Statement of the Transportation Departments of

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

to the

National Surface Transportation Policy and Revenue Study Commission

April 3, 2007

The Transportation Departments of Idaho, Montana, North Dakota, South Dakota, and Wyoming ('we" or "our" or "us") respectfully submit these comments to assist the Commission as it formulates recommendations for Federal policies to improve the nation's surface transportation system.

Most importantly, we consider it essential that the Commission's report and recommendations expressly recognize that strong Federal investment in surface transportation in rural states, as well as in metropolitan areas, is and will remain important to the national interest.

The nation needs a strong, interconnected highway and surface transportation network to meet the needs of people for mobility and safety and business for competitiveness. Significantly increased Federal investment is essential to maintaining such a network and meeting the transportation needs of rural and metropolitan areas. The need for Federal funding leadership is underscored by recent high levels of transportation construction inflation and the high cost of preserving our aging Interstate and other National Highway System roads.

In the balance of this statement we will elaborate on these key points and make some additional comments.

<u>The Nation Benefits from Federal Transportation Investment In and Across Rural States</u>

There are a number of reasons why it is essential to the nation to maintain and improve a strong highway and surface transportation system in large rural states. Highway transportation between the East and Midwest on the one hand and the West on the other is simply not possible without excellent roads that bridge those vast distances. This connectivity benefits the citizens of our nation's large metro areas because air or rail frequently will not be the best option for moving people or goods across the country from, say, Chicago to Seattle or San Francisco. The many commercial trucks on rural Interstate highways in States like Idaho, Montana, North Dakota, South Dakota and Wyoming demonstrate every day that people in the major metropolitan areas benefit from the nation's investment in arterial highways in rural states. So, there is a NATIONAL interest in facilitating interstate commerce and mobility that requires good highways in and connecting across rural areas.

Similarly, without a strong road network in the rural West, access to many of the Nation's great National Parks and other scenic wonders would be limited. The resident of a major metropolitan area may not need the roads approaching Yellowstone or Grand Teton or Glacier National Parks or the Mount Rushmore National Monument as often as he or she needs roads used in the daily commute. But those citizens want high quality highway access to these national treasures for those special trips that are part of what makes America great. Investment in such highways also helps ensure that American and international tourism dollars are spent in America.

A significant portion of the economy in our region is based on agriculture, energy production, and natural resource extraction. There is a strong national interest in ensuring that agricultural and resource products have the road network that is needed to deliver product to markets, particularly export markets. In addition, the growing ethanol and alternative fuel industry is located in significant part in rural America and not on Interstate highways. It is an important part of the national effort to reduce dependence on foreign oil. Our road network needs to be adequate to serve agriculture, resource and energy industries.

Another consideration is the huge parcels of Federally owned land in the West. Development or use of these lands is either prohibited or limited, and State and local governments can't tax them. Yet, the nation's citizens and businesses want a reasonable opportunity to be able to cross them and have access to them. This is an expensive transportation proposition for sparsely populated states. Significant investment of transportation dollars by the Federal government has been and remains a proper response.

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

One of the original reasons for the Interstate System was to support prompt movements of military personnel and supplies. A strong system of arterial roads in rural areas, as well as metropolitan areas, continues to support efficient military movement.

In short, the entire nation, including the citizens of metropolitan areas, clearly benefits from transportation investment in rural states in our region. In crafting SAFETEA-LU Congress gave stronger recognition to states with large land areas and low population densities. The Commission's report and recommendations to Congress should expressly recognize and support these important considerations and should support strong Federal investment in highways and surface transportation in rural states.

Tolls Are Not an Answer To Transportation Needs In Rural States

We have observed a lively debate about the role of public private partnerships and tolling in meeting the nation's transportation needs.

We say "observed" because, while public private partnerships and tolling may have a modest role in meeting transportation needs in some areas of the country, we do not have the traffic densities to make tolling even a viable option.

Thus, we share the concern expressed by Chairman Oberstar, as well as others, that public private partnerships and tolling will not maintain or produce an interconnected, integrated or strong national surface transportation system.

We believe that strong Federal funding leadership is essential to maintaining and improving a national highway and surface transportation network that meets the needs of people and business.

