

STATEMENT OF JAMES H. BURNLEY IV
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BEFORE THE
SUBCOMMITTEE ON TRANSPORTATION
COMMITTEE ON ENVIRONMENT AND PUBLIC WORKS
U.S. SENATE
HEARING ON FHWA 1985 BUDGET

FEBRUARY 29, 1984

Mr. Chairman and distinguished members of the Subcommittee, it is a pleasure to be here today. With me today is Ray Barnhart, the Federal Highway Administrator. Secretary Dole asked me to represent her today because she had a previously scheduled congressional appearance. I know she looks forward to being here on another occasion.

With your permission, I will summarize the major elements of DOT's FY 1985 budget which affect this Subcommittee.

1985 BUDGET

The Department of Transportation's overall budget for FY 1985 requests \$28.6 billion of budget authority, compared with \$27.4 billion for FY 1984. While some budget growth is required as the Nation's transportation system is rebuilt and maintained, I would like to point out that this does not place an increased burden on the Federal Treasury, because a very large percentage of the Department's budget -- 72% in FY 1985 -- will be financed by user fees. In fact, the budget authority not financed by user fees actually declines in absolute terms by over \$2 billion from FY 1984 to FY 1985.

In the area of highway transportation, the Department's FY 1985 budget request emphasizes our continuing commitment to rebuild and upgrade the Nation's highway system. It proposes increased levels of funding for highways to implement the programs authorized in the STAA of 1982.

For FY 1985, budget authority for the Federal Highway Administration (FHWA) is \$14.784 billion. This amount represents increases of \$1.518 billion over FY 1983 and \$802 million over FY 1984. The FY 1985 budget proposals are based on the levels authorized by your Committee in the STAA of 1982.

The FY 1985 limitation for Federal-aid highways obligations is set at \$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, as is currently the case, but to provide individual States with the flexibility to obligate, during the first quarter, up to 40 percent of each's annual limitation. Under present rules, this ceiling is 35 percent.

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 assuring that the increased level of Federal-aid funding was promptly made available to the States for needed highway improvements. All of the \$12.375 billion under the

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 highways, 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 was generated by the 1982 obligation level.

We have also made progress in issuing 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.

For example, a new disadvantaged business enterprise (DBE) requirement was contained in section 105(f) of the STAA providing that, unless 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. Final rules to implement this program, which built on the Department's existing minority business enterprise program, were published on July 21, 1983. Since the law was enacted at the beginning of the second quarter of the fiscal year, FY 1983 is considered a transitional year. Nevertheless, in FY 1983 the States provided approximately \$800 million in contract awards or future subcontract commitments to DBE firms. This represented 9.83 percent of the Federal-aid highway funds committed, a record level of funding for disadvantaged businesses. Thirty-

seven States and the District of Columbia met or exceeded their adjusted DBE goals. Only thirteen States failed to do so. For FY 1984, all but six States have requested approval of goals of 10 percent or more. We approved goals of less than 10 percent for Vermont, Montana, North Dakota, Wyoming, and Iowa. New Hampshire's request is still under review.

The STAA also provided for the designation of a national network of Interstate and primary highways for larger commercial vehicles (doubles and longer trailers) as well as reasonable access to that network. Agreements have been reached with 43 States, Puerto Rico, and the District of Columbia on a proposed final network. In two States, New York and New Jersey, some unresolved issues on the network remain, but they involve less than 150 miles of primary routes. Discussions with the five States that litigated questions concerning their networks (Alabama, Florida, Georgia, Pennsylvania, and Vermont) led 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 the reasonable access issue. Thirty-nine States have adopted some form of reasonable access either through legislation or regulations, and eleven States are considering reasonable access provisions. We propose to allow the States to determine reasonable access through their own regulation and practices. We will closely monitor these determinations to see whether further Federal actions are necessary.

A new grant program authorized by the STAA addresses the very important issue of commercial motor vehicle safety. Under this program, funds are available to assist the development or implementation of State programs to enforce requirements for commercial motor vehicle safety and hazardous materials transportation by highway. Eight million dollars were appropriated for FY 1984, and we are requesting a doubling of the appropriation for FY 1985. Interim grant application procedures were issued August 31, 1983. Applications were received from forty-seven States and territories. We have approved twenty-six applications for development grants--four more are pending--and sixteen applications for implementation grants, with one pending.

The Highway Trust Fund

Based on current Treasury Department projections of Highway Trust Fund tax receipts, we expect that revenues will cover apportionments through FY 1986, the period of authorizations in the 1982 Act. We do not expect a "Byrd Amendment" problem with Trust Fund solvency during this period. However, the STAA set spending levels above revenues, resulting in a draw-down of the balance of the Trust Fund over the period of the law. This may cause problems in 1987 and beyond, because highway outlays can lag five years behind obligations. Our projections indicate that Trust Fund levels will continue to decrease beyond 1986 if we assume that authorizations for the years after 1986 are the same as the FY 1986 authorizations. The enactment of additional special interest or demonstration program legislation would obviously jeopardize the balance in the Highway Trust Fund necessary to support the Federal-aid highway program. We ask your continued support, Mr. Chairman, and the support of the Subcommittee in limiting this sort of encroachment. Your assistance thus far has been sincerely appreciated.

The ultimate adequacy of the fund after FY 1986 will depend upon authorizations and revenues for fiscal year 1987 and beyond, but the authorization levels of the STAA in FY 1986 will affect our options. As we develop the next multi-year surface transportation bill, we will have to give careful consideration to the appropriate level of authorizations.

FY 1984 Program

In FY 1983, the States obligated a record level of highway funds. We have no doubt that the States are capable of obligating the full \$12.52 billion available under the FY 1984 obligation ceiling. Interstate 4R, primary and bridge program obligations are up significantly compared to the same period in FY 1983. Interstate construction obligations, however, are down significantly. The problem is directly related to our inability to make the Interstate apportionments for FY 1984 because the Interstate Cost Estimate (ICE) and the Interstate Substitute Cost Estimate (ISCE) have not been approved by the Congress. The States appear to have a substantial backlog of projects. Preliminary results of an American Association of State Highway and Transportation Officials survey made in December 1983 indicate that, if the ICE and the ISCE are approved before March of 1984, the States could use all of their obligation authority. This is why DOT, and Secretary Dole in particular, have pushed hard for congressional approval of a "clean" ICE as soon as possible. We will appreciate anything this Committee can do to accomplish that objective.

TRUCK TAXES

Several bills have been introduced in Congress which would repeal the heavy truck use tax and increase the tax on diesel fuel. As you know, the Department has delivered to the Congress its study of alternatives to the heavy truck use tax. This study reveals that these bills would impair the equity of the highway tax structure. Repeal of the heavy use tax would sharply reduce the relative burden borne by the heaviest trucks, which still underpay their share of the cost of highway wear and tear. It also would reduce total revenues flowing into the Highway Trust Fund.

Our assessment of the options in the report is based on three criteria: (1) maintaining revenues; (2) maintaining equity within user classes and improving ease of payment; and (3) 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 raise administrative and compliance problems.

The Secretary has indicated in appearances before the Senate Finance Committee and the House Ways and Means Committee that alternatives 4, 5, 6, and 7 meet the criteria and would be acceptable to the Administration. Of those, DOT 4, which combines a 6-cent increase in the diesel fuel tax with a substantially reduced use tax, would provide the greatest relief to the trucking industry from the large lump-sum use tax in the current tax structure. Any further reductions in the amount of the heavy vehicle use tax would result in an unacceptable shift of the tax burden away from those users who should be paying to those who are already paying their share.

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