making process is cooperative and public.

It is only recently that we in St. Louis have resolved our longstanding disagreements with the state of Missouri about our role in the decision-making process and the level of investment in the region. Our recently concluded Memorandum of Understanding (included as an attachment to this testimony) with the MHTD calls for a fully cooperative planning process resulting in one regional transportation plan, adopted by the MPO. It includes a provision for a negotiated suballocation of all federal funds to the St. Louis region. As a result, the region's share of Missouri's federal funds has increased from less than 29%, where it had been for more than a decade, to more than 38%. This agreement would not have been concluded without the role in the decision-making process that local officials acquired with the ISTEA.

Not everyone at the MPO table where investment decisions are made will be entirely satisfied. The important lesson of the ISTEA, however, is that the natural tensions of the transportation planning process in each metropolitan area cannot be resolved in Washington D.C. They are best resolved at home and often only through the give-and-take of the political process. But they can only be resolved if local officials are sitting at the table where decisions are made and our vote really counts. MPOs play an important role in the future of metropolitan regions and we at East-West Gateway urge you to continue that important role as you write the successor legislation to ISTEA.

Thank you for the opportunity to testify today. I respectfully request that my statement and attachments be made part of the official hearing record, and I will be happy to answer any questions you may have.

Testimony of The Honorable Francis G. Slay
MPOs: Roles and Responsibilities
July 30, 1996
ATTACHMENT

CCO FORM:
Approved: 02/96 (MGB)
Revised:
Modified:

MEMORANDUM OF UNDERSTANDING BETWEEN THE EAST-WEST GATEWAY COORDINATING COUNCIL AND THE MISSOURI HIGHWAY AND TRANSPORTATION COMMISSION

THIS MEMORANDUM OF UNDERSTANDING is entered into by the Missouri Highway and Transportation Commission (hereinafter, "Commission") and the East-West Gateway Coordinating Council (hereinafter, "Council").

WITNESSETH:

WHEREAS, both parties recognize the need for staff and policy coordination between the Council and the Commission in carrying out the responsibilities for which each is charged; and

WHEREAS, the purpose of this Memorandum of Understanding (hereinafter, "Understanding") is to create a working partnership to seek the solution to transportation problems in the St. Louis Metropolitan Area; and

WHEREAS, this partnership will implement a cooperative regional transportation planning process which will develop strategies, select project and program priorities and allocate resources; and

WHEREAS, the provisions of this Understanding supersede the "Principles of Cooperation Between the Missouri Highway and Transportation Department (hereinafter, "Department") and Metropolitan Planning Organizations in St. Louis and Kansas City," adopted in June 1993, insofar as such provisions relate to the St. Louis metropolitan area; and

WHEREAS, it is understood that the Council, an organization of local governments, is a regional comprehensive planning agency for the bi-state St. Louis metropolitan area (including Franklin, Jefferson, St. Charles, and St. Louis Counties and the City of St. Louis in Missouri and Madison, Monroe and St. Clair Counties in Illinois) as designated by the federal departments of Housing and Urban Development, Transportation and the Environmental Protection Agency. The Council is the designated Metropolitan Planning Organization as described by 23 USC Sec. 134 and 49 USC App. 1607, responsible for transportation planning and programming in the metropolitan area; and

WHEREAS, it is understood that the Department, governed by the Commission is a state agency with broad responsibilities for building and operating a system of state highways and transportation facilities. The Department is the agency described in 23 USC Sec. 135, responsible for transportation planning and programming in the State of Missouri; and

WHEREAS, this Understanding in no way diminishes the authority of either agency as specified in state and federal law, nor does it supplant or alter the decision-making structure within either agency; and

Testimony of The Honorable Francis G. Slay
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WHEREAS, the purpose of this Understanding is to coordinate work activities to eliminate duplication, make more efficient use of limited planning resources and empower a more cooperative planning process leading, to the extent possible, toward achieving common goals and objectives; and

WHEREAS, all work activities covered by this Understanding will be described and mutually approved as part of the Council's Unified Planning Work Program (hereinafter, "UPWP").

NOW, THEREFORE, the above-named organizetions hereby enter into the following working Understanding in order to more efficiently focus public resources to plan better transportation improvements, having broader community support in a more timely and cost-effective manner.

(1) TRANSPORTATION CORRIDOR INVESTMENT GROUP: In order to more effectively plan for major capital projects in corridors designated in the region's long range transportation plan, Transportation Redefined, e joint staff working group will be formed. This working group, to the extent practical, will be located in a single office space to improve efficiency and to create a more cooperative work environment. The Transportation Corridor Investment Group (hereinafter, "TCIG") will serve as project managers for "Major Transportation Investment Analyses," (hereinafter, "MTIA") and undertake or coordinate the following activities related to such studies:

A. Project Development, including scoping and problem definition.

B. Customer Outreach, including customer participation and information.

C. Impact Estimation, including transportation, environmental, social and economic impact anelyses.

D. Financial Planning, including such analyses as necessery to determine the availability of revenues to support transportation corridor investments.

E. Project Administration, including contrect management, work plan development and scheduling.

The TCIG will utilize, wherever possible, staff resources (augmented where needed) at appropriate agencies to carry out specialized tasks like travel demand estimation and public information services.

(2) TRANSPORTATION PROJECT PLANNING AND PROGRAMMING:

A. The Council will carry out a joint project planning and programming process. This process will result in the Transportation Improvement Program (hereinafter, "TIP") and updates of Transportation Redefined for the Missouri portion of the metropolitan area. The Council and the Commission will utilize the planning procedures and project programming criteria described in Transportation Redefined as refined and modified by mutual agreement. All transportation projects and programs regardless of mode or jurisdiction in Missouri will be planned and evaluated according to these processes.

B. The Commission will provide a three-year capital budget for federal transportation funds and state funds by January of each year to assist in financial planning for the TIP. Projects will be considered for programming only if they result from a cooperative-planning process which conforms to the principles set forth in paragraph three (3). Flexible funding, (i.e., federal funds derived from one modal or categorical program under the ISTEA and shifted to another) will only be used if the project or program sponsor fully participates in the cooperative planning process set forth herein and conforms to the principles enumerated in paragraph three (3).

The Council and the Commission will cooperate in developing technical resources to be utilized in the planning process including, but not limited to, travel data, geographic information systems, transportation management systems, and travel demand models.

(3) PLANNING PRINCIPLES: The Commission and the Council hereby agree that the following general principles will guide the cooperative planning process:

A. The transportation system should contribute to regionally desired outcomes of mobility, economic growth, fiscal and environmental responsibility, social and economic well-being, sustainability and safety.

B. The transportation customer is at the center of the decision-making process. Hence, all plans will involve a high degree of customer participation and information.

C. The performance of the multimodal transportation system will be maximized by basing decisions on community objectives and related system performance measures.

D. All relevant transportation and non-transportation agencies must be involved in the planning process.

E. Clearly and precisely defined problems are critical to the development of appropriate and effective transportation solutions. Consistent, careful evaluation of the full range of multimodal transportation alternatives will ensure choices of optimum solutions to those problems.

(4) ADMINISTRATIVE COOPERATION:

A. The implementation of the cooperative planning process will require the sharing or contribution of personnel and other resources. There will be mutual agreement on the number, levels, qualifications, and responsibilities of staff assigned to carry out the cooperative planning process.

B. Activities of the TCIG are part of the normal and customary preliminary engineering phase of the project development process and will be funded as part of that process. Appropriate interagency agreements and contracts will implement cost-sharing arrangements for each MTIA. Each agency sponsoring an MTIA will be responsible for the TCIG costs related to the respective MTIA.

C. For other planning activities, each agency contributing staff will be responsible for all salaries and benefits relating to such staff. Staff working on the Council's premises will work under the general technical guidance of the Council's Director of Transportation Planning and those working on the Commission's premises will likewise work under the general technical guidance of the Commission's District Engineer or assigned staff, provided that work activities have been mutually approved as part of the UPWP. Nothing in this Understanding, however, is intended to alter or compromise the relationship between either agency and its employees, including compensation, existing reporting relationships, job requirements, administrative policies and procedures and any other elements of that relationship. Decisions to assign personnel to the cooperative planning effort will be made by mutual agreement between the Council and the Commission.