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

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

- are very rural,
- are large,
- have low population densities, and
- have extensive highway networks.

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

And there are additional obstacles. Our states:

- have incomes 10 percent or more below the national average, while
- the per capita contribution to the Highway Trust Fund attributable to our states exceeds the national average.

More specifically, the per capita contribution to the Highway Account of the Federal Highway Trust Fund attributed to Idaho is $119, Montana $156, North Dakota $161, South Dakota $150, and Wyoming $312. The national average is $109 per person.

These factors make it very challenging for rural states to provide, maintain, and preserve a modern transportation system that connects to the rest of the nation and to global markets and economic opportunities -- even with the support of Federal funding at today's levels.

So, in the rural States there are long stretches of highway, fewer people to support each lane mile, and lower incomes to support transportation investment. And our citizens must contribute not just towards capital investment, which is partially funded by the Federal program, but also to maintaining Federal-aid highways, which is solely a state expense.

For reasons such as these, we think that there is no question that, to achieve the important benefits of a truly national, interconnected highway and surface transportation system, the Federal highway program must provide substantial funding for the Federal-aid road network in rural states, as well as elsewhere.

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

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

In addition, as the Interstate System ages, resurfacing will not be enough to maintain its condition and its ability to serve national and regional commerce and mobility. Increasingly, the Interstate System will need to be reconstructed – a very expensive proposition that could well prove to be more expensive than we currently believe. We seriously doubt it will prove to be less expensive than currently estimated.

In short, we have significant and growing unmet needs just to maintain and preserve the system – and we, like other states, want to improve it as well. Public private partnerships and tolling are not really available to help us meet needs. Our states are already making greater than national average contributions to the Highway Trust Fund – with lower than national average per capita incomes.

For all of these reasons, the Commission should recommend actions that will result in the Federal government providing strong, significantly increased funding for highways and other surface transportation investment, particularly including highways in rural states. We see that as essential to meeting the national interest requirement that our nation preserve and maintain, as well as improve, an interconnected national highways and surface transportation system.

Short Term Improvements in Revenue to the Highway Trust Fund Are Very Important

There are many facets to the financing issue. Today, we will stress one that we believe deserves more attention – short term steps that can be taken to shore up the Highway Trust Fund, particularly the Highway Account.

We see positive short term action as vitally important to successful long term action.

We are all familiar with the wise statement that "a journey of a thousand miles begins with a single step." We are certain that the great philosopher, in offering that advice, was not suggesting a first step backward!

So, the transportation community and policy makers should take action to ensure that highway and transit programs supported by the Highway Trust Fund are not cut in the near term from SAFETEA-LU authorized levels due to short term shortages in the Highway Trust Fund. Less investment now would be a step backward and would make it even more difficult to achieve an improved surface transportation system in the long run.

More specifically, we are greatly concerned that, due to Highway Trust Fund receipts lower than estimated at the time SAFETEA-LU was enacted, the highway program could be asked by some to take a cut from SAFETEA-LU levels before the end of FY 2009. Indeed, the Administration has proposed a reduction of $631 million in the highway program for FY 2008 due to concerns that the declining balance in the Highway Account of the Highway Trust Fund cannot support SAFETEA-LU funding levels.

We disagree with that approach and support ways of addressing the shrinking Highway Account balance that would not reduce authorized SAFETEA-LU funding levels.

There are options that can help in the short term, including options that do not require tax increases. For example, the Highway Trust Fund is perhaps the only trust fund in the Federal Government not credited with interest on its balance. That could be corrected, perhaps even retroactively to the beginning of SAFETEA-LU. In addition, for various reasons, some highway users receive back from the Federal Government credits (essentially refunds) equal to the gas taxes they pay. Such refunds should be paid out of the General Fund of the Treasury, not out of the Highway Trust Fund as is the case today. The proceeds of the tax assessed on "gas guzzler" vehicles could be placed in the Highway Trust Fund. There are undoubtedly additional such changes in law that would fairly credit the Highway Trust Fund with funds it does not receive today. Such changes would not increase taxes but would adjust current laws to properly credit the Highway Trust Fund.

