STATEMENT OF

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HEARING BEFORE

COMMITTEE ON ENVIRONMENT AND PUBLIC WORKS
UNITED STATES SENATE

CONCERNING REAUTHORIZATION OF THE FEDERAL-AID HIGHWAY PROGRAM

BILLINGS, MONTANA

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I am very pleased to appear before you again to discuss the reauthorization of the Department's highway and highway safety programs.

As you know, the President announced the Administration's proposal for reauthorization (S. 610) on February 13 and in his address to Congress on March 6 he called for enactment of transportation reauthorization legislation within 100 days. We intend to work with this Committee to achieve that goal. Secretary Skinner is pleased that these hearings are underway and he sincerely regrets that he cannot be here today.

The principles embodied in the President's Statement of National Transportation Policy (NTP) served as the basis for our proposed "Surface Transportation Assistance Act of 1991" (STAA). The NTP

set the stage, and now the STAA (S. 610) will provide the script for the "post-Interstate" era. S. 610 incorporates many of the features that your Committee and others who are knowledgeable in the field of surface transportation have recommended. As President Bush said, "With this legislation, America is on the road to expanded productivity, more jobs and a strengthened infrastructure."

This morning I would like to review for you some of the highlights and objectives of our proposal.

The STAA is a "breakthrough" bill both in its increased funding levels and in its intermodal design. We are proposing a dramatic increase in federal funding for surface transportation programs for fiscal years 1992 through 1996: highway programs would increase 39 percent from FY 1991 to the last year of the STAA, 1996; the overall transit capital investment would increase 25 percent over the same time period; and funding for highway safety activities would rise by 34 percent by the same comparison. Total funding for the STAA amounts to $105.4 billion over 5 years.

A 5-year authorization is important. It will provide the needed stability in funding so State and local officials can adequately plan and manage their programs. The highway management systems that are a major feature of the STAA will require a phase-in period before they become fully operational. A 5-year authorization will also allow the necessary time to

complete the final construction of the Interstate System and to complete the transition to our proposed new programs.

These funding levels build on the enormous investment we have already made in highways -- $129 billion on the Interstate Highway System alone, by the time it is finished. There is a lot of work still to be done, and all levels of government must continue in our successful partnership to see that we finish the job. The Federal government should increase its financial commitment and State and local governments must do the same. Let me emphasize that point. Our proposal has been criticized for reducing the Federal commitment to surface transportation. That simply is not true. Our bill provides for a significantly increased Federal financial commitment -- but we are also expecting the States and local governments to increase their funding for highways and transit.

I would like to note briefly the effect of this increased spending under our bill on the Highway Trust Fund balances and commitments. I know this issue is of great interest to this Committee. Last May, your Committee held in-depth hearings on the status of the Trust Fund where our Assistant Secretary for Budget and Programs, Kate Moore, discussed in great detail the history of Trust Fund spending and its budget implications. Let me say in general that those who pay user fees are seeing more money spent on highways than they are paying in user fees. At the end of FY 1991, there is projected to be a cash balance of some $11 billion in the Highway Account. In the early 1970's, the cash

balance rose rapidly from $2.6 billion in 1970 to $9.6 billion by 1975, as a result of impoundments. The cash balance reached a high of $12.6 billion in 1979. Ever since 1981, the balance has fluctuated between $9.0 billion and $10.6 billion.

The cash balance is not a "surplus." We must consider that balance in the context of future commitments -- similar to a checking account. Because the highway program is "slow spending," commitments can be made that depend on future-year revenue, that is, the Federal Highway Administration (FHWA) can approve projects and incur obligations that total more than the current cash balance. Under the Byrd amendment, the law allows FHWA to apportion spending authority to the States at the beginning of any 1 year as long as that new authority plus existing unpaid commitments do not exceed the current cash balance and the projected income for that coming year plus the next two. In other words, we are legally permitted to be in a position where, if we stopped the program at the end of one year and made no new commitments, we are authorized and would need to continue to collect taxes and earn interest for up to 2 years to pay the bills for commitments we had already made.

Commitments against the Highway Account will greatly exceed the cash balance -- by more than $21 billion by the end of this fiscal year. Under our proposed reauthorization, the cash balance of the Highway Account will grow despite authorizing levels of spending that are greater than the expected tax receipts, due largely to the lag in outlays.

Under the STAA, budget authority from the Highway Account will increase from $16.3 billion in 1992 with annual increases until it reaches $20.6 billion in 1996. This is compared to a level of $14.3 billion in FY 1991. The Highway Account's cash balance will rise from $11.1 billion at the end of this fiscal year to a peak of $16.1 billion at the end of 1995, and then decline to $13.8 billion at the end of 1996. However, the Highway Account is overcommitted and has been for many years. By FY 1996, commitments will exceed this cash balance by nearly $24 billion, or 172 percent of the cash balance. In fact, under the proposal, the Highway Account will outlay $83.5 billion while collecting only $81.5 billion in tax receipts. Obligations will total $90.6 billion. Our proposal uses the taxes collected and more.