(5) APPROVAL AND AMENDMENT OF THIS UNDERSTANDING: This Understanding and any amendments thereto will be effective after approval by the Commission and the Board of Directors of the Council. Either party may terminate the Understanding by action of these same governing bodies.

IN WITNESS WHEREOF, the parties have entered into this Understanding on the date last written below.

Executed by the Council this 15 day of MARCH, 1996.

Executed by the Commission this 4th day of April, 1996.

MISSOURI HIGHWAY AND TRANSPORTATION COMMISSION

Joe Mickes
Joe Mickes, Chief Engineer

Mari Ann Winters
Secretary to the Commission

Approved as to Form:

Kathryn M. Hackel
Commission Counsel

EAST-WEST GATEWAY COORDINATING COUNCIL

By John Bancini
Title CHAIRMAN

By [illegible]
Title EXECUTIVE DIRECTOR

Approved as to Form:

Title Deborah Benoit
attorney

j:\contract\pl\gateway

American Planning Association

Metropolitan Planning and the Planning Process
Background and Recommendations for the ISTEA Reauthorization
Prepared for the Subcommittee on Surface Transportation

Contact: Jeffrey L. Soule, AICP
Policy Director
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What APA represents

The American Planning Association represents planners and the planning profession. With 30,000 members, it is the largest and oldest organization in America that promotes the benefits of thinking clearly and creatively about the way our communities will look and perform in the future. Planning is a discipline that brings together a variety of skills that help people solve problems in the present, and avoid them in the future. Planners work in the public and private sector on a variety of issues. They are adept at seeing the way differing agendas can work together, such as transportation and environmental quality, farmland preservation and downtown revitalization, coordinated human service delivery and neighborhood redevelopment, to name a few examples. Planning does not replace expertise in specific disciplines like engineering, public administration and architecture, but rather, it strives to make the environment for each decision and each discipline more suitable and more effective. When a community has a vision for where it wants to go, it can muster its resources in a more intelligent and effective way. Planning is the fundamental requirement for avoiding waste and unfulfilled dreams.

The American Planning Association's efforts include both specific products and services for our members and broader initiatives on behalf of the profession. Our outreach to other organizations includes policy development, public information and government affairs. As a professional society, our aim is to help perform the same service to other civic and land-use oriented individuals as local planners provide to their community. The American Planning Association's mission is to involve the diverse interests in our country in a joint effort to make the future of our cities, towns and rural countryside successful, sustainable and attractive. Our members and staff hope you will find the information and insight provided by our association and its members helpful in the process of shaping surface transportation policy. We invite you to work with us and discover more about both the practical and inspirational advantages of thinking about the future and using the time-tested methods of planning to do so.

Planning is fundamental to transportation policy

Land use, quality of life, and transportation are intimately connected. Without the framework established for Metropolitan Planning Organizations to provide for the orderly, coordinated approach to meeting the variety of regional needs served by transportation systems, we would waste time, money and human resources. In addition, and perhaps most importantly, citizens and organizations who depend on the public participation process afforded through MPOs would have less say in the decisions that shape their communities. The American Planning Association strongly supports the concept embodied in the original legislation of access to the decision-making process by all affected groups. In addition, it strongly supports the multi-jurisdictional approach to transportation planning. Transportation decisions have far reaching impacts that often ignore municipal boundaries. The ISTEA approach encourages a broader, regional approach to planning that takes these impacts into account in an organized, accessible manner. The MPO, in many ways, is the only forum for such a regional perspective, and although it focuses on transportation, by virtue of its diverse membership, there are many positive collaborations, projects and perspectives that occur as a significant positive result of the transportation planning process.

APA is working with the Federal Government on Community Livability

The American Planning Association has joined with the American Institute of Architects, the Institute of Transportation Engineers, and the International Downtown Association under a contract sponsored by the Federal Transit Administration to develop a guide to show how transit programs and projects can enhance community livability. This project is one example of how our organization is supporting the implementation of the vision established by ISTEA for using transportation to serve the needs of American communities according to their own goals and objectives. This view suggests that transportation makes a better servant than a master, and without the partnership of MPOs in the livability project, we would have no means of demonstrating how these policies would actually translate into specific actions. Under this project, MPOs and others have received grants to showcase ways they are involving citizens, leveraging private dollars, making true intermodal connections happen, and providing safety and security for passengers to name a few of the many projects underway. The American Planning Association supports the continued emphasis on partnerships, collaboration and outreach embodied in the original legislation. We cannot return to a more narrow view of transportation where decisions are made in isolation and facilities are planned without the involvement of those who will be affected.

Additional Recommendations

1. Composition of MPO members

   MPOs formed before 1990 should be re-certified according to current guidelines calling for broad representation. Representation of community based organizations and local input is critical to the success of the program. Knowledgeable local citizens and an informed body of elected officials are key ingredients to successful, sustainable communities. ISTEA must do everything possible to encourage this climate of decision-making.

37-734 97 - 40

2. Rural Communities

Much of America is not included under the regional purview of an MPO, nor do all MPOs participate under ISTEA due to the 200,000 population threshold. ISTEA should maintain provisions that encourage and respect the different staffing capabilities, problems and resources of our rural communities and should treat non-MPO and smaller MPO regions equally.

3. Local Government and Land Use

While we strongly support the regional approach to planning for transportation, we also recognize that the powers of land use planning and regulation exist at the municipal level throughout most of America. ISTEA should continue to strengthen the connection between transportation and land use through its requirements for state and regional plans that are compatible across jurisdictions and provide resources for planning and land use measures to local governments who are responsible for carrying out the implications of state and metropolitan transportation plans.

4. State Transportation Plans

Reauthorization should maintain the strong support for statewide planning that sets the framework for investments and the more-specific transportation improvement programs that serve to implement the plans. The Linkage between the Clean Air Act Amendments of 1990 is maintained through she state planning component and is a critical example of the broad, comprehensive view that transportation, clean air and community livability are all connected and must be planned in concert.

5. Flexibility

The hallmark of ISTEA is that it is not overly prescriptive. As we have seen time and time again, if you give communities broad basic goals, they will come up with innovative solutions unimagined by the policy makers. While certain broad objectives, such as citizen participation, equal access, regional approach, and objective project selection must be maintained, the details of how to achieve them thould be developed according to the vast diverse and creative body of community talent and professional partners.

6. Measurable and sustainable

While we continue to support the framework versus prescriptive approach, we suggest that examples and criteria for what constitutes an effective planning process be incorporated in the reauthorization. Such measures include 1) whether organizations with a stake in the process have been involved, 2) if the plan includes goals, actions and analysis of how each element will be accomplished, 3) incorporation of the interactions between each planning element, 4) assessment of environmental, economic and social impacts, 5) the extent to which the elements, impacts and actions have been publicly discussed and 6) how well integrated the planning process is to the ongoing decision-making of the area. Planning must be viewed as a process that requires constant review and adjustment, not a one-time exercise that sits on a shelf.

TESTIMONY OF

Stuart W. Stein
Chairman
Tompkins County Board of Representatives
Tompkins County, New York

"Reauthorization Recommendations from the Perspective of a Small MPO"

Before the Subcommittee on Surface Transportation
Committee on Transportation Infrastructure
U.S. Honse of Representatives

Mr. Chairman and Members of the Surface Transportation Subcommittee, my name is Stuart Stein. I am the Chairman of the Tompkins County Board of Representatives, Tompkins County, New York. In addition, I serve as the Chairman of the *Ithaca-Tompkins County Transportation Council (ITCTC)*, the designated Metropolitan Planning Organization (MPO) for the Ithaca, New York urbanized area. It is an honor and a privilege to be invited to testify before you this morning. The perspective I will offer today is that of a local elected official and participant in a small MPO.

The *Ithaca-Tompkins County Transportation Council (ITCTC)* was designated as the MPO for the Ithaca area in September 1992. With an urbanized area population of 50,132 the *ITCTC* represents one of the smallest metropolitan areas in the nation and is classified as a *"non-TMA"* (i.e., areas of less than 200,000 in population are generally not *Transportation Management Areas*).

