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U.S. DEPARTMENT OF TRANSPORTATION
BEFORE THE
HOUSE PUBLIC WORKS AND TRANSPORTATION COMMITTEE
SUBCOMMITTEE ON SURFACE TRANSPORTATION
HEARING ON STAA REAUTHORIZATIONS

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Mr. Chairman and Members of the Committee. Once again let me take this opportunity to thank each of you for your support and action in approving the 1984 Interstate Cost Estimate (ICE) and the Interstate Substitution Cost Estimate. Secretary Dole has specifically asked that I convey her appreciation to you also. Before I begin discussing the complex issues facing us in the reauthorization process, let me urge you to put the ICE approval that we need by October 1 of this year on a separate track. I don't think that it is fair to the States to put them through the delay that has characterized recent attempts to approve the ICE as part of a big bill. A "clean ICE" will give us time to develop a thoughtful reauthorization bill.

It is with genuine pleasure that I appear before you today to discuss elements of a new highway reauthorization bill. For many months we have been reexamining our program to review Federal priorities for the future of the Federal-aid system and to evaluate options by which we might provide better stewardship of the trust funds we administer. Unfortunately, the Administration's bill is still under review so that my comments today can only address what the Federal Highway Administration (FHWA) is considering

and is not necessarily Department of Transportation or Administration policy. One of our primary goals is to ensure the completion of the Interstate System, and to then establish a direction for the post-Interstate years. Obviously, we believe that our ideas have much merit, but we also recognize that some of them involve long-standing controversial issues for which no proposed action will be met with universal acclaim.

I must emphasize that the proposals that we describe today are at an early stage of development. Therefore, some of our proposals may be altered before they are incorporated in a comprehensive highway bill and officially submitted for your consideration.

I understand you are working on your own legislation at this time, and thus it seems opportune for us to share our thoughts with you in the hope that together we might be able to develop mutually acceptable and desirable legislation.

In order to set the stage for my discussion of our proposed highway legislation, let me first summarize the results of our recently completed biennial report to Congress on highway conditions and needs. This report describes in detail the changing nature of highway finance, changes in recent years to the conditions and performance of the Nation's major highway systems, and estimates of spending needs to meet specified levels of performance through the end of this century.

The overall financial outlook for the highway program is better than it has been in a long time, thanks to the Surface Transportation Assistance Act (STAA) of 1982 with its 5-cent per gallon Federal gas tax increase, and to an unprecedented number of independent State gas tax increases over the past few years. In 1984, the total highway program financed by Federal, State, and local funds reached \$53 billion, a record high. Every component of highway spending, including capital, maintenance and operation, administration, and law enforcement has seen an absolute increase since 1982. In particular, capital spending increased by 30 percent over 1982 levels, to approximately \$25 billion.

Total highway travel in 1983 was 1.65 trillion vehicle-miles-traveled (VMT), an 6.4 percent increase over 1981. Travel actually declined during the 1978 - 1980 period, but is again growing.

Between 1980 and 1982, pavements on the Interstate and other major arterial systems deteriorated from a good or fair rating to a poor rating at roughly twice the rate that similar pavements moved into a good rating. During 1983, the latest information we have, pavement conditions almost stabilized, with improvement and deterioration rates virtually identical. Nonetheless, almost 14 percent of Interstate and arterial pavements remained in poor condition in 1983.

Based on our best estimate of future events, we expect travel between now and the year 2000 to grow at an annual rate of from 2.0 to 2.74 percent, slightly less than in the decade of the 1970's. By the end of the century, America's highways must accommodate 40 to 60 percent more travel than in 1984. With our knowledge of present conditions and this estimate of travel demand, we can estimate the likely wear and tear on the system and identify what types of improvements and the costs of those improvements which will be needed to achieve desirable levels of future highway performance.

Between 1983 and the year 2000, approximately 41,000 miles of Interstate, 334,000 miles of arterials, and 636,000 miles of collectors will require capital improvement to maintain serviceability.

Our next highway bill will reauthorize the overall program level at the maximum level possible, consistent with ensuring the integrity of the Trust Fund and avoiding any increases in user fees. Let me restate that: we will seek no increases in the Federal gasoline or diesel tax, nor increased truck user fees. We will, however, consider seeking the removal of some tax exemptions.

We believe that our reauthorization bill will provide the appropriate time frame to enable us to not only see the completion of the Interstate Highway System, but to transition into the post-completion era.

For several months, FHWA has been struggling to develop standards for a new redefinition of Interstate completion.

However, we are concerned that any redefinition could result in future legislation to fund deleted projects thereby further eroding the State-Federal program financing partnership. Such activities subvert efforts of States to systematically plan their construction programming and make a mockery of the formula distribution approach which has been the cornerstone of the Federal-aid highway program for nearly 70 years.

