Statement of the Transportation Departments of

Idaho, Montana, North Dakota, South Dakota, and Wyoming

before the

Subcommittee on Highways and Transit
Committee on Transportation and Infrastructure
United States House of Representatives
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presented by

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Mr. Chairman and Members of the Subcommittee:

Good morning. I am Jim Lynch. I am the Director and Chief Executive Officer of the Montana Department of Transportation. I appear today to present a joint statement on behalf of my own department and four additional state transportation departments -- those of Idaho, North Dakota, South Dakota, and Wyoming. We (the five departments) appreciate the opportunity to testify before the Subcommittee today.

Today's hearing is entitled "Connecting Communities: The Role of the Surface Transportation Network in Moving People and Freight." We believe that the "network" of Federal-aid highways, much of which is in rural America, plays a crucial role in tying the nation together, facilitating movement of people and goods. We commend the Subcommittee for recognizing the importance of this topic.

Overview and Summary

The entire nation, including residents of major metro areas, will be well served by strong Federal investment to improve surface transportation infrastructure in and across rural states like ours, ensuring a strong, interconnected national transportation system. We recognize that there are needs throughout the country. This nation must increase investment in transportation infrastructure to remain competitive in the global economy, as other nations step up their investments in transportation infrastructure. Even within that larger context, however, investments in rural states like ours serve important national interests. Let us explain.

Benefits

Federal-aid highways in our states, not just those on the Interstate and National Highway Systems --

- serve as a bridge for truck and personal traffic between other states, advancing interstate commerce and mobility;
- provide access to scenic wonders like Yellowstone National Park and Mount Rushmore;
- enable agricultural exports and serve the nation's ethanol production and energy extraction industries, which are located largely in rural areas;
- have become increasingly important to rural America, with the abandonment of many rail branch lines;
- are a lifeline for remotely located and economically challenged citizens, such as those living on tribal reservations;
- enable people and business to traverse the vast tracts of Federally owned land that are a major characteristic of the western United States; and
- facilitate military readiness.

In addition, the scope of the Federal-aid system, extending beyond the NHS, enables enhanced investment to address safety needs on rural routes.

Further, Federal investment in rural transit helps ensure personal mobility, especially for senior citizens and the disabled, connecting them to necessary services.

Funding and Financing Challenges; Tolls Are Not an Answer for Us

Our states face severe transportation infrastructure funding challenges. We can't provide all these benefits to the nation without Federal funding leadership. We –

- are geographically large;
- have large tracts of Federal lands within our borders;
- have extensive highway networks; and
- have low population densities.

This means that we have very few people to support each lane mile of Federal-aid highway.

With our low population and traffic densities, tolls are not an answer to funding transportation needs in rural areas. A continued strong Federal funding role is appropriate.

Let us also mention, Mr. Chairman, that the national interest in investing in transportation in rural states, and the difficulties those states face in financing transportation infrastructure, were recognized in the interim report of the National Surface Transportation Infrastructure Financing Commission (released in February 2008). On page 8 of that report the Financing Commission noted that:

- rural transportation infrastructure “enables the movement of people and goods between large metropolitan areas and across the country”;
- rural transportation infrastructure “can place a significant burden” on rural state and local governments;
- “improving safety on rural roads continues to be a major challenge”;
- “funding of transportation in rural areas is particularly challenging”; and
- “low population density and low traffic volumes in rural areas appear to make some forms of direct charges problematic.”

We are pleased that the Financing Commission has recognized that we face these challenges.

Our statement addresses the above issues in some detail and also addresses a number of other concerns. Those include: the importance of increasing Federal transportation infrastructure investment, particularly given the impact of construction inflation; trying to facilitate project and program delivery; some program structure issues; and our openness to new ways of financing Federal transportation investment, provided that they enable rural as well as urban states to benefit to an appropriate degree. We particularly note our support for the Build America Bonds proposal that has been introduced by Senator Wyden, along with Senator Thune and others.

We now turn to our more detailed discussion.

Discussion

Bridge States Serve a National Connectivity Interest For People and Business

Highway transportation between population centers in different regions of the country requires good roads to bridge the often vast distances between origins and destinations. This connectivity benefits the citizens of our nation’s large metro areas because air or rail may not be the best option for particular movements of people or goods across the country from, for example, Chicago to Portland, or Seattle to Minneapolis. The many commercial trucks on highways in states like Idaho, Montana, North Dakota, South Dakota and Wyoming demonstrate every day that people and businesses in the major metropolitan areas benefit from the nation’s investment in arterial highways in rural states.

