

**STATEMENT OF R. A. BARNHART, ADMINISTRATOR
FEDERAL HIGHWAY ADMINISTRATION
U. S. DEPARTMENT OF TRANSPORTATION**

**HEARING BEFORE THE
COMMITTEE ON ENVIRONMENT AND PUBLIC WORKS
UNITED STATES SENATE**

**MINOT, NORTH DAKOTA
August 11, 1987**

Good afternoon, Mr. Chairman. It is a pleasure to be in North Dakota today to address your concerns on highway transportation needs in small communities and rural areas. Under your leadership in the Senate, the Congress passed, in April, legislation that charts the course of the Nation's highway program for the next five years. It is appropriate that you are already looking to the future with this hearing. Your letter of invitation listed issues which I will take up in order.

The Ability of States With Small Populations and Large Geographic Areas to Raise Sufficient Revenues for Highway Needs

Among States with the fewest people per square mile, North Dakota is sixth (9.4 persons for each square mile). North Dakota and other sparsely populated States have difficulty raising large sums of money. Even so, in 1985, North Dakota residents provided \$146 per capita in non-Federal revenues for highways, considerably higher than the national average of \$128 per capita.

In States such as North Dakota, citizens must rely more heavily on roads and private cars since alternate forms of transportation are not readily available.

North Dakota relies heavily on the Federal-aid highway program as a component of its total State highway program. More than 48 percent of its program was derived from Federal-aid funds in Fiscal Year (FY) 1985, compared to a national average of about 29 percent. Other low population, large area States have similarly high percentages of their total programs provided through the Federal-aid highway program.

In addition, the Federal-aid highway program through the application of the latest technology and cost-effective practices has helped North Dakota to stretch available resources to cover essential needs. The Federal Highway Administration's Rural Technical Assistance Program (RTAP), for example, has established a technology transfer center at the North Dakota State University in Fargo which is one of the most effective centers in the country.

Use of Highway User Fees for Other Purposes

For 1985, the States used about 12 percent of their State road taxes for non-highway purposes. As a result of changes made by the 1982 Surface Transportation Assistance Act (STAA), about \$1.1 billion per year of Highway Trust Fund (HTF) revenues go into the Mass Transit Account for mass transit use.

In addition to these identified non-highway uses of highway user revenues, evasion of motor fuel taxes and exemptions from certain highway user taxes result in major losses of revenue to the HTF.

Fortunately, the Tax Reform Act of 1986 included a provision, effective January 1988, that should greatly reduce the problem of gasoline tax evasion. However, to date, no solution has been enacted to address the problem of evasion of the diesel fuel tax. We estimate that the evasion of the diesel fuel tax costs the HTF over \$500 million per year. We are now reviewing ways to address this problem.

In our January 5, 1987, proposal to reauthorize the highway program, we proposed the repeal of all existing tax exemptions on alcohol-based fuels, buses and State and local governments. Unfortunately, Congress did not repeal these exemptions in the Surface Transportation and Uniform Relocation Assistance Act of 1987 (STURAA). We estimate these exemptions cost the HTF about \$1 billion per year in revenues. The exemption for gasohol alone cost the Federal highway program \$450 million last year. North Dakota's 13¢ a gallon gasohol exemption also lost revenue. We do not oppose subsidies for alcohol blends but feel that the highway user should not be called on to pay the tab.

There are a number of legislative proposals before Congress that would mandate the use of alcohol-based fuels for air quality or petroleum conservation purposes. If any of these proposals are enacted without repealing the exemptions for alcohol-based fuels, there will be significant loss of revenue to the HTF. We estimate that one proposal put forth by Senator Simon to require that 5 percent of motor fuels be alcohol would cost the HTF about \$4 billion per year by 1992. Another similar proposal in the House would replace the loss to the HTF with general revenues. While

seemingly an attractive solution, this bill would kill the contract authority provisions of the highway program subjecting it to the annual appropriation process causing a serious disruption of the highway program, leaving its annual funding highly uncertain.