Located in Upstate New York, Tompkins County (1994 population 96,309) contains nine towns, six villages and is home to the City of Ithaca, one of the principal cities of the scenic Finger Lakes region. The City of Ithaca, which is centrally located within Tompkins County is situated at the Southern end of Lake Cayuga and serves as the activity hub for the County and indeed for a greater multi-county region. The area is characterized by topography that is restricted and interrupted by the aftereffects of the past glacial activity that created this Finger Lakes region. The climate of the area has wide variations and is characterized by relatively short summers and long, cold and snowy winters. The County is best known as an education center, as it is home to Cornell University, Ithaca College, and Tompkins Cortland Community College. These institutions provide important sources of revenue, employment, and social opportunity for the residents of Tompkins County as well as surrounding counties.

Prior to *ISTEA*, the transportation planning efforts within the metropolitan area had been conducted predominately by staff from the County, the City of Ithaca, and the New York State Department of Transportation - each operating in relative isolation. These efforts were primarily focused on basic highway and transit planning activities. Since the passage of *ISTEA* and the designation of the *ITCTC*, this situation has been radically and positively transformed. By providing access to metropolitan planning funds, we have been able to "upgrade" the planning process by augmenting prior endeavors with professional, competent transportation planning staff. This is a particularly important benefit of *ISTEA* which is provided to smaller communities such as ours.

Transformation is evident in a number of other ways. First, the character and content of intergovernmental dialogue has changed. Under *ISTEA*, the MPO forum transcends traditional jurisdictional boundaries to bring local participants together. The opportunity for personal interaction afforded by the MPO forum to decision makers has greatly strengthened direct communications between

State Department of Transportation and local area governments through improved information exchange and communication at all levels. We now work in a collaborative manner to identify solutions to issues before they become problems. This new level of communication has clearly increased both the efficiency and effectiveness of infrastructure investments in the area. By meeting face-to-face on a regular basis, local leaders are provided with an opportunity to art culate and address local issues and needs in a comprehensive and coordinated fashion. Through the involvement of a broad spectrum of local participants, including various members of the public and interest groups, the metropolitan planning process has made it much easier to establish local priorities and to bridge critical infrastructure gaps.

The MPO forum has also contributed intangible benefits. For example, the improved communication and sense of being a part of a broader, metropolitan community has provided the impetus for coordination and cooperation in areas other than transportation. Based on the model provided by the *ITCTC*, local officials are collaborating on a number of intermunicipal issues - economic development, watershed management, sewer and water services, land use planning, and public safety are just a few recent examples.

The intermodal orientation and funding flexibility of *ISTEA* has served to broaden the scope of transportation planning beyond traditional highway-oriented issues. *ISTEA*'s fundamental recognition that each metropolitan area is different and has its own set of unique needs is of vital importance to smaller metropolitan areas. For example, while smaller areas may not face the extreme levels of roadway congestion experienced in larger areas, many have other pressing infrastructure renewal issues. The renewal of infrastructure, along with basic mobility and quality of life issues, are important factors in the ability of smaller areas to be successful players in the economic development game. To this end, since 1993 we have "flexed" approximately $1.23 million towards new transit investments. We have also funded seven "Enhancement" projects, worth a total of approximately $2.6 million. These enhancement projects, which incidentally garnered an average 30% non-federal match rate (20% is the "minimum"), provide sources of community pride, improve the safety and livability of residents and visitors, and amplify our region's ability to attract economic development.

While the benefits of *ISTEA* are just beginning to accrue in our community, the process has not been without its challenges. As a new and small MPO, the *ITCTC* is faced with the reality of what is, at times, an overly burdensome regulatory environment. The *ITCTC* has, out of necessity, considered the *ISTEA* legislation's "*sixteen planning factors*" and the planning regulation's "*eleven plan requirements*" more as "benchmarks" and "guidelines" than as programmatic requirements. This is not a blatant disregard for the law, rather it is a reflection of the fact that many of these requirements simply are not applicable to smaller areas or they may require technical and analytical capacities that are beyond the resources of the agency. Thus, the *ITCTC* and many other non-TMA MPOs will be highly supportive of efforts to streamline the regulatory environment. The proposal that MPOs be empowered to develop locally-oriented "performance standards", based on clear statements of national policy, is a sound concept that merits inclusion in a reauthorized *ISTEA*.

Other challenges have been produced by population-based differentials contained in the *ISTEA* legislation and its associated planning regulations. In some ways, the legislation and its regulations have produced a "second-class" of MPOs by providing certain benefits to TMAs that are not granted to the smaller, non-TMA MPOs. There are two specific areas where this differential is particularly troublesome.

First, non-TMA/small MPOs are very concerned by the fact that they do not receive a direct suballocation of Surface Transportation Program (STP) funds, as are allotted to the TMAs. Given that many of the successes of *ISTEA* are based on the partnerships that result from the sharing of decision-making responsibilities, it seems logical to extend the concept of suballocations to the non-TMAs so that they too can benefit from an enhanced "collaborative spirit". The concept of providing each state with the authority and responsibility to adopt, in cooperation with its MPOs, a formula for the distribution of all metropolitan transportation revenues to MPOs merits consideration in the reauthorization process.

Second, "*project selection*" continues to be an area of sensitivity among the smaller MPOs. Under the current *ISTEA* regulations, non-TMAs do not have the direct ability to "*select*" projects for implementation. This responsibility belongs to the state and/or the transit oporator, who are responsible for selecting projects "*in cooperation with the MPO*". This is in direct contradiction to the role of the larger, TMA areas which operate under a regulation that states that projects "*shall be selected by the MPO in consultation with the State and transit operator*". While the distinction between the two may seem minor, it is the perception that small MPOs are in some way less competent decision-makers that makes this differential so difficult. This distinction between TMA's and non-TMA's should be eliminated in the reauthorized *ISTEA*.

Take note that the issues above should not be construed in any way as requests for increased funding for non-TMA areas. Rather, the issue here is the extension and enhancement of *ISTEA*'s "heart and soul" - the forging of meaningful partnerships and true collaboration - to all metropolitan areas, regardless of size.

In conclusion, our experience with *ISTEA* has been profoundly positive. *ISTEA* has created an extraordinarily helpful climate for transportation planning and decision-making. The *ISTEA* legislation has urged, prodded, and at times coerced us, as local leaders and elected officials, to take a new view of transportation and how it relates to our communities. This more holistic view is helping us to address issues of community livability, economic development, as well as infrastructure renewal. The *ISTEA* legislation has provided an excellent example of effective federalism by successfully bringing decision-making processes to the local level where the needs and goals of the national, state, and local transportation system can best be examined and addressed. I urge you to consider the reauthorization of the *ISTEA* legislation with the "fine tuning" adjustments outlined today. Such adjustments to an already successful and beneficial piece of legislation will be of invaluable assistance to small metropolitan communities across this great nation of ours.

I thank you for your attention this morning and would be happy to answer any questions you may have.

Statement of William C. Wilkinson III, AICP
Executive Director
Bicycle Federation of America

on behalf of the
Surface Transportation Policy Project

on

ISTEA Reauthorization --

Metropolitan Planning:
Metropolitan Planning Organizations and the Planning Process

before the Subcommittee on Surface Transportation
Committee on Transportation and Infrastructure
U.S. House of Representatives

Surface Transportation Policy Project
1400 Sixteenth St., N.W.
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July 30, 1996

Chairman Petri and Members of the Subcommittee on Surface Transportation, thank you for the invitation to appear today. My name is William C. Wilkinson. I am Executive Director of the Bicycle Federation of America.

It is my pleasure to testify this morning on behalf of the Surface Transportation Policy Project, a non-profit coalition of over 175 organizations whose mission is to ensure that transportation investments serve people and communities. STPP's members are national and local public interest groups concerned with the environment, energy conservation, the economy and social issues. They represent constituencies as diverse as the elderly, historic preservationists, transportation workers, citizen groups and downtown business interests -- and even bicyclists!

All members of STPP's coalition are united in the belief that balanced investment in surface transportation can strengthen the economy, protect the environment, help improve communities and meet important social goals.

