Final

STATEMENT OF ELIZABETH HANFORD DOLE
SECRETARY
U.S. DEPARTMENT OF TRANSPORTATION
BEFORE THE
SENATE COMMITTEE ON ENVIRONMENT AND PUBLIC WORKS

MARCH 6, 1986

HEARING ON THE

SURFACE TRANSPORTATION REAUTHORIZATION BILL

Mr. Chairman and Members of the Committee, I am pleased to come before you today to discuss the Surface Transportation Reauthorization Act of 1986 (STRA).

America is entering an era of vast social, industrial and economic change. Sweeping changes are shaping a new America with mobility needs quite different from those of the past. These changes will have a profound impact on safety and mobility in the future. Our nation's Federal-aid programs for highways, transit and safety must be responsive.

It has been said that a journey of ten thousand miles must begin with a single step. The journey which we must travel together, now and in the months to come, will involve many steps, taken on many fronts. One such step is this major piece of legislation.

As the Surface Transportation Assistance Act of 1982 comes to an end, one of the most challenging tasks before Congress and the Administration will be to create the kind of Federal-aid programs which will respond to the 1990s and beyond. We're in the final stages of a program dominated by completing the Interstate System. Work on that System began in 1956 to meet commerce and defense requirements. Over 97 percent of the system is complete and it's time once again to focus on future needs.

The new America has needs different from those forty years ago when the Interstate System was conceived. People are changing where they live and work. According to the 1980 census, more than half of all workers in our large urbanized areas travel to jobs located <u>outside</u> the central city. At the same time, the number of suburban residents commuting to other suburban work locations grew by over fifty percent. In absolute numbers, work trips between suburban jobs and suburban homes grew much more than city-oriented work trips.

We're also seeing unprecedented growth in rural areas. For the first time in history, the population of rural America is increasing faster than the urban population.

The programs we authorize this year must respond to these changing needs. We must give state and local decision makers the tools and flexibility to meet their own unique transportation needs. We must give them increased control and responsibility over transportation investment decisions. We must provide a program structure facilitating long-term transportation planning and balance between alternative modes of transportation. We must move the program closer to the people. The more state and local decision makers are involved, the more likely that needs are met in the most responsible manner possible.

This can be done. In Houston, Texas, a city in which transportation is a critical issue, a plan was developed by the state highway director, the mayor, the transit authority and the county road department. It was not a highway plan or a transit plan, but a plan addressing regional mobility. The result has been the construction of a network of busways funded by both federal transit and highway dollars, rather than separate projects. Under the current program structure, these success stories are limited. In a great many instances, the existence of Federal-aid categories has been the driving force behind investment decisions. States undertake projects principally because special categories of federal funds are available, and the use of the funds limited to such projects. Receiving the maximum in federal funds, not meeting real world needs, drives investment decisions. Our proposal will change this.

The legislation we propose provides such a vision of the future and an integrated approach to our national highway and transit policies.

The initiatives I want to outline today are designed to make the finest system of highways in the world--nearly four million miles of American roads--better yet.

The purpose of the STRA is to redefine the role of federal, state, and local governments in carrying out surface transportation projects involving highway construction, highway safety and transit and to ensure continued funding through 1990. The bill would provide about $57B in authorizations for these programs over the four-year period from fiscal year 1987 through fiscal year 1990. The $57B would be funded from user fees paid into the Mass Transit Account and Highway Account of the Highway Trust Fund.

The STRA would restructure the highway program into four major parts: (1) the Interstate/Primary program composed of the current Interstate construction, the Interstate 4R and the primary programs, (2) the bridge program for primary bridges other than Interstate, (3) safety programs including the hazard elimination and railway-highway crossings safety construction programs, and (4) the highway and transit block grant program composed of the former urban, secondary, and non-primary bridge highway programs and certain transit programs.

INTERSTATE/PRIMARY PROGRAM

In order to give the states increased flexibility to address critical national needs, the Interstate construction, Interstate-4R and primary programs are merged into a single program. The funds may be used at the discretion of the state for any projects currently permitted under these programs. At a time when requirements to reduce the federal deficit make it necessary to reduce program levels, a combined program offers the states more flexibility to complete high-priority work. The new structure recognizes the need to balance the preservation of the existing major highway system with the need to build new highways. States would have the ability to accelerate completion of some Interstate segments since there would no longer be a disincentive to use primary system funds for Interstate construction. Under current law, spending primary system funds on completing the Interstate system would decrease future Interstate construction apportionments.