Another set of legislative proposals that could seriously impact both the HTF and State highway user tax revenues, as well as undermine the long established user-fee principle of highway finance, are those proposals that would increase the Federal motor fuel taxes for deficit reduction purposes and place the increase in the general fund. We oppose these proposals that could cost the HTF over \$300 million per year in decreased revenues and have a similar effect on State motor fuel tax revenues. They would also greatly reduce the ability of States to raise fuel taxes to meet future highway needs.

Responsibilities of Federal, State and Local Governments

The 1987 STURAA put in place the funding necessary to complete construction of the Interstate System. Thus, at the close of the authorization period of this Act, in 1991, some fundamental changes in the structure of the Federal-aid highway program will be necessary. We recently initiated an effort to look at the broad issues and trends that will ultimately impact highway needs. Both short-range and long-range forecasts of population, employment, and other socio-economic trends will be examined. Technological developments and their impacts will be reviewed. Based on these assessments, highway passenger and

freight travel will be forecast. Highway system capacity, condition and performance will be looked at in light of these forecasts.

As part of this effort, we will also look at management of highways. We will be examining areas such as vehicle size and weight regulations, vehicle safety regulations, vehicle speed limit and other driver regulations, motor carrier economic regulations and State/local roadway maintenance requirements.

The Condition and Needs of Roads in Agricultural Areas

Highway conditions in rural areas have improved significantly with increased efforts towards pavement rehabilitation in recent years. All States have improved their rural highway systems following passage of the STAA of 1982, the landmark Federal legislation that increased the Federal gas tax five cents per gallon. North Dakota, already with excellent pavements on all systems, began paving previously unpaved rural roads, primarily on the lower order roads. In terms of agricultural transportation needs, this paving activity and the continued emphasis on replacing and rehabilitating deficient bridges should serve the agricultural community well in the coming years. The 1987 Act permits States to apply 80 percent of the cost of 100 percent State/local financed off-system bridge projects to the State share of Federal-aid bridge replacement and rehabilitation projects. This should facilitate the improvement of rural off-system bridges by reducing Federal involvement in these projects.

Effects of the Elimination of Branch Rail Lines and Increased Truck Traffic

Over the last several years, a major restructuring of the rail system has taken place in North Dakota. Many branch lines have been abandoned and many grain elevators that were served by rail now must rely on trucks. Many roads are now carrying loads they were not designed to handle. We do not have a good idea of the impact on the roadway network of millions of bushels of grain being hauled by trucks to subterminals. We do have a RTAP project being conducted in North Dakota concerning the impact of railroad deregulation on State and local roads. We will keep the Committee advised of the results of this project. Other RTAP projects address better pavement management and design procedures to more adequately handle deterioration of rural pavements under repeated application of heavy loads.

Apportionment Formulas

The Federal-aid highway program is fast approaching a major transition period. The Interstate System has been the centerpiece of Federal involvement in this highway program for the past 30 years. However, with the 1987 reauthorizing legislation having put in place the funding necessary to complete the system, some fundamental changes in the structure of the Federal-aid highway program will be necessary for the 1990's and beyond. A major part of the analysis preceding restructuring will involve examination of current and proposed Federal-aid apportionment formulas.

There is considerable recent evidence of concern on the part of Congress and the Administration with existing apportionment formulas.

- o The House made its perennial proposal in deliberations over the 1986/1987 reauthorizing legislation to change the Interstate 4R (I-4R) formula to one that more heavily considers usage factors, i.e., fuel consumption and vehicle-miles-of-travel (VMT). Such a change would severely penalize States such as North Dakota which have extensive Interstate System mileage, but relatively low travel. This measure was turned aside in large part due to your efforts, Mr. Chairman.
- o A General Accounting Office study requested by Senator Lawton Chiles was completed in 1986 that concluded generally that factors used in formulas should reflect the extent and usage of the highway system, and particularly, that land area, population, and postal mileage--factors used currently in the primary, secondary, and urban system apportionments--are not closely related to today's highway system.
- o Section 137 of the STAA of 1982 required two studies of alternate methods of apportioning funds for the Interstate System resurfacing, restoration, rehabilitation, and reconstruction (I-4R) program. One study was on weather-related factors. It was found that data on the effects of weather was inconclusive and that weather should not be treated as an isolated factor but

