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# A HEARING TO RECEIVE THE REPORT OF THE NATIONAL SURFACE TRANSPORTATION POLICY AND REVENUE STUDY COMMISSION

## HEARING

BEFORE THE

## COMMITTEE ON ENVIRONMENT AND PUBLIC WORKS UNITED STATES SENATE

ONE HUNDRED TENTH CONGRESS

SECOND SESSION

JANUARY 31, 2008

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# A HEARING TO RECEIVE THE REPORT OF THE NATIONAL SURFACE TRANSPORTATION POLICY AND REVENUE STUDY COMMISSION

**THURSDAY, JANUARY 31, 2008**

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

The full committee met, pursuant to notice, at 10:35 a.m. in room 406, Dirksen Senate Office Building, Hon. Barbara Boxer (chairman of the full committee) presiding.

Present: Senators Boxer, Inhofe, Carper, Cardin, Klobuchar, Warner, Voinovich, Isakson, Barrasso, Craig, Alexander

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

Senator BOXER. I want to apologize for delaying this hearing. We had an urgent Democratic Caucus meeting about the stimulus package and FISA. So forgive me for pushing this back.

The rules today, each of us will have 5 minutes to open and the early bird rule going back and forth. Then as I understand it, the chair of the Commission will go a little bit longer than 5 minutes. So we will be happy to listen to your entire statement and we will hold everybody else to 5 minutes, and we look forward to that.

So I will begin with my opening statement. On August 1st, 2007, the collapse of the I–35 West bridge in Minneapolis claimed the life of 13 and injured 145 people. This tragedy served as an urgent wake-up call that we can't neglect our Nation's crumbling infrastructure. The current highway, transit and highway safety programs of SAFETEA-LU expire at the end of 2009, as we all know. Today we begin our process of developing a new authorization for those programs.

As we prepare for this new authorization, it is clear that continuing the current programs at their current funding levels is not sustainable and will not fix our Nation's crumbling infrastructure, will not meet the needs of our growing economy and will not adequately address growing congestion. With increased investment, we can improve goods movement, reduce congestion, improve air quality and quality of life and provide the necessary infrastructure to support our growing economy.

Today, we hear the recommendations of the National Surface Transportation Policy and Revenue Study Commission. Congress charged the Commission with examining and then developing recommendations on the current condition and future needs of the

surface transportation system, short-term funding sources and long-term alternatives to replace or supplement the gas tax as the principal source of revenue for the Highway Trust Fund.

In reviewing the Commission's recommendations, it is clear to me that there is no easy answer to the challenges we face. But without action by us, our infrastructure will further deteriorate, congestion will increase, additional lives will be lost and our economy will suffer.

Let's look at some examples. According to the Department of Transportation, the cost to our economy from traffic congestion alone is as high as $200 billion per year, $200 billion, traffic congestion. I know I have a lot of examples of that in my State. And the Census Bureau expects a 50 percent population increase over the next 50 years. So you put that together and you have one looming crisis.

Freight movement is expected to nearly double over the next 30 years. But traffic through West Coast ports could triple over the same period. We already have mayors coming to see me and Senator Feinstein just from our State saying, that as much as they want to increase the capacity at our ports, the air quality is so terrible that they would take a pass on that. And that is very, very dangerous. That is why we need to do more to clean up the air.

If we don't aggressively pursue safety improvements, more lives will be lost on U.S. roads. In 2006, almost 43,000 people died and 2.6 million were injured. The consequences of inaction are not acceptable. We must meet our current and growing needs. If we act, the Commission's report suggests that by 2025, we could cut fatalities in half and reduce per vehicle delay on major urban highways by 20 percent.

The Commission determined that we need to invest at least $225 billion annually from all levels of government and the private sector over the next 50 years to upgrade our surface transportation system. But this is not the only voice. Mayor Bloomberg, along with Governors Rendell and Schwarzenegger, recently announced they are forming a non-partisan coalition to push for Federal infrastructure investment. They, too, have recognized our Nation's great need.

