S. HRG. 110–1238

PERSPECTIVES ON THE SURFACE TRANSPORTATION COMMISSION REPORT

HEARING

BEFORE THE

COMMITTEE ON ENVIRONMENT AND PUBLIC WORKS UNITED STATES SENATE

ONE HUNDRED TENTH CONGRESS

SECOND SESSION

FEBRUARY 6, 2008

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ONE HUNDRED TENTH CONGRESS
FIRST SESSION

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PERSPECTIVES ON THE SURFACE TRANSPORTATION COMMISSION REPORT

WEDNESDAY, FEBRUARY 6, 2008

U.S. SENATE,
COMMITTEE ON ENVIRONMENT AND PUBLIC WORKS,
Washington, DC.

The full committee met, pursuant to notice, at 10 a.m. in room 406, Dirksen Senate Office Building, Hon. Barbara Boxer (chairman of the full committee) presiding.

Present: Senators Boxer, Warner, Carper, Cardin, Sanders, Whitehouse, Voinovich, Isakson, Vitter, Barrasso, Craig, Alexander

OPENING STATEMENT OF HON. BARBARA BOXER, U.S. SENATOR FROM THE STATE OF CALIFORNIA

Senator BOXER. The hearing will come to order.

We are not going to have opening statements, because this is really a continuation of our last hearing. So unless Senator Inhofe has a few remarks when he arrives, if it is all right, we will just get right to this hearing. Because last week, we heard testimony from members of the National Surface Transportation Policy and Revenue Study Commission regarding their released report. And commissioners who really, we were so impressed with their dedication to this task. They spoke about the need for significant investments in our Nation's infrastructure, surface transportation system and also fundamental reform of Federal transportation projects. And the Commission called for the Federal Government to take a lead role in addressing these challenges facing our Nation.

Again, I wanted to thank the Commission, and I know Secretary Peters, you served on it, you did not sign on at the end of the day to the recommendations, is that correct? OK. But I really do want to thank you, for all of the time and effort that you spent working with the Commission. Because I know you, and I know that, I am sure you were an excellent resource for them and enabled them to get their work done.

So there were several recommendations on which all 12 commissioners did agree. I am going to ask you about those. And also on the second panel, we will hear from representatives of the States, the business community, the highway users as well as the GAO regarding their views on the Commission's recommendations. So with that, unless Senator Inhofe is here to make a couple of statements, we will start with you, Hon. Mary Peters. Thank you so much, and the floor is yours.

[The prepared statement of Senator Inhofe follows:]

STATEMENT OF HON. JAMES M. INHOFE, U.S. SENATOR FROM THE STATE OF OKLAHOMA

Thank you Madame Chairman. As I said in last week's hearing, anticipation for the Commission Report has been high. We must recognize that our nation's transportation needs have outgrown our current transportation policy. The link between a robust economy and a strong transportation infrastructure is undeniable; yet when it comes to other spending needs in the Federal Government, transportation is often neglected as a priority. As we move into reauthorization in 2009, it is the responsibility of Congress to continue to ensure that American's receive a full and effective return for the fuel taxes they paid into the Trust Fund. The results of the Commission's study will be an important part of those deliberations.

First, I want to point out that although Secretary Peters along with two other Commissioners voted against the final report, there was much agreement on most of the policy recommendations. For the most part, all the Commissioners found agreement on the vast and unmet needs of our nation's transportation network, but where they differ is in how to pay for it. I have long advocated for a decreased Federal role, which I believe allows for greater flexibility for states to manage their own transportation funding priorities. It would appear those who wrote the dissenting views concur.

Public Private Partnerships or PPPs are a great example of innovative funding ideas we will need to encourage States to explore. When I was Mayor of Tulsa, we did several PPPs and were able to better leverage scarce public funds to accomplish many good projects. To date, our thinking on funding highways has been too limited. We need to acknowledge there are other options. Certainly, no one should assume that PPPs are the magic bullet, this type of financing is not appropriate in all cases, but it is certainly something that must be explored further by States and frankly this Committee. There are several larger policy issues that I think need to be discussed, such as the length of leasing options and whether there should be any restraints on how States use lease payments. Finally, before development of these long term lease agreements become more widely used, we should thoroughly examine the consequences of foreign investment in these leases. Many argue that the consequences of foreign investments is minimal since the asset is fixed, I would tend to agree; however some concerns have been raised about of the loss of possible future State tolling revenues when tolling proceeds are diverted outside the United States. There is still much to learn about these lease agreements, and although I support them in principle, I consider them only part of the solution to the highway financing shortfall.

I think the important lessons to take from the report are that if we don't take dramatic action, growing congestion and deteriorating pavement conditions will choke the US economy. I am glad that there is consensus among the commissioners that modal specific decisions and the current program structure are outdated.

Finally, I have to comment on the proposed financing mechanism. I believe increasing the Federal fuel tax by the amount proposed in the final report is neither politically viable nor economically sound. Furthermore, I am not convinced it is necessary. Certainly, given the balances in the Highway Trust Fund, an increase in the fuel tax must be considered, but not to the level that is proposed. I had hoped that the Commission would have considered in more detail alternative financing mechanisms that could eventually replace the fuel tax as the primary method to collect revenue for transportation. As vehicles become more fuel efficient, the existing funding model of paying per gallon of fuel will not be effective.

Again, I appreciate your efforts and thoughtful recommendations and look forward to discussing them further with you.

STATEMENT OF HON. MARY E. PETERS, SECRETARY, U.S. DEPARTMENT OF TRANSPORTATION

Ms. PETERS. Madam Chairman, thank you so much. I do appreciate the opportunity to be here today and your courtesy in allowing me to also testify about the Commission report.

Over the last 20 months, the Policy and Revenue Commission met on numerous occasions, and we engaged in very widely ranging discussions addressing the Nation's current and future infrastructure needs. I believe the time has been well spent, and I value and appreciate, as you mentioned, the contributions by all of my fellow commissioners.

Although I did disagree with a number of the central elements of the Commission's report, that disagreement in no way detracts from my respect for my colleagues on the Commission. They are to be commended for their hard work and their dedication.

This week, the Administration released its Fiscal Year 2009 budget. This budget funds the final year of the $286.4 billion SAFETEA-LU authorization. It is clear that we are just limping across the finish line when it comes to funding. The Highway Trust Fund's short-term future is unclear, and the long-term prospect is in serious jeopardy. This highlights, I believe, the significant demands that we are facing in the future and that our current policies do need a new direction.

We are focusing at this time on better air quality, a reduction in our dependence on foreign oil and increased fuel efficiency. So it is short-sighted, in my opinion, to continue to depend on fuel taxes as the primary method of funding surface transportation. It simply is not a sustainable solution.

While we may not have reached complete agreement on the appropriate solution to surface transportation problems, I believe it is critical that we come together, chiefly this Committee, that will have such an important role in the next authorization, to agree on a common definition of the problem and recognizing that fundamental change is required.

I, like some of you, have spent many years working in this field. I have concluded that the central problem in transportation is not how much we pay for transportation, but how we pay. Our current transportation funding, an indirect user fee, provides the wrong incentives and signals to both users and owners of the system. It results on the over-use of the system, especially during peak periods of time.

In fact, I believe that the chronic revenue shortfalls we face are more a symptom of the problem than the cause of the problem. Americans overwhelmingly oppose gasoline tax increases. And they do that because real world experience tells them that it doesn't provide a benefit to them. This is evidenced by a failure in our system performance.

Over the last 25 years, despite substantial increases in Federal, State and local transportation spending, much of it from fuel taxes, we have witnessed a rapid growth in highway congestion. In the last 25 years, highway funding has increased 100 percent; yet congestion over that same period has increased 300 percent. This systemic failure is impacting our families, our businesses, our ability to compete in a global marketplace and of course, our environment.

Americans have become increasingly disgruntled about the declining performance of their transportation systems, but they are unwilling to support transportation-related tax increases. Some in the transportation field argue that we have simply failed to communicate the importance of the transportation system to the average American. To me, however, and to other observers, this represents a failure in public confidence and traditional approaches. Public opinion surveys confirm this view.

A recently released survey out of Washington State found that voters preferred high-speed variable tolling to gas tax increases by 77 to 17 percent. This survey is consistent with a number of others conducted across the United States that have found a deteriorating support for gas taxes and a growing support for direct user charges.

I agree with those who call for greater Federal leadership, as the Commission report does. But I do not, however, concede that the Federal leadership simply implies a substantially greater Federal spending at 40 percent of the total and dramatically higher fuel taxes. In fact, I believe it is far more critical that the Federal Government establish clear policies, provide appropriate incentives and allocate revenues more efficiently than it is for a substantial increase in the Federal spending to occur. It is essential that we on the Federal level work together and demonstrate this kind of leadership.

I truly believe that there has never been a more exciting time in the history of transportation. We are at a point where meaningful change is not only conceivable, but it is actually being implemented in various parts of the United States. We have before us collectively a tremendous opportunity to make significant changes, changes that will reverse the substantial performance declines in our Nation's transportation infrastructure to the benefit of American businesses, American families, and our competition.

I thank this Committee for the opportunity to testify today. I look forward to answering your questions. But mostly, I look forward to working with you toward the next surface transportation organization.

Thank you so much.

[The prepared statement of Ms. Peters follows:]

STATEMENT OF
THE HONORABLE MARY E. PETERS
SECRETARY OF TRANSPORTATION
BEFORE THE
COMMITTEE ON ENVIRONMENT AND PUBLIC WORKS
UNITED STATES SENATE
FEBRUARY 6, 2008

Chairman Boxer, Ranking Member Inhofe and Members of the Committee, I appreciate your courtesy in allowing me to testify this morning.

Let me begin by saying, over the last 20 months, the Policy and Revenue Commission met on numerous occasions and engaged in wide ranging discussions to address the Nation's current and future transportation needs. I believe this time has been well spent, and I value and appreciate the contributions by all of my fellow Commissioners. Although I fundamentally disagree with a number of central elements of the Commission's Report, that disagreement in no way detracts from my respect for my colleagues on the Commission. They are to be commended for their hard work and dedication.

This week, the Administration released its Fiscal Year 2009 budget, which funds the final year of the $286.4 billion SAFETEA-LU authorization. It's clear that we are crawling across the finish line, with the Highway Trust Fund 's short term future unclear and its long term future in serious jeopardy. This highlights the significant limitations in our current policies and it demands a new direction. It is shortsighted to continue reliance on an excise tax increasingly battered by such factors as increased fuel efficiency, higher air quality standards, and fluctuating foreign oil prices.

Given the severity of our transportation challenges and the effect on our economy and quality of life, it is imperative that we strive to reach a bipartisan consensus on the nature of these challenges. While we all may not be able to reach complete agreement on the appropriate solutions to our surface transportation problems, we must come together and agree on a common definition of the problem, recognizing that fundamental change is required.

I have spent many years working in this field, and I have concluded that the central problem in transportation is not how much we pay for infrastructure, but how we go about paying for it. Our current transportation policies provide the wrong incentives and signals to both users and owners of the system. In fact, I believe that the chronic revenue shortfalls we face are more a symptom of the problems than the cause.

Americans overwhelmingly oppose gasoline tax increases because real world experience tells them they are ineffective. Over the past 25 years, despite substantial increases in Federal, State, and local transportation spending -- much of it from fuel taxes -- we have witnessed a rapid growth in highway congestion. In the last 25 years, highway funding has increased 100%, yet congestion over the same period has increased 300%. This systemic failure is impacting our families, our businesses, and our environment.

Americans have become increasingly disgruntled about the declining performance of their transportation systems, but they are also unwilling to support transportation-related tax increases. Some in the transportation field argue that we have simply failed to communicate the importance of transportation to the average American. To me and various other observers, this split represents a collapse in public confidence in traditional approaches. Public opinion surveys confirm this view. A recently released survey out of Washington State found that voters preferred high speed variable tolling to gas tax increases by 77 to17 percent. This survey is consistent with a number of others conducted across the United States that have found deteriorating support for gas taxes and a growing support for direct charges.

I agree with those who call for greater Federal leadership, as the Commission Report does. I do not concede, however, that Federal leadership simply implies substantially greater Federal spending and dramatically higher fuel taxes. In fact, it is far more critical that the Federal government establish clear policies, providing appropriate incentives and allocating resources more efficiently than it is for substantial increases in total Federal spending. It is essential that we on the Federal level work together and demonstrate this type of leadership.

I truly believe that there has never been a more exciting time in the history of surface transportation. We are at a point where meaningful change is not only conceivable, but is actually being implemented in various parts of the United States. In the past three years, scores of localities from every corner of the country have approached the Department seeking assistance with the development of innovative financing and operational strategies. In just the past 18 months, the majority of large U.S. cities have submitted proposals to DOT to reduce congestion by integrating technology, transit and variable tolling.

A major reform movement is now underway at the State and local level, and in order to ensure that the pace and scale of this movement increases, Federal transportation programs should be re-focused on two basic objectives. First, we should reward, not constrain, State and local leaders who are willing to stand up, acknowledge the limitations of our current policies and pursue fundamentally different strategies to financing and managing their transportation systems. The Federal government should be a partner, not an obstacle. Second, the Federal government's investment strategy should be completely re-written to emphasize the interstate system and other truly nationally significant priorities--including the escalating urban congestion that is choking our metropolitan areas--based on clear, quantitative parameters, not politically contrived ones.

Congress has before it a tremendous opportunity to reverse the substantial performance declines in the Nation's surface transportation infrastructure to the benefit of the hundreds of millions of Americans that depend on that infrastructure every day. In fact, Congressional recognition of the changing nature of our challenges should be the cornerstone of any reform effort. This will require us to be candid about our current circumstances, put aside special interest considerations and come to grips with the unsustainability of our current path.

Again, I thank this Committee for allowing me to testify and I look forward to working with you to address America's transportation challenges.

Responses by Mary Peters to Additional Questions from Senator Boxer

Question 1. You mentionsed in your testimony that that Administration's fiscal year 2009budget proposal funds the final year of the $286.4 billion SAFETEA-LU authorization, but the funding levels being proposed are approximately $2 billion below those called for in SAFETEA-LU. How can you claim to be meeting SAFETEA-LU funding levels if your 2009 budget proposal provides less that the SAFETEA-LU 2009 funding level?

Does the Administration believe additional spending for all programs should be offset by reductions in future years?

Response. The funding levels contained in the FY 2009 Budget are intended to honor the original agreement of SAFETEA-LU and keep the Highway Trust Fund solvent. To date, the original funding levels that were agreed upon under SAFETEA-LU have been increased by a net total of $2 billion. The budget includes proposals to align the total surface transportation funding levels with the original SAFETEA-LU agreement and maintains the $286.4 billion funding level.

Question 2. If Congress had not provided an additional $1 billion in the fiscal year 2008 Consolidated Appropriations bill for bridge replacement and rehabilitation, would the Administration have provided an additional $1 billion for highways in its fiscal year 2009 budget proposal? Does the Administration believe our nation's structurally deficient bridges do not need additional funding for repair and replacement?

Response. The FY 2009 Budget request fulfills the President's commitment to provide the six-year, $286.4 billion investment authorized by SAFETEA-LU. This level reflects overall funding for highway, highway safety, and transit programs from FY 2004 to FY 2009 and was the level agreed to for the reauthorization of these programs when SAFETEA-LU was enacted in 2005.

As good stewards of both the safety and the tax dollars of the American people, we need to carefully examine the criteria used to determine which bridges are repaired or replaced. Despite the misallocation of a substantial amount of Federal resources through uneconomic earmarking and the proliferation of special interest programs, the percentage of the Nation's bridges that are classified as "structurally deficient" has declined from 18.7% to 12.0% since 1994.

A necessary national conversation has begun concerning the state of the Nation's bridges and highways and the financial model used to build, maintain and operate them. Our transportation networks need improvement, but the challenge is not to simply spend more money. The key is to utilize Federal resources with an eye to the performance improvements that we urgently need. We need innovation and creativity. We should embrace real solutions, such as advanced technology, market-based congestion tools, private sector financing, and flexibility for State and local partners.

Question 3. In the Commission Report's Minority Views you cite an unpublished study that claims $120 billion in new revenues could be generated annually in 98 metropolitan areas if congestion pricing were utilized. If you are going to use a number like that, you must have estimates regarding how that revenue would be generated. What would the per day cost to individual motorists be in those 98 areas under this congestion pricing proposal? How would the revenue be generated and collected? What is the public acceptance of this proposal? Please provide a copy of the study.

Response. The study I cited was a paper by Clifford Winston and Ashley Langer entitled "Toward a Comprehensive Assessment of Road Pricing Accounting for Land Use" (which will be published this year in the Brookings-Wharton Papers on Urban Affairs and is attached here). Before addressing your question directly, it is important to provide some context about the study in question. The primary purpose of the Winston and Langer paper is to estimate the costs and benefits of congestion pricing accounting for the ways in which households respond to congestion pricing in the long run by changing their residential location, either to take greater advantage of faster road travel because of the toll or to reduce the out-of-pocket cost of the toll. Previous work did not account for this response and therefore may have underestimated the net benefits of road pricing.

The paper assumes that an optimal toll (i.e., where the toll is equal to the additional cost that motorists impose on the system) is implemented and allows motorists to adjust their vehicle-miles traveled and their residential location. The revenues would be collected by electronic tolling technology, with tolls varying over the course of the day to reflect changing traffic levels, just as tolls do now on SR-91 in Orange County and I-15 in San Diego. The authors calculate the vehicle-miles traveled after motorists adjust to the toll and multiply that by the optimal toll per vehicle-mile traveled, which produces the estimated $120 billion in annual revenues generated by congestion pricing. Other studies (described below) have obtained estimates of annual toll revenues that are of a similar order of magnitude.

The paper measures the benefits of congestion pricing as a result of travel time savings to motorists as well as the effect of the out-of-pocket costs of the toll on property values.

That is, when a toll (or, alternatively, a gas tax increase) is introduced, property values for some people will be reduced because out-of-pocket commuting costs are greater. However, congestion pricing enables people to get to work faster by using limited highway capacity much more efficiently. For many of the drivers who use the congestion-priced highway, the value of the time savings is great enough that their property values will rise, thereby offsetting some of the adverse impact of the tolls on property values for others.

On balance, for most drivers, the impact of the out-of-pocket costs on property values is likely to be greater than the impact of the time savings caused by congestion pricing. However, a comparable increase in the fuel tax does almost nothing to reduce travel times and thereby generates a direct loss in property values to motorists with little compensating benefit. The authors find that the imposition of congestion tolls nationwide would encourage some households to move closer to their workplace and in the process reduce sprawl and increase metropolitan density, which reduces the cost of public services.

Overall, net benefits from congestion pricing (the difference between total benefits and total costs) are $40 billion. While some people would be better off and others would be worse off (i.e., reductions in their property values are more than the value of their time savings and other benefits) as a result of congestion pricing, the $120 billion in revenue from congestion pricing could be used to reduce any losses to those made worse off. For example, investing those revenues in maintaining and expanding highway and transit infrastructure would benefit those who feel the time savings from congestion pricing are not worth the tolls paid. Targeted reductions in property taxes could be used to soften any reductions in property values.

Analysis conducted for the National Surface Transportation Policy and Revenue Study Commission (Commission Draft Briefing Paper 6C-04, "Revenue Implications of Scenarios: Highways," October 2007) and a report conducted by HLB Decision Economics for the U.S. Department of Transportation ("Road Pricing on a National Scale," March 14, 2005) support the Winston and Langer estimates of annual toll revenues. The Commission staff estimated congestion pricing revenues for the Commission's Scenario 2, "Travel Demand and Energy Efficiency," the only scenario evaluated by the Commission using congestion pricing. The Commission staff found that congestion pricing would yield revenues ranging from $69 billion to $128 billion per year, depending on the time period in which pricing is in place (i.e., 2020 - 2035 or 2020 - 2055) and the dollar amount of investment being made in the transportation system. The HLB Decision Economics analysis concluded that the revenues from congestion pricing would be between $84 billion and $105 billion annually. Neither of these two studies attempted to measure the impact of tolls, fuel taxes, or any other revenue source on property values.

The daily cost to motorists would vary with the distance the motorist commutes to his or her workplace, the time of day the motorist drives to work, the route the motorist takes, the time savings the motorist enjoys, and the effects on the motorist's property values. On balance, taking all these effects into account, motorists would be better off with congestion pricing. What they pay in tolls and changes in property values is more than repaid in time savings and improved transportation infrastructure. The exact nature of the total benefits, of course, depends importantly on how efficiently the government spends the toll revenues that would be generated. If spent efficiently on an improved transportation network, the public would have a less congested and properly maintained road and transit system that could be expanded to meet growing traffic. On the other hand, if the toll revenues (or fuel tax revenues for that matter) are spent inefficiently on projects that have costs that exceed their benefits, then the public will miss out on important congestion and safety benefits.

Public acceptance of road pricing is growing as indicated by several locales that have introduced or plan to introduce some form of road pricing. The most well-known examples are the High-Occupancy-Toll (HOT) lanes in Southern California, where solo travelers can pay a toll to travel in a carpool lane. A survey of public opinion surveys conducted in November 2007 for the Transportation Research Board by the research firm NuStats found that "in many parts of the U.S., a wide gap exists between elected officials' perceptions of what the public thinks about tolling and road pricing and what public opinion actually is." Summarizing their findings, the report said, "in the aggregate there is clear majority support for tolling and road pricing. Among all surveys, 56 percent showed support for tolling or road pricing concepts. Opposition was encountered in 31 percent of the surveys. Mixed results (i.e., no majority support or opposition) occurred in 13 percent of them."

Question 4. In 2005, tolls generated about $7.75 billion in highway revenues, which made up about 5 percent of total highway revenues that year. What percentage of total highway revenues do you anticipate tolls generating in the future? What is the basis for expecting that such tolls can be imposed?

Response. As I note in the minority view comments to the Commission report, "This [2025] timeframe is far too pessimistic from a technological and administrative perspective. It also fails to recognize the growing willingness of State and local leaders to experiment with different approaches. Replacement of fuel taxes by a variety of direct user charges (which can be varied by time of day, congestion, vehicle characteristics, and location depending on the policy objectives of the implementing jurisdiction), can and should be expedited as a matter of national policy. Given current technologies and international experiences, we believe that, within a decade, the vast majority of metropolitan areas in the U.S. could finance their transportation systems through direct user charges instead of indirect taxes."

As a recent report conducted for the Federal Highway Administration shows, tolls are growing far faster than gasoline taxes as revenue source for transportation in the U.S. In fact, we estimate that the majority of major new highway projects currently in

Recently, we have been talking about putting together an economic stimulus package to jumpstart the economy. I think our failure to invest in the improvements necessary to keep pace with our growing population and increasing demands is one of the roadblocks standing in the way of moving our economy forward. Investing in our nation's transportation could create hundreds of thousands of jobs and move our sluggish economy down the road to recovery. Manufacturing states, such as Ohio with a "just-in-time" economy, cannot be competitive with failing infrastructure where traffic congestion and bottlenecks in our rails and waterways is the norm. I am very encouraged that this report recognizes the link between our infrastructure and our ability to compete in the global market.

As Ranking Member of the Clean Air and Nuclear Safety Subcommittee, I am well aware of the important relationship between highway planning and air quality. I am pleased that this report emphasizes environmental stewardship and recommends more state flexibility on funding efforts to improve our air quality.

be a viable component of Federally funded metropolitan congestion reduction initiatives. Instead of pursuing a mode-specific approach to urban congestion, however, we need to focus on effective mobility strategies that are mode-neutral. A one-size-fits-all Federal approach is inappropriate given the diverse mobility needs of our major metropolitan areas. Instead, we should pursue a more effective integration of public transportation and highway investment strategies. In short, we should fund projects that are effective and responsive to the needs of transportation system users, not simply projects that happen to fall within a Federal programmatic category.

Other areas of Federal interest include:

- Investing in and fostering a data-driven approach to reducing highway fatalities;
- Using Federal dollars to leverage non-Federal resources;
- Focusing on cutting edge, breakthrough research areas like technologies to improve vehicle to infrastructure communications; and
- Establishing quality and performance standards.

Responses by Mary Peters to Additional Questions from Senator Carper

Question 1. The commission report recommended dedicating funding to passenger rail. Specifically, the Commission recommended that a new Federal ticket tax be levied on users of the intercity passenger rail service to supplement funding from fuel taxes and general funds. Do you agree that passenger rail is a key component to addressing our transportation challenges and that dedicated funding is needed? Do you support a federal ticket tax; if not what alternatives for funding intercity passenger rail would you propose?

Response. The Administration believes that a reformed intercity passenger rail system can play an important role in addressing our transportation challenges, particularly in heavily traveled intercity corridors. We do not support a Federal ticket tax for intercity passenger rail because such a tax would do little, if anything, to make current intercity passenger rail systems more responsive to the needs of travelers. Fundamental reform of our Nation's approach to intercity passenger rail should adhere to the five restructuring principles enunciated by former Secretary of Transportation Norman Y. Mineta:

- Create a system driven by sound economics.
- Require that Amtrak transition to a pure operating company.
- Introduce carefully managed competition to provide higher quality rail services at reasonable prices.
- Establish a long-term capital partnership between States and the Federal Government to support intercity passenger rail service.
- Create an effective partnership, after a reasonable transition, to manage the capital assets of the Northeast Corridor.

The Administration's fiscal year 2009 budget request supports these restructuring reforms by increasing support to States for intercity passenger rail investments, and by encouraging Amtrak to more effectively manage costs, rationalize its service, and pursue innovations. Ultimately, States should take a much greater lead in funding, planning, and implementing improved intercity passenger rail, with appropriate support from the Federal Government conditioned on the Mineta Principles.

Question 2. On March 3, 2007, Senator Carper introduced the National Infrastructure Improvement Act. This legislation creates a commission to look at the state of infrastructure throughout the country - including rail, roads, bridges, airports, and flood control structures. That commission would then make recommendations to Congress and the President about how to maintain our current infrastructure while meeting future needs and safety requirements. I understand that you were opposed to the Commission's recommendation to create an independent governance commission. How do you anticipate that the specific steps needed to achieve the wide-ranging reform recommended by the report will be developed and prioritized? Of the reforms that you recommend, which do you expect that transportation agencies can begin to implement immediately? What requires Congressional approval?

Response. The wide-ranging institutional reform recommended by the Commission's report will certainly require new legislation to implement, because the U.S. Department of Transportation (DOT) has little independent authority to restructure itself or its statutorily defined programs and funding formals. As indicated on our minority statement, we do not believe that delegating funding resposibilities to an unaccountable body ie either good policy or feasible politically.

Having said this, DOT is currently acting to implement as much reform as we can within our existing statutory authority. We are streamlining and expediting the planning and environmental processes under the authority given to us in Section 1309 of the Transportation Equity Act for the 21st Century; Executive Order 13274, Environmental Stewardship and Transportation Infrastructure Project Reviews; several SAFETEA-LU provisions; and other authorities. DOT, in consultation with our Federal partners, will take a very close look at the streamlining proposals outlined in the Commission Report to determine whether they would be beneficial and what steps would be needed to implement them. We anticipate that several of these proposals would clearly require legislative action to implement, as will most of the other recommendations made by the Commission.

As part of the legislative action to open the path to additional reform, we are hopeful that Congress will begin focusing on performance standards, economic analysis, and asset management techniques to target Federal monies to the most beneficial projects, and be accountable for meeting project objectives. We are also hopeful that Congress will remove any remaining restrictions on congestion pricing for interstate and other roads, so as to give the States the flexibility they need to meet performance standards. If provided the ability to access discretionary funding (as it was in fiscal year 2007), the Department could work closely with many of the country's metropolitan areas to begin the conversion to a more efficient and sustainable transportation financing model. We believe that such a conversion could take place in the majority of major metropolitan areas over the next 10 years, thereby relieving funding pressures on non-metropolitan areas. Restructuring and refocusing Federal transportation programs around truly national objectives are also imperative.

Question 3. The Report discusses ineffective investment decisions, a problem that is partially attributed to the lack of performance standards. Programmatic changes that lead to making better use of public money for transportation and linking funding to performance are steps in the right direction. Benefit-cost analysis is referred to throughout the report as an economic tool to be used to make informed decisions. What provisions does the commission recommend for ensuring that this - as well as other proven economic tools - is utilized broadly and appropriately, so that waste is minimized?

Response. We estimate that approximately 20 States currently make some use of benefit-cost analysis in managing their transportation programs. Only six States use the technique regularly, however. This means that the vast majority of transportation decisions in the U.S. today are currently being made with only minimal reference to the projected benefits and costs of a specific course of action relative to another course of action. Clearly, without a careful overview of project benefits and costs, it is very unlikely that the best projects are actually being selected and implemented.

The National Surface Transportation Policy and Revenue Study Commission recognized the urgent need to target scarce budgetary resources to projects by using benefit-cost analysis and related project lifecycle methodologies. To implement this requirement, the Commission would have each State and large metropolitan area develop transportation program plans that must meet certain performance standards developed jointly with the Federal Government. Projects included in these plans would have to be shown to be cost-beneficial or to meet asset management prioritization criteria. These plans would then be consolidated into a national strategic plan for Federal investment by DOT or an independent governance commission. The national strategic plan would be used to determine Federal transportation funding levels and taxes.

Under the Commission's recommendation, a project's inclusion in a State or metropolitan area program plan would essentially determine its eligibility for Federal funding. State and local recipients of Federal funds would be held accountable for meeting the established performance standards. Depending on the recipient's success in meeting the program plan's objectives, the Federal Government could adjust the Federal matching ratios used to fund a recipient's plan in the future.

While I am very supportive of setting performance and benefit-cost requirements and holding grant recipients accountable for meeting them, I am highly skeptical about the feasibility of a national planning effort of the magnitude envisioned by the Commission. It would be much simpler and more effective to legislatively define the types of State and local projects that would be eligible for Federal funding and require that such projects receiving Federal funds meet specified performance and benefit-cost requirements.

Responses by Mary Peters to Additional Questions from Senator Inhofe

Question 1. It seems like you propose financing the nation's transportation infrastructure investment gap primarily through public-private partnerships (and increased state roles). What evidence did the Commission receive to indicate the private sector could fill the large infrastructure financing gap?

Response. We believe that national policy should strongly encourage the move to more effective financial models. We acknowledge that such a transition will happen far more quickly in some parts of the country than in others. As we said in our minority statement, if there was political consensus to do so, we believe the vast majority of the nation's metropolitan areas could move to a predominantly direct pricing model over the next ten years. To be clear, direct pricing is the critical element that would both generate additional capital for infrastructure investment and enable additional leveraging through public-private partnerships (PPPs). Technological and administrative issues have been largely solved. Innovative financing and public-private partnerships are increasingly being used to finance transportation infrastructure projects. DOT believes that such mechanisms, which generally involve direct charging for highway use, provide a very attractive financing approach for State and local governments to leverage traditional transportation revenue sources. We believe the use of such mechanisms will continue to grow, particularly if national policy is supportive.

Private equity firms have raised billions of dollars for investment in transportation projects, primarily in stable western countries like the United States. The California Public Employees Retirement System (CalPERS), the largest public pension fund in the United States, recently approved a $2.5 billion pilot infrastructure investment program. *The Financial Times* reported on December 30, 2007, that "estimates of equity already raised for infrastructure investment, but not yet invested, range from $50 billion to $150 billion." *The McKinsey Quarterly* in February 2008 reported that the world's 20 largest infrastructure funds now have nearly $130 billion under management, 77 percent of which was raised in 2006 and 2007. *The McKinsey Quarterly* noted that in some situations $1 billion of equity could be leveraged to pay for as much as $10 billion in projects. Even assuming more conservative leveraging, the equity available for investment could help pay for several hundred billion dollars worth of infrastructure projects.

According to Public Works Financing's *2007 International Survey of Public-Private Partnerships*, since 1985, $415 billion worth of transportation PPP projects have been put under construction or completed around the world, and transportation PPP projects worth $572 billion were in a pre-construction phase as of October 1, 2007.