considered along with other factors (soil, traffic loads and pavement materials) that influence useful road life. The second study looked at alternatives to current I-4R apportionment formula, i.e., 55 percent on Interstate lane miles (which favor large States) and 45 percent on vehicle miles-of-travel (VMT) on those lane miles (which favor populous States). It found that this formula correlated very well with I-4R needs and recommended no change. The current formula works well for North Dakota as North Dakota has 1.3 percent of the Interstate lane miles and .3 percent of Interstate VMT. This results in an I-4R factor of .83 percent (after 1/2 percent minimum adjustment) thus North Dakota will receive \$20,565,097 in I-4R funds in FY 1988.

The issues must be carefully examined and a framework established well before the next major Congressional debate on highway matters in 1990 and 1991.

Implementation of the Surface Transportation and Uniform Relocation Assistance Act of 1987

The FY 1987 non-Interstate authorizations and the FY 1988 Interstate authorizations were apportioned on April 2, the same day the Act was enacted. Since then, the discretionary fund allocations (I-4R, Interstate substitute, and bridge), and the allocations for the Section 149 demonstration projects have been made. The limitation on Federal-aid highway program obligations for FY 1987 provided in the 1987 Act also was distributed to the

States on April 2. The August redistribution of obligation authority from States who cannot use all of their authority to States who can use additional authority is underway. The advance notice for FY 1988 apportionments has been issued. For the 169 subsections of the Act identified as requiring action by the Federal Highway Administration, action on 71 is complete (at least for FY 1987 in the case of funds distribution), action on 73 is underway and action on 25 is pending (e.g., awaiting Office of the Secretary delegation, field input, internal review, budget action, and State action).

Alternative Methods of Financing Highway Construction

The Federal Highway Administration has studied several proposals that would provide more flexibility in highway financing and alternative methods of funding highway construction. Our study of alternative financing methods was prompted, in part, by frequent requests to fund projects that involve both highway interests and some form of private or other public development interests. The provision in the 1987 Act that allows the value of private donations of right-of-way to be used as part of the State/local match for Federal-aid projects should provide an incentive for donations of right-of-way by developers.

Additionally, our interest in alternative financing methods was prompted by the need for new or expanded highway construction where the costs of such construction are extraordinarily expensive and beyond normal Federal-aid funding capability. There are numerous examples of these types of projects particularly in the

regions of the country where populations are increasing rapidly. The needs for these highway facilities are immediate while at the same time, the needs for resurfacing, rehabilitation, and reconstruction also are substantial. Thus, there is a short-term demand for an extraordinary investment that would strain any State and local highway agency budget.

Both the Senate and Administration bills for reauthorizing the highway program included a provision to allow Federal-aid highway funds to be used to construct toll roads. The 1987 Act includes a provision to allow Federal funds to participate in seven toll facilities on a pilot basis at a 35 percent Federal matching share. Hopefully, the results of the pilot program will lead to a general provision on toll financing in the future.

The Administration also proposed replacing the current urban and secondary program along with the nonprimary portion of the bridge program with a block program. The intent of the block grant was to give the State and local governments greater flexibility in the use of Federal funds on highways of primarily State and local interest. Although Congress did not accept our proposal, the 1987 Act does include a provision for a combined road plan demonstration that will permit up to five States to test block grant concepts. This demonstration program should provide useful information relative to the future Federal role and the future highway program structure.

Speed Limit

Under the provisions of the 1987 Act, to date 37 States have increased speed limits from 55 miles per hour to 65 miles per hour on rural sections of the Interstate System. North Dakota approved a 65 miles per hour speed limit for 543 miles of rural Interstate highway on April 8, 1987. States have indicated that they will closely monitor the safety effects of the increase in the speed limit. As of now, we do not have data on those effects. However, we will be closely monitoring these results.

That concludes my statement, Mr. Chairman. Can I answer any questions?