The most recent FHWA data on truck origins and destinations confirm this. The data show that the percentage of truck traffic using highways in our respective states that does not either originate or terminate within the state is well above the national average. For Wyoming the percentage was 77.1; South Dakota, 68.2; Montana, 62; North Dakota, 59.4; and Idaho, 53.2. The national median for states is approximately 45 percent. Clearly, trucking in our states is largely “long haul” and serving a national interest. Moreover, in Wyoming trucks account for 60 percent of current traffic on I-80.

So, the NATIONAL interest in facilitating interstate commerce and mobility is clearly served by good highways in and connecting across rural areas. And we cannot take these roads for granted. Many of them need now, or soon will need, expensive reconstruction. So, significant additional Federal investment is needed to meet that national interest.

Moreover, this national interest bridge state and connectivity function is advanced by the entire network of Federal-aid highways, not solely by Interstate and National Highway System routes. This is consistent with the report of the National Surface Transportation Policy and Revenue Study Commission, which recommended a continued commitment to the entire network of Federal-aid highways (see e.g., pages 7 and 17 of that report).

Tourism Access

Without a strong road network in the rural West, access to many of the Nation's great National Parks and other scenic wonders would be limited. The residents of major metropolitan areas may travel the roads approaching Yellowstone National Park or the Mount Rushmore National Monument infrequently. But those citizens want quality highway access to these national treasures for those special trips. Millions of those special trips are made even though the roads leading to the parks are fairly distant from the Interstate System. For example, in 2006 visitors to Yellowstone, Glacier, and Grand Teton National Parks totaled 9,661,000. The entire population of Wyoming and Montana combined is less than 1.5 million. Moreover, investment in such highways also helps ensure that American and international tourism dollars are spent in America. Clearly, providing quality highway access to such attractions warrants Federal funding support.

Essential Service to Agriculture, Natural Resources, Energy

A significant portion of the economy in our region is based on agriculture, energy production, and natural resource extraction. Agriculture is one sector of the economy in which the United States has consistently run an international trade surplus, not a deficit. Over the last two decades roughly 30 percent of all U.S. agricultural crops were exported.

There is a strong national interest in ensuring that agricultural and resource products have the road network that is needed to deliver product to markets, particularly export markets. A key part of that road network is the roads below the National Highway System, where crops and resources begin their journey from point of production to destination.

In addition, the growing ethanol and alternative fuel industry, as well as oil, natural gas, and coal reserves, are located mostly in rural America and not on Interstate highways. These industries are an important part of the national effort to reduce dependence on foreign oil.

The Federal Highway Program Should Continue to Provide Funding for Interstates, the NHS, other Arterials, and Major Collector Routes.

Under this long-standing statutory policy, approximately 24 percent of the Nation's over four million miles of public roads are eligible for Federal aid. This strikes a good balance, focusing the Federal program on the more important roads, but not on so few roads that connectivity and rural access are ignored. We emphasize that non-NHS Federal-aid roads are an important part of the network of Federal-aid routes. These roads make up approximately 20 percent of total road miles in the nation and carry over 40 percent of the traffic nationwide. These routes provide an important link between the NHS and local roads and streets. Moreover, these routes represent efficient investments by ensuring that regions are connected to the NHS without a disproportionate number of expensive Interstate or NHS lane miles.

Attached to our prepared statement is a map that shows the huge gaps between NHS routes in our states. This illustrates how important it is to support routes in addition to the NHS in order to ensure national connectivity and access.

In many parts of rural America air service and passenger rail service are hundreds of miles away and not a viable option. For those parts of our country the road network is a lifeline, making it essential to preserve the Federal-aid network in good condition. Some of the citizens most in need of a lifeline of Federal-aid highways are some of our nation's poorest and most remotely located citizens, including some living on Indian reservations.

Further, over the last two or three decades tens of thousands of rural rail branch lines have been abandoned. Over that time, Class I railroads have shed over 100,000 route miles. While some former Class I miles are still operated by smaller railroads, many rural areas must rely more heavily on trucks for important commerce needs. In turn, that means the road network has become even more important in meeting those needs, such as delivering crops to grain elevators or moving raw products to, or finished products from, ethanol production facilities.