The combined program would be authorized at a level of $7.8B per year. It would approximate the current relative distribution of these funds among the states since the new program would incorporate the current Interstate 4R and primary formulas and distribute Interstate construction funds based on the cost-to-complete the remaining system. States would have an incentive to allocate funds to the Interstate System because the federal share for Interstate projects would continue to be 90 percent while the federal share for primary projects would continue to be 75 percent.

BRIDGE PROGRAM

With the initiation of the highway and transit block grant the federal-interest bridge program would include only non-Interstate primary system bridges. Bridges on the Interstate System would be eligible under the Interstate/Primary program. The latest Departmental report on the bridge program shows that there continues to be a large backlog of primary system bridge needs. The new program would be authorized at $1.25B per year for fiscal years 1987-1990 to address these needs. Since there is also a large backlog of high-cost bridges, the discretionary portion of the program is being increased from $200M to $250M per year.

SAFETY CONSTRUCTION PROGRAMS

The railway-highway crossing and hazard elimination programs are important to highway safety and show high returns in terms of lives saved and accidents prevented. We recommend funding these programs at $190M per year and $175M per year, respectively. Since their inception in 1973, the various FHWA safety programs are estimated to have saved 39,000 lives and prevented 690,000 injuries. Evaluation studies for projects funded under these programs show accident rate reductions often exceeding 70 percent at rail-highway crossings and 20 percent at other hazardous locations.

HIGHWAY AND TRANSIT BLOCK GRANT PROGRAM

The Block Grant is one of the most important aspects of our proposal. We are witnessing a dramatic change in work travel patterns. The current federal transportation infrastructure in many urban and suburban areas bears no relation to the infrastructure necessary to attain mobility needs. The challenge of the next decade is to adapt our programs to give them the flexibility to meet changing mobility needs. At whatever level of federal funding that we have, it makes no sense to tell state and local governments they must spend transit money for buses when bridge needs are not being met, or highway money for urban highways that cost too much.

Under our bill, state and local governments would be able to base decisions on transportation needs, rather than choosing projects in order to maximize the availability of federal funding. The bill would replace the current FHWA Urban System program, the FHWA Secondary System program, the FHWA non-primary system portion of the bridge program, and the UMTA formula program, with a block grant program. The UMTA discretionary grant program would be discontinued. Under the block grant, a state would provide assurances that it would comply with applicable federal requirements. Federal review and approval of projects would not be required. Instead, funds would be obligated based on assurances and compliance would be monitored through post-obligation audits.

Structure

This program would have an urban mobility component and a state component. Under the urban mobility component funds would be allocated to large urbanized areas for either highway or transit capital projects. Under the state component funds could be applied to either highway or transit projects. A state could choose to use funds from the state component in rural and small urbanized areas for transit operating assistance. The amount used could not exceed the amount available in fiscal year 1985 for operating assistance in these areas.

Distribution

The program would be authorized at a level of $3.3B per year which is equivalent to the sum of the fiscal year 1986 program levels for the FHWA programs that are incorporated ($2.2B from the Highway Account) plus $1.1B from the Mass Transit Account. All of the funding would be derived from fees paid into the Highway Trust Fund.

Formula

The funds would be distributed to each state by a formula that incorporates existing formulas for the programs being consolidated. Each state would receive approximately the total amount of funds it received under the current FHWA programs plus an amount of UMTA funds that would be based on the current section 9A and section 18 transit formulas. The funds would be fungible; that is, they could be spent on either highway or transit projects. To continue the consideration presently given to urbanized areas of 200,000 or more population, provisions are included to require that the portion of the FHWA and UMTA funds attributable to these urbanized areas be allocated by the state to these areas. The amounts of attributable funds would be based on the current provisions of FHWA urban system program and the UMTA section 9A formula. The FHWA funds that are not attributable to large urbanized areas could be spent anywhere in the state on eligible highway or transit projects. The Transit Account funds not passed through to the large urbanized areas would be apportioned to the states using the same percentages applicable to small urbanized areas and rural areas under existing law. These funds could be spent anywhere in the state for eligible transit or highway projects.

Program Match

All highway and transit capital projects under the highway and transit block grant would have a maximum federal share of 75 percent. Transit operating assistance for rural and small urban areas would have a maximum federal share of 50 percent.