Taking such steps would not only help shore up Federal program investment levels through FY 2009, they would add money to the revenue stream that would be considered to be within the revenue "baseline" when legislation for later years is developed. Making such changes now would give the nation a head start on having the Federal revenue that is needed to improve the highway and transit programs in the future.

In addition, the Highway Trust Fund should not be drained by unauthorized expenditures from the fund. We note with disappointment that, as the Highway Account of the Highway Trust Fund is hurtling towards a zero balance, the Administration's budget submission for FY 2008 proposes using the Highway Account to pay for certain NHTSA vehicle research activities that are not authorized to be undertaken with Highway Trust Fund monies. We support funding NHTSA's safety activities at authorized levels, but with authorized sources, not through unauthorized use of approximately $122 million in Highway Account funds per year at a time when the Account's proverbial cupboard is bare. Any such unauthorized outlays from the Highway Account would lower the Account balance and, inevitably, make it harder to make needed highway and transportation infrastructure investments.*

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* We support the Administration's announced intention to correct the way the Highway Trust Fund accounts for funds flexed from the highway program to transit projects. The practice has been to remove from the Highway Account an amount equal to the dollar value of the flexed Federal highway funds as soon as a decision is made to flex the funds for a transit project. Now, the Administration would shift such funds from the Highway Account to the Mass Transit Account of the Highway Trust Fund as they are utilized for the project over time. This change is commendable and mitigates, though apparently does not solve, the problem of potentially inadequate revenue in the Highway Account to support SAFETEA-LU funding levels through FY 2009.

We believe that the problem of potentially inadequate funding in the Highway Account to get through SAFETEA-LU should be solved in a way other than by reducing authorized SAFETEA-LU investment levels for highways or transit. That can and should be done.

Some Comments on the Structure of the Federal Program

Before closing, we offer some comments on the structure of a future Federal surface transportation program.

The Highway Program Should Continue to Be a Federally Assisted State Program and Should Direct an Increased Percentage of Program Funds to the States. The future Federal highway program should continue to distribute the vast majority of funds to the states. States would continue to select projects and deliver the program. This is a partnership that has worked well. In the future, the percentage of overall Federal highway program funds that is apportioned to the states should be increased, and the percentage of overall program funding directed to Federal "off the top" programs or projects should be reduced.

The Highway Program Should Continue to Provide Funding for Interstates, the NHS, other Arterials, and Major Collector Routes. Under this long-standing approach, approximately 24 percent of the Nation's over 4 million miles of public roads are Federal-aid eligible. This strikes a good balance, focusing the Federal program on the more important roads, but not on so few roads that connectivity is weak. While we believe that the importance of investment in the Interstate and other NHS routes is beyond doubt, we want to emphasize that non-NHS Federal-aid roads are also an important part of the network of federal-aid routes. These roads make up approximately 20 percent of total road miles in the nation and carry over 40 percent of the traffic nationwide. These routes provide an important link between the NHS and local roads and streets and ensure that regions can connect to the NHS system without a disproportionate number of expensive Interstate or NHS lane miles.

In addition, there has been increased attention in recent years, including in SAFETEA-LU, to the national interest in improving safety on rural roads. More than two-thirds of all roads in the U.S. are located in or near areas with populations of less than 5,000. In 2002, 60 percent of highway fatalities occurred on rural roads and, of those fatalities, 41 percent occurred on two-lane roads. The most important of these roads are eligible for federal funding. It will be important to continue to provide funding to address deficiencies on these routes.

Further, over the last two or three decades tens of thousands of rural rail branch lines have been abandoned. Over that time Class I railroads have shed over 100,000 routes miles. While some of those former Class I miles are still operated by smaller railroads, the reduced reach of the rail network means that many areas, particularly rural areas, must rely more heavily on trucks and the road network for important commerce needs.

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

While Maintaining Eligibility for Arterials and Major Collectors, we would Increase the Percentage of overall Program Funding dedicated to the Interstates. With the high costs of reconstructing Interstate routes looming, and given the importance of these routes to interstate commerce, we are comfortable with the notion that a higher percentage of apportioned funds should be for these highways , provided that the overall percentage of the program that is apportioned to States increases, as we recommend, or at least does not decline. We would also increase the basic Federal share of non-Interstate NHS projects to 85 percent, to reinforce the importance of the NHS. Further, any increase in the proportion of funds dedicated to the Interstates should not be at the expense of other traditional programs with broad eligibility, such as NHS or bridge or STP. We see providing added funding emphasis to the Interstate System as the right way to respond to calls by some for more emphasis on roads that are important to freight. The Interstates are critically important to freight. Creating a new road system, with new rules, or pitting states against each other in a new competition to be part of some new Federal system does not strike us as constructive.