We also believe that the widespread use of congestion pricing could reduce future capital needs significantly. Estimates of the revenues that could be generated by congestion pricing range from $34 billion to $120 billion per year. The 2006 Conditions and Performance Report also found that applying congestion pricing to all of the congested roads in the system could reduce the cost to maintain the system by $21.6 billion per year, or 27.5 percent, leaving it at $57.2 billion, which is well below the current level of capital spending.

Finally, we believe that the National Surface Transportation Policy and Revenue Commission used an inappropriate definition of "need," one which exaggerates needs significantly by, for example, assuming that any project whose benefits outweigh its costs, even by a dollar, should be built. This is not a model that is appropriate for prioritizing investments overall or focusing resources on improving the performance of assets that would generate more benefits than continuing to expand the system.

At the State and local levels, where transportation funding shortfalls are felt most acutely, innovative financing strategies provide access to vast amounts of private capital that is available for investment in transportation. For example, in 2006 a private sector consortium made an upfront payment of $3.8 billion to the Indiana Finance Authority for a concession to operate and maintain the Indiana Toll Road. This PPP allowed Indiana to fully fund its 10-year road work program. Similarly, in 2005 the private sector made an upfront payment of $1.8 billion to the City of Chicago for a concession to operate and maintain the Chicago Skyway.

In December 2007, the Virginia DOT closed on the Capital Beltways High Occupancy Toll (HOT) Lanes Project, an innovative pricing solution to relieve congestion on one of the most congested corridors in the country. For this project, approximately $409 million from Federal-aid and State sources is being leveraged to attract approximately $1.3 billion of additional capital, including a $588 million loan from DOT's Transportation Infrastructure Financing and Innovation Act (TIFIA) program, DOT authorization for the issuance of up to $800 million in private activity bonds to be repaid by the concessionaire, and private equity contributions totaling $350 million from the concessionaires.

A December 2007 study sponsored by Infrastructure Partnerships Australia and conducted by Allen Consulting Group and the University of Melbourne found that "under traditional 'design and construct' contract procurement systems, the cost of infrastructure projects tends to blow out significantly, compared with PPPs. An analysis of 21 PPPs and 33 traditional projects suggested that traditional projects generated cost overruns of $672 million on a contracted cost budget of about $4.5 billion and were completed 24 percent later than promised on a value-weighted basis. On the other hand, PPPs were found to be relatively neutral on both cost overruns and on-time delivery.

Since 2004, more PPPs for surface transportation facilities have been agreed to than during any comparable period in U.S. history. These projects include long-term concessions to operate and maintain existing toll facilities and long-term concessions to design, build, finance, operate, and maintain new capacity or capital improvements.

There are currently more than 20 major PPP projects at various stages of procurement in the United States.

Congress and DOT have undertaken a number of initiatives to increase the role of innovative financing in highway and transit projects, including establishing the Private Activity Bond program for highways and freight facilities, the TIFIA program (which was updated in 2005), Interstate Tolling programs, the SEP-15 program, and the Federal Transit Administration's Public-Private Partnership Pilot Program.

The National Surface Transportation Policy and Revenue Study Commission, which recommended that Congress encourage the use of PPPs, received the following materials on public-private partnerships and innovative financing to advance surface transportation projects:

- *Public-Private Partnerships Report to Congress*, December 2004, U.S. Department of Transportation, Federal Highway Administration.
- *The Private Sector's Growing Role in Highway Infrastructure*, October 18, 2006, presentation by Robert W. Poole, Jr., Director of Transportation Studies, The Reason Foundation.
- *Infrastructure Privatization: The Indiana Toll Road*, October 19, 2006, presentation by Charles E. Schalliol, Indiana Office of Management and Budget.
- *Public-Private Partnerships: An Alternative Source of Capital*, October 19, 2006, presentation by Mark Florian, Managing Director, Municipal and Infrastructure Finance Group, Goldman, Sachs & Co.
- *How the Public Interest is Protected in the Skyway and Toll Road Transactions*, October 19, 2006, presentation by John Schmidt, Mayer, Brown, Rowe & Maw LLP.
- *Public-Private Partnerships: A Contractor's Perspective*, October 19, 2006, presentation by Gerald S. Pfeffer, Vice President, Development, Kiewit Corporation.
- *Evaluation of Tax-Free Private Activity Bonds as a Transportation Financing Mechanism*, January 10, 2007, Briefing Paper.
- *Assessment of International Experience in Transitioning to New Transportation Revenue Sources*, January 10, 2007, Briefing Paper.
- *Assessment of Potential Challenges in Phasing In of New Financing Mechanisms for Highways and Transit*, January 10, 2007, Briefing Paper.
- *Assessment of Potential Challenges in Phasing in of New Financing Mechanisms for Passenger Rail, Freight Rail, Intermodal Facilities, and Other Modes*, January 10, 2007, Briefing Paper.
- *Identification of Alternative Approaches for Phasing In of New Revenue Sources at the Federal Level*, January 10, 2007, Briefing Paper.
- *Identification of Alternate Approaches for Phasing In of New Revenue Sources at the State and Local Levels*, January 10, 2007, Briefing Paper.
- *Implications of Full Devolution of the Federal Program to State/Local Government and the Private Sector*, January 10, 2007, Briefing Paper.

- *Identification of Opportunities to Improve the Leveraging Potential of Federal Transportation Funding*, January 10, 2007, Briefing Paper.
- *Commission Staff Report: Public Interest in Public-Private Partnerships*, August 2, 2007.
- *Commission Staff Report: Key Terms of Chicago Skyway and Indiana Toll Road Concession Agreements*, August 2, 2007.

Question 2. Under this model, how would large, lower density states finance their needs?

Response. Private sector participation is possible on projects where tolls do not cover all costs and even on projects where there is no tolling. The private sector can compete on the basis of the lowest level of subsidy they will accept to carry out the project. This approach is widely used in Europe. In the United States, it is being used for the Missouri Safe and Sound Bridge Improvement Project, where two shortlisted bidders are competing largely on the basis of the lowest level of "availability payments" they will accept to bring 802 of Missouri's lowest rated bridges (many of them in rural areas) up to satisfactory condition and keep them in that condition for 25 years.

A somewhat similar approach involves the use of "shadow tolls," in which motorists do not actually pay any tolls, but the highway authority pays "shadow tolls" to the private sector partner for each vehicle that uses the highway. This means that the public authority only pays for the facility to the extent that people actually use it. This shifts some of the financial risk in building a highway from the public authority to the private partner. It is also possible, of course, to use a combination of availability payments (which do not vary with the level of usage) and shadow tolls (which do vary).

In addition, to the extent public-private partnerships and/or tolling are used to finance transportation needs in congested urban areas it alleviates some of the demand that these areas place on the transportation funding system, which could free up resources for investment in lower density areas.

In lower density areas, where roads have a lower volume of traffic, the needs can also be less than they are in heavily congested areas because the focus of investment is more on operation and maintenance of existing assets rather than the addition of new capacity. In these areas, it is not clear that direct charges could not be put in place to cover many of the regular costs of operation and maintenance, even if the traffic wouldn't support significant investments in new capacity.

Question 3. The report and many in Congress would like to put some constraints on public private partnerships? It is clear to me that you oppose this course of action. How should the federal government act to ensure states are fully equipped to protect the public interest?

Response. The policy of the Federal Government has consistently been to encourage States and local governments to develop flexible and innovative solutions to address transportation funding shortfalls. Because the Federal Government's role in transportation infrastructure is largely one of funding, its role in PPPs has largely been to encourage and facilitate innovation, not to regulate State and local programs.

To be sure, the Federal Government's investment in highway and transit facilities entitles it to regulate those facilities, but these regulations are limited to protecting the amount of the Federal investment in the facilities and national interests in connectivity, accessibility, and mobility. For example, if a highway that is the subject of a PPP is on the National Highway System, the procuring agency and the private partner would still be required to ensure that work on the facility meets the applicable standards specified in the relevant Federal regulations for the National Highway System. In addition, to the extent Federal funds are used for the project, Federal regulations would continue to apply, including environmental, procurement, planning, Davis-Bacon, and Buy America regulations. Commercial arrangements, however, which neither impact the Federal investment nor implicate existing Federal law, are appropriately outside the scope of Federal regulation.

While there are risks in PPPs, including risks of monopoly pricing, corruption, institutional inexperience, lack of sufficient competition, and others, these risks are manageable and can be mitigated by creating well-balanced PPP programs, performing rigorous due diligence before committing to projects, and carefully negotiating concession agreements. We have encouraged public entities at the State and local level that own and operate facilities for which PPPs are being considered to take a very close look at each and every PPP to make sure that they are doing everything they can to protect the public interest. Public entities responsible for these transactions should drive a hard bargain and engage in tough negotiating.

Contractual requirements and market forces can actually hold a private concessionaire to a greater level of accountability for the operation and maintenance of a facility than would otherwise be obtained from public transportation authorities. For example, a recent GAO report noted with respect to the Indiana Toll Road that "[a]ccording to a Deputy Commissioner with the Indiana DOT, the standards [of the Indiana Toll Road concession] actually hold the [concessionaire] to a higher level of performance than when the state operated the highway, because the state did not have the funding to maintain the Indiana Toll Road to its own standards."[1] The report also indicated that in the case of the Chicago Skyway concession, there is now greater accountability for the operation and maintenance of the Skyway under the concession, which specified detailed operations and maintenance standards based on industry best practices, than there had been under public control, when there were no formal standards.

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[1] *Highway Public-Private Partnerships: More Rigorous Up-front Analysis Could Better Secure Potential Benefits and Protect the Public Interest*, United States Government Accountability Office (GAO-08-44), February 2008, pp. 41-42.

DOT believes that PPPs are integral to the long-term re-thinking of how the United States provides highway and transit infrastructure. Unlike traditional approaches to funding and procurement, which do little or nothing to address increasingly evident policy failures, PPPs offer an innovative alternative that responds to the failures of the current system. Addressing the following policy failures is at the heart of protecting the public interest.

- Chronic undercapitalization – Since PPPs are long-term investments, investors are more likely than governments (which are subject to annual budgetary pressures) to sufficiently capitalize a transportation asset up front in order to reduce operating and maintenance costs over the life of the asset.
- Congestion/declining system reliability – Private operators have strong incentives to reduce congestion since congestion reduces throughput which in turn can impair revenue generation.
- Misallocation of investment resources – Private investment is research-based and follows demand, not political influence.
- Accountability to the user – Private infrastructure providers typically provide higher levels of customer service.
- Accountability to the taxpayer – Users pay directly for the benefits they receive and subsidies are transparent and justified.
- Faster project delivery – Investors cannot afford to have capital tied up indefinitely so construction and design delays are avoided.
- Need for system expansion and reconstruction – An increasing portion of State transportation dollars support preservation and maintenance of the existing system, leaving an unfilled gap in funds needed to expand or reconstruct capacity.

State and local authorities are enthusiastic about PPPs because they reduce costs, accelerate project delivery, transfer project risks to the private sector (including design, construction, financing, operation, and maintenance risks) and provide innovative and high-quality projects. Projects that can't be done using traditional approaches to funding and procurement may be viable as PPPs.

Best practices will continue to be developed as more and more PPPs are procured and State and local jurisdictions explore and implement innovative solutions that manage risks. The Federal role should be to provide information on best practices but to continue to encourage and facilitate innovation, not restrict it.

Responses by Mary Peters to Additional Questions for Senator Voinovich

Question 1. Ms. Peters, in your testimony, you state that "it is not how much we pay for infrastructure, but how we go about paying for it." You suggest refocusing our federal transportation programs to deal with the nation's infrastructure problems. Since this will be a dramatic change for the department and will take a lengthy period of time, what do you suggest for the short term for dealing with the current funding crisis with the Highway Trust Fund short fall?

Response. In the event that the Highway Account of the Highway Trust Fund (HTF) runs out of cash, the budget proposes a short-term solution through a repayable advance from the Mass Transit Account. If there were insufficient cash available in the Highway Account to meet the needs of Highway Account agencies, the Department would request a transfer of funds from the Mass Transit Account to the Highway Account if sufficient funds were also available to also cover Mass Transit Account outlays. The Mass Transit Account would be repaid by the Highway Account when sufficient funds become available. The

transfer mechanism is intended to address only the projected FY 2009 cash shortfall; by 2010, the Congress is scheduled to reauthorize the surface transportation program. This mechanism has a precedent in the repayable advances used during the early years of the HTF. The Highway Revenue Act of 1956, the Act that created the HTF, authorized the

appropriation of repayable advances. The mechanism was used in 1960, 1961, and 1966 and each time the advance was repaid. In addition, going forward, the priorities of the Federal government should be to establish the appropriate Federal role in transportation funding, to determine what the Federal Government wants to invest in, and to then develop the revenue mechanisms that best support the Federal role.

Question 2. The Minority Views of the Commission's report state that the report recommends an "unnecessarily large Federal role" with infrastructure policy. How do you balance this statement with increasingly tight state budgets and the recent economic downturn? I know that my state and local governments cannot sustain a higher level of capital investment for infrastructure.

Response. States and local governments are generally in the best positions to understand the transportation needs of their citizens. The Federal role should focus on a limited number of areas where State-level investments have interstate consequences that otherwise might be underfunded or ignored.

It is clear that many States are currently facing severe budgetary pressures and increasing costs. In this environment, it is understandable that States would look to outside sources of revenues, particularly to the Federal Government. Federal revenues are often viewed as a net addition to State wealth. It is important, however, to remember that funds in the Highway Trust Fund come from various taxes imposed on users of the highway system.

These users are citizens of the same States that are seeking the funds (although the donor/donee issue complicates this statement).

Increased Federal spending also encourages States to spend less. This trend was noted by an August 2004 report from the Government Accountability Office (GAO), *Federal Aid Highways: Trends, Effect on State Spending, and Options for Future Program Design* (GAO-04-802). The GAO report noted that while "the Nation's capital investment in its highway system has doubled in the last 20 years, and during that time period as a whole, state and local investment in highways outstripped federal investment in highways," nevertheless, "since the early 1990s, state and local investment in highways has increased at a slower rate than federal investment in highways."

According to the GAO report, from 1991 through 2002, State and local investment increased by 23 percent while Federal investment increased by 47 percent. The GAO report concluded that "federal-aid highway grants have influenced state and local governments to substitute federal funds for state and local funds that otherwise would have been spent on highways." This substitution limits the effectiveness of Federal aid to achieve important highway program goals, because increases in Federal aid do not translate into increased overall highway capital investment.

It is my belief that States can successfully raise taxes or fees from their own citizens for State transportation needs if they provide their citizens with well-justified projects and needs. Typically, spending Federal funds can be held to lower standards of justification and accountability because they can appear to State lawmakers and citizens as "somebody else's money" (although they generally are not).

Moreover, States can draw upon new sources of funding, such as congestion prices and other user fees, to fund transportation infrastructure. These new revenue sources have the advantage of not only raising revenue, but improving operational performance at the same time.

The selection of better projects, unencumbered by extensive Federal requirements, can enable such projects to be developed more quickly and at lower costs and yield higher benefits than would be the case with Federally-funded projects.

In summary, I believe that transportation money can be raised by States and local governments for justified projects, and that a more focused Federal role would generally (but not always) lead to better projects and lower costs.

Senator BOXER. Thank you.

I am a little confused at how we are going to meet the needs by being, you said, more efficient. What was your other priority—how are we going to meet the needs being proactive? ReState what you said your answer is.

Ms. PETERS. Madam Chairman, I believe the answer is, and I can refer back to my notes and get it exactly.

Senator BOXER. Yes.

Ms. PETERS. But my answer is that we need to prioritize, provide Federal leadership, prioritize what our responsibilities are on a Federal level, and track and incentivize the use of other revenues that can come to bear to meet transportation challenges through public-private partnerships, through private sector investment, a variety of tools where we can bring additional investment to bear.

Senator BOXER. Yes, now I see it here. You say, clear policies, appropriate incentives, and allocating resources more efficiently are more important than providing additional Federal funding. I just have to say, if you knew a family and they were earning $10,000 a year and they came to you for advice and they said, you know, we want to send Johnny to summer camp, because the teacher says it would really help with his motor skills, small motor skills and large motor skills, it is important to his health. Would you say, just run your family more efficiently? Clearly, they can't.

So I just think it is so much of a false—I know you believe what you are saying—but it is a false expectation for the people to believe that we can meet our needs as a great and growing and strong Nation. It is very disappointing to me. How we come up with $225 billion a year by simply allocating our resources more efficiently, encouraging States to impose fees such as tolls and congestion pricing, it is just not going to happen.

So we need to be a little bit more forthcoming with each other. That is why I thought the Commission, and that Commission, with Republicans and Democrats and Independents, and they came together and said, we need to have a new sources of funding based on vehicle miles traveled.

Now, a lot of us had a problem with the way you figured that out. But speaking for myself and Senator Inhofe, who will speak more, I think, eloquently, we need to really try to come together on this. And I find your testimony a tremendous let-down. I don't know how many other people on the Commission agreed with you. Do you recall who said this is the answer?

Ms. PETERS. There were two others.

Senator BOXER. Out of how many?

Ms. PETERS. Twelve.

Senator BOXER. OK. So it is just very disappointing to me.

I need to ask you a question that had to do with the California waiver. Because again, this is an area where I got no answers. Now, we know that your Department worked to contact Governors and Members of Congress to generate opposition to the California waiver request. And I asked you to describe to me in writing how that lobbying started, whether it was your idea alone, or whether others were involved. Your entire response was to refer us to e-mails that you had sent to Chairman Waxman. Well, we have reviewed all those e-mails, and clearly, the e-mails don't answer the question of, what were the roles of the people in the White House, the Vice President's office, CEQ, EPA and others.

Now, I am not going to put you on the spot and ask you to answer this right now, but I am going to ask you if you will please go back and answer my questions rather than just say, it is in the e-mails. That is just not the proper answer to give the Chairman of this Committee. So I am going to ask if you would be willing to go back and give me responsive, complete and truthful answers to each of those questions within 2 weeks of today.

Ms. PETERS. Madam Chairman, I will be happy to respond to you within 2 weeks.

Senator BOXER. Thank you. I really appreciate that.

Senator, I think we will do early bird for this round, and then we will go—so it was Senator Isakson.

Senator ISAKSON. Thank you, Madam Chairman. Thank you, Secretary Peters, for being here.

First of all, I will take a little liberty with my time and express my appreciation to you. Delta Airlines, which is home-based in Georgia, applied for a direct route to Shanghai. That route was approved, and after its approval we had some difficulties on securing the proper landing and takeoff times, and your Department and you personally interceded on our behalf. That wa successful, and I want to thank you very much on their behalf for doing so. It is great to have a Secretary that is proactive in that.

I know also that you are a former Arizona Department of Transportation head, is that correct?

Ms. PETERS. Yes.

Senator ISAKSON. My State of Georgia just finished—everybody's doing joint transportation study committees, obviously, all over the Country, because of the crisis we have. The Georgia legislature did a joint study committee on transportation funding and issued their final report, of which I have a copy. In that final report, the committee recommended the general assembly introduce a resolution urging the U.S. Department of Transportation to dissolve or turn back the Federal Highway and Transit program to the States by allowing them to take over collection of the Federal fuel tax and spend those revenues on transportation priorities of their choosing, not the Federal Government's. In other words, the Federal tax would remain, but it would be collected at the pump by the State, and the State would then prioritize the spending of money, and it wouldn't go to Washington, get recycled and sent back. We have had lots of formula distribution arguments in the past over that.

What do you think about that idea?

Ms. PETERS. Senator, I think it is a good idea. And I do recognize that there are some things that we need to take care of on a Federal basis. There are some things that are truly and uniquely in the Federal interest. But I believe that a large part of the decisions can and should be made by the States.

When the interState highway system was first being built, Senator, State departments of transportation were relatively inexperienced and unsophisticated. So given what the Nation was undertaking with the interState highway system, it was likely appropriate that the U.S. Government have a very large role in that. That is not the case today. Having managed a DOT, I can support the sophistication with which they their work. I think that many decisions can and should be made on a State level, not a Federal level.

Senator ISAKSON. Well, on that point, and in your comments with the Chairman a minute ago regarding seeking efficiencies and accountability in our money first before hauling off and raising taxes, this proposal provides in and of itself a number of efficiencies that would increase the amount of money, I think, that would end up going to paving surface transportation because of the streamlining of the process. Would you agree with that?

Ms. PETERS. Senator, I would absolutely agree with that.

Senator ISAKSON. I thought it was a good—and I also agree that there still remains a Federal role, but it is far different than it was at the creation of the Eisenhower InterState System. In fact, many people might be interested to find out that in the 1970's, Federal interState highway construction rolled from being pretty much done by the Feds to where we put in a 90/10 match for State innovation in the completion of the interState highway system, or in some cases, the redoing of interchanges.

So we actually incentivized the States to do that on the interState system as far back as the mid–1970's. So I agree that it is something we really ought to look at exploring, and I am glad you agree with that.

The only other thing I will say is on the VMTs, I would like to hear your comments. I think Oregon is doing a demonstration project. I heard the testimony and came to the testimony last week. I would like your take on the VMTs.

Ms. PETERS. Senator, I think eventually paying directly for the use of the transportation system based on the time of day we use it, the weight of our vehicle, the number of occupants, a variety of things, is within reach doing so. There are privacy concerns that have to be dealt with, and I believe can be dealt with appropriately. I believe that is where we ultimately need to get. But the transition period, as I mentioned earlier, is focusing the Federal money only in the Federal interest, returning or letting States keep the balance of that, supplementing that with private sector investment, and moving toward a longer-term vehicle mile system.

Senator ISAKSON. I am intrigued by it. I understand the privacy concerns. I went through that when we did the tolling authority in Georgia, when I was in the Georgia legislature. There was a real concern over cameras taking pictures of the license plate going through, and the Civil Liberties Union and a lot of people wanted to make sure it wasn't a government intrusion. But if we can deal with those privacy issues responsibly, the way we are changing the dynamics of surface travel with hybrid vehicles, with higher CAFE standards, the old just cents per gallon mechanism just does not work. We have to be willing to look at alternative fund-raising mechanisms that reflect what is going to be the reality of the 21st century.

Again, thank you for your help on the direct route to Shanghai, and thank you for your service to the Country.

Ms. PETERS. Thank you, sir.

Senator BOXER. Senator Carper.

Senator CARPER. Thank you, Madam Chair.

Secretary Peters, welcome. It is good to see you. Thank you for joining us today.

Just a comment, if I could. Senator Voinovich and I spend a fair amount of time working on infrastructure needs in our Country. One of the pieces of legislation that we have collaborated on is one that would seek to build on the Commission on which you have been serving. I am one who believes we probably try to create too many commissions in Federal Government, blue ribbon commissions, than maybe we ought to. But every now and then they do some good work. I believe the Commission that you served on, in this instance, has done good work and we thank all of you for participating.

Senator Voinovich and I authored legislation that has passed the Senate and is pending in the House that would create an eight-member blue ribbon commission, four appointed by Democrats, four by Republicans, not to replicate the work that you have done with respect to transportation, but to look to other parts of our infrastructure, including water, wastewater, dams, levees, our rail transit and so forth, airports. Some people say that we are on our way to becoming sort of a third-world nation with respect to our infrastructure. I think that is unduly harsh.

I talked to a guy last week who had been to China. He told about his experience, landing at the airport in Shanghai, I think it was Shanghai. He said, you know, I didn't take a cab, and I didn't ride in somebody's car or take a limo to get into town. I guess the airport is well outside of town. He said, I rode on a maglev train that went, I think he said, 200 miles an hour. And then he said he had landed not long ago, I think it was LaGuardia in New York, and he talked about the cab ride, trying to get from LaGuardia to downtown. He compared one against the other.

One of the reasons why they have that kind of system, at least in Shanghai, and the rest of China is not up to those standards, one of the reasons why they have that kind of system is that they have made a decision this is important. It is important for the Country, and they are going to pay for it. Sometimes I think we mislead people in our States and cities and counties, and at the Federal level, too, to tell people we can have services, we can have all kinds of things but we don't have to pay for it. I have long believed, as an old Governor, as a recovering Governor, I still believe it, that if things are worth having, we have to pay for them. The idea of saying to people, it is like we think they believe in the tooth fairy, you can have all kinds of things, but you are never going to have to pay for it. That just isn't the case.

Let me ask, just lay out your vision of how to pay for the transportation system, your vision, not necessarily that of the majority of the Commission. Just walk us through slowly your vision of how we are going to pay for the kind of transportation infrastructure that I think we want and we need. How would we pay for it?

Ms. PETERS. Senator, I would be happy to do that.

Senator CARPER. Walk us through it slowly.

Ms. PETERS. I believe that we should continue to collect the fuel tax that we are collecting today on a Federal level.

Senator CARPER. What is it, about 18 cents?

Ms. PETERS. Eighteen point four cents, last increased in 1993. We should continue to collect that today. But we should seriously redefine what the——

Senator CARPER. You can slow down just a little bit more.

Ms. PETERS. I will do that. I was one of six children, I had to learn to talk fast or I didn't get to talk.

Senator CARPER. Well, here you are an only child. So take your time.

[Laughter.]

Ms. PETERS. Sir, I would continue to collet the gas tax that we are collecting today. However, I would seriously redefine what the Federal role in transportation is. I believe——

Senator CARPER. So that would be from what to what?

Ms. PETERS. I can talk about several things that I think should be in the Federal role in transportation. I believe that the inter-State highway system and the national highway system, the condition of those systems is in the Federal interest. I believe that inter-State freight transportation is in the Federal interest. I believe that it is in our Federal interest to continue the safety programs that I believe are more appropriately run on a national level, such as the motor carrier program, as well as the highway traffic safety programs.

I believe that there is some research that can be done in the Federal interest if it indeed is supporting Federal interest issues. And I believe finally, sir, that there are projects of national and regional significance that are beyond what States might be able to do on their own but should be considered in the national interest because of freight movement, mobility, things like that.

I would stop there, and I will confess to you that I am a minimalist when it comes to that. And in fact, even on the inter-State highway system, or the national highway system, I believe that we could establish standards on a national level that State and local governments would then adhere to and have the funding to adhere to as opposed to those moneys being kept by the Federal Government.

Senator CARPER. And they would have the funding by?

Ms. PETERS. I am sorry?

Senator CARPER. You say the States would have the funding to do, from what sources?

Ms. PETERS. We would return the rest of that, or ideally, as Senator Isakson mentioned, let the States keep that so it doesn't take on a Federal identity, so States can use it the way they would use other State moneys within the State.

I would supplement that, sir, with private sector investment in the near term where it is appropriate to do so, where it can attract private sector investment. An example that I would give you would be in Southern California, on several routes there that have what we call demand pricing, that is a toll that varies by time of day or the level of traffic, they get 40 percent greater throughput on the lanes that are dynamically priced than they do on adjacent so-called general purpose lands.

So attract private sector investment, improve the efficiency of the road system that we have today by using pricing, and in the long term, we should move to some kind of a vehicle miles tax system that would have us pay the cost of using that system, varying again by time of day, weight of vehicle, other factors.

Senator CARPER. Thanks for your response.

Madam Chair, will we have a second round?

Senator BOXER. I am not sure.

Senator CARPER. Thanks so much.

Senator BOXER. Senator Voinovich.

Senator VOINOVICH. Thanks very much for being here today and thank you for your service. You have been terrific over there.

I remember the debates that we had during SAFETEA-LU. I was one, with several others, who said that the money was absolutely inadequate, that the money that we, and I remember the Administration threatening we wouldn't go to $318 billion, we had to be at $285 billion, and we nickled and dimed all over the lot. At the same time we were spending all that money on infrastructure all over the world. I just couldn't believe it. I said that wouldn't even keep up with inflation. We have fallen behind. Actually, this last highway bill we passed doesn't even keep up with inflation. The statistics at that time were, according to the 2004 Federal Highway Administration report, said that just to improve our highways and bridges would take $118.9 billion, just to maintain the current condition and performance of highways and bridges would take $77.1 billion.

The Commission's report comes out and even gives us more stark figures in terms of the challenges that we have before us. States like Ohio are looking at a $3.5 billion shortfall.

I think we have to let the American people know that we are in deep trouble in terms of our highway infrastructure. We are going to be talking this year about what we are going to do about this. We are going to be getting into the budget again about what we are doing in appropriations. I think that you have a responsibility to speak up a little bit louder about what the needs are. We need look at some other things like what and Senator Isakson said—when I was Governor, have more of money not going to Washington, stay in State, and the states could utilize it more efficiently.

Another point that the Commissioners brought up is to shorten the length it takes to do major highway projects. This report says it still takes 13 years to get it done. I fought like crazy to try and get 4(f) during the last highway bill, and we got a little bitty change in the provision.

But I think we are going to need a lot more advocacy from you this year. It is your last shot. You won't be around. I hope you don't just hunker into a hole some place and just kind of ride out this Administration. You have a wonderful opportunity—you have been a State leader, a national leader—to tell it as it is. The American people have to have someone tell it like it is.

I don't even hear the Presidential candidates talking one iota about the infrastructure crisis that we have here in our Country. My State is a just-in-time State. We are really feeling it. We don't talk enough about the time on the road that people spend in traffic jams and the fuel that the use and the frustration and all the rest of it that is connected with it. But someone has to level with the people.

The question I would like to ask you is that we have a shortfall. How are we going to pay for it this year, just keeping up with what we promised, which is not adequate?

Ms. PETERS. It is not, Senator. Please know that I agree, and agreed with my fellow commissioners that we do need substantially more investment. But what I am saying is, it has to be a different kind of investment, collected and used differently than we do today if we are going to be successful in doing that.

Again, I think a way that we can attract that investment is, one, prioritize what we are spending today. Rough numbers, approximately 60 percent of what we collect today goes to roads and bridges, highways, roads and bridges. About 20 percent goes to transit, and the other 20 percent goes to a variety of programs. Overall, there are 108 programs in highways and transit that this money is sliced and diced into today and then sent back out to State and local governments to figure out how to use those categories.

That tells me that we probably have 20 percent to play with. If we take efficiencies, like I spoke about on the Southern California roads, and are able to get 40 percent greater throughput, then we wouldn't need to perhaps build as much more. We certainly need to build more, but we wouldn't have to build as much, because we would be using the infrastructure more efficiently. Those are the ways, in the near term, that I think we need to approach this, sir.

Senator VOINOVICH. When I was Governor, we set up our track proposal—we had tier one, tier two, tier three. We did the planning and all that you are supposed to do. But the fact of the matter is, right now, we are just having difficulty doing the tier one projects, because of the high cost of oil and the high cost of steel. We are falling behind.

I agree there are things to look at. I asked our highway director recently about these sound barriers. He said it is a million dollars a mile. I thought to myself—some of the developers, build developments right next to a highway and then they come back to the departments of transportation in their respective States and say, put up a barrier. My attitude is, you shouldn't build there in the first place, and if you do, you should pay for the barrier, we ought not to pay for the barrier.

We have the same thing in terms of highway interchanges. When I was Governor, I said, you want an interchange? You pay for it. In fact on Monday night I stayed at a motel in the Cincinnati area, in West Chester. It was unbelievable what had happened there. The development was fantastic, but you want to know what? They paid for it. I said to the developers, this is not going to be a windfall.

I think there are a lot of things we can be doing, and I am asking you to speak out this year. It is your last shot at it, at least from the point you have. We need your help.

Ms. PETERS. I will do that, sir, thank you.

Senator BOXER. Senator Voinovich, thank you. By the way, you are the Ranking Member today, because Senator Inhofe won't be coming.

I wanted to mention, if we are fortunate enough to get 10 colleagues, there is some business to take care of, S. 2146, a bill to authorize the Environmental Protection Agency to accept funds as part of a settlement for diesel emission reduction supplemental environmental projects. This bill has bipartisan support, and I congratulate Senators Carper, Voinovich and Clinton for their leadership on this issue. So if we are fortunate enough to get 10, we will move to that and try to get it done. If not, we will try to get it done as soon as possible.

So in order of arrival, we will now go to Senator Vitter.