The Commission's report is a significant contribution to the debate of future needs. It clearly states the Commission's view of why it is vital to invest in our transportation system. They offer us recommendations on how to proceed.

Now, of course, identifying needs raises the question of who pays and how. Unfortunately, the media coverage of the report has focused upon the call for a significant increase in the gas tax. I think that this does a disservice to the findings and recommendations. I personally don't think that is the route to go.

The discussion on financing will explore a myriad of options, several of which are discussed in the report. While the gas tax continues to fund our program, we know it is not a sustainable, long-term source of funding. Options could include private sector investment, pricing through tolls and the like, charges for vehicle miles traveled. Global warming and other important environmental considerations need to be integrated into our transportation planning.

Senator Dodd has proposed a national infrastructure bank. He has a bipartisan bill on that would identify and help finance infrastructure projects with bonds. And Warren Buffett has identified facilitating the sale of municipal bonds as a viable investment option for our future.

Our job on this Committee is to identify the needs of the Nation and develop an effective, efficient program to meet them. So I thank all the commissioners for the many hours they spent on developing this report. I appreciate so much those of you who are with us today for taking the time to share the Commission's findings with the Senate. I look forward to the testimony.

I also wanted to mention that Secretary Peters, who chaired the Commission, could not be with us today, but I ask unanimous consent that her statement be placed into the hearing record.

[The prepared statement of Secretary Mary Peters follows:]

STATEMENT OF HON. MARY E. PETERS, SECRETARY OF TRANSPORTATION

Chairman Boxer, Ranking Minority Member Inhofe and members of the Committee, I thank you for the opportunity to submit my statement for the record today.

Let me begin by saying, over the last 20 months, this Commission has met on numerous occasions and has engaged in wide ranging discussion in a serious effort 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 in the production of the report.

While I am attaching the Minority Views Statement to my statement for the record, I would like to highlight the key reasons why I was ultimately unable to sign on to this report. As most are aware, America's transportation system has a serious and growing problem. The most important challenge we face is the consistent decline in transportation system performance and a fundamentally flawed investment strategy. Our surface transportation economic model is fundamentally broken and this failure is impacting our families, business productivity, distorting real eState markets and degrading our environment.

I was pleased that the Report recognizes the importance of the transportation system to our Nation's economic growth. The Report does identify that there is a need and opportunity to simplify, consolidate and streamline Federal programs and funding categories. I believe and the Report acknowledges more focused programs will deliver better results for the Federal taxpayer. I would also like to commend the Report for identifying there is a need for greater accountability and rationality in investment decisions. I strongly support recommendations to improve the targeting of investments through a greater emphasis on performance and outcomes.

Unfortunately, the Commission Report maintains a strong emphasis on status quo solutions at a time when I strongly believe that the country needs an entirely new transportation policy. A key recommendation of this Report is a massive 40 cent per gallon Federal gasoline tax over the next 5 years, with automatic increases every year thereafter tied to inflation that would more than triple Federal fuel taxes from current levels by 2018. I have testified before this Committee previously and have stated for the record the Country's transportation problems do not stem from lack of spending or from insufficient tax levels. In fact, it is precisely the ineffectiveness of traditional taxes and the politicized nature of transportation spending decisions that are themselves the problem.

In addition, I was also extremely troubled by several other recommendations in the Report. Among the most troubling proposals, the Report recommends: creating a new Federal bureaucracy outside the executive branch and legislative branch that will assume various central planning responsibilities; new Federal regulation limiting States' ability to attract the growing volume of private sector capital available to invest in the country's transportation infrastructure; a sustained Federal role that is not justified by any analysis of a legitimate national interest; and new Federal taxes on public transportation and intercity passenger rail trips. As I have stated before, Federal centric policy will not solve our transportation problems.

I truly believe 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 actually being implemented in various parts of the U.S. In order to ensure that the pace and scale of this bottom-up reform movement increases, Federal transportation programs should be re-focused on two basic objectives. First, we should reward, not constrain, State and local leaders that are willing to stand up, acknowledge failure and pursue fundamentally different strategies to financing and managing their transportation systems. Second, the Federal Government's investment strategy should emphasize the interState system and other truly nationally significant transportation investments based on clear, quantitative parameters, not politically contrived ones.

