

STATEMENT OF FEDERAL HIGHWAY ADMINISTRATOR
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BEFORE THE
HOUSE COMMITTEE ON PUBLIC WORKS AND TRANSPORTATION,
SUBCOMMITTEE ON SURFACE TRANSPORTATION
HEARING ON HIGHWAY ISSUES, INCLUDING THOSE
RELATED TO THE PRESIDENT'S BUDGET SUBMISSION

FEBRUARY 7, 1984

Mr. Chairman and Members of the Subcommittee:

I am pleased to be here this morning to discuss the progress of the Federal-aid highway program since the enactment of the Surface Transportation Assistance Act of 1982 (STAA), our expectations for 1984, our 1985 budget request, and problems we have with the Interstate Cost Estimate (ICE), the Interstate Substitution Cost Estimate (ISCE), and the Highway Trust Fund (HTF).

Implementation of STAA

The STAA was signed into law on January 6, 1983. Since its enactment, we have made excellent progress in implementing the STAA and in utilizing the increased level of Federal-aid funding for needed highway improvements. All of the \$12.375 billion under the fiscal year (FY) 1983 ceiling was obligated. When nonceiling programs are added in, the total obligations for FY 1983 were \$12.8 billion compared to \$8.2 billion for FY 1982, a 56 percent increase. Major programs have made substantial progress with the increases provided by the STAA, increases of 25% for obligations of regular Interstate funds, 100% for Interstate discretionary funds, over 200% for Interstate 4R, 38% for primary, and 42% for the bridge replacement and rehabilitation program.

The increase in FY 1983 obligations will translate into an estimated 150,000 more jobs in the highway construction industry and allied industries

than existed in 1982. The improvements in highway operating conditions "bought" by the nickel add measurably to labor productivity throughout the Nation by reducing costs to highway users for such things as vehicle maintenance, depreciation, tires, and fuel consumption. The average family spends about 20 percent of its disposable family income on automobiles and other personal vehicles. The savings resulting from good highways means more money in the pocket to purchase other goods and services, to employ other workers, and so on.

We also made excellent progress in promulgating necessary rules and guidance called for by the Act. All provisions of the STAA requiring implementation by regulation or guidance have been implemented, or will be implemented in the very near future.

Briefly, I want to mention the progress we have made, and are making, in implementing certain programs mandated by the STAA which may be of special interest to the Subcommittee.

Section 105(f) of the STAA provides that, except to the extent that the Secretary determines otherwise, not less than ten percent of the amounts authorized under the Act shall be expended with small business concerns owned and controlled by socially and economically disadvantaged individuals (DBE). The law became effective on January 6, 1983, and final rules to implement the program were published on July 21, 1983. Fiscal year 1983 is considered a transitional year as the law was passed part way into the fiscal year. Nevertheless, in FY 1983 the States provided approximately \$800 million in contract awards or commitments to DBE firms. This represented 9.83 percent of

the Federal-aid highway funds committed, a record level of funding for disadvantaged businesses. Only 13 States did not meet their DBE goals, adjusted to comply with the passage of the law. Thirty-seven States and the District of Columbia met or exceeded their adjusted goals. For fiscal year 1984, all but six States have requested approval of goals of 10 percent or better. Vermont, Montana, North Dakota, Wyoming, and Iowa have goals approved at less than 10 percent, and New Hampshire's request is still under review.

The STAA provided for a national network of Interstate and primary highways for larger commercial vehicles (doubles and longer trailers) with a provision of reasonable access to the network. Agreements have been reached with 43 States, Puerto Rico, and the District of Columbia on a proposed final network. In 2 States, New York and New Jersey, some unresolved issues on the network remain on less than 150 miles of primary routes. Discussions with the five States that have litigated questions concerning the networks in Alabama, Florida, Georgia, Pennsylvania, and Vermont have lead to the designation of an interim network in those States, which was published in the Federal Register on February 3, 1984.

Progress is being made with regard to reasonable access. Thirty-nine States already have enacted some form of reasonable access provisions either through legislation or regulations and 11 States are considering reasonable access provisions. We propose to allow the States to determine reasonable access through regulation and practice. We will closely monitor these determinations to determine if further actions are necessary.

The STAA authorized the Motor Carrier Safety Assistance Program, whereby the FHWA makes grants to qualified States and territories for the development

or implementation of State programs for the enforcement of Federal and compatible State requirements applicable to commercial motor vehicle safety and hazardous materials transportation by highway. \$8 million is available for FY 1984. Interim procedures concerning State application for such funds were issued August 31, 1983. Applications for grants were received from 47 States and territories with only 9 choosing not to participate in the first year of the program. We have approved 26 applications for development grants--4 more are pending--and 16 applications for implementation grants, and 1 is pending.