In addition, we have seen data from the U.S. Bureau of Economic Analysis indicating that manufacturing and retail trade grew relatively faster in non-metro areas than in metro areas during the 1990s. This reinforces that the broader highway network remains important to supporting non-services investments that occur outside of metro areas.

For these and other reasons, now is not a time to reduce the extent of the road network eligible for Federal funding.

Safety Needs

There has been increased attention in recent years, including in SAFETEA-LU, to the national interest in improving safety on rural roads. More than two-thirds of all roads in the U.S. are located in or near areas with populations of less than 5,000. Approximately 70 percent of Federal-aid highway lane miles are in rural areas. In 2002, 60 percent of highway fatalities occurred on rural roads and, of those fatalities, 41 percent occurred on two-lane roads. Similarly, a 2001 GAO Report found that, on rural major collectors, the fatality rate per 100 million vehicle miles traveled (VMT) was over three times the comparable fatality rate on urban freeways. The most important of these rural roads are eligible for Federal funding.

In SAFETEA-LU Congress created a rural roads set aside within the highway safety improvement program. For rural states like ours, a set aside was and is not necessary. We are always making significant investments in rural roads. However, we would not be able to make the same level of investments but for the Federal aid eligibility reaching below the NHS. It is important to continue to provide Federal funding to improve and address deficiencies on these routes.

Large Parcels of Federal Land Warrant Federal Transportation Investment in Impacted States

There are huge parcels of Federally owned land in the West. Idaho, for example, is over 60 percent Federal and tribal lands; Wyoming, over 50 percent. Your state, Mr. Chairman, is similarly situated.

Development or use of Federal lands is either prohibited or limited, and state and local governments can't tax them. Yet, the nation's citizens and businesses want a reasonable opportunity to be able to cross those lands and have access to them. This is an expensive transportation proposition for sparsely populated states. Significant investment of transportation dollars by the Federal government has been and remains a proper response, both in terms of apportionments to low population density states and in terms of direct Federal programs generally referred to as the "Federal Lands Programs."

Distinct from apportionments to states, the Federal highway program has long included separate funding for Indian Reservation Roads and highways on Federal lands and in national parks. These are lands with no private ownership (except perhaps small inholdings). While there are national parks, other public lands, and tribal territories throughout the country, it is fair to say that the Federal public lands highway programs probably never would have been developed but for the large Federal and tribal land areas in the West. We were pleased that the Policy and Revenue Commission's report recommends continuation of Federal Lands highway programs. The Federal lands highway programs should be continued and their underlying needs met.

Public Transportation

Public transportation is not just for big metro areas. It plays a role in the surface transportation network in rural states. Amtrak's "Empire Builder" provides an important option for long distance travel across the northern part of our country, to and from some of our nation's isolated communities. This link to the rest of the country is particularly crucial for areas with little or no air service.

The Federal transit program includes apportionments for rural transit. Transit service is an important, sometimes vital, link for citizens in small towns to get to the hospital or clinic as well as to work or other destinations. Some rural areas are experiencing an increase in the age of the population. Public transit enables senior citizens to meet essential needs without moving out of their homes.

In SAFETEA-LU rural states like ours received a long needed boost in funding under the rural transit program (49 USC 5311). We assure you that in our states those funds are being used and are helping keep people -- including many senior citizens and disabled individuals -- connected to essential and other services.

In short, Federal public transportation programs must continue to include funding for rural states and not focus entirely on metropolitan areas.

Additional Benefits

This national road network provides other benefits that may be hard to quantify. For example, without the option of using Interstate and arterial roads across the rural West and Midwest, rates for some air and rail transportation movements could be higher.

National Defense. One of the original reasons for the Interstate System was to support prompt movements of military personnel and supplies. Some military facilities are well outside of metro areas and on roads off the NHS. A strong system of Federal-aid roads in rural areas, as well as metropolitan areas, continues to support efficient military movement and provides access to major Federal facilities in outlying areas, whether military or otherwise.