I have been a member of STPP's Steering Committee since its inception in 1990. Prior to my tenure at the Bicycle Federation, I was an environmental policy analyst in the Office of the Secretary at the U.S. Department of Transportation. I am a planner by training and certified by the American Institute of Certified Planners. I worked as a planner at the local level in Northern Virginia. I chair STPP's Committee charged with examining the planning factors and processes contained in the Intermodal Surface Transportation Efficiency Act of 1991, known as ISTEA. The work of this committee will be incorporated into STPP's platform on the reauthorization of ISTEA. My comments today reflect the preliminary work of STPP's Committee on Planning. Our committee's work will be concluded in September.

I respectfully request that the full text of my statement be submitted into the official hearing record.

I would like to make six main points on the topic of metropolitan planning and a few comments on the statewide planning process, which we have also been asked to address:

1. ***The metropolitan focus in ISTEA must be maintained.***

Twenty-five years ago Congress decided that an efficient transport system for our nation's urban areas was absolutely critical for a strong economy and for national defense. Metropolitan economies drive the nation and their transportation systems inherently cross political boundaries. The metropolitan level is the right scale for our transportation system. It is at the metropolitan scale that land use decisions, social concerns and economic issues that affect cities and suburbs are played out. It is logical that ISTEA directs funds to regions rather than to local governments. Our transportation systems are regional in a nature and not limited to one jurisdiction within a region.

Over 65 percent of our population lives in metropolitan areas and travels on metropolitan transportation systems each day. Incidentally, these users of the system pay a lot of gas taxes into the Highways Trust Fund.

Transportation decision making must be made at the metropolitan level. We recognize that the state is one stakeholder, but, by no means, is the ultimate authority to decide which transportation investments are made within the metropolitan region. There are certainly other stakeholders -- citizens, environmentalists, historic preservationists, locally-elected officials, and the business community-- who must also be involved, especially since collaborations of interests often cross political boundaries; it's a fact of how the real world works.

We advise Congress in the next version of ISTEA to examine ways to make the MPO certification process meaningful. We should include a review of the redesignation threshold and the ability to award condition certification.

Many MPOs have risen the challenge of planning for effective transportation systems at the regional level. Notable examples of successful MPOs include the Bay Area in San Francisco, San Diego, Atlanta, and Dallas-Ft. Worth. There are successful examples in smaller cities as well: Fargo, Ithaca, Albany, Portland (Oregon), Morehead, and Columbus (Georgia).

2. ***Public Involvement in ISTEA, especially at the MPO level, needs to be retained.***

Public involvement is perhaps the most important at the MPO level because transportation projects usually serve a metropolitan area, as opposed to a single town or municipality. One objective of public involvement is to more fully invest the community in the transportation system. We strongly recommend that the public involvement requirement be maintained.

Public involvement is also a useful means to resolve controversies, move projects forward, and aid agency staff in resolving problems for their elected officials.

All of us concerned with civic affairs must recognize the public's major lack of faith in government. The public is aware that there are huge transportation needs. It will take wholehearted support from the public to address these needs. Public agencies need the public participation requirement. Meeting transportation needs should not be seen as a contest of wills between competing public agencies with citizens in adversarial roles, as is often the case. Public involvement can help to solve transportation problems sooner, without litigation, if properly performed.

3. ***The fiscal constraint requirement should be maintained:***

This requirement simple says that transportation officials shouldn't adopt plans they can't pay for. The fiscal constraint requirement is one of the most far-reaching aspects of ISTEA and should be maintained, especially in this era of balanced budgeting. It is this requirement that converted the ISTEA plans from a "wish list" into a reality.

It is our conclusion that the fiscal constraint requirement need not limit the ambition, scope, and creativity of a community. A community may dream, but at a certain point, the difficult decision of how to pay for projects must be broached. The fiscal constraint provision should not preclude the development of a second-tier plan that is not financially constrained as a means of providing vision and advocacy in support of long range planning. This discipline is essential because it builds public confidence in what projects and facilities taxpayers are going to get. Fiscal constraint requires that resources for transportation must be identified "up front."

4. The Major Investment Study (MIS) requirement should be included in the ISTEA.

We particularly support the MIS provision since it calls for analysis of all feasible alternatives to solving a transportation problem before the decision is made. The MIS process can also assist the MPO in adopting a strategy to be implemented as part of its long range plan. Since the MIS is usually used for large-scale, expensive projects, it makes sense that MIS encourages the use of cost-effectiveness as one factor in evaluating different alternatives. MIS's should explicitly include initial examination of how Intelligent Transportation Systems are being proposed in the metropolitan area.

There are some other positive aspects of the MIS. In particular, it calls for proactive involvement of the public early in the process. It also encourages interagency meetings involving actors from the federal and state and MPO, along with the operators of other modes of transportation; and, where appropriate, community development and housing agencies. Our grassroots members appreciate that assessments of alternatives are performed to the extent needed to answer community concerns; the goal here is to arrive at a defensible locally preferred alternative.

5. The relationship between the long range plan and the Transportation Improvement Programs (TIPs) should be maintained.

It is vital to the successful implementation of ISTEA how MPOs are performing their long range planning function and how states are incorporating these plans into the state long range plans.

The relationship between the long range planning function by MPOs and states come together in the STIP. Some states are ignoring the intent of the discipline built into ISTEA by incorporating projects into their long range plans and their the State Transportation Improvement Programs (STIP).

6. Performance-based planning process needs to be added to ISTEA.

We believe that the planning factors provided by ISTEA can be better focused to areas of national interest. Our overall concern is that planning be value-added. We have heard from some of our members across the country that perhaps the planning factors are not working as effectively as originally intended. We suggest that rather than a checklist, we need a more consolidated list of *performance measures*, rather than planning factors, that characterize desired outcomes of the transportation system.

I'd like to make four points concerning performance measures for ISTEA planning. These are based on a speech by Hank Dittmar, Executive Director of STPP:

a. A methodology must be devised for measuring system performance that focuses upon the needs of the user --not the facility -- and that allows for the evaluation of external impacts of resource allocation decisions.

b. The performance criteria should be simple enough for a layperson to understand, but be broad enough to relate to a multi-modal system.

c. They should examine system outputs rather than internal facility characteristics, and perhaps, most importantly, they should be user-oriented . In assessing performance measures, the process should bring together technicians, decision makers and citizens to evaluate alternative strategies in terms of community values.

d. The planning process will integrate performance and asset management decisions. The planning process develops the overall goals, policies and objectives of the multimodal system and uses the objectives to evaluate the performance data.

7. State planning process has succeeded; now all 50 sates have long range transportation plans.

STPP supports the state planning process. States have come a long way in developing fiscally responsible intermodal plans since ISTEA. Prior to ISTEA's passage, few states had current long range plans. Now all fifty states have such plans. And all fifty states have published balanced budget transportation improvement programs. None of this would have happened without ISTEA.

STPP is considering asking that there should be more symmetry between the state planning process and the MPO process. Unlike MPOs, no one approves the process used by the state. We recognize that public involvement is difficult at the state level because of the scale, especially in non-urban areas.

* * *

In conclusion, I'd like to reiterate our main point that the MPO level is absolutely critical to the success of ISTEA and the national economy. It follows from this that metropolitan planning must be maintained.

Thank you, Mr. Chairman, for the opportunity to present STPP's views to your Subcommittee. I would be happy to answer any questions

TESTIMONY OF

HENRY WILSON
COUNCILMEMBER, CITY OF HURST, TEXAS
CHAIRMAN, REGIONAL TRANSPORTATION COUNCIL

"ISTEA Reauthorization - Helping Us Meet the Challenges"

Before the Subcommittee on Surface Transportation
Committee of Transportation and Infrastructure
U.S. House of Representatives

July 30, 1998

Regional Transportation Council
North Central Texas Council of Governments
P.O. Box 5888
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817/640-3300

Good morning, Mr. Chairman and members of the Subcommittee. My name is Henry Wilson. I am a Councilmember from the City of Hurst, Texas and Chairman of the North Central Texas Council of Governments' Regional Transportation Council, the Metropolitan Planning Organization for the Dallas-Fort Worth area. We are responsible for regional transportation planning and programming in a region of approximately 5,000 square miles. Our metropolitan area includes nine counties and over 100 municipalities - eight of which exceed 100,000 in population including our two central cities of Dallas and Fort Worth.