Uniformity

Pursuant to the Motor Carrier Act of 1980, which directed DOT and ICC to develop legislation or recommendations to provide for a more efficient and equitable system of State regulation for interstate motor carriers, the Department and ICC delivered a report to Congress documenting the cost and inefficiency of the diverse State procedures.

This Department has submitted a legislative proposal that was introduced in the House as H.R. 4518. The legislation provides for establishing a working group of State officials to recommend a set of uniform standards for vehicle registrations, fuel tax, and third structure tax procedures. We anticipate that the bill will be introduced in the Senate in the near future.

The working group would address standard procedures and forms; a base State certification; a single State unit for filings, applications, and permits; payments through the base State of fees and taxes due other States; and equitable distribution of revenues among States and would complete the task in 1 year. The working group would not be authorized to study tax levels. The

Secretary believes firmly that the States should not be denied their right to set tax rates. The Secretary of Transportation would be given authority to enter into rulemaking. The Attorney General could seek injunctions to enforce the resultant regulations.

We believe that the enactment of this legislative proposal would result in increased efficiencies for the affected parties: the interstate motor carriers, the States, and consumers. We ask your help, Mr. Chairman, and the help of the Committee members in enacting our legislative proposal.

FY 1984 Program

Based on the obligations for FY 1983, the States have demonstrated the ability to maintain the obligation rate necessary to meet the 1984 obligation ceiling of \$12.520 billion. In August 1983, 37 States indicated an ability to obligate \$1.4 billion in additional obligation authority. Total obligations are, however, down for the first quarter of FY 1984 when compared to the obligation rate for the last three quarters of FY 1983. Obligations for the first four months of FY 1984 are only slightly higher than average obligations in the first four months of FY 1983, approximately \$700 million per month versus \$680 million per month. Obligations for the first quarter of FY 1984 are significantly less than average obligations in the first quarters of the last five fiscal years, \$725 million per month versus \$745 million per month.

Interstate 4R, primary and bridge program obligations are up significantly compared to the same period in FY 1983, but Interstate obligations are way down, \$35 million per month compared to an average of \$202 million per month for the first three months of FY 1983 and an average of \$360 million per month for all of FY 1983. The problem is directly related to our inability to make

the Interstate apportionments for FY 1984 because the ICE and ISCE have not been approved. The States appear to have a good backlog of projects. Preliminary results of an American Association of State Highway and Transportation Officials survey made in December 1983 indicates that if the ICE and the ISCE are approved before March of 1984, the States could use all of their obligation authority.

FY 1985 Budget

For FY 1985, we are proposing budget authority of \$14.784 billion. This compares with a \$13.982 billion dollar level in FY 1984, and \$13.266 billion dollar level in FY 1983.

Our FY 1985 obligation ceiling request for Federal-aid highway programs is \$13.875 billion, excluding obligations for emergency relief. That figure was derived by taking the STAA ceiling of \$13.55 billion, subtracting \$275 million to offset the increase in the FY 1983 ceiling resulting from the "Jobs Bill," and adding \$600 million, which is our estimate of FY 1985 obligations for those formerly exempt programs that would now be under the ceiling. We propose to limit total first quarter obligations to 25 percent and limit each State's first quarter obligations to 40 percent of its share of the annual limitation.

We feel confident that the States will be able to continue to obligate available funds in FY 1984 as they did in FY 1983. Congressional approval of the ICE and ISCE must, however, occur soon to make full use of Interstate, Interstate substitution and minimum allocation funds.

The HTF, while able to support existing programs, does not provide unlimited revenues. The enactment of additional special interest or

demonstration program legislation would jeopardize the balance in the HTF necessary to support the Federal-aid highway program. We ask your support, Mr. Chairman, and the support of the Committee in limiting this type of encroachment on the HTF.

Bills have been introduced in Congress which would repeal the heavy truck use tax and increase the tax on diesel fuel. Now that the study mandated by § 513(g) of the STAA concerning alternatives to the heavy truck use tax is complete, it reveals that these bills would impair the equity of the highway tax structure by sharply reducing the relative burden borne by the heaviest trucks which still underpay their share of highway wear and tear and would reduce total revenues flowing into the Highway Trust Fund. The § 513(g) study and report was sent to Congress on January 25, 1984.

Our assessment of the options in the report is based on maintaining revenues, in total and by vehicle class; maintaining equity within user classes; and simplifying administrative and enforcement requirements. Of the options that are revenue neutral, some do not maintain the equity among and within user classes as well as others and some are inferior with regard to administrative and compliance aspects. We believe that, in the event Congress determines to reconsider modifications to the highway use taxes enacted in the STAA, the revenue, equity and compliance implications of any alternative tax should be examined closely.

That concludes my prepared statement. I would be pleased to respond to your questions.