

STATEMENT OF PETER J. BASSO  
DEPUTY ASSISTANT SECRETARY  
FOR BUDGET AND PROGRAMS  
DEPARTMENT OF TRANSPORTATION

BEFORE THE HOUSE COMMITTEE  
ON TRANSPORTATION AND INFRASTRUCTURE

FISCAL YEAR 1997 BUDGET REQUESTS REQUIRING AUTHORIZATIONS

APRIL 25, 1996

Mr. Chairman and Members of the Committee, I am pleased to appear before you to discuss items in the Department's budget request that require authorizing legislation, including the State Infrastructure Bank program funding and our proposal to increase the takedown from the Federal-aid Highway program for fiscal year 1997 only.

The following initiatives will require authorizing legislation.

State Infrastructure Bank Funding

State Infrastructure Banks (SIBs) are an extension of the Department's ongoing innovative financing initiative. The purpose of this initiative is quite simple. It is designed to give State and local governments more flexibility in how they use the Federal-aid funds that they receive and to provide leverage to increase total funding going to transportation infrastructure investments. The States have been enthusiastic about this initiative which can advance projects more quickly and promote new infrastructure investment sooner.

The SIB pilot program is designed to provide an additional umbrella to test the next generation of alternative financing tools. Tools such as credit enhancement and revolving loan funds will foster greater private sector participation in financing transportation projects. These

tools will receive additional attention under the SIB pilot program. Also, the SIB initiative provides an enhancement to the innovative financing opportunities being offered under the FHWA's test and evaluation authority since the States can actually tailor the SIBs to their needs and structure them to meet their State-specific legal authority.

In spite of the compressed time schedule for submitting applications, the Department received fifteen applications for the ten pilot positions and supporting letters from four more States. I can also report to you that a number of other States have expressed serious interest in establishing SIBs, but simply could not get their applications in during the time allotted. We have recently designated eight of the ten SIB pilots and we will be designating an additional two in the near future.

We think the value of SIBs is clear in advancing infrastructure investments and the States will continue to be enthusiastic about the opportunities offered by SIBs to help meet their infrastructure needs.

The Department's FY 1997 budget requests \$250 million for SIBs, and an expansion of the program to additional States. This fiscal year, 1996, the States selected to participate in the pilot will forgo part of their regular Federal-aid program to fund the SIB -- which they have agreed to do. In FY 1997, we propose \$250 million be provided to help capitalize the SIBs.

This funding is needed since the States make every effort to fully program their Federal-aid funds through the current STIP/TIP processes required by the Intermodal Surface Transportation Efficiency Act of 1991 (ISTEA). The proposed additional funding will help minimize any disruption to these commitments in order to fund this new program. Several States have indicated to us that they are very excited about the SIB option but believe that without the

proposed capitalization funds the SIB initiative will develop much more slowly and display much less of its potential because of the limited funds that are available to capitalize the banks.

Our proposal to expand the SIB pilot to additional States, beyond the 10-State pilot program, also requires authorization by Congress. We are preparing legislation to authorize additional designations and will work with the Committee to evaluate the \$250 million included in our request.

#### Federal-aid Highway Program Administrative Takedown

Our budget also proposes to increase the administrative takedown from the Federal-Aid Highway Program to 4.75 percent from the 3.75 percent authorized in title 23, United States Code, for fiscal year 1997 only. The increase is needed to ensure that we have the funds necessary to maintain an effective research and technology program while also advancing initiatives for intelligent transportation systems (ITS).

A number of factors have contributed to the need for this one-year increase in the takedown. The takedown was reduced by ISTEA section 1003(c) in FY 1996 by \$81 million at the same time that additional programs were added to it. In both FY 1996 and 1997, Congress required that \$45 million from the takedown be used for the Woodrow Wilson Bridge and National Recreational Trails programs. Earmarks such as the Applied Research and Technology Program (i.e., ISTEA section 6005) now total over \$140 million. Another factor impacting our need for an increased takedown in FY 1997 was the rescission of about \$120 million from the unobligated balance of the takedown in the National Highway System Designation Act of 1995.

The FHWA budget request for the programs funded from General Operating Expenses

(administrative takedown) would increase by about \$160 million in FY 1997 over FY 1996, principally for research and technology activities, including Intelligent Transportation Systems. Let me also assure you that the FHWA's operational administrative costs, however, such as salaries, benefits, travel, and miscellaneous supplies, have remained at about the same level over the past three years, in spite of pay act increases and inflation. The research and technology program funding, which includes highway-related research and development in support of the States' highway programs, is principally driven by DOT and Congressional commitments to move the extensive investment we have made in the area of intelligent transportation systems into the field -- to actually have States and localities use some of the techniques and equipment we have developed to address their problems with congestion, air pollution, and mobility. The model deployment of ITS technology is important because it allows us to test and refine in a few locations what could be very costly to implement then change under a full implementation -- we could have major savings in the long run from this effort. The model deployment will provide input to the national ITS architecture through demonstrating the benefits of integrating individual ITS technologies.

### Conclusion

An investment of \$250 million in state infrastructure bank funds will return investments four fold and should be authorized along with additional SIB States. A one-time increase in the takedown primarily to support technology development and ITS technology deployment is well worth the investment. Thank you for the opportunity to testify on these key Departmental budget proposals requiring authorizations. I would be pleased to answer any questions.