Therefore, we feel it to be in the best interests of the States and the Congress to continue our commitment to completion of the Interstate System as now defined.

We are considering eliminating the minimum 1/2 percent apportionment of the Interstate category because it is an inefficient use of funds to provide a minimum apportionment when Interstate construction has been completed. The funds lost by deleting that half percent could be restored to the affected States under the I-4R/primary category. While this approach may appear to be merely semantics, in practice it would have significant impact on the amount of funds available to complete Interstate construction.

Aside from Interstate completion, the Administration believes that the Interstate 4R/primary category of funding is among the highest Federal-aid highway priorities. We are looking at ways to grant the States increased latitude in managing this program, based upon their relative needs for Interstate 4R and primary improvements, with some mechanism to ensure adequate expenditures for the Interstate System. We see the expanded 4R/primary program as the long-term backbone of the post-Interstate Federal-aid program. Although highway facilities eligible for these funds amount to only 8 percent of the Nation's road mileage, they currently handle 50 percent of our annual national highway travel.

The Federal share for Interstate 4R projects is now 90 percent, and projects on the primary system are at 75 percent. We may want to move toward a uniform rate, especially if combined into a single fund. We are presently analyzing alternatives for apportioning these funds. Clearly, any formula for the combined fund must reflect the importance of the Federal investment in the Interstate System and the traffic served by that system.

Another program which warrants continuing attention is the bridge replacement and rehabilitation program. Interstate System bridges could be made eligible for funding from the Interstate 4R/primary category. Funding for off-system bridges is more a local priority and could be included in a separate grant program. Federal-aid primary system bridges (other than Interstate) could be funded from the remaining bridge replacement and

rehabilitation category. The Federal share of funds provided for this category could be reduced from 80 to 75 percent, which is the same as the primary program. The maximum and the minimum amounts of Bridge funds that the States may receive shall remain as provided in present law.

Eligible transit and highway projects would be funded from the Federal-aid highway Interstate substitution category as currently proposed in the President's budget. This program will be authorized at the FY 1986 level of \$725 million per year through 1992, the last year in which funds will be necessary to fully fund the program based on presently eligible projects.

During the past several years, the Administration has examined a number of block grant and tax turnback proposals. We are studying approaches to increase State and local discretion and funding responsibility for highways that are not of national significance. The major programs affected by such an approach are urban and secondary programs and the non-primary portion of the bridge replacement and rehabilitation program.

One of the provisions of the 1982 STAA which has evoked considerable interest from the Congress and many of the States is the minimum allocation provision which will expire in fiscal year 1986. We are examining ways to change the basis for calculation to a more equitable approach that directly compares estimated dollar tax contributions by each State into the Highway

Trust Fund/Highway Account to major program apportionments and allocations made to each State in that same year. Categories which could be included are Interstate construction, Interstate 4R/primary, primary bridges, Interstate transfers, highway block grants and safety construction.

Under current law, States may use Federal funds on new toll bridges and toll tunnels, but they cannot be used on toll roads that connect the two. Many believe that the States should be granted the option to use their Federal funds on new toll roads if they choose. I want to strongly emphasize that we will not propose permitting tolls on existing free Federal-aid highways --in fact, we will oppose any such effort; but a strong case could be made that States should be permitted to use Federal funds in the building of new toll highways in new locations. Our legislation may provide that Federal funds could be expended on the construction of new toll highways and that tolls could continue after the payment of bonded indebtedness if the toll revenues are used for projects eligible under title 23.

In addition to the funds necessary to support physical construction and rehabilitation programs, the States need new technology to solve growing problems in highway structures and materials. During the past three years, we have worked with the Transportation Research Board and the States to plan a new Strategic Highway Research Program (SHRP). This program could strengthen the Nation's commitment to highway structures and materials research, increase the funds available for research and concentrate the new

effort on a small number of critical high-payoff research problems. We believe that solution of the high priority problems can bring highway savings which far exceed the cost of the research.

We want to assure you that we will work closely with you and your staff in developing reauthorizing legislation which will complement and improve the major program accomplishments of the 1982 STAA without jeopardizing the financial solvency of the Trust Fund or increasing the national deficit. We will closely follow these hearings and the suggestions of the other witnesses that will appear before you in an effort to present a bill which will best serve the Nation. I believe that these hearings will be most helpful in our drafting process. We hope to submit an Administration draft bill to Congress by the end of this year.

I thank you for your time today and again thank you for your assistance in expediting passage of the latest Cost Estimate. I will be pleased to respond to any questions which you may have.

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