Funding and Financing Considerations

Rural States Face Serious Obstacles in Preserving and Improving the National Highway and Surface Transportation Network

Our rural states face a number of serious obstacles in preserving and improving the Federal-aid highway system within our borders. Our states:

- are very rural,
- are geographically large,
- often contain large tracts of Federal lands,
- have low population densities, and
- have extensive highway networks.

Taken together, this means that, in our states, there are very few people to support each lane mile of Federal-aid highway. In South Dakota, for example, there are about 19 people per lane mile of Federal-aid highway, in Idaho 60, in North Dakota 16, in Montana 29, and in Wyoming 29. The national average is approximately 128 people per lane mile. This alone indicates that our citizens have limited ability to pay for the national network connectivity that benefits the entire nation.

In addition, the per capita contribution to the Highway Trust Fund attributable to our states exceeds the national average. The national average per capita contribution to the Highway Account of the Federal Highway Trust Fund is $109 per person. For us, the levels are: Montana $156, North Dakota $161, Idaho $119, South Dakota $150, and Wyoming $312. This reflects that VMT per capita in our states is also above the national average, in part because of the relatively greater distances our citizens drive. In addition, rural states and areas generally have per capita incomes below the national average even as they make these contributions to the Highway Trust Fund.

These factors make it very challenging for rural states to provide, maintain, and preserve a modern transportation system that connects to the rest of the nation and to global markets and economic opportunities -- even with Federal funding at today's levels. And our citizens must contribute not just towards capital investment, which is partially funded by the Federal program, but also to maintaining Federal-aid highways, which is solely a state expense.

Accordingly, to achieve the important benefits of a truly national, interconnected highway and surface transportation system, the Federal highway program must provide substantial funding for the Federal-aid road network in rural states.

Tolls Are Not a Viable Option to Funding Transportation Needs in Rural States

Our states' highways do not have the traffic densities to make tolling a viable option (with the remotely possible exception of a few routes). We can't raise much money through tolling given our traffic densities. Furthermore, the administrative and collection costs per user would be much, much higher than in the case of toll facilities in densely populated states. Nor would it be theoretically sound (and we emphasize that this is all theory in states like ours) to try to raise money through tolls despite low traffic densities by attempting to set tolls at a high rate. That approach would simply divert traffic to lower classification, untolled routes, especially as rural populations generally have below national average incomes. So, for many reasons, tolling in rural areas would not be efficient or an effective means of raising revenue for roads.

So, tolls should not be a component of recommendations for Federal funding and financing policies intended to provide direct help in meeting surface transportation needs in rural states. Any national response to surface transportation investment needs that relies heavily on tolling is likely not responsive to needs in our states.

We believe that strong Federal funding leadership is essential to maintaining and improving a national interconnected highway and surface transportation network that meets the needs of people and business, particularly for travel in and across states like ours.

Our Needs Are Large and Inflation Has Made it Much Harder to Meet Our Needs

Mr. Chairman, we know that this Committee has heard testimony on needs and construction inflation. But the effort to meet needs is so important that we want to add some facts from our perspective that we hope will help fill out the picture that you already have.

We can assure the Committee that rural states' needs for highway investment and maintenance exceed available combined Federal, state and local resources by a wide margin. This investment gap has grown in recent years due to inflation in transportation construction that has far exceeded increases in the consumer price index.

In Montana we experienced an increase in costs for awarded bids of 22 percent from mid 2005 to late 2006. In Wyoming, WYDOT measured overall construction cost increases as an astonishing 62 percent for 2005 and 41 percent for 2006.

In Idaho the cost of aggregate for base increased from $7.07 per ton in 2003 to $14.32 per ton in 2005, more than doubling in two years. Also in Idaho, bridge deck concrete increased from $298 per cubic yard in 2003 to $784 per cubic yard in 2005, an average increase rate of 81.5 percent annually. In North Dakota the state’s index of construction materials costs rose 63 percent from 2001 to 2008 and 47 percent from 2005 to 2008. In South Dakota gravel cushion increased 43 percent from 2005 to 2007.

These increases have caused state transportation departments to push projects out into the future, as short term budgets cannot cover as much work as originally estimated. When states do that, the dollar level of future unmet needs grows.

Moreover, the price of oil, which is closely related to asphalt prices, has gone up dramatically. In August 2005, when SAFETEA-LU was passed, the price per barrel was around $59. After recent price increases, the price per barrel as we were finalizing this testimony was around $135. These recent increases will put upward pressure on the cost of asphalt that is not yet reflected in our data.