Ultimately, the Commission Report chooses to take the path of higher taxes, more wasteful spending, more congestion and greater pollution. I believe there is a better path to take and wiser decisions to make. Again, I thank this Committee for allowing me to submit my testimony and I look forward to working with you.

Senator BOXER. With that, I will call on Senator Inhofe.

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

Senator INHOFE. Thank you, Madam Chairman. I did have a chance to talk to Secretary Peters, so I think she has very significant things to add to this.

It is safe to say that the anticipation of the Commission report has been very high. We recognize that we need to give critical thought to our transportation policy as we move into the reauthorization in 2009. The results of the Commission's study will be an important part of those deliberations.

First, I want to thank the individual commissioners for their part and their efforts. I recognize that it took time and dedication on your part to not only attend meetings and public hearings, but some of you had to learn an entire new sub-culture, the Federal Aid Highway world. This next bill will be my fourth reauthorization, and I am still learning. So I know it wasn't an easy job for you guys.

I think the important lessons to take from the report are that if we don't take dramatic action, growing congestion and deterioration of the pavement conditions will choke the U.S. economy. Another key finding is that both the current models of stovepiped modal decisions in the current program structure are outdated. That being said, I am not sure I agree with all of your conclusions specifically. I am concerned that the report seems to expand the role of the Federal Government at the expense of the States. I have long been an advocate of just the reverse.

Now, I have a complete statement I will ask be made a part of the record. But let me just ad lib for a moment, Madam Chairman. First of all, this is really fun, because it shows the world that Senator Boxer and I can get along and can agree on some things. We have both been very much concerned.

When we worked on this bill, and my experience with the transportation committees started back when I was in the House. The first year was 1987. So we have been through quite a few of these over the years. As you look back at the group, I see several attendees here that were at a speech I made last night, as you look back over the years, you can see that we have really been doing it the same way since the Eisenhower Administration. That is the reason all of us, Senator Boxer and myself, and everyone up here

who was a part of the 2005 bill, felt that it is important to put this Commission together to really explore other alternatives.

I asked you, Mr. Rose, if you had a chance to really vent some of the observations from other States like Indiana, California, Texas. It has been my feeling that there is going to have to be something other than just highway taxes, gas taxes to support this if we are going to take care of the future.

Let's look at what we did. This bill that we passed, the reauthorization bill, and at that time, Republicans were the majority so I was the author of that thing, that was the largest non-defense spending bill, I think, in our history. And yet that only, maybe came close to maintaining what we have today. So it is just not adequate.

So my concerns are to try to get something that is new, different, new and different approaches. I am hoping that we will be able to have this as the first such meeting to explore these approaches. I appreciate, Madam Chairman, getting right onto this.

[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. It is safe to say that the anticipation for the Commission Report has been high. We recognize that we need to give critical thought to our transportation policy as me move into reauthorization in 2009. The results of the Commission's study will be an important part of those deliberations.

First, I want to thank the individual Commissioners for their efforts. I recognize that it took time and dedication on your part to not only attend meetings, and public hearings but some of you had to learn an entire new subculture, the Federal-Aid Highway world. This next bill will be my fourth reauthorization and I am still learning how this program works, so I congratulate and thank you for sticking with it to come up with this comprehensive report.

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. Another key finding is that both the current model of stove piped modal decisions and the current program structure are outdated.

That being said, I not sure I agree with all of your conclusions. Specifically, I'm concerned that the report seems to expand the role of the Federal Government at the expense of the States. I have long advocated for the reverse. I am a firm believer in a national transportation system, but think our current Federal-aid program has expanded beyond that to be a State and local system paid for with Federal-aid dollars.

I am interested in hearing more of your thoughts behind some of the recommendations. For example, I believe you are heading us in the right direction in collapsing the program into more targeted focus areas, but I am not sure I agree with all of your new programs. Nonetheless, I appreciate you starting the discussion and look forward to learning more of what you envision. As stated earlier, if we are to successfully address our pressing infrastructure needs, I believe we need to think beyond individual modal needs and talk about how they all work together.