Senator VITTER. Thank you, Madam Chair.

Thank you, Madam Secretary, for your work and for the Commission's work. I just want to focus on two sub-issues right now. One is tolling. I think we have actually missed an important opportunity in the last highway bill, not doing more in that area and not providing more flexibility. I hope we don't miss it again in the next highway bill in 2009, or whenever that is going to be.

I believe that if we take certain things off the table at the very beginning, which in my mind would be all existing capacity, I don't think it is defensible to start slapping tolls on existing routes and capacity. If we do that at the beginning, we can build solid consensus for a much greater use and flexibility of tolling.

I would like your comments on that generally, No. 1. And No. 2, I would like to know if the Department will, if they could, develop this year a very specific, robust set of proposals in that area for us to look at for the next highway bill.

Ms. PETERS. Senator Vitter, to your last question, yes, we will. In fact, we are working on documents like that today. To Senator Carper's point, we know that this Committee has a big task before you. And even though I won't be here next year, we owe it to you, as the Senator said, to advocate for the best use of funds and a go-forward position.

In terms of tolling, and whether or not we should toll existing capacity, I think you are right, there is a lot of opposition to that. I would only draw the line that if you substantially improve the existing capacity, make substantial improvements to it, have it work better, that perhaps that could be reconsidered.

And please know that when I say tolling or pricing, it is instead of additional taxes, not additional taxes and that. Because I think we have a tremendous opportunity, as you said, to expand the use of pricing where it is appropriate to do so. That then frees up money that can be used in a variety of other places, in rural areas, where we have safety and access issues, it could be used, and in other areas where we need to improve interchanges to make them safer, things like that.

Senator VITTER. Great. Again, I would very specifically ask you, encourage you to develop, again, a very specific and very aggressive and very robust set of proposals to give this Committee, at least among others, before the end of the year, as just a proposed chapter, if you will, of the next highway bill. And again, to both you and the Committee, I believe we should be rather broad in the front end of what we take off the table in order to build consensus of the use of tolling and other situations, building new routes and new capacity. That would be sort of my general formula.

Second general issue, which I don't think we talk about nearly enough in these discussions, and these discussions are always 90 plus percent more money, more revenue, and that is needed. I am not disagreeing with that. But that is almost all the discussion, something I don't think we talk about nearly enough, is the cost that we have built into the system of building new capacity.

The way Congress works, everybody has this good idea about a bike path this or mandating that. And it gets passed, and before you know it, there are 100 new mandates which add an enormous additional cost per mile of new highways. Everybody of all parties lauds the Eisenhower push to build the interState system. And I am one of those who lauds it, it was a great step forward for the Country.

As we laud that, I think we should realize that if we were trying to make that happen today, under the current regulatory framework and under the current set of mandates and Federal law, it would never happen. It would never happen in 50 years, it would never happen. It couldn't happen under our current regulatory framework instead of mandates, which add price onto every mile of highway we construct.

So I would like your comments about that, and specifically if you have or can develop, again, very specific, very robust recommendations in that category for us to consider for the next highway bill.

Senator BOXER. Senator Vitter's time has expired. Feel free to answer the question, and then we will move on to Senator Alexander.

Ms. PETERS. I will be brief, Madam Chairman.

Yes, I think you are right. Too much process today, tons of processes built into these highway projects, instead of what the outcome is, what the performance is, there are all kinds of things that you have to do in order to spend Federal money.

In fact, when I was director at the Arizona Department of Transportation, we would take Federal money that might have otherwise gone to local governments and keep it and give them State money, because the requirements were just so egregious for them to have to comply with. So it is too much process that has been built up over many years. I think we should zero-base it and say, what should the Federal Government do and then turn everything else, including the money that goes with it, back to the States.

Senator VITTER. Thank you.

Senator BOXER. Senator Alexander.

Senator ALEXANDER. Thank you, Madam Chairman, Madam Secretary.

I have a comment and then a question. My comment is this. We have a rare opportunity here. We have a Committee that is, in a bipartisan way, interested in taking a big look down the road about what our Country's needs are. We have members of this Committee who have been either senior in the Congress for a long time, who have been Governors of their States, who have been mayors in their States. We know the value of having adequate infrastructure.

I still vividly remember how recruiting automobile plants to Tennessee, I discovered that locating their suppliers depended almost exclusively on having a good four-lane highway system. So we had three big road programs and doubled our gas tax, and everybody in the State was for that, because it raised our family incomes.

Here is my comment. We never talked about how to pay the bill until we talked about where we wanted to go. In fact, when I was Governor, I would now allow discussion about how to pay the bill until we had an idea about the plan. What kind of system do we want? Then paying the bill is relatively easy. We could figure out, there are many options for paying the bill. Senator Vitter said that too often we talk about more money. I don't think we should talk about money at all, to start with. I think we should talk about what kind of Country do we want to have, what are our needs, what do we need to do. Then we can have an argument, if we need to have one, about how much we can afford of that big plan and where the money comes from.

So I would hope that we would take advantage of this rare opportunity we have in the Senate to dream big and think 25 years ahead and your leadership and the Commission's report and this Committee, the way it is currently composed, provides a real opportunity for that.

Now, let me go to my question, if I may. This is about a specific idea. In Tennessee, as in most places, there is nothing more irritating than traffic jams. I have heard you say that, other than deaths on the highway, congestion is the biggest challenge. And the head of the National Transportation Safety Board said, if I heard him right, that sometimes up to half of highway congestion is caused by the inefficient use of highways.

So it makes me wonder, if we have fuel efficiency standards for cars, why don't we have highway efficiency standards for States? If a State wants to persist in having road construction in the middle of rush hour, creating long lines and a lot of fumes and inefficient use of roads, why don't have a highway efficiency standard published every year by your Department that rates States from top to bottom, 1 to 50, and make it an issue in the Governor's race?

I believe if I ran for Governor, and we were 50th in highway efficiency, I would stand out by the traffic jam in Nashville and Chattanooga and Memphis and Knoxville and say, you know, we could fix that. Fifty percent, the idea that as much as 50 percent of the congestion might be caused by the inefficient use of highways is a staggering amount of money.

We have discussed this before, and I have asked your Department to suggest to me some of the factors that might go into a highway efficiency standard. I wondered if you would want to say anything about that idea and whether it might be useful. It might embarrass some Governors. It might also unclog some highways and it might create a lot less commute time for people driving to work in California or Atlanta or Nashville or New Orleans or any other place in this Country.

Ms. PETERS. Senator, I think you are exactly right. We could get much efficient use of our system than we have today. In fact, the figure I gave earlier to the Senate was, we get 40 percent greater throughput when we use pricing.

Here is another little known fact. The household travel survey that is conducted by U.S. DOT and Federal Highway Administration evaluates who is actually out on the road during rush periods of time. We can't say rush hour, because it is not an hour any more, it is big, long periods of time. Fifty percent of those who are out using the roadways during that period of time are not commuting to work. In fact, 20 percent of them are retired, which would give you the assumption that they could perhaps schedule their trip at a different time. But because there isn't any price differential in their doing so, they don't do it.

So I think absolutely, performance standards need to be established and we need to tell the public, this is what we are doing with the money and with the infrastructure that we have responsibility for, this is how we are serving for.

I will defer to my former colleague, Deb Miller, in terms of comparing one State to another. She might be able to speak to that a little better than I can.

Senator ALEXANDER. We Governors know how to do that. We always go to conferences, and if Governor Carper were way ahead of me, or Governor Voinovich, I could be sure I would have to answer for it by the time I got back home.

Thank you.

Senator BOXER. Thank you.

I understand Senator Whitehouse doesn't have a statement. How about Senator Warner? Do you have a statement or questions for Secretary Peters?

Senator WARNER. I would just like to observe, and thank you very much for the courtesies that you have extended to the State of Virginia recently in our deliberations on the essential need to establish a system by which rail services can be afforded Virginians and a lot of visitors who come to the Nation's capital and a lot of the Members of the Congress who have to fight their way to and from the corridors to Dulles Airport.

You very promptly recognized the need for our Governor to rewrite and prepare a case. I think he has done an able job. I visited with him the day before yesterday on Richmond on this subject. It is my hope that as soon as the staffs have sort of defined the parameters of where these issues might be that we could sit down with you, the Governor and several Members of the congressional delegation and once again, do our very best to make this system workable from a technological standpoint, a financial standpoint and an environmental standpoint.

I just want to commend you on the manner in which you have handled that. I do hope we can sort of do it quietly among ourselves until such time as a decision, whatever that is, has to be made, and then we go public with that. Beforehand, I think we had best just be quietly working together. I thank the Secretary.

I would want to ask the Secretary one question, is that appropriate?

Senator BOXER. Absolutely.

Senator WARNER. Obviously, this Committee, under the leadership of our distinguished Chairman, is working on the greenhouse gas emission issue. What are the steps that you feel overall policies should be followed by our Federal Government in working with our States in the combined efforts to reduce greenhouse emissions?

Ms. PETERS. Senator, I would be pleased to answer that question, and thank you, and thank the Chairman for your leadership on this issue as well.

I think there are several things, and I will speak mostly to what we do within the transportation world. Substantially increasing fuel efficiency standards is one. Thanks to this august body and many others in Congress, that has been done, and we are in the process of implementing that now. Alternative and renewable fuels are very important, especially fuels that burn cleaner than the fossil-based fuels that we use today I think are going to be very important to us in the future. Certainly part of this also is lessening our dependence on foreign oil.

But one factor that doesn't always get talked about that has an incredible opportunity to help us with greenhouse gas emissions is fighting congestion. In fact, I would refer to Mayor Bloomberg in New York City, who has put a very ambitious proposal out to substantially reduce congestion in the lower Manhattan area. He and we are looking at how to quantify the savings in greenhouse gases and the savings that will accrue to that city as part of that. We believe it can be a tremendous effect and something that we can do very quickly when we can get these mechanisms put into place.

So Senator, I think there are a number of things that we at U.S. DOT can do to help with this issue. I promise you that we are working very hard on those.

Senator WARNER. Good. Senator Lieberman and I introduced legislation which has passed this Committee and will hopefully be considered by the full Senate in the spring. If there are thoughts that you have on this, we would appreciate examining them. We are quite open to suggestions, most especially from our colleagues, a very diverse group but equally important, to get a clear understanding of just where the current Administration is on this issue.

I judge from what you say that you feel that there has been a significant or sufficient amount of scientific data to indicate there are abnormalities in our weather patterns today which can be attributed to man-made sources. Do you have that premise?

Ms. PETERS. Senator, yes, I do.

Senator WARNER. Good. I thank the distinguished witness.

Ms. PETERS. And Senator, thank you again for your leadership with Dulles.

Senator WARNER. Thank you.

Senator BOXER. OK, Senators, we have nine of us. I hope, and I know Senator Sanders has to go to another hearing. So if we don't have someone in the next 2 minutes, we lose, it becomes one of these Three Stooges things where one walks in and one walks out.

Senator WARNER. Senator Inhofe is two stories below us in the Armed Services Committee, and he could be asked to come up.

Senator BOXER. Hang tight 2 minutes. We very much appreciate that.

Let me just say, because we are going to move ahead to the panel and not have a second round with you, Madam Administrator, but this is the thing. I feel compelled just to set the record straight on a couple of points before we move on. The impression that one gets when one listens to you is that the Federal Government is lifting a really heavy load when it comes to transportation infrastructure.

The fact is, we are doing 40 percent. And the States and the cities and everybody else, and the counties, are doing the rest. We are spending our contribution, $40 billion a year.

Now, $40 billion a year from the Federal Government, that is 4 months in Iraq. So I think we need to think about these comparisons when we, woe is me, we are spending so much. We seem to have an open checkbook, I would agree with Senator Voinovich, for other countries at this point, but not for the taxpayers.

The other point that I would make is to address Senator Alexander's impassioned point about why are we talking about how much money, we really need to say what we need. I absolutely agree. However, the Commission did both. The Commission didn't just look at how much money we need, the Commission looked at the need. And they said, we need goods movement, we need passenger rail, we need freight rail. We need to repair the current system, we have to address congestion. In order to do that, they honestly said, we have to go up to, what is it, $225 billion a year from all sources, all sources.

The reason I make the point is that, again, I don't want people out there to think the Federal Government is doing most of the lifting when it comes to the infrastructure. I think most people think we do, but we don't. So if it is a Federal priority, and some of us think it is, in a great Nation and a growing Nation and the greatest economy, we pray, for all times, then we have to meet the need.

I would just close by saying that I want to associate myself with the remarks of Senator Voinovich. Because when he said, please be brave, please be strong, please help us here, I think the point is that your staff is the one who developed all these numbers. And you mentioned Mayor Bloomberg. Well, Mayor Bloomberg has teamed up with my Governor, Governor Schwarzenegger, he has teamed up with Governor Rendell, that is an Independent, a Republican and a Democrat, and they have stated very clearly, let's not put our heads in the sand, we need more resources.

The last point I would make, I think it is depressing, frankly, when we have testimony. You are a very upbeat person, you do a wonderful job, you have saved California on many occasions when we have had tragic things happen on our freeways. I will always be grateful to you.

But it is depressing not to have a forward-looking vision of where this Country is going. It just is. So I am hopeful that we can work with you, maybe get some of your ideas about how we can truly have that can-do spirit about the greatest Country in the world. I think the people want it, the people are responding to it with this Presidential election on all fronts, both sides of the aisle. I think we should reflect it, rather than sort of the depressing testimony that, woe is us and we are doing too much and we can't do any more.

That is how I feel about it. If we could have the panel come up now and this time, and we thank you so much, Secretary Peters.

The Honorable Debra Miller; Janet Kavinoky; Gregory Cohen; JayEtta Hecker. And I know, I could tell by looking at Senator Sanders' face that he is really concerned. So he is going to have to leave us.

Senator WHITEHOUSE. Madam Chair, Senator Sanders and I both have to be in the Budget hearing. The Secretary of the Treasury is there, we are up and we have to go, very soon.

Senator BOXER. Where are they? One minute. If they are not here in 1 minute, I think you should leave and that is it. You can't do this, 1 minute, 1 minute. One minute on the clock, you should do your work, because we have a budget problem.

OK. Debra Miller, we welcome you. We will start with you. You are the Secretary of the Kansas Department of Transportation. You are speaking on behalf of the American Association of State Highway and Transportation Officials. We will be very interested in your testimony, and please proceed. Five minutes is your time.

By the way, we may have a vote soon, that is why I am trying to move forward.

STATEMENT OF HON. DEBRA L. MILLER, SECRETARY, KANSAS DEPARTMENT OF TRANSPORTATION

Ms. MILLER. Thank you very much. I am Deb Miller, I am Secretary of the Kansas Department of Transportation and I am speaking on behalf of the American Association of State Highway and Transportation Officials.

AASHTO commends this Committee for establishing the Commission and we are proud that one of our own, my colleague, Frank Busalacci, Secretary of the Wisconsin Department of Transportation, served on the Commission. Through the testimony of our members and a series of reports, AASHTO provided substantial information to the Commission.

In May 2008, we convened transportation leaders from around the Nation in a Transportation Vision for the 21st Century summit. The resulting vision document was co-signed by 21 national transportation organizations. Much of that input has been reflected in the Commission's report. We believe that the Commission got the big ideas right, including the need for fundamental reform of the Federal transportation program, the need for 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 with greater emphasis on transit and intercity passenger rail, an increase in Federal revenues, be it through fuel taxes or other means, and the need to transition to alternative sources 20 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 and a performance-based program, accountable for results, and investments focused on matters of genuine national interest.

We believe the Commission was accurate in the assessment that the U.S. needs to invest $225 billion per year from now until 2050 to meet national needs. Today we are investing less than 40 percent of that amount. We also believe they were correct in their assessment that the only way to increase funding to the levels needed is for all levels of government to continue to fund their share. State and local governments, even with the aid of private partnerships, will not be able to meet national investment needs. We need a strong Federal partner. We need a strong Federal partner not just to meet the investment needs, but to craft the national vision necessary to meet the continuing growth of this Nation, the explosion of intermodal trade and the expansion of the global economy.

The Commission called for reform of the Federal program to ensure that it is performance-based, accountable and focused on issues of true significance. They called for restructuring the program to address 10 priorities: preservation, freight, metropolitan congestion, safety, connecting with rural America, inter-city passenger rail, environment, energy, Federal lands and research. We want to work with 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 States, both large and small, rural and urban.

We agree with the Commission that it takes too long to deliver transportation projects and that reforms must be instituted to speed project delivery. When Congress first proposed the idea of creating the national Commission, one of its fundamental question was whether we could continue to rely on the Federal fuel tax as the main source of revenue to support the highway trust fund.

We find it instructive that the Commission determined that the fuel tax will continue to be a viable source of funding, but that a transition to an alternative, such as a VMT tax, will be needed by the year 2025. It will be up to Congress to determine how to sustain the solvency of the Highway Trust Fund and how to increase future revenues, so that the Federal share of surface transportation funding can be increased to the levels needed.

We are depending on the Senate and House to find ways to avert the immediate funding crisis pending this year, so States receive highway and transit fundings at the levels guaranteed in SAFETEA-LU. When these programs come up for reauthorization in 2009, unless Congress finds ways to sustain highway and transit funding, States will face two equally grim options: reduce their highway and transit programs by the amount of the Federal cutback, or sustain their program by raising State taxes to make up the difference.

The final aspect of the Commission report that we find significant is its call to action. They call on Congress first to create and sustain the preeminent 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 with which we at AASHTO strongly endorse.

[The prepared statement of Ms. Miller follows:]

American Association of
State Highway and
Transportation Officials

AASHTO
The Voice of Transportation

Testimony
By
Deb Miller

Secretary, Kansas Department of Transportation

Chair, Standing Committee on Planning
American Association of State Highway and Transportation Officials

State Perspectives on the
Transportation for Tomorrow Recommendations of the
National Surface Transportation Policy and Revenue Study
Commission

Presented to the

United States Senate
Committee on Environment and Public Works

February 6, 2008

Madame 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 of 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 hiner 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 that $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 30to 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 bill 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

Madame 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.

Responses by Debra Miller to Additional Questions from Senator Boxer

Question 1. Do you agree with Secretary Peters' statement that "it is far more critical that the Federal government establish clear policies, provide appropriate incentives and allocate resources more efficiently than it is for substantial increases in total Federal spending"? Do the states need clearer policy directives or do they need Federal funding, or a combination.

Response. This is not an either or situation. State DOTs need both reformed federal policies and procedures as well as increased investment levels. AASHTO's own surface transportation needs analyses, *Future Needs of the U.S. Surface Transportation System*, which was produced in 2007 and the most recent U.S. Department of Transportation needs study, *2006 Status of the Nation's Highways, Bridges, and Transit: Conditions and Performance*, along with the findings of the National Surface Transportation Policy and Finance Study Commission, clearly establish the need for substantial additional investment in surface transportation at all levels of government.

For many years we have been able to live off the sizable investments in our surface transportation resulting from the commitments of the previous generation. Now the effects of the significant underinvestment in our surface transportation system are coming are coming to the forefront – we can no longer expect continued productivity gains associated with a well functioning transportation system. In short, additional investment is absolutely essential to our continuing competitiveness in the global economy and to the quality of life of our communities.

In addition to the substantial increases in funding from all levels, the current multiplicity of programs and eligibility requirements results in the stove piping of funds without regard to outcomes. The states would prefer greater flexibility to develop and execute programs to meet desired outcomes. Nevertheless, continued under investment would still prevent the states from achieving desired national, state and local priorities, outcomes and objectives.

Question 2. As head of a state Department of Transportation, how do you think we can ensure that increased investment by the Federal government would not lead to decreased investment at the state and local level?

Response. At various times, we have heard concerns that the States have reduced their investments in highways by substituting Federal-Aid Highway Fund for state funds – diverting state funds to non-highway purposes and using Federal funds to fill the holes. AASHTO emphatically disagrees with the assertion that such diversions have or would occur.

- The long-term data clearly show that state and local capital investments in highways far outstrip federal investments. In 2004 states and localities contributed 56.2 percent of the nation's capital investment. When total investment is considered, including maintenance and operations, it is clear that the States and localities are the backbone of the investment in highways, with a 77.6 percent share of total spending on highways in 2004. This investment trend, where State and local governments contributed at least 2/3 of total expenditures on highways, has remained constant since the beginning of the Interstate era in the 1950s.
- States and localities have increased their contributions at a rate greater than that of the Federal government from 1982 to 2002. As acknowledged by U.S. GAO, "between 1982 and 2002, state and local capital investment in highways increased 150 percent, from $14.1 billion to $35.7 billion in real terms, whereas the federal investment increased 98 percent, from $15.5 billion to $30.7 billion in real terms."
- Over the past ten years, the state increase in funding for transit has outpaced the federal increase. Total state funding for transit increased by 130% from $4.8 billion in 1995 to $11 billion in 2006 while federal funding increased by 80% from $4.5 billion in 1995 to $8.1 billion in 2006.

We believe the past trends indicate that rather than a substitution effect, additional federal funds actually result in a leveraging effect with the states and local governments stretching to contribute increasing investments above and beyond what is needed just to match the federal contribution.

Question 3. Is it realistic to assume state and local governments will be able to generate the revenue called for in the Commission's report? What measures would you recommend to assist the states in their efforts to increase revenue for transportation?

Response. According to the Commission, "the U.S. needs to invest at least $225 billion annually for the next 50 years to upgrade our existing transportation network to a good state of repair and to build the more advanced facilities we will require to remain competitive." This level of investment can only be delivered through a partnership with state and local governments and the private sector. The federal government must remain a full partner in funding for highways, bridges, transit and intercity passenger rail.

Over the last fifteen years the federal government has provided approximately 45% of highway and transit capital investment with the remaining 55% provided by state and local governments. It is a reasonable expectation that state and local governments will continue to fund their share of the increased investment needed if the federal government does its part. As pointed out in the answer to the previous question, over the last twenty-five years transportation investment at the state and local levels increased faster than that at the federal level. However, it is no easier to increase revenues at the state and local level than it is at the federal level. The good news is that the majority of transportation measures put before the voters in local and state-wide elections over the last five years have met with success. The latest state to raise its gas tax was Minnesota which overturned a veto by its governor in February, 2008. There are two ways the federal government can make it easier to increase its level of investment. The first is to sustain and expand the array of innovative finance tools available for transportation: These include for example, GARVEE Bonds, TIFIA, State Infrastructure Banks, the RRIF Program and Private Activity Bonds. The second is to remove federal restrictions on tolling and Public Private Partnerships. We must improve the national freight network including freight rail through tax incentives and new freight-related user fees. We need to make use of tolls and public private ventures to supplement revenues at the state and local levels, when the public's interest can be demonstrated. If all partners do their share and spread the financial responsibility, then we will come much closer to meeting our future surface transportation needs than we are today.

States and local governments need to have access to all potential financing options, including the use of tolls and public private ventures, when in the public interest. We hope that Congress will remove all obstacles to states and local governments to enable them to have access to the full complement of financing tools which may be appropriate for their specific areas and circumstances.

Response by Debra Miller to an Additional Question from Senator Carper

Question 1. Recent studies by the American Association of State Highway and Transportation Officials (AASHTO) and other organizations have concluded that a fee based on VMT would be the preferred long-term alternative to the current fuel tax. When will specific technologies that would be used to apply a VMT fee be available for wide-spread implementation? How will privacy concerns be addressed? How will this impact the current incentives to buy fuel efficient vehicles?

Response. In addition to the reports developed by AASHTO, The Transportation Research Board of the National Academy of Sciences in 2006 issued a report titled, The Fuel Tax and Alternatives for Transportation Funding on the future of fuel taxes in which among other things they stated that VMT fees may well be a long-term way to charge for road use. But they estimated that it will require addressing a variety of issues such as privacy, introduction of technologies in vehicles to meter use and a phase in over time.

The State of Oregon recently released a report having tested in the State a system of VMT charging. The study concluded that such a system is feasible but may take as long as ten years to be fully implemented. Reasons for this timing include, the need to introduce technology in the motor vehicle fleet, resolving privacy issues and planning for this large scale change. As to technologies, such systems currently exist as demonstrated in the Oregon study. On the question of privacy the Oregon study concluded that privacy could be protected. "ODOT developed the system used in the pilot program with specific engineering requirements to maintain such privacy as practicable while still allowing a feasible way to audit and challenge billings. Key privacy requirements for the pilot program were:

- No specific vehicle point location
- All on-vehicle device communication must be short range
- The only centrally-stored data needed to assess mileage fees were vehicle identification, zone mileage, totals for each vehicle and the amount of fuel purchased."

Regarding the impact of VMT based fee on fuel efficient vehicle purchases, the concept should have a positive impact. Technologically, such fees could be adjusted by vehicle type to approximate what each vehicle currently pays on average with traditional gas taxes or they could to give an even greater incentive to purchasing more fuel efficient vehicles.. That combined with the rising costs of fuel ex- taxes should provide the incentives needed.

Responses by Debra Miller to Additional Questions from Senator Inhofe

Question 1. The Commission retained the current cost share for transportation projects, typically an 80/20 funding split. Does the 80 percent federal share accurately reflect the level of "national" benefit for all projects on all types of roads and modes of transportation? Do you believe the commission should have considered varying the level of federal match, depending on the level of the federal interest in the problem?

Response. Currently, most highway projects funded with federal funds are funded with the federal government contributing 80 percent while the state or local match is 20 percent. There are exceptions for the highway program – e.g., states with large acreages of federal lands contribute a smaller match. In general, we believe the 80/20 matching ratio has served us well and should continue to apply to most programs. We do not believe the Commission should have considered varying the level of federal match, depending on the level of federal interest in the problem. We have not undertaken an analysis which could answer your question of whether the 80% share reflects the level of "national" benefit for these programs. To spread their federal funds further and as a cash management tool, states may "over match" or contribute a larger state share to a project. We believe that what is most important is for the federal government to remain a full partner overall. Therefore, what is most critical is the total federal contribution with maximum flexibility to the states to manage the deployment of the total investment package made up of resources from the federal, state, and local governments along with public private ventures to supplement these revenues when in the public interest. In addition, AASHTO has recommended that "The Federal government should be responsible for the "national" benefits share of investment resulting from trade agreements, international ports, border crossings, major national freight gateways, and substantial security requirements mandated for freight facilities," and that revenues for this type of freight-related investment come from outside the Highway Trust Fund.

Question 2. The report talks a lot about including performance measures in the program, but gives few details on how to do this. I really like this idea, but wanted to get your views on the best way to accomplish this?

Response. AASHTO supports a performance-based, outcome-oriented approach to guiding investments to where they are most needed, along with accountability for achieving results. States currently supply annual data to the FHWA on pavement and bridge condition and congestion levels as well as fatalities. Such information is used to estimate needed investment levels to improve the metrics—such investment is at least twice today's level We believe the current highway and transit program silos each need to be consolidated with funding focused on core highway and transit programs targeted to achieving objectives of genuine national interest. States need to have the flexibility to carry out programs that meet outcomes to achieve national objectives while respecting and responding to the unique conditions and circumstances of the individual states. We are working with the states to define a recommended process for systematic and robust planning to guide investments to where they are most needed and for performance based programming of funds with a mechanism to ensure accountability for results. We intend to present this to AASHTO's Board of Directors in May (2008) and would appreciate the opportunity to brief you on the recommendations that they approve at that time.

Senator BOXER. Thank you so much. Your timing is perfect.

By the way, that was such straightforward testimony. It was very clear. I thank you very much for it.

So just stay where you are, thank you very much for being here, thank you, Ben, for coming too, and thank you, John, for coming. The hearing is in recess for a moment.

[Whereupon, at 10:55 a.m., the Committee proceeded to other business.]

Senator BOXER. Now we will go back to our hearing. We are very happy to welcome Janet Kavinoky, Director, Transportation Infrastructure, U.S. Chamber of Commerce. We welcome you.

STATEMENT OF JANET F. KAVINOKY, DIRECTOR, TRANSPORTATION INFRASTRUCTURE, U.S. CHAMBER OF COMMERCE

Ms. KAVINOKY. Thank you, Madam Chairman and distinguished members of the Committee.

We appreciate the opportunity to testify on the report of the National Surface Transportation Policy and Revenue Study Commission and the policy changes and investments required to meet the needs of our Nation's transportation system. My name is Janet Kavinoky, and I am the Director of Transportation Infrastructure at the U.S. Chamber of Commerce and the Executive Director of the Americans for Transportation Mobility Coalition.

Over the past several months, the Nation has seen abundant evidence that America's infrastructure is not only showing its age, but showing that it lacks the capacity to handle the volume of people and goods moving today. From exploding steam pipes under New York streets to record-level flight delays in the skies across the Country, it is evident that now is the time to move on a robust, thoughtful and comprehensive plan to build, maintain and fund a world-class 21st century infrastructure.

We cannot treat infrastructure like other problems or programs where you can wait until the very last minute and then write a big check. Because infrastructure projects require foresight and years of careful planning. As the Commission report says, the time is now. There can be no more delay.

What is at stake is simple and stark. If we fail to address our challenges, we will lose jobs and industries to other nations. If we fail to act, we will pollute our air and destroy the free and mobile way of life we cherish. Ultimately, we will see more senseless deaths on our bridges and roads, not to mention our rails and waterways.

While the collapse of the I–35 West bridge in Minneapolis shone a spotlight on the State of our Nation's bridges, it is important to recognize that we have a much larger infrastructure problem in this Country. Fundamentally, our current approach to delivering transportation is not set up for today's robust economy or the economy of the future. The Chamber agrees with Senator Inhofe's observation made at the hearing last week that both the current model of stovepipe modal decisions and the current program structure are outdated. It is time to address these issues and create a new era in transportation.

We wholeheartedly agree with the Commission that continued under-investment and business as usual transportation policies and programs will have a detrimental impact on the ability of the Untied States to compete in the world economy and on the everyday lives of Americans. Like the Commission's majority report, the Chamber believes that the next era in surface transportation requires a multi-modal and intermodal vision and emphasizes the important role of the Federal Government.

On the issue of the Federal role, although every level of government must step up to the plate, the Federal Government must bear a significant part of the responsibility to ensure that national needs are met, legacy assets are maintained and improved to guarantee nationwide connectivity, and infrastructure investment is aligned with the needs that arise from the global economy, trade policies and the flow of interState commerce. The Chamber is pleased to see that the Commission calls for a transportation system that explicitly values freight movements. On a typical day, about 43 million tons of goods, valued at $29 billion, move nearly 12 billion ton miles on the Nation's interconnected transportation network. According to the Federal Highway Administration, without new strategies to increase capacity, congestion may impose an unacceptably high cost on the Nation's economy and productivity.

We also agree with the Commission that metropolitan mobility, congestion relief and small city and rural connectivity deserve national focus and resources. Increasing congestion imposes additional costs on the work force and employers alike. I am reminded constantly by State and local chambers of commerce that their communities need transportation choices and those options are a valued aspect of economic development strategies.

Programmatically, the Commission mentions another important priority, and that is speeding project delivery. As a Nation, we have allowed governments to pile on complex and overlapping regulations. It takes years, even decades, to bring projects online. Red tape and lawsuits can grind the most common sense improvements to a grinding halt. We concur with the Commission that it is possible and indeed, essential to speed project delivery while adequately addressing environmental and community impacts. This must be a top priority in the next authorization.

Finally, when it comes to funding and financing, every option must be considered to address the enormous problems of the aging transportation infrastructure. We agree with you, Madam Chairman, and your assessment at this Committee hearing last week that continuing the current programs art their current funding levels is not sustainable, will not fix our Nation's crumbling infrastructure and will not meet the needs of our growing economy. Although it is clear that chronic under-investment is a major contributing factor to the problems across the modes of transportation, we must also address the mis-use or diversion of funding away from its intended uses, the lack of resource prioritization and poor comprehensive planning that marks current Federal transportation programs.

As we all prepare for SAFETEA-LU reauthorization, the Chamber encourages Congress to examine ways to spend infrastructure dollars more wisely. The public must trust and have confidence that transportation programs will deliver real solutions to their problems. Otherwise, they will not support increased investment.