Program levels have not risen with inflation and, even with our efforts to be efficient, future needs are building up.

Direct Pricing Should Not Be Used to Drive Down Estimates of Rural States’ Needs

We want to make one more point about our needs because it relates to this often-discussed matter of tolling. The Policy and Revenue Commission report set forth estimated needs in a “range” because there was a view that if there were some type of direct pricing of some highway and other transportation assets, capital needs would be lower.

As noted above, tolling is not a practical option in rural areas. So, even assuming for discussion purposes that increased pricing of roads may reduce surface transportation investment needs levels in large metro areas, that variable should not be used to reduce estimates of needs on the Federal-aid system in rural states like ours.

As we have said, we have substantial needs in rural states and believe that, in the national interest, strong Federal funding is an appropriate response.

Continue the Highway Trust Fund

Continuing the Highway Trust Fund (HTF) and the current sources of revenue into the HTF is a starting point. Those revenue streams should not be removed.

We also support some adjustments to the current HTF system that should increase revenue. For example, the cost of current exemptions from the payment of taxes into the HTF should be borne by the General Fund of the Treasury, not by the Highway Trust Fund. This kind of modest adjustment to the current Highway Trust Fund regime has been discussed over the last year as part of the vitally important effort to address the projected FY 2009 shortfall in the Highway Account. But such adjustments are also essential as part of the effort to meet post-SAFETEA-LU highway and transit needs. Every bit helps.

Federal Bonding Proposals

We are very supportive of the “Build America Bonds” proposal, S. 2021, introduced by Senator Wyden with Senator Thune and others. This Federal tax credit bond proposal represents a new way to increase Federal surface transportation investment – by $50 billion over a 6-7 year period. It would also increase state investment, as states contribute the non-Federal match that the bill would require as a condition for accessing the funds. The proceeds would be used to invest in capital transportation projects selected by the states. The program is structured so that all states would receive at least some transportation funding.

Many have said the nation needs a combination of funding tools to meet its large transportation needs. S. 2021 is an extremely attractive approach that deserves to be part of the solution.

We are aware of other bonding proposals but are not clear that they would help in meeting transportation needs in our states. The infrastructure bank proposal (H.R. 3401), for example, includes high project cost minimums and leveraging provisions that may make it difficult for infrastructure in states like ours to benefit from bond proceeds.

One of the strengths of the current system is that all states benefit. As we think outside the proverbial box for additional ways to meet transportation infrastructure needs, we should strive for approaches that will benefit all parts of the country.

Some Comments on the Structure of the Federal Program

The Highway Program Should Continue to Be a Federally Assisted State Program and Should Direct an Increased Percentage of Program Funds to the States.

The future Federal highway program should continue to distribute the vast majority of funds to the states. States should continue to deliver the program and select projects within their respective borders based on their superior knowledge of needs within their borders. This is a partnership that has worked well. In the future, the percentage of overall Federal highway program funds apportioned to the states should be increased, and the percentage of overall program funding directed to Federal “off the top” programs or projects should be reduced.

Cost to Complete Concept is Highly Problematic

We are concerned about the prospect of distributing funds on a “cost to complete” basis, something suggested by the Policy and Revenue Commission report. The Big Dig in Boston was originally a cost to complete project. The Federal Government came to recognize that it needed to cap its financial exposure to that project. The cost to complete approach could well encourage the inclusion of expensive features in already expensive urban projects, thereby proportionally deemphasizing the investment in the highway network across and in less expensive rural areas. Certainly, if one wants to encourage completion of projects in an efficient and cost effective way, cost to complete is inherently counter to that goal. This highly problematic concept should not be advanced any further.

While Maintaining Eligibility for Arterials and Major Collectors, We Would Increase the Percentage of Overall Program Funding Dedicated to the Interstate System.

With the high costs of reconstructing Interstate routes looming, and given the importance of these routes to interstate commerce, we are comfortable with the notion that a higher percentage of apportioned funds should be for these highways, provided that the overall percentage of the program apportioned to states increases, or at least does not decline. We also would increase the base Federal share of non-Interstate NHS projects to 85 percent, to reinforce the importance of the NHS. Further, any increase in the proportion of funds dedicated to the Interstates should not be at the expense of other traditional programs with broad eligibility, such as NHS, bridge, or STP.

