



**Testimony
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State Perspectives on

Transportation for Tomorrow

Recommendations of the
National Surface Transportation Policy and Revenue Study
Commission

Presented to the

United States House of Representatives
Committee on Transportation and Infrastructure

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Mr. Chairman, Thank you for this opportunity to provide the perspectives of the state transportation leaders, represented by the American Association of State Highway and Transportation Officials, on the recent recommendations of the National Surface Transportation Policy and Revenue Study Commission.

We commend this Committee for its foresight in establishing the Commission to analyze the challenges facing the Nation's transportation system and the solutions required to meet them. And we congratulate the Commission for their tireless and extensive work to gather information from transportation providers, users, academia and industry and for the comprehensive recommendations they have assembled. We are proud that one of AASHTO's members, Frank Busalacchi, Director of the Wisconsin Department of Transportation, served on the Commission.

We consider the work of the Commission to be pivotal as federal, state and local officials chart the course for meeting the nation's extensive transportation needs. The last National Commission, which was convened in 1979, produced recommendations for sweeping deregulation of aviation, trucking and railroads, and a significant increase in transportation investment. The work of this Commission can similarly lead to historic reform of our transportation system, equipping it to provide the same advantages to our grandchildren as we have enjoyed today.

That said, we believe Congress will benefit greatly from the Commission's recommendations and that they will serve as a well-grounded foundation for the forthcoming policy debate on the future of the Federal surface transportation program. We believe this report will prove to be historic because of the priorities identified, the national focus called for, the reforms recommended and the impact it will have on future transportation policies.

The report provides a comprehensive analysis of the challenges facing the Nation's surface transportation system and the solutions required to meet them. The Commission's proposals were based on input received from nationally-recognized experts, including State Department of Transportation leaders and transportation stakeholders, in extensive hearing held in every region of the country. AASHTO provided substantial information to the Commission, through the testimony of our members, and through a series of reports that addressed such key issues as the scope of transportation needs, project acceleration, performance management, the growth in international freight, and potential revenue options for meeting investment needs.

In May, 2008, we convened transportation leaders from around the nation in a Transportation Vision and Strategies for the 21st Century Summit. The resulting vision document was provided to this Committee with a letter cosigned by 21 national transportation organizations ranging in representation from AAA to the Association of American Railroads and the American Trucking Association.

We are pleased to see that much of our input has been reflected in the Commission's report, and that the majority of the Commission's recommendations are consistent with the policy positions of AASHTO.

Clearly, they got "the big ideas right."

These include the following:

- The need for "fundamental reform of the Federal Transportation Program,"
- significant additional investment,
- a strong federal role, and a shared funding responsibility by federal, state and local governments;
- the need for a multi-modal approach;
- an increase in federal revenues, be it through fuel taxes or other means;
- the need to transition to alternative revenue sources twenty years from now;
- greater use of tolls and public private ventures to supplement revenues at the state and local levels;
- systematic planning to guide investment to where it is most needed;
- performance-based programming of funding;
- accountability for achieving results; and
- investment focused on objectives of genuine national interest including: preservation, freight, metropolitan congestion, safety, connecting with rural America, intercity passenger rail, environment, energy, Federal lands, and research.

The report contends that the federal transportation program has lost its way. The vision that united the nation behind the completion of the Interstate Highway System has faded and so has public understanding and commitment. "It is time for new leadership to step up with a vision for the next 50 years that will ensure U.S. prosperity and global preeminence for generations to come," they state.

You heard last week from the Commissioners themselves, and so I will turn my attention to those recommendations which I believe are of the greatest importance to the states.

Maintain the Federal Role and Share of Transportation Investment

I first want to emphasize the absolute necessity of maintaining a strong federal role in meeting the nation's 21st Century transportation needs and sustaining the traditional share of federal investment. The Commission's report states that the U.S. needs to invest \$225 billion per year to meet national needs. Today, we are investing less than 40 percent of that amount.

The needs estimate mirrors that of the U.S. Department of Transportation's most recent *Conditions and Performance* report, as well as estimates in AASHTO's *Bottom Line Report* and other reports. Traditionally the federal government has provided some 40 percent of the nation's total transportation investment. The Commission recommends in

the future that the federal share of a significantly increased level of investment be 40 percent.

If, as some propose, the federal role is curtailed, states will have two options: either raise their own fuel taxes to attempt to replace the lost federal funding; or reduce their transportation programs by 40 percent. Clearly, state and local governments, even with the aid of private partnerships, cannot begin to meet such investment needs without a strong federal partner.

And they should not be expected to. Achievement of national goals, such as international competitiveness, a vibrant economy, strong national defense and homeland security, energy independence, and environmental health, require investment in a national transportation system – supported by investments by all levels of government.

With the explosion of international trade, and the expansion of the global economy, we must improve the reliability of our freight system for interstate commerce. Now, more than ever, we need a strong federal partner. With the continuing growth of this nation and the concentration of population in urban areas that produce 86 percent of our nation's GDP, we must reduce congestion so that people and freight can move freely. Now more than ever, we need a strong federal partner.

Reform and Restructuring of the Federal Transportation Program

The Commission also calls for dramatic reforms of the federal program to ensure that programs are performance-based; accountable; and focused on issues of true national significance. We will be pleased to work with the Congress to make sure that these reforms are implemented in ways that can work at the state level, and also to craft programmatic solutions that meet the needs of all of the states, large and small, rural and urban.

We have long advocated the streamlining of the federal program structure. The Commission calls for a dramatic reduction of 107 programs to only 10. We will work with this Committee and other Senate committees with transportation jurisdiction to determine how to make such a change doable.