Before we get to SAFETEA-LU reauthorization, Congress has another important issue to address: the Highway Trust Fund.

Senator BOXER. Can you wrap up?

Ms. KAVINOKY. Yes, ma'am, I can.

The Highway Trust Fund shortfall, and we commend Senator Baucus on his leadership in this issue.

So Madam Chairman, the question facing us is this: can we do this and will do it together? The Chamber is ready to do so, and we are ready to help lead. Thank you.

[The prepared statement of Ms. Kavinoky follows:]

Statement of the U.S. Chamber of Commerce

ON:	**SURFACE TRANSPORTATION NEEDS AND FUNDING**
TO:	**SENATE ENVIRONMENT AND PUBLIC WORKS COMMITTEE**
BY:	**JANET F. KAVINOKY** **DIRECTOR, TRANSPORTATION INFRASTRUCTURE** **U.S. CHAMBER OF COMMERCE**
DATE:	**FEBRUARY 6, 2008**

The Chamber's mission is to advance human progress through an economic, political and social system based on individual freedom, incentive, initiative, opportunity and responsibility.

The U.S. Chamber of Commerce is the world's largest business federation, representing more than three million businesses and organizations of every size, sector, and region.

More than 96% of the Chamber's members are small businesses with 100 or fewer employees; 70% have 10 or fewer employees. Yet, virtually all of the nation's largest companies are also active members. We are particularly cognizant of the problems of smaller businesses, as well as issues facing the business community at large.

Besides representing a cross-section of the American business community in terms of number of employees, the Chamber represents a wide management spectrum by type of business and location. Each major classification of American business— manufacturing, retailing, services, construction, wholesaling, and finance—is represented. Also, the Chamber has substantial membership in all 50 states.

The Chamber's international reach is substantial as well. The Chamber believes that global interdependence provides an opportunity, not a threat. In addition to the U.S. Chamber of Commerce's 96 American Chambers of Commerce abroad, an increasing number of members are engaged in the export and import of both goods and services and have ongoing investment activities. The Chamber favors strengthened international competitiveness and opposes artificial U.S. and foreign barriers to international business.

Positions on national issues are developed by a cross-section of Chamber members serving on committees, subcommittees, and task forces. More than 1,000 business people participate in this process.

Testimony of Janet F. Kavinoky

Director of Transportation Infrastructure, U.S. Chamber of Commerce and Executive Director, Americans for Transportation Mobility Coalition

February 6, 2008

Before the Senate Environment and Public Works Committee

Introduction

Distinguished members of the Senate Committee on Environment and Public Works, thank you very much for the opportunity to testify from the perspective of the business community on the report of the National Surface Transportation Policy and Revenue Study Commission (NSTPRSC), and the investments required to meet the needs of our nation's transportation system and specifically, highway and public transportation infrastructure.

My name is Janet Kavinoky, and I am the Director of Transportation Infrastructure at the U.S. Chamber of Commerce and the Executive Director of the Americans for Transportation Mobility Coalition. The U.S. Chamber is the world's largest business federation representing more than three million businesses and organizations of every size, sector, and region.

Over the past several months the nation has seen abundant evidence that America's infrastructure is not only showing its age, but showing that it lacks capacity to handle the volume of people and goods moving today. From exploding steam pipes under New York streets, to record level flight delays in the skies across the country, it is evident that now is the time to move on a robust, thoughtful, and comprehensive plan to build, maintain, and fund a world-class 21st century infrastructure. As the NSTPRSC report says, "the time is now." There can be no more delay.

We—Congress, state and local governments, and the private sector—cannot treat infrastructure like other problems or programs where you can wait until the very last minute and then write a big check. Infrastructure projects require foresight and years of careful planning.

The Chamber appreciates the opportunity to provide the "user's perspective" and will emphasize just how critical America's transportation infrastructure is to the businesses that rely on fast, cost effective, and reliable transportation of goods and people.

This testimony covers three topics:

1. The role of transportation in our economy;
2. What is at stake from the business community's perspective; and

3. What should be done.

The Role of Transportation in our Economy

Freight and Goods Movement

The Chamber is pleased to see that the NSTPRSC calls for a transportation system that explicitly values freight movements.

Manufactured goods and cargo move through the United States on a system primarily consisting of ports, roads, rail, and inland waterways. On a typical day, about 43 million tons of goods valued at $29 billion, moved nearly 12 billion ton-miles on the nation's interconnected transportation network. Bridges serve as critical links in the system. The supply chain is viewed from initial point of origin to the final destination, with frequent junctures in between. To keep competitive domestically and internationally, many U.S. businesses have developed complex logistics systems to minimize inventory and ensure maximum efficiency of their supply chains. However, as congestion increases throughout the U.S. transportation system, these supply chains and cargo shipments are frequently disrupted and the cost of doing business increases.

The growth in international trade is overwhelming U.S. intermodal freight capacity. Over the next 30 years, domestic freight volume is forecast to double and international freight volume entering U.S. ports may quadruple, according to the American Association of State Highway and Transportation Officials (AASHTO).

According to the Federal Highway Administration's (FHWA) recent report, *An Initial Assessment of Freight Bottlenecks on Highways,* "if the U.S. economy grows at a conservative annual rate of 2.5 to 3% over the next 20 years, domestic freight tonnage will almost double and the volume of freight moving through the largest international gateways may triple or quadruple.... Without new strategies to increase capacity, congestion...may impose an unacceptably high cost on the nation's economy and productivity."

Labor shortages and increased security requirements born from 9/11 are compounding these capacity constraints and increasing congestion at key entry, exit, and throughput points throughout the country.

In Memphis, TN, at a hearing of the NSTPRSC, on November 15, 2006, Doug Duncan, CEO of FedEx Freight and a Chamber member, summed up the freight community's acute interest in infrastructure, "I'm afraid if things don't turn around soon, we'll begin turning the clock back on many of the improvements that these supply chains have made and begin to restrain commerce instead of support commerce."

Passenger Transportation and Personal Mobility

The fastest growing segment of our economy is the services industry, for which human capital is essential. Employers rely on transportation systems to connect them to their workforce, and to connect that workforce with suppliers and customers around the country and the world.

Unfortunately, increasing congestion is disrupting these important connections and imposing additional costs on the workforce and employers alike.

State and local chambers of commerce remind us constantly that the citizens in their communities need transportation choices, and those options are a valued aspect of economic development strategies. Public transportation, such as buses, rapid transit, and commuter rail systems, are important solutions to the growing congestion crisis in the United States, but chronic underinvestment is leaving these systems strained under increasing use. Americans took 10.1 billion trips on local public transportation in 2006. From 1995 through 2006, public transportation ridership increased by 30%, a growth rate higher than the 12% increase in U.S. population and higher than the 24% growth in use of the nation's highways over the same period. The Federal Transit Administration (FTA) estimates $14.8 billion is needed annually to maintain current conditions, while $20.6 billion is needed to improve to "good" conditions.

In March, the Americans for Transportation Mobility Coalition and the Chamber will release a comprehensive report articulating the transportation challenge as relates to the economy, and we will be pleased to brief committee members on the findings of that report.

What is at Stake

What's at stake is simple and stark:

As Caterpillar Group President, and former Chamber Chairman, Gerry Shaheen, stated at the New York field hearing of the NSTPRSC on November 15, 2006, "transportation in this country is breaking down."

If we fail to address our transportation infrastructure challenges, we will lose jobs and industries to other nations. Our global competitors are building and rebuilding while America is standing still. China, India, and the developing world are building at a staggering pace. China spends 9% of its GDP on infrastructure; India, 5% and rising. While they started well behind us, they are catching up fast. The United States has spent less than 2% on average as a percentage of GDP since 1980. We cannot expect to remain competitive with that level of investment.

If we fail to act, we will pollute our air and destroy the free, mobile way of life we cherish. Thirty-six percent of America's major urban highways are congested. Congestion costs drivers $78 billion a year in wasted time and fuel costs. Americans spend 4.2 billion hours a year stuck in traffic. And while their car engines are idling, they are pumping thousands of tons of pollution into the air every day.

If we fail to increase investment, we *will* see more senseless deaths on our bridges and roads, not to mention on our rails and waterways. Americans need to know that 33% of our major roads are in poor or mediocre condition. Shoddy road conditions result in $67 billion in extra vehicle repairs and operating costs per year. More important, poorly maintained roads contribute to a third of all highway fatalities. That's more than 14,000 deaths every year—a national disgrace.

It is all likely to get much worse. We concur with the NSTPRSC that the country has a transportation system that is overworked, under-funded, increasingly unsafe, and without a strategic vision.

According to Transportation Research Board's (TRB) National Cooperative Highway Research Program's (NCHRP) study *Future Financing Options to Meet Highway and Transit Needs*, there is an average annual gap of over $50 billion in capital, operations and maintenance funding to maintain the nation's highway and transit systems from 2007 to 2017, and an average annual gap of over $100 billion to "improve" these systems.

The cost of materials used to fix pavements has increased 33% in the past three years. Steel, oil, and concrete are all more expensive.

Yet despite these growing needs and costs, the Highway Trust Fund will be $4-5 billion in the hole in fiscal year 2009 (according to mid-session review estimates), and the user fees on fuels that are the primary source of resources at the federal level have not been increased since 1993.

These figures do not even address other critical elements of our transportation infrastructure, freight and passenger rail, inland waterways, ports and other maritime needs, and, of course, aviation. The American Society of Civil Engineers (ASCE) says that our civil infrastructure needs add up to some $1.6 trillion over the next five years including transportation systems, clean water and wastewater facilities, schools and recreational facilities.

How did we arrive at the situation we face today?

Decades ago we built the best infrastructure system the world has ever known and then proceeded to take it for granted. As a nation, we've allowed governments at all levels to pile on complex and overlapping regulations. It takes years, even decades, to bring projects on line. Red tape and lawsuits can bring the most common sense improvements to a grinding halt.

Decision-makers have refused to make tough choices or set common sense priorities. We have failed to plan, failed to innovate, and failed to invest. We've allowed money to be wasted and have permitted federal and state lawmakers to divert infrastructure dollars to other purposes. We've seen construction and land costs go up while letting revenue sources stagnate and decline.

Where We Go From Here

This country's current approach to delivering transportation infrastructure is not set up for today's robust economy or the economy of the future.

The Chamber agrees with Senator Inhofe's observation made at the EPW hearing last week, "...Both the current model of stovepiped modal decisions and the current program structure are outdated." In spite of the multi-modal and intermodal needs of transportation system users, the planning, construction, and financing of infrastructure has been separated by public and private entities, and has focused on individual locations and modes. It is time to address these issues and create a new era in transportation.

The Chamber believes that this next era in surface transportation requires a multi-modal and intermodal vision that supports competition in the global economy and emphasizes the important role of the federal government.

We need a national plan. As House Committee on Transportation and Infrastructure Ranking Republican Member John Mica (R-FL-07) aptly articulated in an Op-Ed in *The Hill* earlier this year, "[t]he federal government must take a lead role in developing a national strategic transportation plan for the next 50 years that makes the most efficient use of every transportation mode and incorporates the expertise and resources of both private and public sectors."

Every level of government must step up to the plate and make commitments to expand capacity through better utilization of existing infrastructure and creation of additional infrastructure. The federal government, however, bears a significant part of the responsibility when ensuring that:

- National needs are met;
- Legacy assets, including the Interstate Highway System, are maintained and improved to guarantee continued nationwide connectivity;
- Utilization of existing networks is maximized; and
- Infrastructure investment is aligned with the needs that arise from the global economy, trade policies, and the flow of interstate commerce. There is a federal role in prioritizing investment in new capacity and operational improvements in global gateways and trade corridors.

The federal government must perform a critical role:

- Working through difficult intergovernmental relationships;
- Providing resources for complex, multi-state or multi-jurisdictional projects; and
- Encouraging the public and private sectors to pursue innovations that improve infrastructure performance, financing, or development.

Need for a Comprehensive Approach

The I-35W bridge collapse last August shone a spotlight on the state of the nation's bridges, which are critical components of the nation's transportation network. For example, South Carolina alone has a $2.9 billion bridge-repair backlog. It is important to recognize that the nation has a much larger infrastructure problem. The poor condition of the nation's infrastructure is not confined to bridges alone. As I outlined earlier, the business community looks holistically at transportation infrastructure. So, in addition to bridges we must address:

- *Road Congestion*
  Traffic has already shot up 40% between 1990 and 2005 and is expected to skyrocket in coming years while capacity has increased just 2%.

- *Overburdened Transit System*
  Our transit systems earned a D+ rating from the American Society of Civil Engineers. Transit investment is falling even as transit use increased faster than any other mode of transportation—up 21%—between 1993 and 2002. According to the U.S. Department of Transportation's (U.S. DOT) *2006 Conditions and Performance Report*, the percentage of elevated transit structures in adequate or better condition decreased from 91% in 2002 to 84% in 2004, and the percentage in substandard or worse condition increased from 9% to 16%.

  AASHTO has estimated that intercity passenger rail corridors will require $60 billion in capital investment over the next 20 years to maintain existing infrastructure and to expand capacity.

- *Antiquated Air Traffic Control System*
  The current air traffic control system is a contributing factor to a third of all U.S. flights being cancelled or delayed in July 2007. U.S. airlines could have one billion customers by 2015 and more passengers mean more planes. The use of smaller regional jets and the growth in business and general aviation are also factors in congestion. The costs of inaction are steep—aviation delays cost $9 billion in 2000 and are on target to hit more than $30 billion by 2015. There is also the cost no one likes to talk about—the potential for significant loss of life in midair or on overcrowded runways.

- *Crowded Ports*
  Ports are straining under the weight of cargo volumes that are doubling or tripling. By 2020, every major U.S. container port is projected to at least double the volume of cargo it was designed to handle. Select East Coast ports will triple in volume, and some West Coast ports will quadruple.

- *Increasing Amount of Freight*
  Rail infrastructure requires nearly $200 billion over the next 20 years to maintain existing infrastructure and to accommodate freight growth.

- *Crumbling Inland Waterways*
  Our inland waterways need serious attention—removing obstructions, widening channels, and replacing locks. The number of dams deemed unsafe by our civil engineers has risen 33% to more than 3,500 since 1998.

In order to improve the free flow of goods every level of government should work to:

- Improve road connections between ports and intermodal freight facilities and the national highway system;
- Improve connectivity and capacity so that railroads can efficiently and reliably move

cargo between ports and inland points;

- Develop a national intermodal transportation network so that cargo can flow at speed among multiple alternative routes; and
- Help prioritize infrastructure improvements of long-term network plans and projects of national significance and then reserve funding for such projects.

Funding and Financing

At the federal level, user fees on fuel, truck sales, and heavy vehicle use are the principal sources of revenue for the Highway Trust Fund. Public transportation is funded on a pay-as-you-go basis with a combination of user fees and general funds. At the state and local levels, a myriad of funding sources are used, and sometimes those revenue streams are leveraged through financing structures that include both public and private debt, and equity investment. The National Cooperative Highway Research Program's (NCHRP) report *Future Financing Options to Meet Highway and Transit Needs* effectively summarizes revenue sources used across the country and is a good resource for this Committee. When it comes to funding and financing our national transportation system, the Chamber believes that every option must be considered to address the enormous problems of the aging transportation infrastructure.

The Chamber is pleased with the overall analysis of our nation's transportation infrastructure system in the NSTPRSC report. "We wholeheartedly agree that continued underinvestment and business-as-usual transportation policies and programs will have a detrimental impact on the ability of the United States to compete in the world economy and on the everyday lives of Americans," said Chamber President and CEO Thomas J. Donohue. In the coming weeks, the Chamber will examine the recommendations closely and evaluate whether these changes will enable the U.S. transportation system to adapt and meet the needs of an evolving global economy.

In addition, we believe that the forthcoming findings of the National Transportation Infrastructure Financing Commission could also add to the debate on the federal role in the future of surface transportation program and project delivery in this country. Even without the findings of this Commission, the Chamber is confident in the case for increasing the systemic funding available for capital investment in infrastructure. In 2005, a National Chamber Foundation report titled *Future Highway and Public Transportation Financing Study* concluded as much, and several subsequent studies including USDOT's own *Conditions and Performance Report* quantify the significant gap between needs and available resources.

We agree with Senator Boxer's assessment at this Committee's hearing last week that "continuing the current programs at their current funding levels is not sustainable, will not fix our nation's crumbling infrastructure, will not meet the needs of our growing economy, and will not adequately address growing congestion." It is clear that chronic underinvestment is a major contributing factor to the problems across all modes of transportation; however, misuse of funding, a lack of resource prioritization, and poor comprehensive planning must also be addressed. As Congress prepares for SAFETEA-LU reauthorization, the Chamber will continue to encourage Congress to spend infrastructure dollars more wisely, invest in new technologies, attract more private investment for projects, encourage public-private partnerships at the state and local levels, ensure that states do not divert their transportation funding away from its intended use in the name of "flexibility."

Highway Trust Fund Shortfall

As I briefly mentioned earlier, a Highway Trust Fund shortfall is expected in fiscal year 2009. SAFETEA-LU guaranteed at least $223 billion for federal highway program investments through FY2009. This investment level was predicated on a forecast of anticipated revenues collected for the Highway Trust Fund's Highway Account over the life of SAFETEA-LU.

Last summer, the Bush Administration and the Congressional Budget Office forecasted that revenues for the Highway Account will fall short of meeting these commitments by between $4.3 and $5.0 billion during FY2009, the last year of SAFETEA-LU authorizations. As a result of the multi-year outlay pattern of the Highway Trust Fund, the resulting cut in the 2009 Federal-aid Highway Program would be much larger than this shortfall—approximately four times larger.

The nation's highway system has significant capital, operating, and maintenance needs and state departments of transportation and metropolitan planning organizations have developed long term transportation investment plans based on anticipated SAFETEA-LU guaranteed funding levels. As such a reduction in funds would disrupt projects already underway.

Therefore, as a result, we have strongly encouraged Congress to ensure that Highway Trust Fund revenues are sufficient to support the guaranteed funding levels in SAFETEA-LU. Congress should not ensure the solvency of the Highway Trust Fund by cutting obligation limitation for the Federal-aid Highway Program.

The Chamber's Commitment: Let's Rebuild America

Permit me to address briefly what the nation must do to meet the enormous and urgent challenge that I have just outlined and tell you what the Chamber intends to do.

Those of us who have worked on infrastructure for many years have learned that on this issue, public attention spans are short. Government decision making is slow and diffuse. Politicians rarely look beyond the needs of their own states and districts. The news media mostly yawn unless there is a tragedy.

If we really want to move this country off the dime and build a modern and safe infrastructure, then the business community must step up to the plate and lead.

The Chamber is organizing, funding, and leading this critical effort. We have already launched a major, multimillion dollar initiative called "Let's Rebuild America."

We are putting money, people, research, programs, and strong political action around a sustained, long-term campaign to rebuild the economic platform of our nation. We are employing every resource at our disposal—our policy expertise, our lobbying clout, our grassroots capabilities, and our communications channels. We are appealing to all Americans who are sick of pollution, tired of congestion, fed up with rising costs, and concerned about their own safety.

To succeed, we need all transportation and infrastructure stakeholders at the table—all modes, all industries, builders, carriers, users, and shippers alike. It is time for us all to roll up our sleeves and go to work. The business community will lead this effort, but to do so all of the infrastructure providers, passenger and freight carriers, and the traveling public and shippers must be united. We must put an end to the intramural squabbles that have divided stakeholders—mode versus mode, shipper versus carrier, urban versus rural, and region versus region. We will all lose unless we rally and unite around an urgent and compelling mission—to rebuild America.

Four key goals will define the mission and underpin the work of our Let's Rebuild America initiative.

Documenting the Problem with Solid, Indisputable Research

First, the Chamber will document in a factual and comprehensive way the totality of America's infrastructure needs—not just what is required to patch things up, but what we must do to move our country and economy forward in a competitive world.

Our experience tells us that putting a credible body of facts on the table and gaining widespread agreement on those facts are critical first steps to forging consensus and forcing action.

We have joined with others in asking the RAND Corporation to prepare a definitive report that documents the current state of our infrastructure and outlines the future needs of a $13 trillion economy that will grow to $20 trillion by 2020, given a 3% average annual growth rate. Researchers will also break out their findings state-by-state so that we can put an infrastructure report card in front of every governor and state legislature in the country. Perhaps, then, they *will* see the light—and feel the heat!

Educating Americans about the Benefits of Infrastructure and the Cost of Failure

Second, the Chamber will educate the public, the business community, policymakers, and government at all levels about the benefits of investing in infrastructure and the cost of failure.

Using the RAND study and other research—and backed by an aggressive communications program—we will widely disseminate a series of compelling messages to build grassroots support for infrastructure.

The people of our country must know, and be reminded again and again, that we can create good American jobs, clean the air, succeed in a global economy, preserve a good quality of life, and save innocent lives by investing in our infrastructure.

Spurring Private Investment in Infrastructure

Third, the Chamber will unleash and unlock the potentially hundreds of billions of dollars in private investment just waiting to be spent on critically needed power plants, pipelines, refineries, transmission lines, broadband lines, port facilities, railroads, airports, and privately constructed roadways.

The money is there—ready, willing, and able—*if* government and regulators would just get out of the way. The Chamber commends the NSTPRSC for its strong statements on the need to speed project delivery. It is appalling that major highway projects take approximately 13 years to advance from project initiation to completion

No one objects to timely environmental reviews, and we all support strong health and safety protections. But the red tape, lawsuits, and mind-numbing regulations we have imposed on our infrastructure systems and transportation modes defy common sense.

The Chamber's Let's Rebuild America initiative will identify and seek to reform those rules and policies that threaten the efficiency of our logistics system and obstruct positive investments in our nation's future.

Fostering an Honest Dialogue on Public Financing

Yet even with these approaches, there is no question that as a nation, we are going to have to find and invest more public dollars in our infrastructure.

As its fourth goal, the Chamber will foster an honest national dialogue on how and where we are going to find the public money to meet critical infrastructure needs. There is no single answer to that question—and that's good. It means we have options, but *all* the options must be on the table.

First, we must do more to ensure that public dollars are spent wisely. That means ending waste and targeting the highest priority projects. It means a sensible mix of projects based on actual needs and not on politics or ideologies—for example, more road construction in some communities, more investment in mass transit in others.

It also means ending the practice of diverting money intended for infrastructure to other programs. Politicians should start paying a price when they skim money from dedicated transportation funds to pay for projects of their own choosing. It breaks trust with the taxpayers who expect their user fees to go toward their intended purposes.

State governments are particularly guilty of this practice. In Texas, the legislature's budget for the next two fiscal years will divert $1.6 billion in infrastructure funding to other needs. That amount is up 15% from the previous budget cycle and a major step in the wrong direction. Texas is hardly alone among the states.

At the federal level, the Federal Aviation Administration is even poaching its capital budget to pay for operations. That's shortsighted, dangerous, and wrong.

In addition to cutting waste and ensuring that infrastructure dollars are spent as promised, we can also stretch public dollars by tapping the growing interest in public-private partnerships and other innovative financing arrangements.

Then, we are going to have to face this fundamental fact—we are a growing people and a growing country with aging infrastructure. We have to fix what we have, and then, if we want a new road, a new runway, or a new transit system, we've got to buy it. No one is giving them away for free.

Therefore, along with other options, we are going to have to consider an increase in the federal gasoline user fee. This could take the form of a straightforward increase in a fee that hasn't been raised in 15 years—as long as the proceeds are dedicated to transportation.

Conclusion

The question facing America is this, are we still a nation of builders? Are we still a can-do society? Are we still the kind of people who can rally to a great cause with a shared sense of mission and national purpose?

It's worth recalling that after the great wars of the last century, the challenge facing America was to rebuild *other* countries, countries that were in ruins—even our former enemies. And we did it. Our challenge today is to rebuild our *own* country—a country that is hardly in ruins, but which has serious unmet needs.

Surely we ought to be able to create the vision, forge the consensus, secure the resources, and find the political courage to make this happen.

I believe that we can, and I believe that we will. And business must lead the way.

Members of the Committee, thank you very much for the opportunity to be here today. I'll be happy to answer any questions you may have.

Response by Janet Kavinoky to an Additional Question from Senator Carper

Question. New transportation development has numerous environmental effects, including additional runoff from paved surfaces. Lack of coordination between transportation and land use policies can cause this effect to be overlooked during project planning. This lack of coordination can lead to unintended stormwater pollution. Unfortunately, Senator Warner's amendment to include stormwater runoff in the last surface transportation reauthorization was not successful. How do you recommend that agencies representing transportation, environment, and land planning interest at the federal, state, and local levels work together to consider all of the impacts of new infrastructure to ensure that transportation investment does not require greater taxpayer investment elsewhere, such as stormwater treatment?

Response. In many cases, state rules and voluntary industry measures to control erosion and sedimentation are sufficient. In addition, where economically feasible, Low-Impact Development (LID) strategies and practices, such as those methods identified in Environmental Protection Agency's (EPA) December 2007 report on the subject,[1] may be useful in managing the stormwater runoff aspects of new infrastructure projects. As explained in EPA's report, LID is a stormwater management approach and set of practices that can be used to reduce runoff and pollutant loadings by managing the runoff as close to its source(s) as possible. A set or system of small-scale practices, linked together on the site, is often used. LID approaches can be used to reduce the impacts of development and redevelopment activities on water resources. In the case of new development, LID is typically used to achieve or pursue the goal of maintaining or closely replicating the predevelopment hydrology of the site. In areas where development has already occurred, LID can be used as a retrofit practice to reduce runoff volumes, pollutant loadings, and the overall impacts of existing development on the affected receiving water. Many LID programs need additional research on costs and effectiveness, and the Chamber cautions developers to evaluate all costs and benefits of LID prior to utilizing those techniques.

Responses by Janet Kavinoky to Additional Questions from Senator Inhofe

Question 1. What are the risks to the U.S. economy if we do not take dramatic action to relive congestion and improve freight mobility and instead were to continue to fund the nation's transportation network at the current levels of funding?

Response. The Chamber recognizes that the strength of U.S. economy and Americans' quality of life are fundamentally linked to the health of the nation's transportation infrastructure. If the United States continues to underinvest in its transportation system and fails to meet the transportation needs of its key industry sectors, the U.S. economy will become less productive and less globally competitive.

Steady economic growth and increasing and shifting population make a high-performing transportation system more important than ever. The U.S. economy has expanded rapidly—from a $2.7 trillion economy in 1980 to a $13.2 trillion economy in 2006—and the size of the economy will more than double over the next 30 years. Over the next 30 years, the U.S. population is projected to grow by 80 million people, from 300 million today to nearly 380 million in 2035.

Serving the mobility needs of growing cities and their emerging mega-regions will be a major factor in ensuring future economic health. The fastest growing segment of the United States' economy is the services industry, for which human capital is essential. Employers rely on transportation systems to connect them to their workforce, and to connect that workforce with suppliers and customers around the country and the world. Unfortunately, increasing congestion is disrupting these important connections and imposing additional costs on the workforce and employers alike.

Although the U.S. business community has adapted well to the changing dynamics of global economies and has achieved impressive increases in productivity, the margin of U.S. competitive advantage is threatened in public transit systems, rail lines, ports, and airports that will soon provide them with transportation capacity

[1] Available for download at http://www.epa.gov/nps/lid/.

key sectors of the economy. While demand outpaces capacity and the performance of the U.S. transportation system erodes, global competitors are investing heavily in their transportation systems—building highways, and logistics capabilities equal to or exceeding those of the United States. Developing nations such as China and India spend 9% and 5% of their gross domestic product (GDP) on infrastructure, respectively; whereas, the United States has spent less than 2% on average as a percentage of its GDP since 1980. Across all industry sectors a U.S. transportation network providing reliable, fast, and cost-effective performance is critical to maintaining this margin.

According to the National Surface Transportation Policy and Revenue Study Commission (NSTPRSC) report, United States needs to invest at least $225 billion annually from all resources over the next 50 years to upgrade the existing system to a state of good repair and create a more advanced surface transportation system to sustain and ensure strong economic growth for American families. The U.S. is spending less than 40% of this amount today.

Question 2. There is a delicate balance between damaging the nation's economy by allowing congestion to worsen, as you have discussed, and by raising taxes and tolls to unnecessarily high levels. How comfortable are you that the Commission struck the correct balance?

Response. The Chamber believes that NSTPRSC made clear that America's surface transportation network is in trouble, and that congestion is a significant part of the problem. Congestion cost the American economy an estimated $78 billion in 2005, measured in terms of wasted fuel and workers' lost hours, according to the Texas Transportation Institute (TTI). TTI also found that congestion causes the average peak-period traveler to spend an extra 38 hours of travel time and consume an additional 26 gallons of fuel.

The future will be, undoubtedly, worse if our current underinvestment and business-as-usual transportation policies and programs are allowed to continue. The U.S. Census Bureau projects the total U.S. population to reach 364 million by 2030 and 420 million by 2050, an increase of 50 percent over 50 years. As the NSTPRSC notes, adding 120 million new Americans between now and 2050 will by itself create significant demands on our transportation system. By 2050, total vehicle miles traveled (VMT) is estimated at 4,834 billion miles, an increase of 46 percent from 2000 VMT (3,305 billion). According to the *Transportation Challenge: Moving the U.S. Economy* report, recently released by the Chamber's National Chamber Foundation and the Americans for Transportation Mobility coalition demand for freight transportation will nearly double by 2035, pressing the capacity of the nation's water, rail, highway, and air freight transportation systems. Without both increased investment and changes in policies and programs there will be a detrimental impact on the ability of the United States to compete in the world economy and on the everyday lives of Americans.

As Congress moves into SAFETEA-LU reauthorization, the Chamber believes every funding and financing option must be considered to address the enormous problems of the nation's aging transportation infrastructure. It is clear that chronic underinvestment is a major contributing factor to the problems across all modes of transportation. As mandated by Congress, the NSTPRSC also answered what funding levels it believes are required to address those needs, as expressed in equivalent cents-per gallon motor fuels excise tax increase. The nation must also address rampant earmarking, misuse of funding, lack of resource prioritization, and poor comprehensive planning that marks current federal transportation programs.

A key goal of the Chamber's Let's Rebuild America campaign is to foster an honest, open dialogue about public funding for transportation infrastructure. Through this dialogue the Chamber hopes to boost the Americans' confidence that public dollars are going towards intended projects. The Chamber would welcome the opportunity to further discuss this campaign with you and your staff. A more detailed description of the Let's Rebuild America is provided in the response to Sen. Voinovich's first question.

Responses by Janet Kavinoky to Additional Questions from Senator Voinovich

Question 1. Ms. Kavinoky, in your testimony, you state that if we fail to address our infrastructure challenges, we will lose our jobs and industries to other nations. I agree with this statement. However, I am frustrated with the lack of attention we pay on infrastructure. How can the Chamber help us communicate this to the American people?

Response. As mentioned above, the Chamber is putting money, people, research, and programs around a sustained, long-term campaign called Let's Rebuild America. The Chamber is employing every resource at its disposal around four key goals: (1) establishing infrastructure as a core economic issue and a high priority for all levels of government; (2) fostering public awareness and Chamber involvement; (3) encouraging private sector investment; and (4) promoting adequate public funding for infrastructure guided by effective policies.

As part of this campaign, the Chamber, in partnership with other like-minded organizations, will host a variety of events throughout the United States. These events seek to elevate the nation's infrastructure crisis to the forefront of the national policy debate and create the proper environment for elected officials to make the tough decisions.

In addition, the Americans for Transportation Mobility (ATM) coalition, which is spearheaded by the Chamber, will be launching the "FasterBetterSafer Campaign" this spring. This campaign has three main goals: (1) educate the public about the connection between federal infrastructure investment and their quality of life; (2) inform businesses about the impact an antiquated infrastructure system has on their bottom line and the U.S. economy as a whole; and (3) strive to create a groundswell of support from constituents and opinion leaders for increased federal investment in transportation infrastructure as Congress heads towards the 2009 reauthorization of SAFETEA-LU.