Now, I would like to turn to outline the main features of our proposed STAA. The increased funding provided under our proposal will support one of our major objectives -- increasing the mobility of people and goods. Much of the policy debate over the development of our proposal focused on the nature of Federal investment in highways once the Interstate System is complete -- and it is nearly complete. Our highway program features three major categories for Federal aid: the National Highway Program (NHP), the Urban and Rural Program (URP) and the Bridge Program.

The National Highway System (NHS) is a central feature of the STAA. The NHS will incorporate the 43,000 miles of the Interstate System, as well as mileage to reflect the major demographic and

travel changes that have occurred since the Interstate routes were designated some 40 years ago. The NHS will include up to 150,000 miles of principal arterial routes including the Interstate. I should note here that this is not a major new construction program; rather it is a program for designating mainly existing roads for incorporation into the system. These roads will be upgraded and improved as necessary, but it is not our intent to create a 150,000 mile Interstate System. The NHS will serve major population centers, rural areas, ports, airports, and international border crossings; meet national defense requirements; and serve interstate and interregional travel.
It is a system that will connect people and jobs, products and markets. The STAA proposal provides that new capacity on beltways and bypasses in urban areas will have separate lanes for through traffic to help reduce the impact of congestion on interstate traffic.

I want to emphasize that the NHS will be developed in close consultation with the States during a two year designation process. In other words, we intend that the final NHS reflect the priorities of both partners - Federal and State. And it will be upon those joint priorities that we will focus our investment.

Moreover, we are determined to keep rural America connected to the rest of the country. In addition to investment on the NHS, our URP provides funds for highways and transit in both urban and

rural areas. Funds for innovative projects will be provided to address urban and rural transportation problems.

We also aim for better stewardship in the spending of transportation dollars and in the use of the country's existing highway and transit infrastructure. The new URP will provide assistance to States via a program with increased flexibility and minimal Federal requirements, allowing State and local governments to target funds to address metropolitan and rural transportation issues more effectively. It consolidates several current categories of assistance including part of the current primary program for routes that are not designated as part of the NHS, and the urban and secondary programs. Under this program, funds can be used for highways or mass transit. States will also have the flexibility of transferring up to 15 percent of their funds for the NHS to the URP so long as they have adequately maintained their Interstate Highways.

One of the most significant challenges we face is the rehabilitation of our nation's bridges. To address this problem, funding for this program will be increased by 69 percent from $1.63 billion in FY 1991 to $2.75 billion in FY 1996. The $10.7 billion investment for bridge repairs under our proposed Bridge Program will rehabilitate and replace our structurally deficient bridges. And that is in addition to the bridge rehabilitation that will occur under the NHP and the URP. FHWA estimates that this funding should reduce the inventory of deficient bridges by one-third by 1996.

The increased flexibility between highway and transit funds will enhance mobility by allowing State and local officials to fund the best transportation solutions for the unique problems of particular areas. Expanding rail transit lines or improving bus service could be as important for some urban areas as building more roads. We also want to make mass transit more accessible to travelers with disabilities. Last year the Americans with Disabilities Act strengthened this mandate. Funding would be available for projects designed to assist in the implementation of that Act.

Our vision for greater mobility also embraces research and technology, particularly the development of advanced technologies to relieve congestion. Prime examples are Intelligent Vehicle Highway Systems (IVHS) to integrate drivers, vehicles, and local highways through electronic guidance, warning, and control systems. Our budget calls for increasing this program from $20 million in FY 1991 to $60 million in FY 1992. Smart cars and smart highways will provide transportation operating agencies up-to-the minute information on traffic movements and congestion "hot spots." This information will be used to manage and control traffic and provide vital information to travelers through changeable message signs, highway advisory radio, and other means. This technology can lead to improvements in mobility, congestion, safety, and air quality.

Our proposal builds on the Federal/State investment partnership. It also provides new Federal financing opportunities, and

strongly encourages private sector involvement. The bill provides the flexibility to attract more funds from the private sector - making possible a range of new public/private partnerships to build toll roads, bridges, tunnels, as well as bus lanes, new transit facilities, or perhaps even to encourage magnetically levitated trains and high-speed rail facilities by accommodating them within highway rights-of-way if that can be done without impairing highway operations. Public/private partnerships can engage the entrepreneurial energies of the private sector. An example of such a partnership is the California Department of Transportation's recent approval of four private toll road projects from a number of competing proposals. The combined value of these projects is about $2.5 billion. These plans include such innovations as allowing the value of building above a highway to be factored in and considered in the financing package. Permitting the States to use at least some portion of their Federal aid on facilities otherwise financed, built, and operated by a private firm is a step towards wider use of the creativity of State and local officials and the private sector.