Program Assurances

A number of assurances would apply to the use of funds under the highway and transit block grant. These assurances would require only a written statement from the Governor that the requirements are being met. States funding transit projects will have to make assurances that call for greater participation by the private sector and more extensive competition in the provision of transit services. The Administration believes that the introduction of greater competition through competitive bidding of service and maintenance should significantly reduce operating costs and the need for federal subsidies.

CHANGES TO TAX PROVISIONS

Highway Revenue Provision, Extension of the User Fees and the Highway Trust Fund

In order to provide continued funding of the program, provisions are included to extend both the user fees and the Highway Trust Fund for four years, through 1992.

Elimination of Certain Exemptions from User Fees

The current exemptions for gasohol, methanol, and ethanol significantly reduce the revenues going into the Highway Trust Fund. In fiscal year 1986, we estimate that the loss amounts to approximately $445 million, and by fiscal year 1990 the loss is expected to increase to approximately $600 million. Since vehicles using these exempt fuels do the same amount of damage to our highways as vehicles using non-exempt fuels, the Administration believes these exemptions are inappropriate and contrary to the user fee principle. Provisions to repeal these exemptions are contained in this bill and the President's tax simplification initiative.

Provisions to eliminate the current gasoline, diesel, and tire tax exemptions for public and private revenue bus operations are also included. These exemptions are estimated to reduce Highway Trust Fund revenues by approximately $100 million in fiscal year 1986, with the reduction increasing to approximately $120 million by fiscal year 1990. The goal of these changes is to charge the actual users of the highway systems for the damage that they cause.

OTHER PROVISIONS

Other provisions of the STRA that would be of interest to this Committee include:

Interstate Substitution Program

Under current law, substitute transit projects are funded from the General Fund and substitute highway projects are funded from the Highway Trust Fund. The bill proposes to eliminate the separate authorization for substitute transit projects and fund both substitute highway and transit projects from the Highway Account of the Highway Trust Fund. This is appropriate because the Interstate projects that gave rise to the withdrawal would have been funded from the Highway Trust Fund. The bill would authorize the combined substitute program at $500 million per year through fiscal year 1990.

Highway Beautification

The bill proposes to simplify the complex and often unworkable Highway Beautification Program. The changes proposed would give states greater flexibility in administering the program and focus federal efforts on billboards in rural areas, where state land use controls are the weakest and esthetic protection is so important. Other changes we propose would sharply reduce the cost of the program while still providing states the opportunity to use federal funds for payments of just compensation for billboard removal, to the extent required by state law.

Motor Carrier Safety Grants

The bill proposes to fund motor carrier safety grant assistance to states at an annual level of $50M, a 150 percent increase over current levels. Equally important, I am asking that these funds be available on a contract authority basis. This will give MCSAP added stability by assuring multi-year funding, providing states with the certainty they need for long-term planning and hiring.

We propose to fund this activity directly from the Highway Trust Fund by means of a set-aside from the Interstate/Primary funds before these funds are apportioned to the states. In addition, the bill would establish a mechanism so that states, at their discretion, could use a portion of their Interstate/Primary apportionment to supplement these funds.

We can do no less. Heavy vehicles represent less than two percent of the nation's registered vehicles and about five percent of all vehicle miles traveled, but are involved in over ten percent of traffic fatalities. Over 85 percent of the injuries associated with large truck accidents were suffered by occupants of the other vehicle, usually a passenger car.

Other Flexibility Provisions

Changes are proposed to increase the flexibility and purchasing power of state funds by reducing federal requirements with the intent of helping states to better meet their transportation needs.

As one example, we are recommending revisions to present toll road statutes. The toll road provisions would permit a state to use toll financing, in conjunction with Federal-aid highway funds, in the construction of new toll roads or the reconstruction of existing toll roads. States would have the option of continuing tolls on these roads after the construction costs had been recovered so long as any excess revenues are used for highway construction on public roads. States would not be permitted to place tolls on existing free roads that were constructed using Federal-aid highway funds.

Disadvantaged Business Enterprises

The STRA does not address the current program for disadvantaged business enterprises contained in section 105(f) of the Surface Transportation Assistance Act of 1982. We hope to work with this Committee to address this provision during the development of reauthorization legislation.

In closing: there is no question that this legislation is a bold initiative. It makes tough choices, and we believe the right choices, to maintaining the proper federal role in the Federal-aid highway system.