The Chamber and the ATM coalition would be pleased to further brief members of the Committee on these activities and would welcome members' involvement going forward.

Question 2. In your testimony, you state the need to document the totality of America's infrastructure needs in a report. I want to make you aware legislation that I have been working on with Senator Carper and Senate Clinton to establish National Infrastructure Commission. This bipartisan commission, made up of members with expertise in economics, public administration, civil engineering, construction, and finance, would look at all our nation's infrastructure needs. This legislation passed this Senate last year, and we are now waiting for the House. Do you think this type of commission would be helpful? Do you have any advice for how to put it together?

Response. The Chamber applauds the Senators for recognizing that understanding infrastructure needs in a comprehensive way is the first step toward laying out a vision for the that future supports economic growth and Americans' quality of life. Over the past several months, many studies have emerged documenting the needs of America's infrastructure. The Chamber respectfully recommends that you consider whether this existing information is sufficient to provide the documentation you seek in order to develop future legislation. The Chamber would be pleased to work with you to assess gaps in the information and determine whether there is an expeditious way to fill them so that the Senate can have timely information to inform its discussions on infrastructure legislation.

Senator BOXER. We are very excited with your testimony. Thank you very much.

Our next speaker is Gregory M. Cohen, President and CEO, American Highway Users Alliance.

STATEMENT OF GREGORY M. COHEN, PRESIDENT AND CEO, AMERICAN HIGHWAY USERS ALLIANCE

Mr. COHEN. Thank you, Chairman Boxer.

Chairman Boxer, members of the Committee, I am honored to have this opportunity to present testimony and the views of the American Highway Users Alliance on the National Surface Transportation Policy and Revenue Commission. The Highway Users is am umbrella group representing 270 national and State associations and businesses of all sizes, including AAA clubs, bus and truck companies, motorcyclists, recreational vehicle users and a very diverse range of companies whose bottom lines depend on a safe, efficient and reliable network of highways. Our members represent millions of highway users throughout the country, and we serve as their united voice in Washington for better roads and fair taxation.

For over 75 years, the Highway Users has been an outspoken stakeholder on every major Federal highway and transportation bill. Highway Users applauds the Commission for its comprehensive report, Transportation Tomorrow, and we thank this Committee for authorizing their work. While we do not endorse every single one of their recommendations, we believe their report provides a great starting point for reforming the current highway and transit programs, to craft a fundamentally different, better transportation bill than the previous TEA bills.

The Commissioners were united that the highway and transit programs should not be reauthorized in their current form. The Highway Users agrees with this fundamental call for bold change, and we are pleased that the Commission accepted so many of the recommendations we made.

The Highway Users reviewed the recommendations of both the majority and minority of commissioners. Fundamentally, our views are much more closely aligned with that of the majority. A critical distinction between the two views is the role of the Federal Government. We agree that the Congress should authorize a strong, focused Federal program designed to meet national safety and mobility objectives. It is our view that a shrinking Federal role would seriously damage the integrity of the national highway system, create dangerous imbalances between States over bridge quality, road quality and safety, and severely impact the flow of interState commerce.

Another major difference between the majority and minority views is the role of tolling and public-private partnerships. Again, our views are closer to those of the majority. We believe that tolling and PPPs have a role to play in the construction of new lanes, new roads and bridges. We would welcome private construction of new roads. We also would support the construction of new toll express lanes along existing toll-free interState lanes, or the conversion of under-utilized HOV lanes to hot lanes. However, consumer protections are critical to ensure that tolling and PPPs do not create barriers to commerce or safety problems. We urge the Committee to maintain its longstanding opposition to tolling existing toll-free interState lanes.

One of the areas of unanimity among commissioners was the call for speeding up project deliveries. Every 10 years a project is delayed, the cost doubles. That doesn't include the social costs of congestion and safety, which would rack up into the billions for a major congestion relief project. We endorse the recommendations of the Commission to speed project delivery and also recommend that the five-State pilot program you authorized in SAFETEA-LU be authorized for all States. I know that California and Oklahoma are among those States that are currently participating in the five-State pilot program.

The Commission identified 108 Federal programs funded by the Department of Transportation to combine into 10 new programs. Although we don't necessarily endorse the 10 specific programs that the Commission proposed, we agree that a smaller number of performance-based, outcome-driven programs are needed. We believe the lack of focus and a lack of national priorities greatly reduces the public support for increasing funding for transportation programs. We believe that this Committee can fix that.

The Highway Users is actually surprised that one of the 10 programs is a "'stove-piped" program, because they made their other program recommendations mode neutral. That "stove-piped" proposal is the inter-city rail program. We believe that such a proposal eliminates competition between rail and cost-effective bus rapid transit without a compelling case for doing so, particularly when highway users finance the vast majority of the surface transportation program. It is simply unfair to ban highway projects, particularly highway-based transit projects, from competing with rail. We would object to the creation of a rail-only "stove-piped" intercity passenger program.

Highway Users supports the Commission's recommendations to develop national performance standards for competing States and metropolitan areas. Such a program could encourage innovation and safety, congestion relief, freight mobility, pavement and bridge quality and project cost savings. For example, States that are successful in reducing their traffic fatalities should receive a bonus in funding. They are on the right path and they should be rewarded.

For congestion relief and freight mobility, we will officially propose a performance-based congestion relief program later this year that targets the national highway system. We hope that you take it into consideration.

Senator BOXER. Can you finish it up now?

Mr. COHEN. On funding, again, as the Chamber did, we endorse Senators Baucus and Grassley's highway trust fund fix. We also support increasing fuel taxes, provided that the program is reformed. We also strongly support the addition of new non-highway user fees to diversify the revenue sources into the program. And in the long term, we are studying the VMT proposal. We have similar concerns as you do, but we are also open to looking at that.

In conclusion, the Highway Users really looks forward to working with you on the 2009 bill. I think there is a lot more work to be done than there was for the SAFETEA-LU bill, because fundamentally we need a major restructuring. The 2009 bill needs to be reauthorized on time, because the Highway Trust Fund is out of money. The current program cannot be sustained past 2009 unless reauthorization is done on time.

Thank you again.

[The prepared statement of Mr. Cohen follows:]

Testimony of Gregory M. Cohen, P.E.
President and CEO
American Highway Users Alliance
Before the Senate Committee on Environment and Public Works
February 6, 2008

Introduction
Chairman Boxer, Ranking Member Inhofe, and Members of the Committee, I am honored to have this opportunity to present the views of the American Highway Users Alliance (The Highway Users) on the recommendations of the National Surface Transportation Policy and Revenue Commission.

About The Highway Users
The Highway Users is an umbrella group representing 270 national and state associations and businesses of all sizes, including AAA clubs, bus and truck companies, motorcyclists and recreational vehicle users, and diverse companies whose bottom lines depend on a safe, efficient, and reliable network of highways. Our members represent millions of highway users throughout the country and we serve as their united voice for better roads and fair taxation.

For over 75 years, The Highway Users has been an outspoken stakeholder on every federal highway and surface transportation bill, including the historic Federal-Aid Highway Act of 1956, which authorized the Interstate Highway System and created the Highway Trust Fund, and the 1991 Intermodal Surface Transportation Efficiency Act (ISTEA), which established the "TEA" programmatic structure largely still in place.

Creating the Commission
We owe this Committee a great debt of gratitude for having the foresight during early drafting of SAFETEA-LU to recognize that an independent Commission would be helpful in identifying areas for future policy reform. The Committee also recognized that the current revenue and spending levels would be unsustainable beyond 2009. Just as the 1955 Clay Commission's policy and revenue recommendations helped pave the way for the Interstate highway program and develop the public's trust in a "Highway Trust Fund" for construction, we believe the current Commission's recommendations will be of great value to you and the American people as you craft a fundamentally different, better transportation bill than the previous three "TEA" bills.

A Report Worthy of Serious Consideration

We commend and thank the commissioners for volunteering two years of their time to this effort and for developing recommendations worthy of serious consideration. The report begins with a clarion call to action and an urgent warning of the consequences of failure to act. The commissioners were united that the highway and transit programs should not be reauthorized in their current form. The Highway Users agrees with this fundamental call for bold change. We also agree with the commission that the United States should build the preeminent surface transportation program in the world.

We are pleased that the commission accepted so many of the recommendations made by The Highway Users. These included solid support for project streamlining; a special focus on relieving freight and commuter bottlenecks; and the development of an outcome-oriented, performance-based program that identifies national needs, such as congestion relief and reduction in highway fatalities.

The Highway Users Supports a Strong Federal Role

The Highway Users reviewed the recommendations of both the majority and minority of commissioners. Fundamentally, our views are more closely aligned with the majority than the minority. A critical distinction between the two views is the role of the federal government in future transportation programs. We agree with the majority that Congress should authorize a strong, focused federal program designed to meet national safety and mobility objectives. It is our view that a shrinking federal role would seriously damage the integrity of the National Highway System, create dangerous imbalances in road and bridge quality from state-to-state, and severely impact the future flow of commerce.

Tolling and Public-Private Partnerships: Protect the Public Interest

Another major difference between the majority and minority views is the role of tolling and public-private partnerships (PPPs). Again, our views are closer to those of the majority. We believe that tolling and PPPs have a role to play in construction of new lanes, roads, and bridges and we would welcome private investment in new construction. We support the construction of new toll express lanes alongside existing toll-free highways or the conversion of under-utilized HOV lanes to HOT lanes. However, consumer protections are critical to ensure that toll roads do not create barriers to commerce, unfairly target interstate traffic as a tool to boost state revenue, create safety problems on parallel routes, fund non-highway programs, contain non-compete clauses designed to prevent public road improvements, or be used as a social-engineering program to regressively price certain drivers off the road. The Highway Users opposes imposition of tolls or congestion pricing on any existing, untolled Interstate Highway lanes and we urge the Committee to maintain its longstanding opposition to tolling the Interstates.

The Highway Users Endorses Unanimous Call to Speed Up Project Delivery
One area of unanimity among commissioners is the call for speeding up project deliveries. The delays associated with the use of federal funds contribute to skyrocketing project and social costs. We commend the commission for focusing attention on the need to improve processes. Currently, the average major project requires 13 years to advance. Every 10 years of delay doubles project costs. Numerous opportunities abound for project opponents to add years of delay to a highway or transit project by demanding further studies and analysis of new alternatives. Congress should take action to limit debate, so that project opponents cannot filibuster project approvals. For congestion-relief projects in major urban areas, the social costs of project delays can reach into the billions of dollars. We endorse the recommendations of the commission to speed project delivery and also recommend that the 5-state pilot program authorized under section 6005 of SAFETEA-LU be authorized for all states and that Executive Order 13274, which authorizes the Secretary to select projects of national significance for priority reviews, be codified into law. We ask that Congress take special care not to add new planning or project review requirements that would further slow the environmental approval process.

Advance the Federal Interest by Reducing and Prioritizing Programs
The commission identified 108 federal programs funded by the Department of Transportation. Although we do not endorse the 10 specific programs identified by the Commission, we agree that a small number of performance-based, outcome-driven programs should replace the current "pots of money" and are needed to advance a clearly defined federal surface transportation program. We believe the current lack of focus and lack of national priorities greatly reduces public support for funding federal transportation programs. The sheer number of current programs helps to explain why few people can actually identify a clear purpose or vision for today's federal highway and transit programs. To create trust with the taxpayers, it is time for all projects to compete fairly in meeting quantifiable national safety and mobility objectives.

We also support the commission's recommendation that, under the new programs, States submit their program plans and cost estimates, to be consolidated into a national strategic plan that clearly identifies a logical federal investment. Such a process should not slow environmental or other bureaucratic approvals for individual projects.

Without commenting on the specifics of each program, The Highway Users is generally supportive of federal programs designed to manage assets on the National Highway System, improve freight mobility, provide congestion and bottleneck relief, sharply reduce the loss of life through roadway safety projects, provide rural connectivity on the National Highway System, support highways under federal ownership, and focus the research and development program.

We look forward to working with the Committee to further refine eligible programs and establish performance-based standards that allow reasonable State flexibility for prioritizing spending in each category.

The Highway Users Objects to "Stove-Pipe" Rail-Only Funding
The Highway Users is surprised that the Commission endorsed the creation of an intercity rail program despite the careful efforts to make the rest of the recommendations mode-neutral. Such a proposal eliminates competition to rail from cost effective bus rapid transit without any compelling case for doing so. It is in the taxpayer's interest that rubber-tire transit should be given the opportunity to compete with rail.

Of course, highway-based projects are generally well-suited to compete with rail in achieving national safety, mobility, and freight goals that are fairly tested for benefits and costs. Highways are the only mode with consistent, negative net federal subsidies. They also generally provide superior speeds, accessibility, flexibility, and offer people unparalleled control over their lives. Highway mobility provides the shortest path for those transitioning from welfare-to-work and provides the most opportunities for consumers to shop, recreate, or conduct personal and family business. Particularly when highway users finance the vast majority of the surface transportation program, it is simply unfair to create barriers to prevent highway projects from competing with rail projects.

Having failed to attain operating self-sufficiency, Amtrak is annually funded with general funds. Some have proposed that motorists should fund Amtrak with a portion of the fuel tax. Under any feasible highway fuel tax rate, a diversion of funds for Amtrak would be a major drain on an already stressed and overwhelmed highway program. Competing private intercity bus and van operations require little or no federal funding with route flexibility not possible on railroad tracks. There's no reason that the intercity buses should subsidize their rail competitors through a diversion of their diesel taxes. The Highway Users would strongly object to any proposal that subsidizes Amtrak with highway user fees.

For this reason, we strongly object to the creation of a new rail-only, intercity passenger program and ask that the Committee allow highway projects to compete fairly for all of the programs authorized based on quantifiable benefits and costs.

Support for State and Metropolitan Performance and Accountability Standards
The Highway Users strongly supports the Commission's recommendations to develop national performance standards for competing States and metropolitan areas. States and metropolitan areas should receive a federal funding bonus for outcomes that serve the national interest. Such a program could encourage innovation in safety, congestion relief, freight mobility, pavement and bridge quality, construction schedules, project cost-savings, etc. For example, States that are successful in reducing traffic fatalities on course to halve them by 2025 should receive a funding bonus. For congestion relief and freight mobility, we will officially propose a performance-based congestion relief program dedicated to the National Highway System later this year.

Funding

Short Term

We endorse the commission's call to avert an immediate shortfall in the highway account of the Highway Trust Fund. Finance Committee Chairman Max Baucus and Ranking Member Charles Grassley have already developed legislative language to keep the Highway Trust Fund solvent through the end of fiscal year 2009. This legislative language is included in multiple tax bills.

Medium Term

The Highway Users supports the Commission's recommendation to increase fuel taxes provided that programmatic reforms we support are in place. Such reforms would include the establishment of strong national priorities for the Highway Trust Fund. The increase should be below or at the low end of the range recommended by the Commission.

Although politically difficult at this time, The Highway Users is confident that strong public support could be generated by the end of 2009 for increasing highway user and other user fees. It is absolutely critical, however, that the public be fully aware of the reforms made to the program before support will be forthcoming. Our view is that the key to public support for the federal program is to "Put the Trust Back into the Highway Trust Fund." Congress can do so by prioritizing projects with the most benefits for the most taxpayers, reducing waste and diversion, and ensuring that earmarks are well-vetted and defensible under the reformed program.

If Congress adopts carbon taxes, the Highway Trust Fund should be funded by an amount equal to the carbon tax on highway fuel. Under a cap-and-trade plan, the Highway Trust Fund should be compensated for an amount equivalent to the increased cost of fuel due to regulation. These carbon funds should be dedicated to congestion relief programs, such as bottleneck removal or traffic signal synchronization. By 2028, as much as 390 million tons of carbon dioxide can be removed from the atmosphere by improving traffic flows at our nation's worst bottlenecks.

The Highway Users strongly supports the recommendation to add new non-highway user fees. In particular, we applaud the commission for its recommendation to add a ticket tax for federally-funded rail and bus transit, similar to the ticket tax paid by airline passengers. It is important that new sources of user fees help make transit programs more self-sustaining and reduce highway users' transit subsidies, because highway needs alone are overwhelming. It is likely that highway user fees will remain the dominant funding source for the surface transportation program and thus the trust fund should retain the name "Highway Trust Fund."

Long-Term

The Highway Users is studying long-term recommendations, including the establishment of a VMT fee. It would be critical to our members that such a fee is fairly devised, does not result in disproportionate user fee increases for different vehicle classes, and protects privacy.

Keep DOT Organized by Modal Administrations

For decades, The Highway Users has worked closely with the DOT Secretary's office, modal administrators, and the professional staff of the various FHWA, NHTSA, FMCSA, FTA, and FRA offices. Our view is that there is little value and large costs associated with restructuring the U.S. Department of Transportation's modal administrations. Because the operations and research that apply to each of the modes do not easily transfer across modes, we recommend that each administration be retained and the expense and confusion of a costly reorganization be avoided. Currently, some modal administrations are funded with Highway Trust Funds and others are funded with General Funds. We recommend that all future administrative expenses for all DOT agencies be funded out of the General Fund.

Conclusions

The Highway Users applauds the National Transportation Policy and Revenue Commission for its comprehensive report, *Transportation for Tomorrow*. While we do not endorse all of the recommendations, we believe this report provides a great starting point to consider reforming the current highway and transit programs.

The American Highway Users Alliance looks forward to working with the Senate Committee on Environment and Public Works on the 2009 surface transportation authorization bill. Unlike recent highway bills, the 2009 bill most be authorized on-time to restore public trust in the federal surface transportation program, prevent bankruptcy of the Highway Trust Fund, and avert dramatic reductions in surface transportation funding.

Response by Gregory Cohen to an Addition Question from Senator Carper

Question. The Commission recognized that traditional bus and rail transit and, where appropriate, intercity passenger rail must be an increasingly important component of metropolitan mobility strategies due to their ability to move large volumes of people into and out of areas that cannot handle more automobiles. The American Highway Users Alliance objects to the creation of an intercity rail program. How can highway-based transit programs that address the need for effective public transportation be developed, while not contributing to congestion problems?

Response. The Highway Users objects to the creation of a new "rail-only" program that is funded by highway user fees. With the exception of the intercity rail program, the Commission recommended that all of the reformed surface transportation programs be mode-neutral so that projects are selected on the basis of how well they solve a problem or achieve a desired outcome, rather than setting aside funding for particular modes. Although we believe that trust fund revenue acquired from highway users should be spent on highway programs, we understand the Commission's logic and believe highway projects could compete well with other modes in solving our most critical national transportation problems.

If Congress created a mode-neutral intercity passenger transportation program, we believe highway-based transit programs could cost-effectively compete with rail-based transit programs, reducing congestion and serving more passengers per federal dollar. For urban, suburban, and rural locations, a variety of emerging bus-based solutions are being researched, developed, and constructed. These include bus rapid transit systems on exclusive or shared rights-of-way and HOT/express lane projects specially designed to serve buses. Importantly, bus routes are flexible and cost-effective and can be modified during emergencies or in response to changing public needs over time.

One highway-based mode of public transportation that has been largely overlooked by the Commission is the privately-owned and operated motorcoach (also known as "intercity bus" or "over-the-road bus"). Every motorcoach can take 55 cars off the highways and offer at least as much congestion reduction benefit as the average public transit bus. A recent study found that the average annual federal subsidy for motorcoaches was six cents per passenger trip compared to 46.06 dollars per Amtrak passenger trip while the per-mile average operating cost of a motorcoach is approximately one-fourth that of Amtrak. The Energy Department has consistently found motorcoaches to be the most energy-efficient mode of transportation.

For the reasons above, Congress should seize the opportunity in the 2009 surface transportation bill to improve the effectiveness of our public transportation programs by breaking down the "stove pipe" that favors rail projects over bus projects.

Responses by Gregory Cohen to Additional Questions from Senator Inhofe

Question 1. It is interesting that a taxpayer group such as yours would support an increase in the fuel tax. I do not believe you endorsed a fuel tax increase in 2003 when it was proposed in the other body. Why are you doing so now and how feasible do you think raising taxes is?

Response. There is no question that taxpayers will need to pay more in federal fuel taxes if there is to be an effective national response to our nation's congestion, safety, freight mobility problems, and the poor physical condition over our bridges and pavements. We believe that the fuel tax is a generally fair user fee and, if adjusted, will be viable for many more years.

A key reason for our change in position over raising the fuel tax is that a consensus appears to have emerged since 2003 that the current "TEA" structure of the surface transportation program is in dire need of reform. The commissioners were unanimous that the SAFETEA-LU program should not be reauthorized in its current form. We expect that Congress will improve the cost-effectiveness and performance of the program by establishing clear national priorities and eliminating waste and diversion of highway user fees. We believe such a program will provide greater accountability to the highway users that pay fuel, truck, and tire taxes. With reform, establishment of national priorities and a genuine plan to put the public's trust back into the Highway Trust Fund, the American Highway Users Alliance will strongly support an increase in the fuel tax and take action to create media and public support for a user fee increase.

In the absence of programmatic reform and elimination of waste, we do not believe that raising taxes on motorists is politically feasible, particularly while fuel prices are at record highs. Therefore, we believe it is important for the Committee to lay out clear national priorities for the 2009 highway and surface transportation bill, so that we can help generate public, media, and political support for an admittedly difficult task ahead.

Question 2. Most of the commission's recommendations are mode-neutral. Your testimony objects to the one-mode specific program for intercity passenger rail such as Amtrak. Would you explain your concerns?

Response. Although we believe that trust fund revenue acquired from highway users should be spent on highway programs, we understand the Commission's logic in creating a generally-mode neutral program based on benefit/cost analyses and established national priorities. These include solving critical national issues such as congestion, safety, freight mobility, and deteriorating infrastructure. We believe highway projects could compete well with other modes in these problems at the least possible cost to taxpayers. Inexplicably, the Commission departed from its mode-neutral agenda by endorsing a "rail-only" intercity passenger program. We see no compelling reason that such a program should exclude highway-based transportation, such as intercity buses. The only logical explanation is that commissioners knew that buses are usually more cost-effective than rail and that a bias for rail had to be included in their plan to give that mode a special advantage. We disagree with the commissions' bias toward rail transportation and believe it is a disservice to taxpayers who want the most cost-effective passenger transportation systems.

If Congress created a mode-neutral intercity passenger transportation program, we believe highway-based transit programs could cost-effectively compete with rail-based transit programs, reducing congestion and serving more passengers per federal dollar. For more information, please see our response to Senator Carper's question, above.

Question 3. Your testimony indicates support for "performance-based", outcome-driven national programs. Can you explain why reducing the number of programs would yield better results and how a performance-based plan would affect the donor states like mine?

Response. We believe that there is great public skepticism over the effectiveness and direction of the current federal highway and surface transportation program, which has seen little change in the past seventeen years. Congress has a terrific opportunity to increase accountability and deliver a much-improved national surface transportation program in 2009. The Commission devoted a great deal of attention to creating performance-based, outcome-driven programs that address national priorities. Like all government programs, the highway program is constrained by available funding. Transportation projects funded by the Highway Trust Fund cannot be expected to solve all of society's ills. Therefore, difficult choices must be made to determine which programs and projects are reasonable to fund with federal dollars paid by highway users.

Since 1956, the federal surface transportation program has broadened in scope from one that is easily understood (building the Interstate Highway System), to one with so many programs serving more and more special interest groups. It has no clear mission and there is no way to measure its effectiveness. Under this paradigm, groups and officials have increasingly become more interested in "getting their share of the pie" and less focused on the value of a national program to the people of the United States.

By reducing the number of programs to reflect the highest priorities of Congress, you can target resources to the most critical national needs. These include markedly reducing the epidemic death-toll on our highways, relieving congestion in our metropolitan areas, improving freight mobility, repairing/replacing structurally failing infrastructure, etc. With national priorities reflected in a few well-funded programs, the investments in all States would grow and each State would retain the flexibility to direct funding to the particular problems it is most able to effectively solve. Our hope is that the donor/donee debate will be of less importance than the desire of all States to see that their piece of the national transportation system is safe, efficient, and serving the greater good. Such a cooperative atmosphere was evident in the Interstate construction era and it can and should be restored for the future.

Question 4. Your testimony indicates support for a new congestion relief program for the National Highway System. How would your program differ from the current CMAQ program?

The Highway Users will be releasing its recommendations for the 2009 highway and surface transportation bill later this year and we expect that a national congestion relief program focused on the NHS will be a central focus of our plan. Despite well-documented, dramatic increases in congestion since 1982 and the deleterious effects on our nation's productivity and quality-of-life, there is no major congestion relief program in the SAFETEA-LU bill. Most of the projects funded under CMAQ have shown little or no effectiveness in reducing congestion or improving air quality. The Transportation Research Board reported to Congress that it cannot quantify the benefits of the Congestion Mitigation/Air Quality (CMAQ) program. There is no mechanism under the CMAQ program to ensure that projects with the highest congestion relief and/or air quality benefits are prioritized above those with low benefits.

Our plan, while incomplete at this point, will declare congestion reduction to be an achievable and desirable goal for the United States and create incentives for the States to take effective action. We will propose a program that gives States a free-hand to develop projects that quantifiably maximize congestion relief program at the lowest cost, while protecting the public interest. We will not prescribe nor proscribe solutions but we will require performance outcomes that increase national mobility. If authorized, such a program will be far more effective in addressing congestion and air quality than the current CMAQ program.

Question 5. The commission's report also envisions a very large increase in pricing to manage demand. What are your views on new tolls on previously free roads if the primary purpose is to manage demand?

The Highway Users opposes placing new tolls on previously free roads, especially if the primary purpose is to manage demand or control human behaviors. However, we support the construction of new toll roads, new optional tolled express lanes, and conversion of HOV to HOT lanes, if traditional funding is insufficient to add new untolled capacity, and there is a net benefit to motorists. Our view is that the roads built with taxes should not be tolled. Tolls are more regressive than fuel taxes and congestion pricing is particularly onerous on poorer drivers, small businesses, and individuals who have little discretion over when to be at work.

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Responses by Gregory Cohen to Additional Questions from Senator Voinovich

Question 1. Mr. Cohen, as I stated during my opening statement, I am extremely frustrated with the timeframe for completing highway projects. The last highway bill made some modifications to the 4(f) process. Have you found these changes to be useful with streamlining projects?

What other changes do you recommend for streamlining the process for the next highway bill?

Response. We greatly appreciate Senator Voinovich's leadership in championing the amendments to Section 4(f) in SAFETEA-LU. Section 4(f) affects transportation projects that impact parks, historic sites, and wildlife refuges. The delays caused by Section 4(f) are well known and a source of great frustration for advocates of highway, transit, and other federally-funded transportation modes. In many cases, the rigidity of Section 4(f) has led to illogical delays, project cancellations, and poor decisions that harm both people and the environment. We hope that the modest changes you championed in SAFETEA-LU will make a difference. In particular, the changes are expected to harmonize Section 4(f) with the Section 106 process for historical projects, exempt projects with a *de-minimus* impact on a 4(f) resource, and require DOT to issue a rulemaking that defines what are "prudent and feasible" alternatives to a project that impacts a 4(f) resource. Unfortunately, it is too early to judge whether the changes in SAFETEA-LU will greatly improve the timeframes for most 4(f) projects. Yet anecdotal evidence indicates that some problems still remain. To further improve 4(f), Congress may wish to define the prudent and feasible avoidance standard, establish binding timelines on 4(f) decisionmaking, allow mitigation to satisfy 4(f) requirements, or expand the *de-minimus* impact standard to one that includes projects found to have no significant impact on a protected resource.

Other changes for streamlining the project approval process for the next highway bill may include defining the required analysis of secondary, indirect, or cumulative impacts under the NEPA procedures; tightening-up deadlines for interagency approvals at project milestones; and codifying the executive order on stewardship which identifies projects of high priority for streamlining. We look forward to working with the Committee to review the effectiveness of SAFETEA-LU's streamlining provisions and set a course for further improvements in the next bill.

Question 2. It is interesting that your group would support an increase in the fuel tax. I do not believe you endorsed a fuel tax increase in 2003 during consideration of SAFETEA-LU. Why are you doing so now and how feasible do you think raising taxes is?

If the gas tax cannot be increased, how much more do you think we generate from other financing mechanisms to invest in our nation's transportation system in the short term? How crucial is a user fee increase to meeting our future transportation needs?

Response. There is no question that highway users will need to pay more in federal fuel taxes if there is to be an effective national response to our nation's congestion, safety, freight mobility problems and the poor physical condition over our bridges and pavements. We believe that the fuel tax, is a generally fair user fee and, if adjusted, will be viable for many more years.

A key reason for our change in position over raising the fuel tax is that a consensus appears to have emerged since 2003 that the current "TEA" structure of the surface transportation program is in dire need of reform. The commissioners were unanimous that the SAFETEA-LU program should not be reauthorized in its current form. We expect that Congress will improve the cost-effectiveness and performance of the program by establishing clear national priorities and eliminating waste and diversion of highway user fees. We believe such a program will provide greater accountability to the highway users that pay fuel, truck, and tire taxes. With reform, establishment of national priorities and a genuine plan to put the public's trust back into the Highway Trust Fund, the American Highway Users Alliance will strongly support an increase in the fuel tax and take action to create media and public support for a user fee increase.

In the absence of programmatic reform and elimination of waste, we do not believe that raising taxes on motorists is politically feasible, particularly while fuel prices are at record highs.

Therefore, we believe it is important for the Committee to lay out clear national priorities for the 2009 highway and surface transportation bill, so that we can help generate public, media, and political support for an admittedly difficult task ahead.

If the gas tax cannot be increased, we do not think other funding mechanisms (such as tolls) can generate more than 5% of the needed funds. While tolls may be able to finance a more significant share of funding for new freeway and bridge construction, they will provide minimal support for the existing, failing system. General funds could be used but these funds are also in short supply at all levels of government. It is absolutely crucial that a user fee increase be enacted to meet our future transportation needs. Without one, we would expect dangerous deterioration of our national mobility with serious economic, safety, and quality-of-life results.

Question 3. Your testimony indicates support for "performance-based", outcome-driven national programs. Can you explain why reducing the number of programs would yield better results and how a performance-based plan would affect the donor states like mine?

Response. We believe that there is great public skepticism over the effectiveness and direction of the current federal highway and surface transportation program, which has seen little change in the past seventeen years. Congress has a terrific opportunity to increase accountability and deliver a much-improved national surface transportation program in 2009. The Commission devoted a great deal of attention to creating performance-based, outcome-driven programs that address national priorities. Like all government programs, the highway program is constrained by available funding. Transportation projects funded by the Highway Trust Fund cannot be expected to solve all of society's ills. Therefore, difficult choices must be made to determine which programs and projects are reasonable to fund with federal dollars paid by highway users.

Since 1956, the federal surface transportation program has broadened in scope from one that is easily understood (building the Interstate Highway System), to one with so many programs serving more and more special interest groups. It has no clear mission and there is no way to measure its effectiveness. Under this paradigm, groups and officials have increasingly become more interested in "getting their share of the pie" and less focused on the value of a national program to the people of the United States.

By reducing the number of programs to reflect the highest priorities of Congress, you can target resources to the most critical national needs. These include markedly reducing the epidemic deathtoll on our highways, relieving congestion in our metropolitan areas, improving freight mobility, repairing/replacing structurally failing infrastructure, etc. With national priorities reflected in a few well-funded programs, the investments in all States would grow and each State would retain the flexibility to direct funding to the particular problems it is most able to effectively solve. Our hope is that the donor/donee debate will be of less importance than the desire of all States to see that their piece of the national transportation system is safe, efficient, and serving the greater good. Such a cooperative atmosphere was evident in the Interstate construction era and it can and should be restored for the future.

Question 4. As Highway Trust Fund revenues decrease in the future due to increase fuel efficiency and use of alternative fuels, what do you recommend to maintain a reliable source of highway funding?