We see providing added funding emphasis to the Interstate System as the right way to respond to calls by some for more emphasis on roads that are important to freight. The Interstates are critically important to freight. Creating a new list of designated routes or corridors, selected by USDOT, to be part of some new dedicated Federal freight highway program, does not strike us as constructive. We prefer state-based project selection, funded through apportionments, with emphasis determined through the state and MPO planning process.

In general, we believe a lot can be done to improve the nation's surface transportation infrastructure by routing more funds through the core categories in today's highway and transit programs. The big obstacles to success have been inflation and project delivery process. With recent levels of inflation, it is hard to deliver as many good projects as all of us would like, no matter how efficient we are.

Reduce, Don't Add to Regulatory and Program Burdens

The Federal highway and transit programs are not simple. An enormous amount of planning is required to deliver projects and programs. We are confident that project delivery time can be reduced, consistent with environmental protection. We recognize that this issue is often discussed in the abstract, so we'll try to be more specific.

Fiscal constraint. "Fiscal constraint," an aspect of the Federally required planning process, is more burdensome than it should be. The idea behind a fiscal constraint requirement was a straightforward one -- that states and metropolitan planning organizations should not plan to build a list of projects when there is not enough money available to support those projects.

A fiscal constraint concept could have been implemented by requiring a simple certification by a state or MPO to USDOT that fiscal resources were considered in developing plans. Instead, ensuring that a STIP or TIP is fiscally constrained has evolved into a complex and sometimes frustrating process that involves USDOT approval of requests to update transportation improvement plans to reflect modestly changed circumstances. This is not needed. We can't spend what we don't have. We don't need considerable USDOT supervision to confirm that.

Performance and Cost Benefit. We note that the Policy and Revenue Commission report made reference to "performance." We all want to perform well and, frankly, we have to. But we are concerned that "performance measures" legislation could, in practice, breed Federal regulations and processes that would restrict state choice and/or complicate and delay program implementation. Congress should recognize that state DOTs are already closely scrutinized by their legislatures, Governors and stakeholders and that they are already doing what they can with available resources. The next authorization bill should not add features to complicate the program.

Similarly, that Commission spoke of cost beneficial investment. We do not know what would be entailed in determining whether an investment in a surface transportation asset is more beneficial than its costs. That could be very difficult and contentious to define and apply. Some would disagree as to whether particular items are costs or benefits!

We see such definition as unnecessary. We operate today in an environment where state transportation departments are highly accountable to many important entities – as well as the traveling public. We have to pursue effective and beneficial use of scarce funds all the time. We are already working hard for maximum effectiveness within the program contours. We are concerned that this suggestion could become an additional Federal regulatory requirement. Moreover, we can imagine implementation paths for such an approach that could handicap investment in rural areas and give inadequate recognition to interconnectivity benefits.

Multiple Masters and Missions. In the Senate's recent debate on climate change legislation we noted a proposal for a requirement that, as a condition for receipt of transit funds that would be produced under a proposed "cap and trade" system, "an integrated State-wide transportation plan" must be "certified" by EPA as "consistent with the purposes of this Act." This seems to indicate substantive review by EPA of state project selection to achieve what EPA would determine to be consistent with broadly worded statutory purposes. In the states as well as the Congress there is always concern that state DOTs do as much as they can with the funds that are available, as promptly as possible. Proposed new processes, standards, and new decisionmakers (in addition to USDOT) would not make this task easier.

Conclusion

For all of the above reasons, we consider it essential that the Congress significantly increase Federal investment in highways and surface transportation, particularly in rural states. Among those reasons is the preservation and improvement of an interconnected national highway and surface transportation system that benefits residents of metropolitan as well as rural areas.

At this point, I'll be pleased to respond to questions though, to the extent that the discussion goes beyond the positions we have addressed in writing, I don't want to suggest that I can speak for other than my own department.

The transportation departments of Montana, Idaho, North Dakota, South Dakota, and Wyoming thank you for providing the opportunity to appear before you today.

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One page map attached

Interstate and Non-Interstate National Highway Systems – in MT,ID, SD, ND and WY
Federal-aid System is Critical for Connectivity