AASHTO is pleased that the Commission recognizes the importance of a multi-modal approach to transportation, including a strong emphasis on increasing the role of transit and intercity passenger rail. These strategies are essential as we strive to address the congestion which saps both our economy and our quality of life. AASHTO has called for a doubling of transit ridership by 2030 and for the development of a National Rail Transportation Policy to expand and enhance intercity passenger rail service in regional corridors.

AASHTO commends the Commission for the recognition that planning and project determination should be based on a systematic planning effort by states and metropolitan

planning organizations to achieve national objectives. We believe that our state and regional organizations are doing a good job in this regard, but we can always do better. A clear definition of our national objectives can only lend better focus to the decision-making process.

Project Acceleration

Another key recommendation of the Commission report is the necessity to speed project delivery. This has long been a top priority for state departments of transportation and for this committee as well. As the report states, “it takes too long and costs too much to deliver transportation projects, and that waste due to delay in the form of administrative and planning costs, inflation, and lost opportunities for alternative use of capital hinders us from achieving the very goals our communities set.”

With the purchasing power of our transportation dollars steadily eroding, time lost is truly money lost. A project that costs \$500 million if completed in four years will escalate to \$616 million if the process extends to seven years, and to more than \$1 billion if the project takes 14 years. The Commission found that in recent years the environmental impact statements alone for highway projects have taken as long as 54 to 80 months.

The report contains a number of specific recommendations to speed the process, while continuing to mitigate environmental impacts. AASHTO has also issued a report on Project Acceleration that addresses both environmental and construction opportunities to accelerate project delivery. Copies are provided for the Committee.

Paying the Bill

When Congress first proposed the idea of creating the National Commission, one of the fundamental questions you wanted answered was whether or not the nation could continue to rely on the traditional fuel tax to pay for future investments.

The Commission, relying on a study by the Transportation Research Board, determined that “considering its widespread acceptance and use at both the state and federal levels, the fuel tax will continue to be one of the principal revenue sources for highway and transit programs for the next 15 to 20 years.”

In order to achieve the federal government’s 40 percent share of transportation investment, the Commission called for a fuel tax increase of between five to eight cents per gallon annually for five years, followed by annual indexing for inflation.

For the longer-term, the Commission calls for a major national study to develop strategies for transitioning to an alternative to the fuel tax to fund surface transportation programs, such as a vehicle miles traveled fee.

Of course, it will be up to the Congress to determine how quickly the federal fuel tax might be ramped up to meet the needs identified, or whether other options might be sought such as customs fees, freight fees, etc. Both the Commission's report and AASHTO's 2007 Report *Transportation: Invest in Our Future. Revenue Sources to Fund Transportation Needs* identify a variety of potential funding methods.

The Commission report also addresses the potential role to be played by the private sector through public-private partnerships. Recognizing that achieving the documented investment needs will require significantly more investment from state and local governments, as well as the private sector, the report recommends new flexibility for tolling and pricing. Tolling currently accounts for about five percent of total highway-related revenues, but about 30 to 40 percent of new "high-end" road mileage. Even the most optimistic forecasts project that this revenue source would only meet seven to nine percent of investment needs nationally in the future. So while these revenue tools will be a valuable tool to assist state and local governments in meeting future needs – they are no substitute for a continued federal role.

AASHTO applauds the Commission's call for increased flexibility for tolling, pricing and public-private partnerships, and urges that Congress make the full array of options available to state and local governments.

Immediate Action Needed to Restore Solvency to the Highway Trust Fund

Turning to an immediate concern shared by AASHTO and the Commission, I strongly urge that this Committee work with the Senate Finance Committee to address the impending revenue shortfall in the Highway Trust Fund.

The Commission notes that both the U.S. Department of Treasury and the Congressional Budget Office project that by the end of FY 2009, the Highway Account of the Highway Trust Fund will have a negative balance of between \$4 billion and \$5 billion, if no corrective actions are taken. This shortfall could have tremendous repercussions for federal highway funding, forcing as much as a 40 percent reduction in the funding provided to the states if not resolved before October of this year. The potential loss of jobs and disruption of transportation improvements would be damaging to our fragile economy.

The Commission recommends, and state transportation departments concur, that legislation be passed this year to keep the Highway Account of the Highway Trust Fund solvent and prevent highway investment from falling below levels guaranteed in SAFETEA-LU. A number of options are available to address the shortfalls, but must be enacted soon if they are to produce the necessary revenues. We urge that you and your colleagues on the Senate Finance Committee act swiftly to avoid the potential negative impacts that even the threat of such a reduction will have.

The final aspect of the Commission report that we find significant is its "Call to Action." They call on the Congress: First, to create and sustain the pre-eminent surface transportation system in the world; Second, to bring about fundamental reform to restore

public confidence in the federal program; and third, to increase transportation investment to the levels needed to keep the U.S. competitive in the global economy and to assure a bright future for our children and grandchildren. Those are recommendations which we at AASHTO strongly endorse.

Conclusion

Mr. Chairman, the recommendations of the National Commission prompted a flurry of media coverage, focused primarily on the proposed federal fuel tax increase. But as a colleague recently observed, these recommendations cannot be captured in a sound bite or a headline. They are far-reaching and represent the best advice of a remarkable and dedicated group of transportation and industry leaders. We owe them our great appreciation for a job well done, and our thoughtful deliberation on concepts which can revolutionize the way we do business. We look forward to working with the Committee and with the Congress to build upon this report and to create the “pre-eminent surface transportation system” the report envisions and America deserves. Thank you.