Response: The Highway Users does not subscribe to the idea that the fuel tax is near the end of its lifespan. Along with AASHTO, we believe that fuel taxes can adequately fund the Highway Trust Fund for at least another twenty years. As fuel efficiency is increased it will be necessary to increase the fuel taxes to counteract the losses to the Highway Trust Fund. Most alternative highway fuels are taxed and deposited into the Highway Trust Fund. It is reasonable to charge a tax on alternative fuels that considers the energy content of those fuels so that the charges are equivalent to those for traditional fuels.

In the long run, with plug-in and fuel cell vehicles, it may be necessary to transition to a vehicle-miles of travel tax or other broad based pay-as-you-go taxing system. It is critical that such a system be transitioned in an orderly manner to be as fair as possible to highway users that drive newer or older vehicles. We share the concerns of the Committee's leadership that a VMT tax should not be an affront to privacy or civil liberties and we would be pleased to work with both the EPW and Finance Committees to establish a framework for future highway user fees that protect consumers.

Senator BOXER. Thank you, sir. Thank you very much.

And last but not least is JayEtta Hecker, Director, Physical Infrastructure Issues, U.S. Government Accountability Office. Welcome.

STATEMENT OF JAYETTA HECKER, DIRECTOR, PHYSICAL INFRASTRUCTURE ISSUES, U.S. GOVERNMENT ACCOUNTABILITY OFFICE

Ms. HECKER. Thank you, Madam Chair, members of the Committee. I am very honored to be here.

As you know, we do our work for you. In fact, I am speaking on a body of work that we have completed for this Committee, for the House and some ongoing work that we have as well. This is truly a critical juncture. We think there are severe problems with the performance of the system, the performance of the program, not only in congestion, but it is unreliable, it is affecting business, very severe economic consequences. And as you know, in your State, environmental and health consequences that are indeed very real.

So we have some very significant economic problems, performance problems, quality of life with infrastructure in this Country. And solutions are complicated, complicated by the fact that this is such a broad area. There are so many sectors involved, private sectors, public sectors, all levels of government with different ownership and different interests.

Another severe complication that has never been effectively addressed in the past is transportation is inextricably linked with environmental issues, with energy issues and aviation issues. We really haven't made those links very effectively. The next bill is an important opportunity and challenge to really get that nexus between transportation and environment, in particular that this Committee is uniquely in a position to do.

Another factor that GAO often points to is the fiscal crisis. The Federal Government is running out of money. Any time anyone talks about, well, this should be a general fund activity, they are saying, this should be borrowed, we should borrow the money for this because there is no money in the general fund. So there is a very high standard that has to be applied.

My remarks today will focus on two things. First, some principles that we have developed which we believe should assist the Congress in reviewing any of the reform, restructuring or reauthorization proposals. We have tried to build a foundation to help focus, how complete is this, how sustainable is it.

Then I have some preliminary observations on the Commission's recommendations vis-a-vis these principles which basically serve as criteria to look at various proposals. The principles are painfully simple. But they do not match the current program we have.

The first principle is that there be clear national interests and a clear Federal role; we have had not had that since the interState. There are currently 118 programs. It is an agglomeration, it is more and more and more. The way the money moves out and the way it is disbursed, there is no real interest, there is no real link to what we spend $30 billion to $40 billion on a year and the result in transportation. There is no link.

So the first is to have an idea of what outcome we want, what the national interest is, what the Federal role is. The second principle is also painfully simple: build in performance and accountability for results in those desired areas. And link it to the funding decision, so it is not just nice, prefatory language, which the Congress often has at the beginning of a bill, but the linkage to the actual programs.

The final principle one is fiscal sustainability. The current program is not sustainable. We need to focus on treating all the resources as scarce. It is imperative that the national public benefits of any Federal investment be optimized. We have to make the best use of the dollars, get the best return on the investment. No matter how much you are able to increase it, it is still scarce and we need to have that kind of discipline and fiscal sustainability.

So the principles are identifying clear national interests, requiring performance and accountability and ensuring a fiscally sustainable system. The preliminary comments on the Commission, on the national interest, they identify areas, as many people have said, they have very specific areas. They recommend reorganizing transportation programs around those.

We raise the question, though, and have concern that the underlying organization of all the programs is 80/20 money. If you are focusing on where there is a national interest, presumably the money that the Federal Government puts in aligns with the level of Federal national benefits, not local benefits, not private benefits, not railroad benefits, not local community choices of what they want versus a national benefit.

So we are troubled by not only the continuation, but the enormous expansion of 80/20 funding for areas where States now spend everything. If States find it in their interest, like California on rail, that rail is really important to us, why would we substitute 80 percent Federal funding? It just completely substitutes for local choices, local decisions, local preferences.

On performance———

Senator BOXER. I'm going to have to ask you, you are so good, but we need to wrap up. I am fearful we are going to get a vote shortly.

Ms. HECKER. Performance, lots of emphasis on performance, but no link to funding. We are very concerned about that, and need to learn more about it. Because the commitment is there, but we don't see the link. It is basically a need-based system and the cost to complete.

The issue of sustainability, we think it is pretty unclear whether the Commission's recommendations are fiscally sustainable, target the best use, really will introduce a return on investment approach. Basically, our core focus has been for a comprehensive reexamination of whatever the Federal Government does, how it does it, and we are not sure that this Commission report really represents that zero-based review that is so sorely needed.

[The prepared statement of Ms. Hecker follows:]

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SURFACE TRANSPORTATION

Preliminary Observations on Efforts to Restructure Current Program

Statement of JayEtta Z. Hecker, Director

Physical Infrastructure Issues

GAO
Accountability * Integrity * Reliability

GAO-08-478T

GAO Accountability · Integrity · Reliability

Highlights

Highlights of GAO-08-478T, a testimony before the Committee on Environment and Public Works, U.S. Senate

Why GAO Did This Study

The nation has reached a critical juncture with its current surface transportation policies and programs. Demand has outpaced the capacity of the system, resulting in increased congestion. In addition, without significant changes in funding mechanisms, revenue sources, or planned spending, the Highway Trust Fund—the major source of federal highway and transit funding— is projected to incur significant deficits in the years ahead. Furthermore, the nation is on a fiscally unsustainable path. Recognizing many of these challenges and the importance of the transportation system to the nation, Congress established The National Surface Transportation Policy and Revenue Study Commission (Commission) to examine current and future needs of the system and recommend needed changes to the surface transportation program, among other things. The Commission issued its report in January 2008.

This testimony discusses 1) principles to assess proposals for restructuring the surface transportation program and 2) GAO's preliminary observations on the Commission's recommendations. This statement is based on GAO's ongoing work for the Chairman of the House Transportation and Infrastructure Committee, as well as a body of work GAO has completed over the past several years for Congress.

To view the full product, including the scope and methodology, click on GAO-08-478T. For more information, contact JayEtta Z. Hecker at (202) 512-2834 or heckerj@gao.gov.

February 6, 2008

SURFACE TRANSPORTATION

Preliminary Observations on Efforts to Restructure Current Program

What GAO Found

GAO has called for a fundamental reexamination of the nation's surface transportation program because, among other things, the current goals are unclear, the funding outlook for the program is uncertain, and the efficiency of the system is declining. A sound basis for reexamination can productively begin with identification of and debate on underlying principles. Through prior analyses of existing programs, GAO identified a number of principles that could help drive an assessment of proposals for restructuring the federal surface transportation program. These principles include (1) defining the federal role based on identified areas of national interest, (2) incorporating performance and accountability for results into funding decisions, and (3) ensuring fiscal sustainability and employing the best tools and approaches to improve results and return on investment. GAO developed these principles based on prior analyses of existing surface transportation programs as well as a body of work that GAO developed for Congress, including its High-Risk, Performance and Accountability, and 21st Century Challenges reports. The principles do not prescribe a specific approach to restructuring, but they do highlight key attributes that will help ensure that a restructured surface transportation program addresses current challenges.

Principles For Evaluating Restructuring Proposals
✓Define the federal role based on areas of national interest
✓Incorporate performance and accountability for results into funding decisions
✓ Ensure fiscal sustainability and employ the best tools and approaches to improve results and return on investment

Source: GAO.

In its report, the Commission makes a number of recommendations for restructuring the federal surface transportation program. The recommendations include significantly increasing the level of investment by all levels of government in surface transportation, consolidating and reorganizing the current programs, speeding project delivery, and making the current program more performance- and outcome-based and mode-neutral, among other things. GAO is currently analyzing the Commission's recommendations using the principles that GAO developed for evaluating proposals for restructuring the surface transportation program. Although this analysis is not complete, GAO's preliminary results indicate that some of the Commission's recommendations appear to be aligned with the principles, while others may not be aligned. For example, although the Commission identifies areas of national interest and recommends reorganizing the individual surface transportation programs around these areas, it generally recommends that the federal government pay for 80 percent of project costs without considering whether this level of funding reflects the national interest or should vary by program or project.

Madam Chairman and Members of the Committee:

We appreciate the opportunity to present our preliminary observations about the recent report of The National Surface Transportation Policy and Revenue Study Commission (Commission).[1] The Commission was given a broad mandate that includes examining the current condition and future needs of the surface transportation system, identifying alternative revenue sources, and providing specific recommendations regarding changes to the surface transportation program's design and operations, federal policies, and legislation. The Commission's January 2008 report is the culmination of over 18 months of work to fulfill the mandate set by Congress, and we applaud the Commission's efforts.

The Commission's report comes at a time when our nation has reached a critical junction with the current surface transportation program.[2] For example, the Highway Trust Fund was created in 1956 to finance the construction of the interstate highway system. That system is now complete. However, the federal highway program's financing and delivery mechanisms have not substantially changed, and the program's continued relevance in the 21st century is unclear. The federal role in surface transportation has also grown over the years, and the Highway Trust Fund now funds a variety of highway, transit, and even some rail programs. In addition, without significant changes in funding mechanisms, revenue sources, or planned spending, the Highway Trust Fund is projected to incur significant deficits in the years ahead. As a result, in 2007, we added financing the nation's transportation system to GAO's High Risk List.[3]

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[1]Congress created The National Surface Transportation Policy and Revenue Study Commission in 2005 under section 1909(b) of the Safe, Accountable, Flexible, Efficient Transportation Equity Act—A Legacy for Users (SAFETEA-LU) , Pub. L. No. 109-59, §1909(b), 119 Stat. 1471 (Aug. 10, 2005).

[2]In this statement, we use the term "surface transportation program" to refer collectively to the various surface transportation programs, such as the federal highway, safety, rail, maritime, and transit programs.

[3]GAO's audits and evaluations identify federal programs and operations that, in some cases, are high risk due to their greater vulnerabilities to fraud, waste, abuse, and mismanagement. In recent years, we also have identified high-risk areas to focus on the need for broad-based transformations to address major economy, efficiency, or effectiveness challenges. Since 1990, we have

Furthermore, the growing demand has outpaced the capacity of the transportation system over the past several decades. The result is apparent: increasing number of hours spent inching along clogged roads and highways, especially at rush hours and other times of peak demand. The economic implications are significant, ranging from wasted fuel and time as cars idle in traffic to increased costs for businesses as the system grows more unreliable. In addition to burdening the economy, congestion can harm the environment and health of the nation's citizens.

Addressing these challenges is complicated by the breadth of the nation's surface transportation network—encompassing highway, transit, and rail systems and ports that are owned, funded, and operated by both the public and the private sectors. Moreover, surface transportation policy decisions are inextricably linked with aviation, economic, environmental, and energy policy concerns. In addition, the federal government's financial condition and fiscal outlook are worse than many may understand.[4] Specifically, the federal budget is on an imprudent and unsustainable path—heightening concern about the solvency of the Highway Trust Fund because other federal revenue sources may not be available to help solve the nation's current transportation challenges. Addressing these challenges requires strategic and intermodal approaches, effective tools and programs, and coordinated solutions involving all levels of the government and the private sector. Yet in many cases, the government is still trying to do business in ways that are based on conditions, priorities, and approaches that were established decades ago and are not well suited to addressing 21st century challenges. Consequently, we have called for a fundamental reexamination of the nation's transportation policies and programs.[5]

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periodically reported on government operations that we have designated as high risk. In 2007, we added financing the nation's transportation system to the High Risk List. See, GAO, *High-Risk Series: An Update*. GAO-07-310. Washington, D.C.: January 2007.

[4]GAO, *Long-Term Fiscal Outlook: Action Is Needed to Avoid the Possibility of a Serious Economic Disruption in the Future*, GAO-08-411T (Washington, D.C.: Jan. 29, 2008) and *Fiscal Stewardship: A Critical Challenge Facing Our Nation*, GAO-07-362SP (Washington, D.C.: January 2007).
[5]See GAO, *Performance and Accountability: Transportation Challenges Facing Congress and the Department of Transportation*, GAO-07-545T (Washington, D.C.: Mar. 6, 2007) and *21st Century*

My remarks today focus on (1) principles to assess proposals for restructuring the surface transportation program and (2) our preliminary observations on the Commission's recommendations. My comments are based on our ongoing work reviewing a range of restructuring proposals for the Chairman of the House Transportation and Infrastructure Committee as well as a body of work that we have completed over the past several years for Congress.[6] We conducted our work on the Commission's recommendations in January and February 2008 in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

In Summary

We have called for a fundamental reexamination of the nation's surface transportation program because, among other things, the current goals are unclear, the funding outlook for the program is uncertain, and the efficiency of the system is declining. A sound basis for reexamination can productively begin with identification of and debate on underlying principles. Through our prior analyses of existing programs, we identified a number of principles that could help drive an assessment of proposals for restructuring the federal surface transportation program.[7] These principles include (1) defining the federal role based on identified areas of national interest, (2) incorporating performance and accountability for results into funding decisions, and (3) ensuring fiscal sustainability and employing the best tools and approaches to improve results and return on investment. We have also developed a series of illustrative questions

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Challenges: Reexamining the Base of the Federal Government, GAO-05-325SP (Washington, D.C.: Feb. 1, 2005).

[6]We plan to issue our final report on the various restructuring proposals later this year. The previous performance audits were conducted in accordance with generally accepted government auditing standards. See "Related GAO Products" at the end of this testimony statement.

[7]These principles were developed as part of our ongoing review of the evolution of the surface transportation program, which is expected to be issued in March 2008.

that can be used to determine the extent to which restructuring proposals are aligned with each principle. We developed these principles and illustrative questions based on prior analyses of existing surface transportation programs as well as a body of work that we have developed for Congress, including GAO's High-Risk, Performance and Accountability, and 21st Century Challenges reports. The principles do not prescribe a specific approach to restructuring, but they do provide key attributes that will help ensure that a restructured surface transportation program addresses current challenges.

The Commission's report makes a number of recommendations designed to restructure the federal surface transportation program. The recommendations include significantly increasing the level of investment by all levels of government in surface transportation, consolidating and reorganizing the current programs, speeding project delivery, and making the current program more performance- and outcome-based and mode-neutral, among other things. We are currently analyzing the Commission's recommendations using the principles that we have developed for evaluating proposals to restructure the surface transportation program. Although our analysis is not complete, our preliminary analysis indicates that some of the Commission's recommendations appear to align with the principles, while others may not. For example:

- Although the Commission identifies areas of national interest and recommends reorganizing the individual surface transportation programs around these areas, it generally recommends that the federal government pay for 80 percent of project costs without considering whether the national interest varies by program or project.
- The Commission emphasizes the need to make the program more performance- and outcome-based, but does not directly link overall project funding to performance.
- Although the Commission encourages the use of alternative financing tools, including tolling, congestion pricing, and private-public partnerships, it also places a number of restrictions on these mechanisms. It is unclear

how these restrictions would affect the proposed expansion and potential benefits of such tools.

Background

Transportation programs, like other federal programs, need to be viewed in the context of the nation's fiscal position. Long-term fiscal simulations by GAO, the Congressional Budget Office (CBO), and others all show that despite a 3-year decline in the federal government's unified budget deficit, we still face large and growing structural deficits driven by rising health care costs and demographic trends. As the baby boom generation retires, entitlement programs will grow and require increasing shares of federal spending. Absent significant changes to tax and spending programs and policies, we face a future of unsustainable deficits and debt that threaten to cripple our economy and quality of life.[8] This looming fiscal crisis requires a fundamental reexamination of all government programs and commitments. Although the long-term outlook is driven by rising health care costs, all areas of government should be re-examined. This involves reviewing government programs and commitments and testing their continued relevance and relative priority for the 21st century. Such a reexamination offers an opportunity to address emerging needs by eliminating outdated or ineffective programs, more sharply defining the federal role in relation to state and local roles, and modernizing those programs and policies that remain relevant. We are currently working with Congress to develop a variety of tools to help carry out a reexamination of federal programs.[9]

The nation's surface transportation programs are particularly ready for reexamination. This would include asking whether existing program constructs and financing mechanisms are relevant to the challenges of the 21st century, and making tough choices in setting priorities and linking resources to results. We

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[8]Additional information about GAO's simulations and the Nation's long-term fiscal challenge can be found at http://www.gao.gov/special.pubs/longterm/.

[9]GAO, *A Call for Stewardship: Enhancing the Federal Government's Ability to Address Key Fiscal and Other 21st Century Challenges*, GAO-08-93SP (Washington, D.C.: Dec. 17, 2007).

have previously reported on the following factors that highlight the need for transformation of the nation's transportation policy.

- **Future demand for transportation will strain the network.** Projected population growth, technological changes, and increased globalization are expected to increase the strain on the nation's transportation system. Congestion across modes is significant and projected to worsen.

- **National transportation goals and priorities are difficult to discern.** Federal transportation statutes and regulations establish multiple, and sometimes conflicting, goals and outcomes for federal programs. In addition, federal transportation funding is generally not linked to system performance or to the accomplishment of goals or outcomes. Furthermore, the transportation program, like many other federal programs, is subject to congressional directives, which could impede the selection of merit-based projects.

- **The federal government's role is often indirect.** The Department of Transportation (DOT) implements national transportation policy and administers most federal transportation programs. While DOT carries out some activities directly, it does not have control over the vast majority of the activities it funds. Additionally, DOT's framework of separate modal administrations makes it difficult for intermodal projects to be integrated into the transportation network.

- **Future transportation funding is uncertain.** Revenues to support the Highway Trust Fund—the major source of federal highway and transit funding—are eroding. Receipts for the Highway Trust Fund, which are derived from motor fuel and truck-related taxes (e.g., truck sales) are continuing to grow. However, the federal motor fuel tax of 18.4 cents per gallon has not been increased since 1993, and thus the purchasing power of fuel tax revenues has eroded with inflation. Furthermore, that erosion will continue with the introduction of more fuel-efficient vehicles and alternativefueled vehicles in the coming years, raising the question of whether fuel taxes are a sustainable source of financing transportation. In addition, funding authorized in the recently enacted highway and transit program legislation is expected to outstrip the growth in trust fund receipts. Finally, the nation's long-term fiscal challenges constrain decision makers' ability to use other revenue sources for transportation needs.

Recognizing many of these challenges and the importance of the transportation system to the nation, Congress established the National Surface Transportation Policy and Revenue Study Commission (Commission) in the Safe, Accountable, Flexible, Efficient Transportation Equity Act—A Legacy for Users (SAFETEA-LU).[10] The mission of the Commission was, among other things, to examine the condition and future needs of the nation's surface transportation system and short and long-term alternatives to replace or supplement the fuel tax as the principal revenue source to support the Highway Trust Fund. In January 2008, the Commission released a report with numerous recommendations to place the trust fund on a sustainable path and to reform the current structure of the nation's surface transportation programs. Congress also created the National Surface Transportation Infrastructure Financing Commission in SAFETEA-LU and charged it with analyzing future highway and transit needs and the finances of the Highway Trust Fund and recommending alternative approaches to financing transportation infrastructure.[11] This Commission issued its interim report this past week, and its final report is expected by spring of 2009. In addition, various transportation industry associations and research groups have issued, or plan to issue in the coming months, proposals for restructuring and financing the surface transportation program.

[10]Pub. L. No. 109-59, §1909(b), 119 Stat. 1471.
[11]Pub. L. No. 109-59, § 11142(a), 119 Stat. 1961.

Principles to Assess Proposals for Restructuring the Surface Transportation Program

Through our prior analyses of existing programs, we identified a number of principles that could help drive an assessment of proposals for restructuring the federal surface transportation programs. These principles include (1) defining the federal role based on identified areas of national interest, (2) incorporating performance and accountability for results into funding decisions, and (3) ensuring fiscal sustainability and employing the best tools and approaches to improve results and return on investment.

Define Federal Role Based on Identified Areas of National Interest

Our previous work has shown that identifying areas of national interest is an important first step in any proposal to restructure the surface transportation program. In identifying areas of national interest, proposals should consider existing 21st century challenges and how future trends could have an impact on emerging areas of national importance—as well as how the national interest and federal role may vary by area. For example, experts have suggested that federal transportation policy should recognize emerging national and global imperatives, such as reducing the nation's dependence on foreign fuel sources and minimizing the impact of the transportation system on global climate change. Once the various national interests in surface transportation have been identified, proposals should also clarify specific goals for federal involvement in the surface transportation program as well as define the federal role in working toward each goal. Goals should be specific and outcome-based to ensure that resources are targeted to projects that further the national interest. The federal role should be defined in relation to the roles of state and local governments, regional entities, and the private sector. Where the national interest is greatest, the federal government may play a more direct role in setting priorities and allocating resources as well as fund a higher share of program costs. Conversely, where the national interest is less evident, state and local governments, and others could assume more responsibility. For example, efforts to reduce transportation's impact on greenhouse gas emissions may warrant a greater federal role than other initiatives, such as reducing urban congestion, since the impacts of greenhouse gas emissions are widely dispersed, whereas the impacts of urban congestion may be more localized.

The following illustrative questions can be used to determine the extent to which proposals to restructure the surface transportation program define the federal role in relation to identified areas of national interest and goals:

- To what extent are areas of national interest clearly defined?
- To what extent are areas of national interest reflective of future trends?
- To what extent are goals defined in relation to identified areas of national interest?
- To what extent is the federal role directly linked to defined areas of national interest and goals?
- To what extent is the federal role defined in relation to the roles of state and local governments, regional entities, and the private sector?
- To what extent does the proposal consider how the transportation system is linked to other sectors and national policies, such as environmental, security, and energy policies?

Incorporate Performance and Accountability into Funding Decisions

Our previous work has shown that an increased focus on performance and accountability for results could help the federal government target resources to programs that best achieve intended outcomes and national transportation priorities. Tracking specific outcomes that are clearly linked to program goals could provide a strong foundation for holding grant recipients responsible for achieving federal objectives and measuring overall program performance. In particular, substituting specific performance measures for the current federal procedural requirements could help make the program more outcome-oriented. For example, if reducing congestion were an established federal goal, outcome measures for congestion, such as reduced travel time could be incorporated into the programs to hold state and local governments responsible for meeting specific performance targets. Furthermore, directly linking the allocation of resources to the program outcomes would increase the focus on performance and accountability for results. Incorporating incentives or penalty provisions into grants can further hold grantees and recipients accountable for achieving results.

The following illustrative questions can be used to determine the extent to which proposals to restructure the surface transportation program incorporate performance and accountability mechanisms.

- Are national performance goals identified and discussed in relation to state, regional, and local performance goals?
- To what extent are performance measures outcome-based?
- To what extent is funding linked to performance?
- To what extent does the proposal include provisions for holding stakeholders accountable for achieving results?
- To what extent does the proposal create data collection streams and other tools as well as a capacity for monitoring and evaluating performance?

Ensure Fiscal Sustainability and Employ the Best Tools and Approaches to Improve Results and Return on Investment

We have previously reported that the effectiveness of any overall federal program design can be increased by incorporating strategies to ensure fiscal sustainability as well as by promoting and facilitating the use of the best tools and approaches to improve results and return on investment. Importantly, given the projected growth in federal deficits, constrained state and local budgets, and looming Social Security and Medicare spending commitments, the resources available for discretionary programs will be more limited—making it imperative to maximize the national public benefits of any federal investment through a rigorous examination of the use of such funds.[12] The federal role in transportation funding must be reexamined to ensure that it is sustainable in this new fiscal reality. A

[12] GAO, *Freight Transportation: National Policy and Strategies Can Help Improve Freight Mobility.* GAO-08-287 (Washington, D.C.: Jan. 7, 2008).

sustainable surface transportation program will require targeted investment, with adequate return on investment, from not only the federal government, but also state and local governments, and the private sector. The user-pay concept—that is, users paying directly for the infrastructure they use—is a long-standing aspect of transportation policy and should, to the extent feasible and appropriate, remain an essential tenet as the nation moves toward the development of a fiscally sustainable transportation program. For example, a panel of experts recently convened by GAO agreed that regardless of funding mechanisms pursued, investments need to seek to align fees and taxes with use and benefits.[13]

A number of specific tools and approaches can be used to improve results and return on investment including using economic analysis, such as benefit-cost analysis in project selection; requiring grantees to conduct post-project evaluations; creating incentives to better utilize existing infrastructure; providing states and localities greater flexibility to use certain tools, such as tolling and congestion pricing; and requiring maintenance of effort provisions in grants. The suitability of the tool and approach used varies depending on the level of federal involvement or control that policymakers desire for a given area of policy. Using these tools and approaches could help surface transportation programs more directly address national transportation priorities and become more fiscally sustainable.

The following illustrative questions can be used to determine the extent to which proposals to restructure the surface transportation program ensure fiscal sustainability and employ the best tools and approaches to improve results and return on investment.

- To what extent do the proposals **reexamine current and future spending** on surface transportation programs?

[13]GAO, *Transforming Transportation Policy for the 21st Century: Highlights of a Forum.* GAO-07-1210SP (Washington, D.C.: September 2007).

- Are the recommendations **affordable and financially stable** over the long-term? To what extent are the recommendations placed in the context of federal deficits, constrained budgets, and other spending commitments and to what extent do they meet a rigorous examination of the use of federal funds?
- To what extent do the proposals discuss **how costs and revenues will be shared** among federal, state, local, and private stakeholders?
- To what extent are recommendations considered in the **context of trends** that could affect the transportation system in the future, such as population growth, increased fuel efficiency, and increased freight traffic?
- To what extent do the proposals build in capacity to address **changing national interests**?
- To what extent do the proposals address the need **better to align fees and taxes with use and benefits**?
- To what extent are **efficiency and equity tradeoffs** considered?
- To what extent do the proposals provide **flexibility and incentives** for states and local governments to choose the most appropriate tool in the toolbox?

Preliminary Observations on the Commission's Recommendations

The Commission makes a number of recommendations designed to restructure the federal surface transportation program so that it meets the needs of the nation in the 21st century. The recommendations include significantly increasing the level of investment by all levels of government in surface transportation, consolidating and reorganizing the current programs, speeding project delivery, and making the current program more performance- and outcome-based and mode-neutral, among other things. We are currently analyzing the Commission's recommendations using the principles that we have developed for evaluating proposals to restructure the surface transportation program. Although our analysis is not complete, our preliminary results indicate that some of the Commission's recommendations address issues included in the principles. For example, to make the surface transportation program more performance-based, the Commission recommends the development of outcome-based performance standards for various programs. Other recommendations, however, appear to be aligned less clearly with the principles.

Preliminary Observations on the Commission's Recommendations As They Relate to the National Interest and Federal Role

In its report, the Commission identifies eight areas of national interest and recommends organizational restructuring of DOT to eliminate modal stovepipes. In particular, the report notes that the national interest in transportation is best served when (1) facilities are well maintained, (2) mobility within and between metropolitan areas is reliable, (3) transportation systems are appropriately priced, (4) modes are rebalanced and travel options are plentiful, (5) freight movement is explicitly valued, (6) safety is assured, (7) transportation decisions and resource impacts are integrated, and (8) rational regulatory policy prevails. We and others have also identified some of these and other issues as possible areas of national interest for the surface transportation program. For example, at a recent forum on transportation policy convened by the Comptroller General, experts identified enhancing the mobility of people and goods, maintaining global competitiveness, improving transportation safety, minimizing adverse environmental impacts of the transportation system, and facilitating transportation security as the most important transportation policy goals.[14] The Commission report also recommends restructuring DOT to consolidate the current programs and to eliminate modal stovepipes. We have also identified the importance of breaking down modal stovepipes. Specifically, we have reported that the modal structure of DOT and state and local transportation agencies can inhibit the consideration of a range of transportation options and impede coordination among the modes.[15] Furthermore, in the forum on transportation policy, experts told us that the current federal structure, with its modal administrations and stovepiped programs and funding, frequently inhibits consideration of a range of transportation options at both the regional and national levels.[16]

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[14]GAO-07-1210SP.
[15]GAO, *Intermodal Transportation: DOT Could Take Further Actions to Address Intermodal Barriers.* GAO-07-718. Washington, D.C.: June 20, 2007) and GAO-07-1210SP.
[16]GAO-07-1210SP.

Some of the Commission's recommendations related to the national interest and the federal role also raise questions for consideration. Although consolidating and reorganizing the existing surface transportation programs, as the Commission recommends, could help eliminate modal stovepipes, it is not clear to what extent eliminating any of the existing programs was considered. Given the federal government's fiscal outlook, we have reported that we cannot accept all of the federal government's existing programs, policies, and activities as "givens." Rather, we have stated that we need to rethink existing programs, policies, and activities by reviewing their results relative to the national interests and by testing their continued relevance and relative priority.[17] It is not clear from the Commission's report that such a "zero-based" review of the current and proposed surface transportation programs took place.

The Commission also recommends an 80/20 cost sharing arrangement for transportation projects under most programs—that is, the federal government would fund 80 percent of the project costs and the grantee (e.g., state government) would fund 20 percent. In addition, the Commission recommends that the federal government should pay 40 percent of national infrastructure capital costs. These proposed cost share arrangements suggest that the recommended level and share of federal funding reflects the benefits the nation receives from investment in the project—that is, the national interest. However, the report offers no evidence that this is the case. Rather, the proposed cost share arrangements appear to reflect the historical funding levels of many surface transportation programs without considering whether this level of funding reflects the national interest or should vary by program or project. For example, the Commission recommends that the federal government pay for 80 percent of the proposed intercity passenger rail system. However, we have found that the nation's intercity passenger rail system appears to provide limited public benefits

[17]GAO-05-325SP.

for the level of federal expenditures required to operate them,[18] raising questions as to whether an 80 percent federal share is justified.

Preliminary Observations on the Commission's Recommendations As They Relate to Performance and Accountability

The Commission proposes to make the surface transportation program performance- and outcome-based, and its recommendations include several performance and accountability mechanisms. In particular, the Commission recommends the development of national outcome-based performance standards for the different federal programs. The Commission recommends that states and major metropolitan areas also be required to include performance measures in their own transportation plans, along with time frames for meeting national performance standards. To receive federal funding, projects must be listed in state and local plans, be shown to be cost-beneficial, and be linked to specific performance targets. In addition, the Commission recognizes the importance of data in measuring the effectiveness of transportation programs and overall project performance and recommends that an important goal of the proposed research, development, and technology program be to improve the nation's ability to measure project performance data.

Although the Commission emphasizes the need for a performance- and outcome-based program, it is unclear to what extent some of the Commission's recommendations are aligned with such principles. For example, the Commission recommends that overall federal funding be apportioned to states based on state and local transportation plans, rather than directly linking the distribution of funds to state and local governments' performance in meeting identified national transportation goals.[19] In addition, although the Commission recognizes the

[18]GAO, *Intercity Passenger Rail: National Policy and Strategies Needed to Maximize Public Benefits from Federal Expenditures.* GAO-07-15 (Washington, D.C.: Nov. 13, 2006).