The Dallas-Fort Worth Metropolitan Area is a key economic, social, and political center in Texas and in the U.S. The region is the state's leading regional economy, accounting for over 30 percent of the Texas gross regional product. We are home to the third largest concentration of fortune 500 companies in the United States. More than 150 companies have relocated their headquarters to this area since 1980. Employment has grown by 34 percent between 1980 and 1990 and is projected to increase by 50 percent, to 3.5 million, by 2010. The Dallas-Fort Worth region is also experiencing rapid population growth. The area grew by 30 percent during the 1980s, and is projected to increase by 32 percent, to 5.4 million, by 2010. Our population today is 4.1 million, which is larger than 27 U.S. states.

Not only do we have a tremendous demand for increased transportation facilities as result of this growth, but transportation facilities also play a critical role in providing jobs and economic opportunity. The Dallas-Fort Worth International Airport is currently the second busiest airport in the world and serves as a cornerstone to our regional economy. Other intermodal facilities, serve as vital links between the rail, highway, and aviation modes and will continue to play a critical role in moving goods more efficiently.

The economic growth we are experiencing, however, is not without its costs and challenges. Growth in jobs and population has translated into greater demands for increased transportation capacity. Over 100 million vehicle miles of travel occur within our region each weekday, resulting in 30 percent of the roadway system being congested during peak travel periods and an estimated annual cost of congestion exceeding $2.8 billion. With a projected transportation funding shortfall of over $9 billion by the year 2010, identifying future revenue to meet our growing mobility needs is a huge challenge. Coupled with the anticipated financial shortfall is the environmental challenge of air quality, a very real and present dilemma which we are striving to overcome. Finally, as transportation issues and solutions become more complex, the challenge of building consensus within a rapidly growing, large, and diverse region such as ours can be very difficult.

Local elected officials, acting together on behalf of our region, have been given an excellent tool to address these challenges - and that tool is the Intermodal Surface Transportation Efficiency Act of 1991, or ISTEA. We feel ISTEA has been the answer in our region. Through ISTEA we are making great strides in programming transportation funds which best meet the needs of our area, allowing us to address congestion, safety, and air quality problems. ISTEA has enabled us to build regional consensus on future multimodal transportation investments planned for our area, which will result in a more balanced, efficient, and effective regional transportation system. In the time I have remaining before you today, I would like to highlight some our experiences with ISTEA which we believe are benefiting our region.

The Congestion Mitigation and Air Quality Program in ISTEA, or CMAQ, has resulted in the funding and implementation of key transportation improvements in the Dallas-Fort Worth area.

With the passage of the Clean Air Act Amendments of 1990, we were designated as a moderate nonattainment area for the pollutant ozone. The CMAQ program could not have come soon enough for us, as a way to deal directly with both our congestion and air quality problems. The Regional Transportation Council has actively taken on the responsibility of selecting CMAQ projects, programming the funds, and working closely with local governments, transportation authorities, and the Texas Department of Transportation to ensure that these project are implemented.

Since 1993 we have programmed over $300 million of CMAQ funds in our region. Today over $130 million of these projects have been constructed. Examples of CMAQ-funded projects in our area include intersection improvements, signal system improvements, park-and-ride lots, high occupancy vehicle lanes, vanpool and rideshare programs, freeway incident detection and response systems, bicycle and pedestrian facilities, and the conversion of transit buses and other public vehicles to alternative fuels. Over $30 million has been allocated to a commuter rail project which is being built in one of our heaviest traveled freeway corridors. It will provide commuter rail service to D/FW Airport and connect the Dallas and Fort Worth Central Business Districts. In addition, these projects will improve the overall efficiency of the transportation system by making operational improvements and reducing single occupant vehicle travel.

The Surface Transportation Program, or STP, is a second ISTEA program in our region which exemplifies the benefits which can be obtained by creating a partnership between local governments, state, and federal agencies that results in transportation investments being made where they are needed most. We continue to work in a successful partnership with the Texas Department of Transportation to fund critical roadway improvements, such as new arterials and freewey bottlenecks, many of which had been needed for yeers but prior to ISTEA hed littla chance of being funded. Over $350 million of Surface Trensportation Program projects have been selected by the Regionel Transportation Council. We hava successfully implemanted over $100 million of these projects since 1993.

ISTEA's raquirement that transportation plans end programs ba constrained to evailable financial resources has dramatically changed the process for selacting and funding transportation improvements in our ragion - wa feel for tha better. It has requirad that we develop criteria for project salection such as cost effectiveness, air quality benefits, end social mobility that represent the wide variety of interests and neads within our region. This has ansured that federel funds are being spent on thosa projects which provida the greatest regional mobility banefits. Whila this has been a new challenge for the Raglonel Trensportation Council and has required tremendous steff and elected official commitment, it is producing results and has been worth the effort.

The financial constraint requiraments of ISTEA that impact the devalopment and implementation of the matropolitan transportation plan has also changad the way we plan in our region - again, wa feel for the better. It has forced us to recognize that funds in the futura, as they ere today, ere likaly to be limited. Wa, as local elected officials working with our MPO staff, locel governments, and transportetion agencies, must strive to identify those transportation improvements and programs which provide greatest mobilitv. Wa must also continue to educata our region on tha challenges which we are facing as a rapidly growing area with limited financial resources to maintain mobility and ultimately sustain aconomic growth. Most importantly, howevar, the financial constraint requiraments of ISTEA are requiring us to seek new partnerships and innovative strategies for the funding and implementation of our regional transportation system.

In the Dallas Fort Worth region, toll road construction is such a strategy which has been facilitated by ISTEA. Our regional transportation plan recommends that over $1 billion be spent in constructing proposed freeways as toll roads. Through ISTEA's provision that toll roads may be financed up to 50 percent with federal funds, we have successfully formed a partnership with local governments, the Texas Department of Transportation, and the Texas Turnpike Authority to facilitate roadway construction. The President George Bush Turnpike, formerly State Highway 190, in the eastern portion of our region is the first of many projects we are planning to build in this manner. Because of this funding partnership, this project has been advanced more than ten years and will allow $500 million to be reprogrammed for other needed projects. The financial constraint requirements of ISTEA are resulting in our finding new and innovative ways to finance and operate the regional transportation system.

ISTEA has also provided several key mechanisms in the planning process for achieving regional consensus on future transportation investments. The Major Investment Study process is one such example, and this process is in full swing in the Dallas-Fort Worth area. We are in the process of evaluating various rail, HOV, freeway, and congestion management strategies at the corridor level. This planning process provides a means of building consensus by many entities, including elected officials, technical staff, the business community, neighborhoods, special interest groups and the general public in a very detailed planning process. Information regarding the performance, costs, benefits, and impacts of various transportation alternatives is being generated and shared with the community so that informed choices can be made and consensus may be achieved. Reaching consensus and support for the construction of major transportation projects is undoubtedly ona of our greatest challenges as local elactad officials. ISTEA and the major investment study process is halping us accomplish this.

As I shared with you in my opening remarks, while we are extremely fortunate in the Dallas-Fort Worth Metropolitan Area for the economic growth and prosperity we continue to experience, it comas with many mobility and air quelity challenges. I would like to emphasize that from our perspective, ISTEA has been e tremendous tool in helping us meat thesa challangas. It has allowed local elected officials acting on behalf of local governments through the Metropolitan Planning Organization to play a kay role in the planning and programming of transportation improvements, theraby focusing the expenditure of federal funds on those projects in our region which will have the greatest mobility and air quality benefits. Both the CMAQ and STP programs are examples of the opportunity ISTEA has given us to build regional consensus regarding the allocation of funds in our region.