In addition, the idea of preserving the investment we make in transit and highway infrastructure is critical. Besides specific safeguards for preservation of the Interstate System, the STAA would implement modern performance-based management methods by requiring States to have bridge, pavement, congestion and safety management systems. Several States have these now. Good data

collection and analysis of highway system performance will help them target their funds to the most cost-effective improvements.

We can make progress in addressing environmental concerns and enhancing energy conservation and efficiency through improved operation of transportation systems. The STAA contains numerous provisions that will assist States in meeting environmental objectives, including the requirements of the Clean Air Act amendments. They include funding for operational improvements and startup costs for traffic management and control under both the NHS and URP programs. Traffic Demand management strategies on the Interstate System, including construction of new HOV facilities, will receive a higher Federal match than new capacity, 90 percent versus 75 percent. Projects for bicycles and pedestrians would be eligible under all the major programs and could be funded entirely with Federal funds under the NHP and URP. The expanded research and technology program will enable States to more effectively assess environmental impacts and the effectiveness of various mitigation strategies.

Under the proposal, a State's transportation planning must be coordinated with the development of the transportation portion of the State's air quality implementation plan. In urbanized area planning, the STAA would require consideration of long-range land use plans, development objectives and overall social, economic and environmental impacts of various projects. Metropolitan areas would be required to develop a congestion management system that provided for the effective management of new and existing

transportation facilities through the use of travel demand reduction and operational management strategies. Large cities with air quality attainment problems would be permitted, subject to the approval of the Secretary, to experiment with congestion pricing strategies on Federal-aid highways, so that they could, for example, impose bridge and tunnel fees for peak traffic periods that would encourage drivers to make their nonessential trips outside rush hours.

The bill would continue to provide for the acquisition of land for the construction of carpool and other publicly owned parking facilities. The Secretary also could authorize a State to make rights-of-way available without charge to a publicly or privately owned mass transit authority for transit, rail, high speed ground transportation and magnetic levitation facilities.

The STAA would authorize States to use highway funds to prepare wetlands conservation plans and to participate in wetlands mitigation banks to earn credits to be used for future highway construction. Scenic byways would be eligible for development if otherwise eligible under the NHP and URP.

The proposal also makes a number of changes to current provisions affecting outdoor advertising by focusing on controlling billboards in rural areas where aesthetic protection is most important. It would prohibit new off-premise signs in areas of control except for most of the currently excepted sign categories, such as directional signs. Payment of compensation for removal of

nonconforming billboards would be a State matter under State law; and Federal funds could be used to a limited extent to pay for sign removal.

I would like to turn now to two features of our proposal: the apportionment factors for distributing highway funds and the Federal/State matching shares that will be revised under our bill. These have already generated spirited debate so I want to address them directly.

Under the current Federal-aid highway program, there are a number of complex apportionment formulas. Their component factors include: Interstate lane miles, Interstate vehicle miles travelled, land area, rural population, urban population, postal route mileage, the share of cost of deficient bridges, total population, public road mileage, and the number of rail-highway crossings.

Many of these are complicated and outdated factors. In contrast, our proposed reauthorization bill simplifies and streamlines the formulas. Under our proposal, we place increased emphasis on the extent of travel on the highway system. The NHP funds will be apportioned based 70 percent on each States's share of total highway use of motor fuel, 15 percent on each State's share of total road mileage, and 15 percent on land area. Of particular interest to Montana, Nevada and other western States, is a provision for apportionment adjustments through use of a low population density factor to give extra funds (capped at

$35 million a year per State) to States with low population densities to ensure that national needs are met in States with comparatively low tax bases. The URP funds would be distributed based on State contributions to the Highway Account of the Trust Fund.

Our proposed formulas direct funds primarily on the basis of highway usage. Heavy use of a road system creates significant need. We believe that this is simply a more rational approach to apportionment formulas and that the factors I have described are reliable and verifiable.

Bridge Program apportioned funds would be distributed based on a level-of-service criterion to be established by the Department, which would weight bridge needs in the States based on the volume and type of traffic bridges carry.

There are no "perfect" formulas that will satisfy every State; however, our highway proposal sets forth a fair and equitable means of distributing highway funds. The factors are objective, justifiable, and they will efficiently distribute resources where they are needed.