[19]The Commission does recommend giving the National Surface Transportation Commission, a proposed independent body recommended by the Commission to oversee development of a national strategic plan for transportation investment and to recommend appropriate revenue

importance of data in evaluating the effectiveness of projects, the Commission does not recommend the use of post-project, or outcome, evaluations. Our previous work has shown that post-project evaluations provide an opportunity to learn from the successes and shortcomings of past projects to better inform future planning and decision making and increase accountability for results.[20]

Preliminary Observations on the Commission's Recommendations As They Relate to Fiscal Sustainability and the Use of the Best Tools and Approaches

The Commission recommends a range of financing mechanisms and tools as necessary components of a fiscally sustainable transportation program. These mechanisms include an increase in the federal fuel tax, investment tax credits, and the introduction of new fees, such as a new fee on freight and a new transit ticket tax. Experts at our forum on transportation policy also advocated the use of various financing mechanisms, including many of the mechanisms recommended by the Commission, arguing that there is no "silver bullet" for the current and future funding crisis facing the nation's transportation system.[21] The Commission also recognizes that states will need to use other tools to generate revenues for their share of the recommended increase in investment and to manage congestion. Therefore, the Commission supports fewer federal restrictions on tolling and congestion pricing on the interstate highways system and recommends that Congress encourage the use of public-private partnerships where appropriate. In addition, the Commission recognizes the growing consensus that, with more fuel-efficient and more alternative-fuel vehicles, an alternative to the fuel tax will be required in the next 15 to 20 years. To facilitate a transition to new revenue sources, the Commission recommends that Congress require a study of specific mechanisms, such as mileage-based user fees.

It is unclear, however, whether some of the Commission's recommendations are fiscally sustainable—both over the short and the long-term—and encourage the

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adjustments to the Congress, authority to increase the federal share for particular activities as an incentive and to reduce the federal share of funding when performance objectives are not met.

[20]See GAO, *Highway and Transit Investments: Options for Improving Information on Projects' Benefits and Costs and Increasing Accountability for Results*, GAO-05-172 (Washington D.C.: Jan. 24, 2005).

use of the best tools and approaches. For example, the Commission recommends a substantial investment—specifically, $225 billion per year—in the surface transportation program by all stakeholders. However, the level of investment called for by the Commission reflects the most expensive "needs" scenario examined by the Commission,[22] raising questions about whether this level of investment is warranted and whether federal, state, and local governments can generate their share of the investment in light of competing priorities and fiscal constraints. In addition, while much of the increased investment in the surface transportation program would come from increased fuel taxes and other user fees, some funding would come from general revenues. Such recommendations need to be considered in the context of the overall fiscal condition of the federal government. Finally, while the Commission recommends enhanced opportunities for states to implement alternative tools such as tolling, congestion pricing, and private-public partnerships, it also recommends that Congress place a number of restrictions on the use of these mechanisms, such as requirements that states cap toll rates (at the level of the CPI minus a productivity adjustment), prohibit the use of revenues for non-transportation purposes, avoid toll rates that discriminate against certain users, and fully consider the effect tolling might have on diverting traffic to other facilities. The potential federal restrictions must be carefully crafted to avoid undermining the potential benefits.

Concluding Observations

In conclusion, the magnitude of the nation's transportation challenges calls for an urgent response, including a plan for the future. The Commission's report offers one way forward. Over the coming months, other options to restructure and finance the surface transportation program will likely be put forward by a range of

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[21] GAO-07-1210SP.

[22] The Commission examined various scenarios that incorporate packages of transportation policy options. These scenarios have been used to identify ranges of potential investment that would be expected to achieve different performance impacts at various points in time in the future. While the investment needs presented in the Commission report were developed some of the same analytical tools utilized in previous reports by DOT, such as the Highway Economic Requirements System, these tools were customized to meet the requirements of the Commission and supplemented using additional analytical approaches developed specifically for this study.

transportation stakeholders. Ultimately, Congress and other federal policymakers will have to determine which option—or which combination of options—best meets the needs of the nation. There is no silver bullet solution to the nation's transportation challenges and many of the options, such as reorganizing a large federal agency or allowing greater private sector investment in the nation's infrastructure, could be politically difficult to implement both nationally and locally. The principles that we identified provide a framework for evaluation. Although the principles do not prescribe a specific approach to restructuring, they do provide key attributes that will help ensure that a restructured surface transportation program addresses current challenges. We will continue to assist the Congress as it works to evaluate the various options and develop a national transportation policy for the 21st century that will improve the design of transportation programs, the delivery of services, and accountability for results.

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Madam Chairman, this concludes my prepared statement. I would be pleased to respond to any questions that you or other Members of the Committee might have.

GAO Contact and Staff Acknowledgement

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Responses by Jayetta Hecker to Additional Questions from Senator Boxer

Question 1. In your written statement you mentioned that "the Commission recommends a substantial investment-specifically, $225 billion per year-in the surface transportation program by all stakeholders. However, the level of investment called for by the Commission reflects the most expensive "needs" scenario examined by the Commission." Given that the Commission recommended a range of investment from $225 - $338 billion, could you please clarify your statement?

Response. The Policy Commission developed various scenarios that incorporate packages of transportation policy options. The scenarios were evaluated at multiple investment levels, ranging from current levels to much higher levels aimed at aggressively improving the system. The Policy Commission recommended the "High Capital Investment" level ($225 to $338 billion per year), the most expensive scenario. We used the $225 billion figure, the low end of the range, to refer to the high capital investment level—as does the Policy Commission in its report. Although our statement referenced the low end of the range, the comments in our statement as to whether the recommended level of investment is warranted and whether federal, state, and local governments can generate their share of the investment applies to the entire range. This level of investment represents the amount of funding estimated to be adequate to improve key condition and performance measures for each mode in the future relative to their current levels. Furthermore, the investment level represents the maximum level for which potentially cost-beneficial investments could be identified.

Question 2. It is my understanding that the Commission's staff used a revised Department of Transportation model to develop their estimates, which has also been used to produce the Department's Conditions and Performance Report. Do you question the overall validity of the Commission's needs analysis? If so, on what basis, and what would you recommend?

Response. No. We did not examine the models used for the Commission's estimates, and therefore we can not comment on the reliability or validity of these models. Rather, in our statement, we question level of investment recommended. Specifically, the level of investment called for by the Commission reflects the most expensive "needs" scenario examined by the Commission, raising questions about whether this level of investment is warranted and whether federal, state, and local governments can generate their share of the investment in light of competing priorities and fiscal constraints. In addition, while much of the increased investment in the surface transportation program would come from recommended increased fuel taxes and other user fees, some funding would come from general revenues. Such recommended taxes and fees need to be considered in the context of the overall fiscal condition of the federal government.

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Responses by Jayetta Hecker to Additional Questions from Senator Inhofe

Question 1. The Commission retained the current cost share for transportation projects, typically an 80/20 funding split. Does the 80 percent federal share accurately reflect the level of "national" benefit for all projects on all types or roads and modes of transportation? Do you believe the commission should have considered varying the level of federal match, depending on the level of the federal interest in the problem?

Response. The Policy Commission's proposed cost share arrangement suggests that the recommended level and share of federal funding reflects the benefits the nation receives from investment in the project—that is, the national interest. However, the report offers no evidence that this is the case. Rather, the proposed cost share arrangements appear to reflect the historical funding levels of many surface transportation programs without considering whether this level of funding reflects the national interest or should vary by program or project. For example, the Commission recommends that the federal government pay for 80 percent of the proposed intercity passenger rail system. However, we have found that the nation's intercity passenger rail system appears to provide limited national public benefits for the level of federal expenditures suggested as required to operate them, raising questions as to whether an 80 percent federal share is justified.

Yes. We believe that the level of federal share for individual programs should vary based on the level of national interest. Where the national interest is greatest, the federal government may play a more direct role in setting priorities and allocating resources as well as fund a higher share of program costs. Conversely, where the national interest is less evident, state and local governments, and others could assume more responsibility.

Question 2. The report talks a lot about including performance measures in the program, but gives few details on how to do this. I really like this idea, but wanted to get your views on the best way to accomplish this?

Response. Our previous work has shown that there are several steps involved in incorporating performance measures into the surface transportation program. The first step is assessing the continued relevance of established federal programs and determining whether the current areas of federal involvement are still areas of national interest. Second, with the national interest in surface transportation clearly identified, policymakers can clarify the goals for federal involvement. The more specific, measurable, achievable, and outcome-based the goals are, the better the foundation will be for allocating resources and optimizing results. Finally, performance measures can then be developed to help determine whether the programs are achieving the desired results. For example, if reducing congestion were an established federal goal, outcome measures for congestion, such as reduced travel time, could be incorporated into the programs to hold state and local governments responsible for meeting specific performance targets. Furthermore, directly linking the allocation of resources to the program outcomes would increase the focus on performance and accountability for results. Incorporating incentives or penalty provisions into grants can further hold grantees and recipients accountable for achieving results.

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Responses by Jayetta Hecker to Additional Questions from Senator Voinovich

Question 1. As a former Governor, I believe states should have maximum flexibility to use their highway dollars to meet their own unique transportation needs. I am interested in hearing your views on the Commission's recommendation to restructure the Department of Transportation programs so that they are focused on national interests and performance.

Do you think this proposal will promote or hinder state and local decision making authority? Do you think that this new approach eliminates the donor/donee status based on the new categories?

Response. The Commission report recommends restructuring DOT to consolidate the current programs and to eliminate modal stovepipes. We have previously identified the importance of breaking down modal stovepipes. Specifically, we have reported that the modal structure of DOT can inhibit the consideration of a range of transportation options and impede coordination among the modes. Furthermore, we have previously reported that the current federal structure, with its modal administrations and stovepiped programs and funding, frequently inhibits consideration of a range of transportation options at regional and national levels. Therefore, the reorganization proposed by the Commission could provide more flexibility to states to make decisions based on the needs of their community instead of on the modal structure of DOT. However, we would note that although the Commission recommends consolidating the existing surface transportation programs, it is not clear whether any existing programs were eliminated. Given the federal government's fiscal outlook, we have reported that we cannot accept all of the federal government's existing programs, policies, and activities as "givens." Rather, we have stated that we need to rethink existing programs, policies, and activities by reviewing their results relative to the national interests and by testing their continued relevance and relative priority.

It is not clear whether the Commission's recommendations, if implemented, would eliminate the donor/donee issue. A shift towards performance based allocation of funds, rather than the formula allocation of federal funding, could help to address the donor/donee issue. However, although the Commission emphasizes the need for a performance- and outcome-based program, it is unclear to what extent some of the Commission's recommendations are aligned with such principles. For example, the Commission recommends that overall federal funding be apportioned to states based on state and local transportation plans, rather than directly linking the distribution of funds to state and local governments' performance in meeting identified national transportation goals.

Question 2. Through 2055, the Commission estimates that the nation will need to invest $255 billion annually to maintain and improve the existing surface transportation system – almost a tripling of the $86 billion annually spent on all modes today. The Commission also recommends that the federal government share of total investment would be maintained at its current 40 percent level. This implies that states would have to increase their revenues to match the increase in federal funds.

Is it reasonable to believe that states will triple investments in transportation infrastructure? At the current required 80/20 match, would states have to raise state gas tax or other forms of revenue to match federal funds as it grows?

Response. It is unclear whether states will be able to raise their share of the increased investment in infrastructure. As you know, the Commission recommends a substantial investment in the surface transportation program by all stakeholders. In our testimony statement, we raise questions as to whether this level of investment is warranted and whether federal, state, and local governments can generate their share of the investment in light of competing priorities and fiscal constraints. Our budget simulations for the state and local government sector indicate in the absence of policy changes, large and growing fiscal challenges for state and local governments will begin to emerge within the next few years. As a result, generating additional funding for their share of increased investments in surface transportation programs could be a challenge for states. It is possible states may choose to utilize additional financing mechanisms to meet proposed funding requirements, such as an increase in gas taxes and other fees.

Question 3. The report talks a lot about including performance measures in the program, but gives few details on how to do this. I really like this idea, but wanted to get your views on the best way to accomplish this?

Response. Our previous work has shown that there are several steps involved in incorporating performance measures into the surface transportation program. The first step is assessing the continued relevance of established federal programs and determining whether the current areas of federal involvement are still areas of national interest. Second, with the national interest in surface transportation clearly identified, policymakers can clarify the goals for federal involvement. The more specific, measurable, achievable, and outcome-based the goals are, the better the foundation will be for allocating resources and optimizing results. Finally, performance measures can then be developed to help determine whether the programs are achieving the desired results. For example, if reducing congestion were an established federal goal, outcome measures for congestion, such as reduced travel time, could be incorporated into the programs to hold state and local governments responsible for meeting specific performance targets. Furthermore, directly linking the allocation of resources to the program outcomes would increase the focus on performance and accountability for results. Incorporating incentives or penalty provisions into grants can further hold grantees and recipients accountable for achieving results.

Senator BOXER. Thank you very much.

Let me just thank the panel. I think your point about a connection between the environment and our infrastructure is key. This is the Environment and Public Works Committee. It is not the Environment or Public Works Committee. So I think it is key here, and as we see the need to clean our air and move goods and reduce congestion, it is really compatible, they are compatible goals.

I don't want to get into too much detail, I just want to ask in general to the three that represent various organizations, I have a good feeling about this Committee's work when it comes to infrastructure. We proved ourselves on the water infrastructure. With a lot of your help out there, we in this Committee were able to cross over party lines, we worked very well together. Senator Inhofe and I were joined at the hip on this particular bill, the WRDA bill. We were able to successfully not only get it through the Committee and through the conference and through the Senate and all the rest, but we got it, we had to override a veto. That was not easy for my colleagues on the other side, and I have great respect for them.

But we, I think, on this Committee, when it comes to looking forward, we want this Country to be as great as she can be, and you can't do that without an infrastructure that is really sufficient to our needs. So I guess my question to the three of you, without putting you out on a limb, but if we do produce such a bill, are we going to be working, my goal, as Chairman of the full Committee, and I know, I have spoken to Senator Isakson about this and Senator Baucus as well, we want to see where we can come together on principles.

For example, I have a sense we are all going to want to reform the way we have all these 108 different categories. The Commission suggested 12. Maybe we decide to do 10, maybe we decide to do 20. But I think that is an example of where maybe we have some agreement on the goals. If we come to such an agreement and we are able to be united, I would hope that your organizations could really get behind us. Because we are going to need to let the American people know what it is we are trying to do and what our vision is.

So I guess my question to the three of you is this: you have been very passionate about your support for a lot of what the Commission said, not all, certainly. But are you willing to get out there and be our voices if we are able to come to some agreement and you approve of this bill? Would you invest time and energy in helping us get it through?

Ms. MILLER. Senator, I would be happy to start first. I would say I have been very impressed today by the questions and the comments made by the Committee. My own observation in the Sate of Kansas is that transportation tends to be a very non-partisan issue. There is a lot of strong support around it. I think I see those same issues playing out before this Committee.

On behalf of AASHTO, I believe I can say absolutely, categorically we would love to work with this Committee and would be enthusiastic voices throughout our States and working with our local governments. I think without question, all State DOTs have very closing working relationships, not only with their MPOs but with their city and county government structures.

Senator BOXER. Good. Janet?

Ms. KAVINOKY. Madam Chairman, the Chamber is investing resources and significant amounts of our own overall agenda into infrastructure investment. As my written testimony noted, we have launched a multi-million dollar initiative to bring attention to the needs of America's infrastructure. So we are with you all the way.

Senator BOXER. That is wonderful. Gregory?

Mr. COHEN. The Highway Users, as I mentioned earlier, represents 270 different associations and businesses that represent millions of highway users. We will put the full force of our grass roots to support you in reforming and increasing the size of this program.

Senator BOXER. I am very happy about that. My only other question is this. This vehicle miles traveled that Senator Isakson is so interested in, and I am very interested in, but I don't understand why it is such a mystery as to how you figure it out. When I go to register my vehicle every year, if there is a line in it and it says, last year, certify how many miles did you travel, and that becomes something you have to fill out, and you just say, for my little Prius, I went 15,000 miles last year. And based on that, I pay this fee that is turned over to whichever agency gets it.

I don't know why we have to come up with this thing about spying on people and putting GPSs in their cars and spending millions of dollars to figure this out. I guess what I want to ask you, and I would ask all of you, am I missing something here? Would that not be a way to figure out how many vehicle miles each car or truck or van travels? Am I missing something here?

Ms. HECKER. We have looked at the Oregon study, we have looked at other studies around the world. The key is that it is to make the actual cost of the infrastructure you are using more apparent to you. So it wouldn't work to be an annual bill that you say, well, I had this many miles last year, this many this year. It is which road you are using, which time of day.

The thing is that infrastructure has congestion costs. Everyone who uses the road imposes congestion. And the potential of new pricing and use time of day pricing is that it will tell you, as we heard the Secretary say, if there is somebody who has a lot of discretion but perceives that it is just as free to use the road at 6 p.m. as it is at 3 p.m., then it creates excess demand. So the principle of VMT is getting it aligned to the specific road and the time of day.

Senator BOXER. Well, that really turns me off. I mean, people don't ask me when I pay my gas tax, they don't say, well, if you don't use the road on a certain time, then you can pay a smaller gas tax. This is out—I just want us to get off this as fast as we can. It really disturbs me to think that Government would know, first of all, the whole idea, if you want to know how many people are using a road at a certain time of day, you just set those little strips and you can find out. Now, you don't know who, you don't want to track that.

But the whole notion of knowing all this about people is very concerning to me, just as Chairman. So again, I am bringing it up because I hope we don't have to have this battle. But I think Senator Inhofe and I, I think we agree on this. But he is not here. But I just don't know how other people feel, but I just think it is a nonstarter.

So what happens, you have to put a quarter in the meter every time you go at 3 o'clock in the afternoon?

Ms. HECKER. No, it is like an E-Z pass. So it is just automatically deducted.

Senator BOXER. Oh, wonderful.

[Laughter.]

Ms. HECKER. But it is what is done in the electricity industry and the telecommunications, it is basically introducing more supply and demand discipline and information to users on the use of the——

Senator BOXER. But it is not fair, either. What if I have to be at work at a certain time? I don't have a choice of when I go out on the road. It just is irritating.

Anybody else care to comment on this argument that I have now gotten into with myself?

[Laughter.]

Mr. COHEN. Let me say as an engineer that we sometimes want to design the most robust system technically feasible, and perhaps something scaled-back would make a lot more sense and protect privacy a lot more. A couple of things just to watch out for: Right now, our fuel tax program has a serious amount of fraud in it. We have been working with Senators Baucus and Grassley on legislation to close some of those fuel tax fraud problems. I think a VMT system based on certification could also, of course, have a certain amount of fraud associated with it.

And the other thing you have to watch out for is to make sure that the amount of miles is charged to the correct State. For example, if you are a trucker driving across the Country and you are registered in one State, you don't want all of your VMT taxes paid to your home State. It is just something to think about. But I don't think we need to have a system that follows people around.

Senator BOXER. The point is, when you are registering your car, this would be a Federal tax or a Federal fee. They would just collect it, it doesn't stay in the State.

Mr. COHEN. That is true.

Senator BOXER. The State would be the collecting agency when you go to get your registration. It is pretty simple.

Debra?

Ms. MILLER. Senator, I might weigh on that. I think really, for many of us, when we look at the long-term viability of the motor fuels tax, think about transitioning into other forms of taxation. The issue isn't just at the Federal level, it is at the State levels as well. So we would also be interested, over time, in replacing our State motor fuels taxes with VMT type taxes, certainly having that exploration. So it does get back to the issue that you would need to know what portion of this tax goes to the Federal Government, what portion stays with the State. There are also issues at the local level.

Senator BOXER. Well, those are formula questions, which, as you know, are so easy for us to handle.

[Laughter.]

Senator BOXER. OK, I am going to call on Senator Voinovich as Ranking, then Senator Carper, then Senator Isakson.

Senator VOINOVICH. Thank you, Madam Chairman.

One of the issues that I brought up with Mary Peters was the issue of the 4(f) and the impediments. I would like you to briefly comment on why it is you think we can't make the changes. I tried very hard, and appreciate the fact that AASHTO recognized my effort on 4(f). But we have a situation in Cleveland right now where we want to put in an exit off a major highway. The building is eligible for the National Registry of Historic Places. It is eligible—it is not on the register—it is eligible. I have been told by the Department of Transportation that there are eight things that you have to show before they we will allow the city to take down the building even though the County owns it and wants to tear it down.

Why haven't we been able to somehow get rid of some of this stuff that is just standing in the way that causes us to have a 13-year tenure on a project, a major highway project? Any of you.

Ms. MILLER. Senator, I think that is an excellent question and it is one I would have myself. I think as if oftentimes the case with any major public policy, there are people who are on all sides of it, and there are those who feel strongly that there are elements of 4F that need to be protected. So it becomes a very difficult discussion.

But certainly in my own State, we have had situations where we have had 4F impediments. I think it is hard to step back and think, from just a common sense approach, that they should have been impediments to the project. I don't think there is a clear understanding on the public's part what it is that is slowing projects down. And I think there is not sufficient transparency in that process, so people understand what is slowing the project down.

Senator VOINOVICH. I am going to make a suggestion to all of you. It seems to me that as we move into the next highway bill, we are going to be getting into this. I would suggest that we—members of the Committee—and you, identify the various groups that have a stake in this, and rather than having them come in and lobby us, and you lobby some place else, that you all get into a room together and talk about this issue to see if there isn't something that can be worked out. Because so often we run into an environmental thing or this thing or that thing. I think that if you sat down and said—environment, energy, economy—work it out, you could help us a great deal. That is just a suggestion.

Yes, sir, Mr. Cohen.

Mr. COHEN. I worked a bit on this issue. I really appreciate your leadership on getting that 4F provision in there. The reality is right now it is possible to filibuster a project for decades if you don't like it. The simple fact of the matter is that some time lines need to be put on this process. It just can't go on forever.

Senator VOINOVICH. As you know, we had a provision in the highway bill that said that somebody would be the quarterback and all these groups would have to come in within a certain period of time, and show cause why they didn't want to go forward. And then somebody would finally be the determining factor about whether or not it was relevant or not relevant. For some reason, we were not successful with that. But it seems to me, that if we worked at it, we could get that done. But it is going to take a lot of communication, I think, between those of you that are out there in the private sector.

Ms. Hecker, You were talking about the infrastructure costs that are required. The Commission estimates that we are going to have to invest $255 billion annually to maintain and improve the existing, which is tripling the $86 billion. In other words, the public ought to know this, we are spending $86 billion, but the Commission says we have to spend $255 billion in order to just get the job done. And the Federal Government should maintain its current share of 40 percent. This implies that the States would have to increase the revenues to match the increase in Federal funds.

The question is—is it reasonable to believe that the States would triple their investment in infrastructure at the current required 80/20 match? Would they raise the State gas taxes or other forms of revenue to match these Federal funds? Do you think this Commission report is realistic in terms of the dollars?

Ms. MILLER. One thing I would say it is certainly a varied answer from State to State. But for instance, in my own State, we have in about the last 20 years, and this is just using State revenues, not looking at what is contributed by local governments to transportation, but the Federal revenues are only about 25 percent of our overall State programs. So we are dramatically over-investing even the 40 percent which are national averages. There are certainly other States that are doing that.

I think many times in the past, it is the Federal program which has led both State and locals. Oftentimes it has been the growth in the Federal program that then has encouraged State and local leaders to raise their local taxes, so that they could continue to make matches. I think you will find that there is a great deal of concern and interest in increased transportation spending at all levels of government.

Now, absolutely I come from a State that like many States has many anti-tax voices, both in our legislature and in organizations who appear regularly before the legislature. We have had trouble, I think, in our Country in recent times talking about investments. We tend to talk about taxes as though that is the cost that is going to suck the life out of our economy, as opposed to thinking about investments that might help grow it. In my mind, we are not to the end of that discussion yet in our Country.

So I am not saying it will be an easy discussion, but I do think frequently the leadership at the Federal level has brought along State and local governments. I see very strong interest and concern about greater investment in transportation from my own State.

Senator VOINOVICH. I have one more question, and that is, your organization, Mr. Cohen, did not support an increase in the gas tax last time around, I believe, is that correct?

Mr. COHEN. That is correct.

Senator VOINOVICH. And it is my understanding now that at this stage of the game, you would be willing to support an increase in the gas tax?

Mr. COHEN. Fundamentally, the last bill, when the gas tax was called for in the other body, we did not know what policy was associated with it and where exactly the money would be going. As one of the other Senators mentioned, we believe that the program reform must come first, and then highway users will come forward and pay for it and we will support an increase for a reformed program.

Senator VOINOVICH. I think that it would be good for your organization to begin with saying that we need more money. Because sometimes there is a trick bag out there, they say, well, you figure out how you can do it and then we will cypriot It—and you know—you never get to it. But I think there should be a unanimous crescendo that we need more money, federally and state-wide. The question is, is it user taxes or some other method. But we need more money to get the job done.

Then I think that it was Senator Alexander who made the point, we have to show the American people that we are working harder and smarter and doing more with less; i.e., we are taking the dollars that you are making to us, and we are coming up with a whole new system. For example, we have the interState system. Somebody should look at it broadly. In my State, for example, we have the TRAC. We look at the main arteries that have to be taken care of. They are the ones that get the money off the top. We have to look at the national system. There should be a consensus that says, we have to keep these major highways, maintain them and then move from that so that people can see the logic of what we are doing and show them how we are eliminating some of the red tape that stops some of these projects from going forward, that there is some prioritization of where money is going to be spent, so that we just don't nibble away at this, so that there is not much left for some of the things that we should be doing.

But you will all admit, we need more money? OK, that is good, thank you.

Senator BOXER. Thank you. Senator Carper?

Senator CARPER. Thanks very much.

Secretary Miller, I am trying to remember the name of the Governor who spoke, who gave the Democrat response after the State——

Ms. MILLER. Governor Sebelius.

Senator CARPER. What State is she from?

Ms. MILLER. Kansas.

Senator CARPER. Would you tell her that an old recovering Governor said he was very proud of her?

Ms. MILLER. I would be happy to tell her that.

Senator CARPER. I have heard a lot of very positive comments. Give her a big thumbs up.

One of my colleagues referred to the next version of our SAFETEA-LU, whatever we are going to call it, as the next highway bill. I would just remind us all, it is not the next highway bill, it is the next transportation bill.

Ms. MILLER. Absolutely.

Senator CARPER. Highways are certainly a big part of it, but not the only one.

What we have here is a shared responsibility in trying to figure out, one, what are the responsibilities of us at the Federal level, is 40 percent the appropriate amount of funding that we should be providing, or should it be something more or less? I think it was Secretary Peters who was talking about national Federal role, national role. I would suggest to all of us that as a Nation, we have a dog in this fight. We have an interest in reducing our dependence on foreign oil. We have an interest in improving the quality of our air, reducing the health implications that flow from dirty air. We have an interest in reducing the threat to our planet that is posed by climate change and global warming. And we certainly have an interest in enhancing productivity in this Nation, and our transportation systems are not the only part of that, but a significant part of all of that.

I want to come back to congestion mitigation, while the Chairman is not listening, and just say that on the idea of pricing services, we used to charge people a lot more to make long distance phone calls during the day than we did at night. We have cities like New York City that are now exploring charging people more money to come into the city at different times of the day. They are literally borrowing that idea from other cities around the world.

I used to serve on the Amtrak board, and we used to ask, why is it that whether we are selling tickets to folks who want to ride the trains at the busiest rush hour part of the day, charging them the same amount of money that we do when not many people are riding the train during the middle part of the day? Why is that? Now Amtrak prices tickets with respect to what the market will bear. So there is plenty of precedent for that, and I hope we wouldn't shy away from it. I hope I can say that without starting a food fight up here with my Chairman.

I want to ask each of you to just mention one or two things, very, very briefly, where you think that there is a broad agreement, including from among the four of you at the table, broad agreement on what the Commission has recommended. Just a couple of ideas very quickly, each of you. Where do you think there is broad agreement?

Ms. MILLER. Well, I'd say there's broad agreement that we need fundamental reform. I think that has to come first before people have confidence in giving us more money. I think there is broad agreement around the fact that we need a higher level of investment in transportation in our Country.

Senator CARPER. Thank you.

Ms. KAVINOKY. Well, she took my answers, so I will offer you a couple more. Because I do think that there is broad——

Senator CARPER. You could also say, I agree with that, but——

Ms. KAVINOKY. Well, I could say that, but I thought I would try a different transition.

I think that speeding project delivery, and the fact that we are dealing with a multi-modal system here and not just one mode versus another is very important.

Senator CARPER. Thank you.

Mr. Cohen.

Mr. COHEN. I would say that streamlining is one that is unanimous, reform of the program, reduction of the number of programs, performance-based and outcome-driven programs were all things that all of the groups and the commissioners supported.

Senator CARPER. Thank you.

Ms. HECKER. Others haven't mentioned it much, but the Commission in its discussion makes a big thing about getting better return on the investment, integrating cost-benefit decisionmaking, that we get a return on our investment and improved performance. I think that is a fundamental, central tenet and we would like to work with them to assure that there are program ideas that would effectively achieve those results.

Senator CARPER. Good. When we took a break during your testimony earlier today to pass, report out legislation that helps, enables the Environmental Protection Agency to better fund some of our diesel emission reduction needs. We were able to convince our colleague, Senator Voinovich, we were able to convince our colleagues to support it, because for every one dollar that we raise, we basically have a $13 payoff. And even in this town, people sit up and take notice at that.

Let me ask the flip side of my question. That would be, you have indicated you have a number of ideas of concepts and recommendations around which there is great consensus. Maybe mention one that you think that there is little or no consensus that the Commission has recommended.

Ms. Miller.

Ms. MILLER. I think that one of the issues that there is some concern about is the concept of the NAS track, I think is what it was called. Our organization had raised the issue of having some kind of a postal-style commission to deal with revenue increases. So there was support about that. But the Commission took the authority of that NAS track, if I am using the right term, much further than I think our organization supports. My sense is that there are others who have concerns about that approach.

Senator CARPER. Thank you.

Ms. KAVINOKY. I agree with Secretary Miller.

Senator CARPER. Thank you.

Mr. COHEN. I would agree with that. I think also that the highest amount of the gas tax that they propose is somewhat controversial. But I think there is broad agreement that it will need to go up.

Senator BOXER. Thank you, Senator.

Senator ISAKSON.

Senator CARPER. Madam Chair, could we add 15 seconds so Ms. Hecker can actually respond to that question as well, please? Thank you.

Ms. HECKER. Actually, it is one that you have raised. I think they talk a lot about the importance of pricing, getting the prices right. I don't think we really have a kind of national consensus on the role of pricing in transportation infrastructure.

Senator CARPER. Thank you. Thanks, Madam Chair.

Senator BOXER. Thank you.

Senator ISAKSON. A couple of comments. No. 1, Ms. Hecker made a tremendous opening statement, the first part of your opening statement I think hit the nail on the head when you talked about we needed two principles, a clear national interest and a clear Federal role, that we needed fiscal sustainability and we need to build in link to outcomes and build in performance standards and results. I think that ties in to what Secretary Miller said about the increase. We have to ensure the American people, if we get into this business of enhancing revenues, that we fix some of the systemic problems.

In my State, where we recently had a change in commissioners of transportation, and I love the new one and I loved the old one, this is not a critical statement. But when the new one came in and did what new people do and started analyzing the system, they realized we had far over-promised in our DOT what our State could deliver.

Well, Congress has far over-promised what we can deliver in terms of what we put in, in terms of designated projects in SAFETEA-LU. I think we all need to back up a second and say, what fundamentally can we do to put some principles and outcomes and base results in our system. And then when you look at revenues, you have a realistic chance to evaluate whether or not you in fact can do it, because fiscal sustainability does not exist right now with our current revenue statement. So that is a little statement, rather than a question.

Second, I want the Chairman to be sure she understands that my interest in VMTs has nothing to do with her private lifestyle. And I agree with the comments that you made about being concerned about that. But——

Senator BOXER. It is not about me. It is about your constituents.

Senator ISAKSON. Our constituents. But it certainly is an intriguing process that we should investigate as we look at the financing model in the 21st century. So I am not sold on it by any stretch, didn't want you to think that.

And I commend Senator Voinovich on the streamlining comments that he made. We have such a problem now in getting a road from concept to paving, it is unbelievable. And it is getting worse. Senator Carper made the comment about China's road system and how great they were doing. Well, they don't have an OSHA and they don't have an Environmental Protection Agency. And they don't have standards that we impose on our people. But we have to find a way to streamline the process from concept to actually making pavement in this Country, or we will never have financial sustainability under any circumstance.