ISTEA has brought home the reality of financial constraints, forcing us to be smerter about the way we plan and ellocate our resourcas, resulting in new partnerships and innovative strategies to fund our mobility needs. ISTEA, es well, has provided mechanisms for building regional consensus and opportunities for including the public in the transportation decision making process. We recogniza that the Intermodal Surface Transportation Efficiency Act has set forth a tremendous responsibility on us to plan future transportation naeds and allocate funds in a way that best meet the mobility needs of our region. However, it is e responsibility we welcome. The concapts of intarmodelism, flexibility, cooperation, collaboretion, and consensus have baan with us for a long time. ISTEA hes sarvad to rainforce these concapts and provide a succassful framework through the MPO process to see that they are carried out.

We believe ISTEA has fulfilled its mission to improve mobility and air quality and has also served to form a solid foundation from which future legislation can be developed. We stand ready to work with you to achieve this objective. Ladies and Gentlemen, in our region ISTEA works.

Mr. Chairman, this concludes my remarks. Thank you for the opportunity to speak before you today. I will be happy to respond to the Subcommittee's questions, or in writing at a later date.

ADDITIONS TO THE RECORD

DRCOG
Denver Regional Council of Governments

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Accessible on RTD Route 28

A partnership of local governments serving the region since 1955

August 9, 1996

The Honorable Thomas E. Petri
Chairman, House Subcommittee on Surface Transportation
U.S. House of Representatives
B-370A Rayburn House Office Building
Washington, D.C. 20515-6261

For the record 7-30-9

Dear Representative Petri:

We have reviewed Commissioner Michael Cooke's July 30, 1996 testimony on behalf of Douglas County before the House Subcommittee on Surface Transportation regarding metropolitan planning organization (MPO) reform. We respectfully request this letter and the attachment be made part of the subcommittee hearing record. We would also be pleased to enter a personal appearance before your subcommittee, if you so desire.

While the county is entitled to take its own position on such issues, we are concerned with its portrayal of the MPO transportation planning process before the subcommittee. We are particularly concerned with the examples of the county's frustration with the current MPO system. The presentation is incomplete and in some cases is factually incorrect. Attached you will find a detailed discussion and response to each of these examples. While there is always room for improvement, the MPO decisionmaking process works well and represents a coordinated, regional approach to determining transportation investments in the Denver metropolitan area as intended under the Intermodal Surface Transportation Efficiency Act (ISTEA).

As the Metropolitan Planning Organization (MPO) for the Denver region, the Denver Regional Council of Governments (DRCOG) has the prime responsibility for developing the long-range Regional Transportation Plan (RTP) and its short-range priorities through the Transportation Improvement Program (TIP). It is important to note that the MPO, as structured at DRCOG, brings together the key partners in transportation planning, ensures that the region's transportation plans and projects are compatible with local land use decisions, and addresses air quality issues as prescribed in ISTEA. The process includes policy representatives from the Colorado Department of Transportation (CDOT), the Regional Transportation District (RTD), and the DRCOG Board of Directors--local elected officials.

With all due respect, we simply do not agree with Douglas County's view of the MPO process in our region. Rather than an "inadequate" process that "makes real local decisionmaking illusory," the MPO process in the Denver region is driven by the projects identified by local governments, the Colorado Department of Transportation and the Regional Transportation District. Moreover, it is local governments represented by elected officials on the DRCOG Board of Directors, that make the decisions on the criteria for project evaluation and on the projects to be included in the TIP.

The Honorable Thomas E. Petri
August 9, 1996
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Douglas County's testimony states that under ISTEA, the MPO role has shifted from advisory to "actual approval of specific federal transportation funding projects . . . taking that direct authority away from local governmental entities." In fact, ISTEA marked a new era in transportation planning—one that emphasized local discretion and control of investment decisions. Prior to ISTEA, transportation project decisions were made solely by the states. The significance of the MPO role is in providing a cooperative forum for local government interests, in partnership with state and other interests, to determine and to act on the transportation needs of the region. The MPO must consider these needs within a fiscally constrained context. Thus, only the projects with the highest priority, and that collectively meet air quality standards, are considered in the TIP.

Commissioner Cooke further states that "the system is not a democratic decisionmaking process and that change within DRCOG is nearly impossible." In fact, approval of the policies and criteria for TIP preparation as well as approval of the TIP itself is the responsibility of the elected officials serving on the DRCOG Board of Directors. Moreover, the TIP process occurs every two years to consider new priorities and changing transportation conditions.

It must be noted, however, that pursuant to ISTEA requirements DRCOG has adopted a long-range transportation plan that serves as a basis for TIP development. Projects identified in the long-range plan are moved into the TIP on the basis of specific, need-based criteria for determining priorities. A key component of this process is the willingness of project sponsors to pursue projects. This willingness is expressed through project submittals in response to an open solicitation at the start of the TIP development process. In response to this solicitation for the 1997-2002 TIP, Douglas County did not submit any projects for consideration. During solicitation for the 1995-2000 TIP, the county only submitted two enhancement project proposals—both for trails. For the 1993-1995 TIP, the county also only submitted two projects. Both of these were selected and included in the TIP. See the attachment for a discussion of these projects—Lincoln Avenue and Highway 105. **Without projects to evaluate DRCOG has no basis for including Douglas County projects in the TIP.**

Further, the county has noted that it attempted to apply for National Highway System (NHS) funds for a project on Titan Road at SH-85 and was not allowed to, due to DRCOG's January 5, 1996 deadline for project submittals. All counties and municipalities, CDOT and RTD had the same submittal deadline and those wishing to have projects considered met this schedule. Even if the project had been considered, as is shown in the attachment, it would not have been eligible for federal funding. Despite Douglas County's failure to submit projects that are eligible and in a timely fashion, since 1993 DRCOG has approved funding totaling $9,920,000 in Douglas County, submitted by CDOT and other project sponsors. The draft 1997-2002 TIP includes $17,841,000 for projects in the county representing 5.2 percent of available state and federal funds. The county's share of the region's population is 4.8 percent. DRCOG received requests for over $1 billion of project funding.

The county's testimony goes on to state that the DRCOG "structure makes it particularly difficult for county governments because of the control of the municipalities." Policy decisions at DRCOG are made by its full Board of Directors. Each county and municipality normally

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exercises one vote. However, DRCOG has had the opportunity for weighted voting in its bylaws for nearly 25 years. This provision was included in DRCOG's bylaws for this very reason--to ensure fairness and equity in the regional decisionmaking process.

As this letter and its attachment bear out, Douglas County has not been forthright nor accurate in portraying the actions of the Denver MPO. Unfortunately they have not been forthcoming or cooperative in working with the MPO and their colleagues at DRCOG. To blame the MPO for their own failures seems disingenuous. Douglas County's remedy is in working with the MPO, not in avoiding it.

Appropriately, MPOs nationally have been given large responsibilities to ensure that ISTEA works as Congress intended. They have performed admirably and no less so in the Denver metropolitan area. Diminishing the MPO's role and breaking the areas that they serve will not enhance the operation or perspective sought by ISTEA.

We understand that Commissioner Cooke is disappointed in the results of the decisionmaking process for transportation investments in the Denver region as they have affected Douglas County. However, the DRCOG Board of Directors has reaffirmed the process and the decisions it made. It is unfortunate that Douglas County has sought to circumvent the process because of the perception that the county's needs are not being considered. The MPO process considers the transportation requirements of the entire Denver region, including Douglas County, in its decisionmaking. It has proven to be a successful approach to planning for the region's transportation needs.