Preserve Highway Trust Fund Dollars for Transportation Investment. As we all know, since September 11, 2001 there has been, correctly, an increased focus in this country on transportation security, including funding to improve security. Fortunately, such funding has been from the General Fund of the Treasury, not the Highway Trust Fund. This approach should continue. Frankly, to help ensure that Highway Trust Fund dollars produce as much direct transportation benefit as possible, we would explore shifting some functions, such as FHWA Administrative costs, to the General Fund of the Treasury, so that more of the currently scarce funds in the Highway Trust Fund would be available for actual program investment.

Continue Federal Lands Programs. Distinct from apportionments to States, the Federal highway program has long included separate funding for Indian Reservation Roads and highways on Federal lands and in national parks. These are lands with no private ownership (except perhaps small inholdings) and states have limited if any ability to tax them or benefit from economic development of them. While there are national parks, other public lands, and tribal territories throughout the country, it is fair to say that the Federal public lands highway programs probably never would have been developed but for the large Federal and tribal land areas in the West. The need for these Federal Lands highway programs continues and the Commission should recognize that in its work product.

Reduce Regulatory and Program Burdens. The Federal highway and transit programs are not simple. An enormous amount of planning is required in order to deliver actual projects and programs. We are confident that the overall program can be made more flexible and that project delivery time can be reduced. We suggest that the Commission support reasonable suggestions that it receives to expedite project delivery processes and reduce program overhead. For example, we read that a witness at one of the Commission's earlier hearings criticized current regulatory practice regarding "fiscal constraint" as unduly burdensome. The original concept of fiscal constraint being an element in the development of transportation improvement plans was a straightforward one - that states and metropolitan planning organizations should not plan to build a list of projects when there is not enough money available to support those projects. A fiscal constraint concept could have been implemented by requiring a simple certification by a state or MPO. Instead, ensuring that a STIP or TIP is fiscally constrained has evolved into a complex and sometimes frustrating system that involves USDOT approval of requests to update transportation improvement plans to reflect modestly changed circumstances. It is not needed. We can't spend what we don't have. We don't need extensive regulations to confirm that.

That's just one small example of a way the program could be simplified.

Similarly, we do not support the creation of additional program categories or new program requirements that would limit how a state can use funds within any category. Right now we suspect that any major type of transportation investment that a state wants to make is eligible for investment. A new special program is not required for states to be able to respond to needs for investment in corridors that are considered important. More funding is needed, but not new program structures. Additional program flexibility could be helpful, such as increased ability to flex funds between categories.

We are not saying that the program is not well run -- either by USDOT or by States or transit agencies – but we believe that the effort should be made to reduce regulatory burdens and make it easier to deliver the program benefits to people and business.

Public Transportation. Public transportation also plays a role in the surface transportation network in rural states. Public transportation is not only for large metropolitan areas. For example, the northern tier Amtrak service, the "Empire Builder," provides an important option for long distance travel to some of our nation's isolated communities. The Federal transit program includes a program of apportionments for rural transit. Transit service is an important, sometimes vitally important link for citizens in small towns to get to the hospital or clinic as well as to work or other destinations. In some rural areas we are experiencing an increase in the age of the population and public transit can be important to aging populations. In short, Federal public transportation programs must continue to include funding for rural states and not focus entirely on metropolitan areas.

Conclusion

For all of the reasons presented, we consider it essential that the Commission expressly recognize in its recommendations and report to Congress that significantly increased Federal investment in highways and surface transportation in rural states, as well as in metropolitan areas, is and will remain important to the national interest.

The transportation departments of Idaho, Montana, North Dakota, South Dakota, and Wyoming thank the Commission for its consideration of these comments and respectfully request favorable action on the above comments and recommendations.

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