So those were not questions, those were just comments. I will say, I think this panel has given, in each and every case, a good cross-section of interest in what we need to do with regard to the report, Madam Chairman. I think if we can all leave everything on the table, from the revenue side to the end product side, and look at building in systems where we are looking to results, we are looking to outcomes and there is accountability up and down the situation, then I think it is possible to do things that some might think are impossible to do.

But my home town of Atlanta, the Atlanta Regional Commission, which is the metropolitan planning agency that does our TIP, I believe the last number I saw is that they can only complete 38 percent of the projects that are in the TIP now. And that is getting, that is reflective around the Country, I think, with the escalated price of putting in transportation. So we have to follow the admonition of Ms. Hecker in terms of demanding results and accountability, and follow what Secretary Miler in putting that responsibility first, and then putting the revenue mechanism second.

I won't ask a question, I just wanted to make those comments.

Senator BOXER. Before you have to leave, let me just say that I am all for streamlining, as long as we keep protections in there. Because in China, they can't breathe very well, either.

Senator ISAKSON. That was my point.

Senator BOXER. We need to make sure we can build the roads, but do it right, make sure that we have environmental protections.

I have seen it in my State where we have waived certain statutes because we have had emergency situations. Frankly, it has turned out pretty well. So I think, as I look at it, as a strong environmentalist, what I don't want to do is take away the rights of people to have a say, but I think there should be timeframes built in. Because if you stall things too long, this is when you have the escalation in costs and frankly, we have wasted time. And a lot of times when we are building a road that is going to move goods faster, that is going to help us cleanup the air, rather than have trucks stalling.

So it is all about getting the right balance. I really do look forward to working with everyone to get that balance, so that we know we are not—there should not have to be a choice between a clean environment and an efficient infrastructure. We have to be able to figure out how to make it compatible. I think that we can.

Senator Barrasso.

Senator BARRASSO. Thank you very much, Madam Chairman. I appreciate your taking the time to hold these hearings. I appreciate all those coming to testify today.

Between our first hearing last week and the hearing today, there was a second transportation commission report issued. They really talked about the damage done to roads in places like Wyoming that I brought up last time. It says rural lane miles represent over 70 percent of the Federal system lane miles and are important to the national network. It gets to the issues that I talked about with moving product across the Country from the ports to the markets. It says, "Preservation and maintenance of rural infrastructure enables the movement of people and goods between large metropolitan areas and across the Country and can place a significant burden on State and local rural governments. Overall, funding of transportation in rural areas is particularly challenging." Then it says, in those places, things like tolling don't work, and the specific costs and fees.

Ms. Kavinoky, I would start with you, because you are from Thermopolis, Wyoming. In reading your conclusion in your report, it sounds like someone with that can-do approach from Thermopolis, Wyoming. It sounded like a Bobcat, it is magnificent.

Ms. KAVINOKY. Thank you very much.

Senator BARRASSO. I don't know if you have any thoughts on the whole funding mechanism, from the Chamber's standpoint or from your own, growing up there, on the best ways that we can handle these long expanses that are used, but the local folks aren't the ones that are really tearing up the roads.

Ms. KAVINOKY. I think the one thing I would point out, and thank you for the question, is that there are different ways to get projects done. In rural areas, it is really about systemic funding. Those are things like the gas tax, user fees on fuels, heavy use vehicle taxes, the things that we collect at the Federal level, but that are also collected at the State and local levels, that go to fund the system as a whole. Then there are ways to finance projects, and that is when we start talking about dealing with congestion issues or tolling.

So that is why the Chamber says it is going to take everything that we have to deal with these problems, both an increase in systemic funding as well as looking more at things like project financing.

Senator BARRASSO. Great. Madam Chairman, I don't have any additional questions, but just listening to you and to Senator Voinovich, I would like to just quote one of the final words in Ms. Kavinoky's conclusion. She says, "Surely we ought to be able to create the vision, forge the consensus, secure the resources and find the political courage to make this happen."

Thank you very much, Madam Chairman.

Senator BOXER. Thank you. I do find those words inspiring. I was hoping that we could hear them from the Secretary of Transportation as well as from this panel.

But it is all right. We are going to have that passion right here on this Committee.

Senator Carper, would you like to have another round. Because I do not need another round.

Senator CARPER. Thank you, Madam Chair.

I have been talking with some of our colleagues, including some of our colleagues on this panel, about the economic stimulus package that is before us that we will be voting on today or tomorrow, and probably again next week. A couple of my colleagues have said, it is all well and good that we try to do something in the near term to stimulate the economy, but how about something beyond the near term? It occurs to me, I would say to my colleagues, it occurs to me that among the things that we can do in longer term, not just to stimulate our economy and create jobs, but to make us more productive as a Nation and do all the other good things that I talked about in terms of cleaning our air and reducing our reliance on foreign oil, is to take to heart the recommendations from the Commission that we are holding this hearing on today.

A lot of times, commissions are created, we get the reports, we file them away and they never see the light of day. I arrived here in January 1983 as a freshman Congressman, with Senator Boxer and Tom Ridge, John McCain, a whole lot of other people, John Spratt. We arrived at a time when the Social Security Administration was about to go broke, not like in 20 or 30 years, it was about to go broke that year.

And we had a commission led by Alan Greenspan who submitted their report, the commission was bipartisan, truly bipartisan, not only in its membership but the buy-in of President Reagan and the buy-in of Speaker Tip O'Neill. And they sort of rolled up their sleeves and said, we have to make this happen. They provided little political protection, if you will, for Democrats and Republicans to do some of the difficult things we needed to do. We went out and did them. We didn't save Social Security forever, but we certainly got it through the next quarter century. Now we come back to revisit that. I think we can take, if we have the same kind of leadership, we will come up with ways to protect Social Security for a whole lot further.

There is a great opportunity here that you, that the Commission has presented to us. Your comments today are helping us to look at it maybe through a different set of glasses. It is very helpful and valuable. I appreciate very much having this hearing. I think this is important. I hope people don't under-estimate the importance of what could flow from this.

The other question I have is, I mentioned earlier in my comments, I once served on the Amtrak board of Governors. I was Tommy Thompson's successor and his predecessor. At that time, one member of the board was a Governor appointed by the President and confirmed by the Senate. I still follow passenger rail issues pretty closely. I noted that in the first quarter of this fiscal year, from October 1st to this past December 31st, ridership on Amtrak was up by about 15 percent, revenues were up by about 15 percent. Something is going on. Something is going on. I think it is a combination of people getting tired of sitting in their cars, trucks and vans, people are getting tired of congestion around airports, and they want an alternative.

We are going on a separate track to reauthorize Amtrak and to try to provide for, if you will, a vision for passenger rail service in the 21st century. With that in mind, let me just ask each of you to give us some thoughts as we pass the legislation through the Senate. We are going to be working with our colleagues in the House. If you will envision what should passenger rail service be in the 21st century, how do we marry passenger rail with freight. Because when Amtrak travels outside the Northeast Corridor, they have to share the tracks with the freights. The priority is moving freight, not people.

How do we sort of get a partnership that would involve the States, involve local governments, involve the Federal Government, involve the freight railroads, to help make passenger rail not something of the past, but to make it relevant for the 21st century? And I think it is. Any comments on that?

Ms. MILLER. If it is all right, I might start in. Because I would say, Senator, you are exactly right. Something, I think, is afoot with Amtrak. Again, I come from the State of Kansas, where highways are king. And I increasingly get questions from communities and citizens, there is a huge movement afoot in our State to try to extend Amtrak services.

It is a true interest. We had a meeting with Amtrak and BNSF, because that is the track in Kansas, the freight track that this line would go on. I invited members of our house and senate transportation committee, and on a day when they would not normally be in Topeka, we got eight members of our legislature to come to a meeting, which tells me a lot about the level of interest.

My other observation, because I would have to say, this is not an area in which I am very expert, so I don't mean to imply that. But it was fascinating to me, we had a great meeting listening to both the Amtrak folks and the BNSF folks talk very cooperatively but about the challenges we would have in trying to establish this service. Practically impossible was my conclusion, quite frankly. The investment is going to be huge to get the kind of siding, so that you could actually have timely service.

So what I am struck by, and listening to your example from Shanghai, increasingly, and it would certainly get my husband off my back, who says regularly, why can't we have rail service in this Country, there is a need to make an investment far and away larger than we have been willing to date to make, it seems to me. And I think we have to recognize that you can't have passenger service sharing freight service rail lines, or at least you need to do it in a way that gives opportunities for passing. Or it is just simply never going to be a service that works.

Senator CARPER. Thank you. Ms. Kavinoky?

Ms. KAVINOKY. Senator Carper, passenger rail is not something that the Chamber traditionally has delved into. I will say this, as I speak with chambers of commerce that represent corridors like the Northeast Corridor and also in California, we get strong opinions on the need for different kinds of transportation service and different kinds of options. I think that will lead us to consider where we want to go in terms of passenger service.

I will agree, though, with Secretary Miller, unless we make a real commitment in this Country to supporting passenger rail, and that is a commitment that is a dollars and sense commitment as well, then we will continue to have sort of a haphazard system.

Senator CARPER. Thank you.

Mr. COHEN.

Mr. COHEN. As a highway expert, most of my knowledge about Amtrak and passenger rail comes from what I read from GAO. My feeling about it is that Amtrak can do well in certain corridors of the Country and could probably survive on a ticket tax as the Commission proposed. The simple fact is that in other parts of the Country, the subsidy would have to be so high that the ticket tax would have to be equal or more to the fare to make it work.

So of course, we all want to see good a mass transportation system. But I wouldn't leave out the private bus operators, who compete with Amtrak without any subsidies at all, except perhaps maybe building a multi-modal bus station at a train station, and are doing quite well in the private sector.

Senator CARPER. I would just add, there is a way for them to work together instead of being stovepipes, there is a great way for them to work together. One of the things we are trying to focus on is, how do we make train passenger rail work better with airports. We have some great examples, BWI is a pretty good example, it works very well. Newark, New Jersey is a good example, where people can take the train to those places, get on a plane—and how about Cleveland, Ohio?

Senator VOINOVICH. How about Cleveland?

Senator CARPER. How about Cleveland, all right.

Senator BOXER. In the whole Bay Area, we have BART.

Senator CARPER. That is good. Last comment, please.

Ms. HECKER. We have done a substantial amount of work on inter-city passenger rail. Our comprehensive review of Amtrak management actually raised substantial concerns that they really didn't have strategic planning, that they didn't have financial management, that they didn't have good controls, they didn't control their procurement, that it was not a functioning organization. Its route map has barely changed in 35 years, and if we think about transportation and how all of the transportation sectors have transformed, so the structure that we have, the incentives are not working very well, we are not getting good value for the over $1 billion we invest in Amtrak each year.

While there is some growth, we found that almost all the growth in inter-city passenger rail are State-supported routes. Amtrak supports the core system and they don't support the add-on systems. States that have made the decision to invest, those are the routes that are taking off. They know where the demand is, they know where the return is, and they have made enormously efficient decisions. That is one of the dangers of the proposal here, to substitute 80 percent Federal money, which is not well-planned, not well-utilized. So there is a role for passenger rail. It shouldn't be rhetorical, we shouldn't just say, oh, it is efficient or, oh, it is a better environmental option. Because as we know, on a long distance basis, it is less than half of 1 percent of the demand to get between D.C. and Chicago. I mean, who gets on a train to go to Chicago? And yet we have these long distance routes. And the loss per passenger is over $400 per person on many of those routes.

Senator CARPER. My time is expired. I was kidding with our colleague Mark Potter yesterday, who along with Blanche Lincoln has invited me to come down to Little Rock for a luncheon later this month. I am happy to go. I was kidding him about how difficult it is to get from Delaware to Little Rock by airplane. And Mark Potter, who knows my interest in passenger rail, said, well, you could take the train, and you can go through Chicago and then come back down to Little Rock, you will be there in a couple of days.

[Laughter.]

Senator CARPER. Let me just close, Madam Chair, thank you, you have been very generous with the time, let me just close with this thought. Over half the people in our Country now live within 50 miles of our of our coasts. Think about that. Over half the people in our Country live within 50 miles of one of our coasts. There are any number of densely populated corridors, which have developed over time, that can be well served by passenger rail, and I think in some cases it makes a lot of sense, not in all parts of our Country, but certainly in those densely populated corridors.

I don't think anybody is suggesting that it should be an entirely Federal undertaking. But there is a shared partnership. And California has done wonderful things, some of the great growth you have seen in passenger rail is on the west coast where the States have bought in big time.

But if you look at the Northeast Corridor, the Acela Express Service, which is one of the things I worked on when I was on the board, sells out. I won't say it is a cash cow for the rest of the system, for the rest or the corridor, but with the kind of investments in the Northeast Corridor to allow those trains to run 150 miles an hour, it literally can be a cash cow to carry this part of the system.

Last comment, Madam Chair. I heard Ed Rendell say this the other day, too, which I thought, he must have stolen that from me. But to move one ton of freight by rail from Washington, DC. to

Boston, Massachusetts, one ton of freight by rail from Washington, DC. to Massachusetts, takes one gallon of diesel fuel. One gallon of diesel fuel. There is real potential there for us, and we shouldn't lose sight of that.

Madam Chair, you have been very, very generous. Thank you very much and to our panel.

Senator BOXER. Absolutely.

I would just say to Ms. Hecker, if you were going to say, who is going to go from Paris to Berlin by train, everybody. I think that it is a matter of culture, it is a matter of letting people know. Because I will tell you, I take the train a lot to New York. Do you ever do that?

Ms. HECKER. I do, yes.

Senator BOXER. So it becomes a way, I mean, I much prefer to do that, frankly, than go to the airport. By the time I get to the airport, go through security, it takes hours. I get on a train, it is pleasant, I am there. So I think the question that we face here, and why I am a very strong supporter of what Senator Carper does with rail is, as it gets tougher and tougher to go with other modes, it would be tragic to just take away that option.

It reminds me, in California, they ripped up every single ounce of rail line, because the motor vehicle was coming. Now we are spending a fortune to buy back the right-of-way to put down the tracks that they ripped up. So I think before we just say who does this and who goes there, I think we need a bit more of a broader look at the future, rather than just say, and yes, you are right, we obviously don't want to throw money away. We can't afford to. But we also need to preserve these options, I think.

The last thing I will say is, in Marin County, where I lived for so many years, in the Bay Area, we had a ferry boat system. And everyone said the same thing, who is going to take the ferry boat. And for years, they didn't take it. It is so true, it was really tough. Now, they take it. Because when you compare it to the price of a toll on the Golden Gate Bridge and the cost of gasoline, et cetera, suddenly, this becomes a viable option. So I would be very careful not to just throw things away and capacity away without thinking it through.

Senator Voinovich, you can finish this whole thing up. It's all in your hands.

Senator VOINOVICH. Thank you. I will try and make it brief.

First of all, Madam Chairman, I would appreciate my statement being put in the record.

Senator BOXER. I will put your full statement in, and also the Coalition for America's Gateways and Corridors, at the same time, without objection.

[The prepared statement of Senator Voinovich follows:]

STATEMENT OF HON. GEORGE V. VOINOVICH, U.S. SENATOR FROM THE STATE OF OHIO

Thank you, Madame Chairman, for holding this hearing today to hear the views from these groups on this commission's report.

It is no secret that this nation has an aging transportation infrastructure. And I believe that it's the government's role to provide funding for our nation's infrastructure so our businesses can compete in this global marketplace.

Federal transportation policy is of particular importance to my State because Ohio has one of the largest surface transportation networks in the country. The State of

Ohio has the 10th largest highway network, the fifth highest volume of traffic, the fourth largest interState system and the second largest number of bridges. 14 percent of all freight that moves in the United States moves in, through, or out of Ohio—the third greatest amount of any state.

Throughout my career, I have worked to increase funding for infrastructure. As Governor, during ISTEA, I fought to increase Ohio's rate of return from the Highway Trust Fund from 80 percent to 85 percent. In 1998, as Chairman of the National Governors Association, I was involved in negotiating TEA–21 and I fought to even out highway funding fluctuations and assure a predictable flow of funding to states.

During consideration of SAFETEA-LU, I pushed for increased funding. I thought the total funding levels were well below what was appropriate and necessary for the nation's infrastructure needs. Even, the Federal Highway Administration acknowledged that more funding was needed. In 2004, Federal Highways stated that the average annual investment level needed to improve our highways and bridges would be $118.9 billion. The average annual investment level necessary to just maintain the current condition and performance of highways and bridges would be $77.1 billion.

I predicted that the money spent from that authorization bill would not be enough. Sadly, I was right. Because of the rising costs of construction and energy, the purchasing power from SAFETEA-LU has significantly declined. This bill did not keep up with inflation, and as a result, we have fallen behind. Highway projects are being canceled and states and locals have had to step-up and assume more of the financial burden, and they are doing so at a time when many states are projecting severe budget shortfalls. The State of Ohio is facing a shortfall of $3.5 billion.

If any of us think that we can deal with these problems without more money, we are being intellectually dishonest. I hope the next president understands this clearly.

I don't trust that the Presidential candidates truly understand the gravity of the situation either—they have completely ignored the topic on the campaign trail. I hope that the witnesses today can shed some light on a topic that so many elected officials seem to be ignoring.

Recently, we have been talking about putting together an economic stimulus package to jumpstart the economy. I think our failure to invest in the improvements necessary to keep pace with our growing population and increasing demands is one of the roadblocks standing in the way of moving our economy forward. Investing in our nation's transportation could create hundreds of thousands of jobs and move our sluggish economy down the road to recovery. Manufacturing states, such as Ohio with a "just-in-time" economy, cannot be competitive with failing infrastructure where traffic congestion and bottlenecks in our rails and waterways is the norm. I am very encouraged that this report recognizes the link between our infrastructure and our ability to compete in the global market.

As Ranking Member of the Clean Air and Nuclear Safety Subcommittee, I am well aware of the important relationship between highway planning and air quality. I am pleased that this report emphasizes environmental stewardship and recommends more State flexibility on funding efforts to improve our air quality.

I also support the Commission's recommendations on improving and streamlining the delivery of transportation projects. As a former Governor and Mayor, I have been frustrated at how long it can take to finish a highway project from beginning to end. In fact, during my first Senate campaign—as part of my platform, I pledged to reduce this timeframe. I am pleased that this report acknowledges this lag time—major projects take nearly 13 years on average to complete. I was pleased with the changes we made with 4(f) in the last highway bill, but the fact is that it didn't get the job done.

This report echoes what I have been saying for years—it's the government's role to provide the infrastructure for American business, and unless we develop this infrastructure of competitiveness, our children and grandchildren will not be able to enjoy the same standard of living and quality of life that we have enjoyed.

The American people must be made aware of the infrastructure challenges our nation faces. Hopefully, with your participation, our hearing today can shed more light on this critical issue.

[The prepared statement of the Coalition for America's Gateways and Corridors follows:]

Coalition for America's Gateways and Trade Corridors

Written Submission of
Leslie T. Blakey, Executive Director
Coalition for America's Gateways and Trade Corridors

Before the Committee on Environment and Public Works
Unites States Senate

on

Perspectives on the Surface Transportation Commission Report
Wednesday, February 6, 2008

Members of the Senate Committee on Environment and Public Works, we appreciate the opportunity to submit testimony for the record regarding the recently released report by the National Surface Transportation Policy and Revenue Study Commission, *Transportation for Tomorrow*. We applaud the full Commission for recognizing how vital an efficient goods movement system is to the nation in terms of jobs, a robust economy and quality of life issues.

We believe that the Commission has shown enormous courage and bold leadership in developing a comprehensive and rational approach to an overhaul of our surface transportation system. The Coalition for America's Gateways and Trade Corridors (CAGTC) strongly commends the Commission for their focus on a unified, national, multi-modal freight system, placing a priority on projects of national significance with objective, performance-based justification for federal programs and spending. America's leaders and users of the system should come together to support the recommendations of the majority report and see it through to implementation, particularly in the area of freight and goods movement infrastructure.

The report recognizes the role freight and goods movement plays in the

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nation's global competitiveness and the need for a national freight strategy. As such, the report calls for a multi-modal, federal freight program and dedicated funding based on user fees and customs fees. CAGTC supports the concept of a national freight strategy, implemented through a National Freight Program and funded by the users of the system.

To fund this freight program, the Commission encourages the use of increased gas tax revenues, tax credits, a portion of Customs duties revenues and a federal freight fee. Given the strong federal interest in freight movement, a variety of funding sources must be made available in order to meet the needs of the freight transportation program.

Further, the report encourages the Congress to work to create "an accountable and transparent programmatic linkage between an assessed freight fee and the selection and funding of projects that facilitate increasing volumes of primarily trade-driven freight." CAGTC believes funds from any fee assessed on the freight community should be reinvested in freight infrastructure. To administer those funds, CAGTC encourages the Congress to create a separate account to hold new revenues collected from freight movements. The Commission's report also recommends that the Congress consider creating such an account.

The report also recognizes the inevitable interaction between the various parts of the system and encourages the Congress to create a transportation program which leverages that interconnectivity to maximize investment. In particular, it calls for federal policy to support freight transportation projects that reduce congestion, improve national connectivity and mitigate transportation's impact on the environment. As such, freight projects should be eligible for funds across programs for projects that have benefits outside the goods movement system.

Transportation for Tomorrow is very much in tune with CAGTC's goal of a national, dedicated freight program and sources of funding for freight and goods movement, allocated through merit-based criteria. We look forward to working with Congress to adopt the report's recommendations.

Senator VOINOVICH. I would like to read a portion of my statement to the panelists. It says, recently we have been talking about an economic stimulus package to jumpstart the economy—we are going to do something here hopefully before the President's break. I think our failure to invest in the improvements necessary to keep pace with our growing population and increasing demands is one of the roadblocks standing in the way of moving our economy forward. Investing in our Nation's transportation could create hundreds of thousands of jobs and move our sluggish economy down the road to recovery. Manufacturing States, such as Ohio, with a just-in-time economy, cannot be competitive with failing infrastructure. Traffic congestion and bottlenecks in our rails and waterways is the norm. I am encouraged that this report recognizes the link between our infrastructure and our ability to compete in the global marketplace.

Then as ranking member of the Clean Air and Nuclear Safety Subcommittee, which I serve on with Senator Carper, I am well aware of the relationship between highway planning and air quality. I am pleased that the report emphasizes environmental stewardship and recommends more State flexibility on funding efforts to improve our air quality. So those are good things.

We need to really emphasize how important it is that we develop the infrastructure of competitiveness, so that our children and grandchildren can enjoy the same quality of life and standard of living that we have. This is really important stuff, and I am very pleased that those of you representing outside groups seem to be pleased with this Commission's report and seem to be really enthusiastic about it.

But I can assure you that unless you really get involved—and we are going to get started on this highway bill probably toward the end of this year—when we do a lot of preliminary stuff, but as someone mentioned, you have to get this highway bill done on time. I think Ms. Miller said, you have to get it done on time or we are really in deep trouble.

But I have learned, I was president of the National League of Cities, and then I was chairman of the National Governors Association, I lobbied this place for over 18 years. The way you get things done down here is to get groups together on a bipartisan basis—Republicans and Democrats, private sector people and in this particular case, you are going to have to involve some of the environmental groups and so forth that are out there, to get together and say, this is important for our Country and work this out, so that we can really do the things that we need to do in the area of infrastructure.

It is absolutely one of the ingredients of our future success as a Nation. Somehow, we have to communicate that to the American people. It is through organizations like yours that we can get the job done.

So I want you to know that the Chairman and I and others are looking forward to working with you. We need your help. Thank you.

Senator BOXER. Senator, thank you so much. That echoes, as you said, what I asked them in my very first question.

I am excited about the job we have ahead of us. And it is made so much easier when we hear your voices, really it is. And we say that in all humility. We cannot get the momentum we need without those voices. So if you could take back to your membership that we really appreciated your testimony here, it means a lot to us, and we are going to get ready with an ambitious bill that has vision, it is going to meet the needs, we are going to present it to our colleagues, and I feel, and to a new President. We don't know who that will be, but whoever it is, one party or the other is going to know that we can't have a growing economy without an infrastructure that meets the needs.

So thank you very, very much, all of you. We really appreciate your contribution today. Thank you, Senator Voinovich.

[Whereupon, at 12:10 p.m., the committee was adjourned.]

Statement of Senator Max Baucus
Environment and Public Works Committee
Wednesday, February 6, 2008, 10:00 A.M.

Chairman Boxer, thank you for calling this second hearing on the Report of the National Surface Transportation Policy and Revenue Study Commission.

I would also like to say thank you to Secretary Peters for serving on the Commission. In addition, thank you to our witnesses for joining us this morning. I am interested in your comments.

My issues are primarily directed toward the Report's minority views. While I am concerned about raising the fuel tax, I think we do need more money. I don't think we can just rely on congestion pricing and direct user fees to secure our future. I agree with you, Madam Chairman, that we can't have a strong federal role just by saying so. We need to do more than that, and that takes money.

In the short term, Senator Grassley and I have a Highway Trust Fund fix that we marked up in the Finance Committee, which would restore approximately $5 billion to prevent a 2009 shortfall. Longer term, however, I think we need to be innovative about funding solutions in order to have vision for the future.

The minority views compare our surface transportation system to other network-based systems, such as telecommunications. The problem with that approach is it fails to recognize that transportation is a national program. Transportation is more appropriately compared to other national programs, such as defense, space, and agriculture. As with those other national programs, our national transportation program should take need into account rather than merely relying on sterile economic formulas.

The minority views go so far as to suggest imposing user pricing in rural areas. My state of Montana is the fourth largest state in the nation, but like other rural states it is less populated than states with large, urban, metropolitan areas. What might work in areas with high per capita income won't work in Montana or other rural states. User fees that fall disproportionately on Montanans who drive long distances across a limited number of roads to get to work, or to drive to other Montana cities, or to seek health care will equate to a regressive tax. And it will ultimately be an insufficient means to raise revenues.

Montana relies on the national program to maintain and upgrade our road system. We pay state fuel tax, and we have a strong state program, but we also need federal formula funding especially under the Interstate Maintenance, National Highway System, and Equity Bonus programs. What's more, everyone visiting Montana to see our parks and recreation areas, or passing through the state to deliver freight, also needs for Montana to receive that reliable federal funding.

Thank you, once again, Madam Chairman.

Opening Statement

Senator Carper

EPW Committee Hearing on Surface Transportation

Commission Report

February 6, 2008

I want to thank Chairman Boxer for holding this hearing.

Over two years ago, we created a commission in SAFETEA-LU to consider our future needs and funding options for highways and transit.

The DOE's Energy Information Administration projects a 59% increase in VMT between 2005 and 2030, outpacing the expected 23% increase in U.S. population. Accounting for the newly enacted CAFE increases, the rapid increase in driving would still overwhelm the emissions reductions of more fuel efficient vehicles.

Given these trends, the Energy Information Administration projects CO_2 levels will be 12% above 2005 levels by 2030, or 40% above 1990 levels. While increasing CAFE was a monumental step in the right direction, we need to make a serious commitment to reduce VMT.

We face ever worsening congestion on our roads and limited capacity on our rail lines. Meanwhile, both the use of and the demand for freight and passenger rail are growing. Amtrak's ridership was up 15% in the first quarter of the fiscal year. It is clear to me that the American people want more transit options and better transit infrastructure—in both urban and rural areas.

As I often say, if a job's worth doing, it's worth paying for. That is why this Commission and its findings are so important. I firmly believe that it is essential for the various stakeholders in these matters to come together and form a consensus-- not only on our long-term transportation goals, but also on how we can get there and how we should pay for it. I am grateful for the opportunity we have today to hear from some additional stakeholders in this regard.

As you know, these are not simple issues. The transportation sector significantly impacts the quality of our air, the growth of our economy, and our daily quality of life. Given these high stakes, we must take bold and innovative action to bring our transportation sector into the 21st Century.

I would like to continue working with my colleagues to ensure that we take a serious look at the findings and recommendations of the Surface Transportation Commission. I look forward to hearing from our witnesses today on this important subject.

OPENING STATEMENT OF SENATOR INHOFE

Perspectives on the Surface Transportation Commission Report

Thank you Madame Chairman. As I said in last week's hearing, anticipation for the Commission Report has been high. We must recognize that our nation's transportation needs have outgrown our current transportation policy. The link between a robust economy and a strong transportation infrastructure is undeniable; yet when it comes to other spending needs in the federal government, transportation is often neglected as a priority. As we move into reauthorization in 2009, it is the responsibility of Congress to continue to ensure that American's receive a full and effective return for the fuel taxes they paid into the Trust Fund. The results of the Commission's study will be an important part of those deliberations.

First, I want to point out that although Secretary Peters along with two other Commissioners voted against the final report, there was much agreement on most of the policy recommendations. For the most part, all the Commissioners found agreement on the vast and unmet needs of our nation's transportation network, but where they differ is in how to pay for it. I have long advocated for a decreased federal role, which I believe allows for greater flexibility for states to manage their own transportation funding priorities. It would appear those who wrote the dissenting views concur.

Public Private Partnerships or PPPs are a great example of innovative funding ideas we will need to encourage States to explore. When I was Mayor of Tulsa, we did several PPPs and were able to better leverage scarce public funds to accomplish many good projects. To date, our thinking on funding highways has been too limited. We need to acknowledge there are other options. Certainly, no one should assume that PPPs are the magic bullet, this type of financing is not appropriate in all cases, but it is certainly something that must be explored further by States and frankly this Committee. There are several larger policy issues that I think need to be discussed, such as the length of leasing options and whether there should be any restraints on how States use lease payments. Finally, before development of these long term lease agreements become more widely used, we should thoroughly examine the consequences of foreign investment in these leases. Many argue that the consequences of foreign investments is minimal since the asset is fixed, I would tend to agree; however some concerns have been raised about of the loss of possible future State tolling revenues when tolling proceeds are diverted outside the United States. There is still much to learn about these lease agreements, and although I support them in principle, I consider them only part of the solution to the highway financing shortfall.

I think the important lessons to take from the report are that if we don't take dramatic action, growing congestion and deteriorating pavement conditions will choke the US economy. I am glad that there is consensus among the commissioners that modal specific decisions and the current program structure are outdated.

Finally, I have to comment on the proposed financing mechanism. I believe increasing the federal fuel tax by the amount proposed in the final report is neither politically viable nor economically sound. Furthermore, I am not convinced it is necessary. Certainly, given the balances in the Highway Trust Fund, an increase in the fuel tax must be considered, but not to the level that is proposed. I had hoped that the Commission would have considered in more detail alternative financing mechanisms that could eventually replace the fuel tax as the primary method to collect revenue for transportation. As vehicles become more fuel efficient, the existing funding model of paying per gallon of fuel will not be effective.

Again, I appreciate your efforts and thoughtful recommendations and look forward to discussing them further with you.

Senator John Warner
Statement
Senate Environment and Public Works Hearing on the Surface Transportation Commission Report
February 6, 2008

I thank my chair and ranking member for holding this critical hearing today, and welcome today's witnesses, in particular Secretary Peters.

I have been a long-time supporter of our nation's surface transportation system, having sat on this committee through several reauthorizations of the transportation bill.

Our aging infrastructure does need a serious face lift. As the Commission's report concludes, additional investments are a must, although I recognize there are different approaches to structuring those investments.

At the same time, our approach to transportation must be brought into alignment with our goal of reducing greenhouse gas emissions.

Anyone who lives in the DC metro area is probably familiar with the Commonwealth of Virginia's efforts to extend metro service to Dulles International Airport.

Making use of our public transit systems – and expanding those systems as regions grow – is going to be a critical component of a package of policies needed to reduce greenhouse gas emissions.

While I will not sit on this Committee in the next Congress when the highway bill is again reauthorized, I am committed to helping lay the groundwork this year for environmentally responsible yet effective and robust transportation policy.

Thank you.