Sincerely,

Roland E. Cole

Roland E. Cole
Chairman

elv601.2c

Attachment

c: Representative Nick Joe Rahall II
Douglas County Commissioners

ATTACHMENT

RESPONSE TO ISSUES IDENTIFIED IN DOUGLAS COUNTY TESTIMONY BEFORE THE U.S. HOUSE SUBCOMMITTEE ON SURFACE TRANSPORTATION - July 30, 1996

Lincoln Avenue - Page 5 of testimony

The statement is made that DRCOG denied funding for the Lincoln Avenue project because we identified it as a "capacity enhancement" project. **While Lincoln Avenue was a capacity enhancement project, it was not denied funding for that reason.** In 1993, Lincoln Avenue existed as primarily a two-lane road from I-25 on the west to Parker Road/SH-83 on the east, with short sections of four lane in the vicinity of I-25 and just west of Jordan Road. As mostly a two-lane roadway, it provided two-lane capacity. By adding the additional two lanes, the capacity would indeed be increased to that of a continuous four-lane highway. It should be noted that this roadway parallels, at approximately one mile distance, the E-470 tollway, which is a freeway providing two lanes in each direction. With both the four lanes on E-470 and the two lanes on Lincoln Avenue, the near term capacity needs of the corridor were not an issue. The project was originally selected for federal funding in the 1993-98 Transportation Improvement Program (TIP). However, in order to find conformity between the TIP and the State Implementation Plan (SIP) for Air Quality pursuant to section 176(c) of the Clean Air Act as amended, it was necessary to constrain the TIP time period to 1993-95 such that the transportation improvements which actually would be constructed within that timeframe could show attainment of the SIP requirements in 1995. Consequently, capacity adding projects which could not show that they had completed all environmental clearances, such that they could be constructed by 1995, had to be excluded from the 1993-95 TIP. As Lincoln Avenue had not completed required environmental clearances necessary for the use of federal funds, it was unable to be constructed within that time period. Thus, in order for DRCOG, as the Metropolitan Planning Organization (MPO), to respond to federal law and regulation--both transportation and environmental--the Lincoln Avenue project ultimately could not be included in the 1993-95 TIP. The project could have been included in the next TIP; however, the county proceeded to complete the project using its own funds.

SH-105 - Page 5 of testimony

It is stated that "in 1993, the County applied for funding for a bicycle project that was originally planned to add a shoulder to 22 miles of Highway 105 under the County's jurisdiction." It is then alleged that "DRCOG unilaterally and drastically modified the scope of the project and narrowed the project to a 2-3 mile section of roadway under the State's jurisdiction, not the County's." And, as a result, the county rejected the project. **This is simply not the case.** The 1993-95 TIP allocated $445,000 for this project **as requested by Douglas County**. The project boundaries as selected by the county were from the El Paso County line to Red Rock Drive. This length contains a long segment of county road and a short segment of state highway. The project description, as identified on page 29 of the adopted TIP, is exactly as stated in the Douglas County application. Subsequent to the project's inclusion in the TIP, the

Colorado Department of Transportation (CDOT) indicated that per federal regulation shoulders could not be added to the road to accommodate bicyclists unless the entire roadway was reconstructed to federal standards. The $445,000 requested by Douglas County was clearly insufficient to fund construction to federal standards for 22 miles of roadway. In an attempt to salvage the project, DRCOG did photolog it and, using this video, discussed the project with CDOT Region 1 staff and Douglas County staff in the summer of 1993. Discussed were ways to modify the project scope and reduce the project length to the most critical sections to fit within available funding. On September 28, 1993 a field inspection was conducted regarding Douglas County's proposed shortened improvement from Sedalia to Wolfensberger Road with state, county and DRCOG staff attending. At the meeting, CDOT Region 1, indicated that the construction requested would cost about $2 million due to roadway drop offs, vertical curves and a substandard bridge. Douglas County agreed to pursue an option involving adding four-foot shoulders on either side of the road including planned bridge improvements. They would pursue a roadway standard variance with the Federal Highway Administration (FHWA). As the state was not prepared to provide the matching funds, the degree to which the county would financially participate was a key determinate as to the project proceeding. **The project was deleted from the 1993-95 TIP at the request of Douglas County, the county stated that the local match was unavailable.**

SH-85 - Page 5 and 6 of testimony

It is alleged that DRCOG was "often an obstacle in Douglas County's efforts to have additional mileage on Highway 85 added to the proposed National Highway System in 1995." It is true that DRCOG's first reaction was that it was "not possible" to add to the NHS mileage. Until Congress later saw fit to change the situation, it had established a specific mileage limitation on the NHS. FHWA rules implementing the Congressional action had set specific NHS roadway mileage quotas by state for roadways, both rural and urban. However, the principal reason that SH-85 was not considered for NHS mileage was that it had not been functionally classified as a principal arterial roadway. Only roads officially classified by CDOT as urban or rural principal arterials or freeways were eligible for classification as NHS routes. Within rural areas, the state evaluated principal arterial roadways for NHS designation on the basis of interstate connections, connections between major urban areas, cross-state connections, and vehicle miles of travel within a very limited federally prescribed amount of available rural principal arterial mileage. With the exception of a two mile segment of SH-85 in Castle Rock, SH-85 south of C-470 and SH-86 were classified as minor rural arterials and, consequently, could not be evaluated under FHWA criteria for NHS designation. Within these constraints, DRCOG's role was to simply provide advice to CDOT. The state concurred and did not include SH-85. As a result, SH-85 was not considered for NHS designation. Once Congress opened the door for additional mileage through the political process, irrespective of designation criteria, DRCOG did support the addition of the SH-85 mileage to the system. Our concern has always been that open and objective criteria be used to select roadways in the region for whatever reason to assure fair and equitable treatment to all of DRCOG's member jurisdictions and to avoid inappropriate political pressure within the Board.

Further, it is alleged that DRCOG is opposed to equitable highway funding as it thwarted the county's attempt to apply for NHS funds for a dangerous intersection on Titan Road near SH-85 as the "application deadline [for submittal of projects for the 1997-2002 TIP] was less than 20 days after the FHWA had allocated funds to the State and a little over 35 days since the NHS had been enacted into law." Tbe fact that the NHS had just been enacted into law has nothing to do with applying for funding to address a dangerous intersection on this roadway. Indeed, the 1993-95 TIP contained a project to "address operational improvements" along the entire stretch of SH-85 from C-470 to Castle Rock, which includes this intersection. Further, as is clear in federal law, Congressional adoption of the NHS did not make any more funds available than had previously been allocated to the states for the NHS. While the recent NHS designation may have made this section of SH-85 eligible for NHS funds, this project, had it been submitted on time, would have had to compete with other major projects from throughout the region for extremely limited funds. Apparently, the state did not see the SH-85/Titan Road project as of high priority. CDOT Region 1, which is the responsible agency for this portion of SH-85, did not submit an application for funding the SH-85/Titan Road project. Instead, the SH-85 project it did submit was for a demonstration project that would allow the state to implement strategies to maintain improvement options until such time as additional construction funding is available. Clearly, the application deadline for TIP project submittals had nothing to do with submitting this project as improvements on SH-85 it could have been funded with other funds besides NHS dollars. While the time available between NHS adoption and TIP application deadline was short, the data to be submitted in the project application is not overwhelming, especially if the project is of such high priority. It should be noted that the DRCOG Board of Directors turned down late submittals of other projects with compelling arguments for consideration because they believed that in order to assure equitable funding opportunities, all applicants needed to abide by the rules so that the TIP process was as fair as possible.

The timeliness of the submittal of the project, however, would not appear to be the issue at hand. In April 1994, CDOT completed an environmental assessment (EA) of SH-85 from C-470 to Castle Rock. This EA was adopted by the Federal Highway Administration in June 1994. The EA states that while widening of the intersection with Titan Road will be included in the SH-85 widening project, "the expansion of Titan Road to a four-lane and the railroad grade separation will be Douglas County's responsibility" (p. 15). Only SH-85 is on the National Highway System and DRCOG's 2015 Interim Regional Transportation Plan. Titan Road is not. **Consequently, this portion of the project would appear not to be eligible for use of federal funds even if it had been submitted on time.**

I-25 - Pages 6 and 7 of testimony

It is alleged that DRCOG attempted to stand in the way of a widening of I-25 by reallocating the construction funding requested to another project outside of Douglas County without the knowledge of CDOT, and recommended, instead, that $300,000 be allocated for the roadway to be studied in 1999. **Again, here are the facts.** The original project application submitted to DRCOG by CDOT Region 1 called for $300,000 to be allocated in year 3 (FY 1999) to conduct a major investment study and the necessary environmental assessment, as required by federal law and regulation. Such studies identify what needs to be done, how much it will cost, and how to address environmental impacts. The application also showed $30 million for design, right-of-way, and construction at some "future" date. In the first draft of the 1997-2002 TIP (which is yet to be adopted), staff included only the $300,000 in FY99 as it was uncertain as to what "future" meant, and since CDOT had no idea of exact costs until the studies were completed. On the basis of this draft, subsequent discussions were held with CDOT

Region 1. The state then modified its submittal to show $7.5 million in the second three years of the prpgram (FY 2000 through FY 2002), but the remainder of the dollars ($22.5 million) were to be needed sometime beyond 2002. Because the state still needs to complete the necessary studies, it is still uncertain as to whether the $30 million is an appropriate estimate for needed construction. It assumes that the $7.5 million can at least be used for upgrading substandard interchanges in this area. We believe it is indeed prudent of an MPO to ask questions with respect to large expenditures of dollars when the application **is not well defined and when funding for the region is constrained. Most emphatically, the $30 million of design, right-of-way and construction proposed by the state was not reallocated to any other roadway in the region.** DRCOG's long-range plan calls for widening of I-25 in Douglas County and we are supportive of this project. DRCOG has been working with the state and the adjacent MPO to expedite necessary studies to more accurately define the south I-25 corridor needs and costs and, hopefully, to expedite necessary improvements.