Certainly, for this to be successful, highways users cannot be the only mode contributing. If I understand your recommendation, I believe your transit user fee proposal is indication you agree with me on this point.

Two of your proposals, environmental streamlining and increased focus on safety, were among my highest priorities during the last reauthorization. We labored long and hard to reach consensus on streamlining the environmental approval process, so I am curious to better understand what more you propose be done. Likewise, we created a new core Safety program that requires States to develop a comprehensive safety plan that must focus on the biggest safety problems in the state, then use the new Safety money to address those problems. Again, I am interested in your views on why that is not working.

Finally, I have to comment on the proposed financing mechanism. I believe increasing the Federal fuel tax by the amount proposed in your report is not doable. 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 you propose. 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 BOXER. Thank you, Senator Inhofe, so much. And yes, this is an area where we will continue to work very closely together.

In early bird rule, I have Senator Isakson next.

## OPENING STATEMENT OF HON. JOHNNY ISAKSON, U.S. SENATOR FROM THE STATE OF GEORGIA

Senator ISAKSON. Thank you, Madam Chairman.

This is a critically important hearing today and I commend the Commission on its work and thank you for taking your time to be here today.

Transportation infrastructure is a critical resource in my State of Georgia, the tenth largest State in the Country and one of the fastest-growing. Furthermore, transportation is essential to the commerce and provision of goods and services throughout the Nation. The task ahead of us is challenging, creating the necessary programs and finding the necessary funds to maintain and improve the infrastructure is indeed going to be difficult.

Finding solutions in my State of Georgia has been especially daunting. The Georgia Department of Transportation estimates a $7.7 billion transportation funding shortfall during the current 6-year period. In Fiscal Year 2007 alone, it was estimated that maintenance, safety and other transportation improvements were short by nearly $445 million. I recognize the Committee does not have jurisdiction over revenue-raising measures, and the responsibility lies within the jurisdiction of other committees.

However, Chairman Baucus, of the Subcommittee on Transportation Infrastructure and I as the Ranking Member, also recognize that today's hearing is determined to be a discussion of reauthorization of the surface transportation program, and this report's suggestion condensing the 100 current Federal surface programs into 10 new focus areas that are outcome-based as opposed to the current system that is modality-based.

However, I do not think that this Committee can discuss new programs or focus areas in a vacuum without including in that discussion realistic expectations about what funds are available. This has to be a coordinated approach with other committees, because we need to understand and know what is possible and what is not possible from a revenue standpoint. Congress too often, with the best of intention, authorizes programs that far exceed resources available for it only to have these programs suffer or even fail for lack of funding. We are in just such a circumstance today.

We need to be cognizant of that in the debate going forward and recognize we will need to partner with our revenue-raising committees in the House and Senate to ensure we are not creating conditions where we are unable to solve America's transportation infrastructure.

On that note, I do believe that current revenue-raising mechanisms for surface transportation are broken and no longer appropriate for funding our Nation's surface transportation program. I recognize we are facing a $340 billion problem. But I am not sure that just recommending an increase to the existing fund-raising mechanism, for example, 40 cents a gallon on gasoline, is the right solution to approach. It is time to look at the entire revenue-raising measure, the challenges of the 21st century, the differences in the way fuels operate, vehicles operate and other modes of transportation operate, to ensure we make a financial recommendation that is best for the 21st century.

Madam Chairman, the suggested focus that the Commission has outlined are of great interest. For example, in September, this Committee held a hearing on bridge safety. In my State of Georgia, we have 9,000 bridges statewide and Georgia DOT inspects a minimum of every 2 years with many being inspected annually. Fifty percent of the bridges are on-system, 50 percent of the bridges are off-system, which means they are either city or county-controlled. In Georgia, approximately 1,100 bridges are classified as structurally deficient, with 200 of these being on the system and 900 being off-system.