A larger Federal investment must be accompanied by greater State and local participation. Through this enhanced partnership, program resources will be greatly augmented. Under current law, the Federal share on Federal-aid highway projects varies from 75 percent for the primary, urban, and secondary programs, to 80 percent on the bridge program, to 90 percent for Interstate

construction and preservation, with provision for even higher shares in States with large areas of public lands. Under our proposal, Interstate completion would continue to get 90 percent Federal funding. Other NHS projects would receive 75 percent Federal funding, except that operational improvements and resurfacing, restoration, and rehabilitation (3R) work on Interstate highways would receive 90 percent. The Federal share for bridge projects would be set at 75 percent; URP projects at 60 percent and toll roads at up to a maximum of 35 percent. Planning would be eligible for 75 percent Federal support and the sliding scale provision with higher shares for States with large areas of public lands would generally be retained.

I would like to make a couple of points here. First, these matching share ratios reflect the overall strategy contained in the NTP and now outlined in our bill: we must focus Federal resources on systems of national significance. The whole purpose of designating a new NHS is to define and focus scarce Federal resources on the highways that are of greatest importance to interstate commerce and national defense.
We propose to deemphasize the Federal role in projects funded under the URP. Because these non-NHS highways carry primarily regional and local traffic, State and local governments ought to have broad discretion in the use of URP funds as well as greater responsibility. We believe we get the best decisions regarding highway and transit projects at the local level, especially regarding the priority of projects, when State and local areas have a greater financial interest vested in projects.

With a greater State and local involvement, decision makers will make more careful decisions, and be more accountable to their constituencies for those decisions.

Regarding our highway safety efforts, one outstanding transportation accomplishment of the last decade has been the steady decline in the fatality rate on the nation's highways. We estimate that the rate for 1990 fell below 2.1 deaths per hundred million vehicle miles travelled -- 40 percent lower than the rate in 1980. This decline in the fatality rate results from safer roads, safer cars, and safer driving behavior. Such progress reflects the growth of public sentiment against drunk driving, led by activist groups such as Mothers Against Drunk Driving (MADD) and Remove Intoxicated Drivers (RID). Such citizen activist groups have created an environment favorable to the enactment and vigorous enforcement of new State traffic safety laws. The highway safety reauthorization proposal starts from the premise that the existing section 402 State and Community Highway Safety Program, administered by the National Highway Traffic Safety Administration (NHTSA), is fundamentally sound. It is the cornerstone of our support for national highway safety efforts. We propose to build on existing alcohol incentive programs to provide additional 402 bonus funds to States that adopt key safety measures. Bonus funds will come from annual $25 million set-asides in each of NHTSA and FHWA's 402 programs as well as $25 million specifically authorized each year for alcohol safety. In addition, funds will be set aside from FHWA's URP, starting at $5 million in FY 1992, $55 million in FY 1993,

then rising $25 million per year until it reaches $130 million in FY 1996.

These bonuses would encourage proven drunk driving measures such as prompt license suspension and mandatory sentencing for repeat offenders. It also would promote other high-priority programs such as those for increased safety belt use, public campaigns directed at high risk driving behavior, emergency medical services, and pedestrian safety. The concept for such incentive bonuses resulted from recommendations made during this Department's National Traffic Safety Summit held in Chicago last April.

Funds set aside from the URP would be provided to the States for safety or for any other eligible transit or highway project. We believe this approach will increase the involvement of the highway and transit industries in urging improved safety programs at the State and local level.

The bill also places renewed focus on the highway safety research and demonstration program, with a special emphasis on technological improvements such as IVHS, as I discussed above. An enlarged research and demonstration program and the augmented state and community highway safety program will help the safety momentum of the 1980's continue through the 1990's and into the next century.

Finally, we also recognize that the competitiveness of the U.S. economy in the global marketplace is linked to the efficiency

of our transportation system. Our proposal would eliminate a cost burden on interstate commerce which we estimate at some $4 to 6 billion per year. States would be prohibited from interfering with the nonsafety-related business operations of interstate motor carriers. They also would have to make their administrative requirements over interstate carriers more uniform for both collection of fuel taxes and for registration of trucks. This latter requirement would simply implement the consensus agenda developed several years ago by the National Governors' Association.

We believe we have presented the Congress with a good bill. Many experts and advisers in both the public and private sectors have assisted us in developing it. The proposal is, as a result, balanced, comprehensive, and tailored to the diverse needs of a growing America. I am aware that you, Senator Baucus and Senator Reid, have introduced S. 823 on April 16, relating to reauthorization. However, at this point the Department has not had sufficient time to analyze its provisions. We will review it and we look forward to working with you and the other members of the Committee to enact comprehensive reauthorization legislation hopefully in the very near future.

This completes my prepared remarks. I will be happy to answer any questions you may have.

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