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INSTITUTE OF TRANSPORTATION ENGINEERS

July 30, 1996

The Honorable Thomas Petri
Chairman
Committee on Infrastructure and Transportation
Subcommittee on Surface Transportation
B-370 Rayburn House Office Building
Washington, D.C. 20515

Dear Mr. Chairman:

Attached please find a copy of the Institute of Transportation Engineers' (ITE) white paper on transportation planning. I respectfully request that ITE's white paper be include as part of the official record of your hearing on Metropolitan Planning being held today.

ITE is a professional organization of some 11,500 transportation engineers and planners that work in both the public and private sectors. ITE's diversity of membership requires that the Institute's positions on issues represent a consensus of the broad coalition that is empowered by ISTEA to plan, operate and maintain the nation's surface transportation system. As such, ITE's recommendations relating to planning deserve the attention and consideration of your Subcommittee as it prepares to reauthorize the nation's surface transportation system.

ITE members and staff are willing to answer any questions you or your staff might have on ITE's material and recommendations.

Thank you for the opportunity to submit this material for the record.

Sincerely,

Russell Houston
Government Relations Associate

Institute of Transportation Engineers
Essential Federal Roles in Transportation Planning

The Institute of Transportation Engineers is made up of 14,000 transportation professionals in over 70 countries. More than 11,500 practice their profession in the United States for federal, state, regional and local government agencies, as well as consultants, industry and universities. These transportation professionals are responsible for the safe, efficient and environmentally compatible movement of people and goods on streets, highways and transit systems.

The Federal government has long recognized that sound planning is necessary to support a successful program of investment in the nation's surface transportation systems. It has backed up that recognition by specifying funds from Federal Highway Administration and Federal Transit Administration programs for both metropolitan and statewide transportation planning.

The Intermodal Surface Transportation Efficiency Act of 1991 broadened the roles and responsibilities of both metropolitan and statewide planning. This augmentation was coupled to a new flexibility in the use of federal surface transportation funds across modes, which for the first time permitted local and state decision makers to more accurately target those funds at the needs of each metropolitan and state transportation system. Congress understood that in order to use that flexibility wisely, states and metropolitan planning organizations (MPOs) had to become investment managers, developing both long range plans to spell out their broad priorities, and current investment portfolios or transportation improvement programs to implement those priorities.

ISTEA, both in statutory language and implementing regulation, spelled out many requirements for both MPO and statewide planning processes. Updated long range transportation plans were to be produced. These plans had to address a number of specific factors. Statewide plans must consider the needs of the State transportation system as well as both metropolitan and rural needs, reduce or prevent traffic congestion, enhance commercial vehicle movements including international border crossing and access to intermodal facilities, support pedestrian and bicycle modes, and consider the overall social, economic, energy, and environmental effects of the plan. MPO plans must address many of the same factors, including preservation and management of existing facilities, enhancing the use of public transportation, and coordination with regional land use and development plans. When the Plan indicates the need for major investments in a corridor, a Major Investment Study must be conducted to ensure that all appropriate modal solutions are considered.

Congress created the Bureau of Transportation Statistics to provide reliable national planning level data. This data is invaluable in supplementing local information, so that transportation planners can properly address national and regional needs.

Transportation Improvement Programs (TIPs) follow the long range plan, again at both the metropolitan and statewide level. These 3 to 5 year programs of federally funded projects were required to be a priority list of projects constrained by reasonably available financial resources. A rigorous method of selecting projects must be in place to ensure the level playing field among modes and jurisdictions.

Decision making by the MPO must be a cooperative effort of state and local government representatives. It must include substantial outreach to stakeholders and the general public to ensure that investment decisions are broadly reflective of the community's priorities.

What Has Occurred

In general, the transportation planning community has risen to the bold challenge of ISTEA with innovation, collaboration, consensus, and vision. Transportation plans have proven to be thoughtful examinations of local, regional, and statewide priorities and goals, with connections being made to land use and economic activity. The linkages between modes has been examined, with many MPOs looking at freight movements for the first time, and at the mobility and safety needs of pedestrians and bicyclists. While the record is not perfect, there are many instances of shifts to more balanced investment programs.

The success of MPOs in implementing truly cooperative decision making has been variable as well. In some areas, state and local officials and transit operators participate in an open collaborative process to reach consensus on plans and programs. Other MPOs are still dealing with how to involve stakeholders and/or how to create the appropriate framework for involving state or local representatives.

Bringing the public into the process has also been sometimes difficult. Many states and MPOs have recognized that traditional techniques are not always successful, and have developed innovative methods to engage the public in plan development and priority setting. Others have satisfied the letter of law and regulation, if not the spirit.

The Regulatory Burden

Statewide and metropolitan planning regulations are often viewed as overly prescriptive, focusing entirely on process while forgetting about product. Yet it is the product that is important. Whether it is a Transportation Plan, a Major Investment Study, or a Transportation Improvement Program, end-result performance is what the public properly looks at. Do the Plan priorities truly reflect national, state, and regional goals for the transportation system and the economy? Does the TIP protect the investment in the region's transportation infrastructure and reflect the Plan's priority objectives? Has the public been genuinely engaged in these conversations?

Moreover, FHWA lapses the UPWPs annually, rather than allowing major planning projects, such as MIS projects and Statewide planning to be obligated in total, regardless of multiple years of execution. This procedure also creates duplicative paperwork and complicates sub-grant and contract agreements.

Staff resources at both State Departments of Transportation and MPOs have been strained by the need to comply with process-oriented regulation. In many smaller MPOs, more time is spent on program administration than on technical planning studies. Nationally, there is substantial technical expertise being wasted on regulatory compliance.

ISTEA should not be judged on how its programs have been carried out, but on whether the products that have been produced have contributed to a national transportation system that is safe, economically efficient, and environmentally sound.

ITE Recommendations

In developing ISTEA 2, Congress should:

- **Restate the value of planning in managing the investment of public resources in our national, state, and regional transportation systems.**

- **Support these planning efforts by continuing FHWA and FTA statewide and metropolitan planning funds.**

- **Continue the condition that MPO decision making be a collaborative process involving state and local government representatives, with genuine involvement of stakeholders and the general public.**

- **Replace prescriptive process requirements with end-result performance criteria**

- **Continue to require the following planning elements:**

  - **Statewide and Metropolitan Transportation Plans, to be kept current through periodic updates**
  - **Statewide and Metropolitan Transportation Improvement Programs, to be updated at least every two years**
  - **Major Investment Studies as determined by the State and MPO**

- **US DOT should continue its efforts to develop integrated system performance measures that can be tracked, evaluated, and reported over time; states and MPOs should be provided flexibility in determining how best to meet these measures.**

- **The Bureau of Transportation Statistics should continue to be supported**

In conclusion, ISTEA significantly enhanced the role of local governments in the transportation planning process. The metropolitan planning organization is responsible for developing, in cooperation with the state and affected transit operators, a long-range transportation plan and a transportation improvement program (TIP) for the area. This system has been successful, and MPOs should continue their role in planning and project selection.