The National Asset Management Program as recommended by the Commission is an attractive solution to ensure that these bridges are maintained and the tragedy in Minnesota is not repeated. The ports of Savannah and Brunswick in my State are growing at a tremendous rate. The freight transportation program to relieve congestion, increase intermodal connections and reduce time and cost to the supply chain appear they will ensure that the port growth is not choked off. I commend the Commission on its work.

I have long advocated for inter-city passenger rail along the I–75 and I–85 corridor, in particular, the I–85 corridor. I also believe the Federal Government should provide the infrastructure, but not necessarily in an Amtrak subsidy-type basis, but more of an aviation type of a model, where the private sector delivers the service, the Government puts in the infrastructure. I think that makes an awful lot of sense from the standpoint of commuter rail.

I am pleased to see the Commission's recommendations on national access programs for smaller cities and rural areas. When many people think of Georgia, they think of metropolitan Atlanta and often forget that so much of our critical State is rural. I have long advocated for connections to these rural communities to the economic centers of my State for moving freight, moving people and moving commerce. I look forward to hearing from the Commission on this report.

Finally, my greatest interest in the Commission's recommendation on congestion relief is for our metropolitan area. In the city of Atlanta today, it is estimated that it takes over 1 hour a day just to commute to and from work, and time period is growing at a rapid rate. Further, only 4 percent of our metropolitan community uses mass transit. I look forward to hearing the Commission's suggestions on strategies that include expansion of transit, highways, road capacity and inter-modal connections.

Madam Chairman, I thank you for the time and I yield back the balance of my time.

[The prepared statement of Senator Isakson follows:]

STATEMENT OF HON. JOHNNY ISAKSON, U.S. SENATOR FROM THE STATE OF GEORGIA

Thank you Madam Chairman.

This is a critically important hearing that we are having today. Transportation infrastructure is a critical resource to my State of Georgia, and our Nation, in providing greater mobility and a higher quality of life. Furthermore, transportation is essential to the commerce and the provision of goods and services throughout our Nation. The task ahead of us is challenging. Creating the necessary programs, and then finding the necessary funds to maintain and improve the transportation infrastructure is becoming increasingly difficult.

Finding solutions in my State of Georgia have been especially daunting. The Georgia Department of Transportation estimates a $7.7 billion transportation funding shortfall during the current 6 year period. In fiscal year 2007 alone it was estimated that maintenance, safety and other transportation improvements were short nearly $445 million.

I recognize that this Committee does not have jurisdiction over revenue raising measures, and that responsibility lies within the jurisdiction of the Committee chaired by my colleague Senator Baucus, who also chairs the Subcommittee on Transportation and Infrastructure on which I am the Ranking Member. I also recognize that today's hearing is intended to be a discussion of a reauthorization of the surface transportation program, and this report's suggestions of condensing the 100 current Federal surface programs into 10 new focus areas that are outcome based, as opposed to the current system that is modally based.

However, I do not think this Committee can have a discussion about new programs or focus areas in a vacuum, without also including in that discussion realistic expectations about what funds are available. This has to be a coordinated approach with the other Committees, because we need to understand and know what is possible and what isn't possible from a revenue standpoint. Congress too often, with the best of intentions, authorizes programs that far exceed the resources available for it only to have those programs suffer or even fail for lack of funding. We need to be cognizant of that in this debate going forward, and recognize that we need to partner with our revenue raising Committees in the House and Senate to ensure we are not creating conditions whereby we are unable to solve America's transportation and infrastructure needs.

On that note, I do believe that the current revenue raising mechanisms for surface transportation are broken and no longer appropriate for funding our nation's surface transportation infrastructure. I recognize that we are facing a $340 billion problem, and am not sure how raising the Federal motor fuel tax by upwards of θ40 per gallon when we have demonstrated that this mechanism is failing, solves that problem.

Madam Chairman, the suggested focus areas that the Commission has outlined are of great interest in my State. For example, in September this Committee held a hearing on bridge safety. In preparation for that hearing I contacted Georgia DOT and learned that Georgia has approximately 9,000 bridges statewide, and GDOT inspects all of them at a minimum of every 2 years with many being inspected annually. 50 percent of these bridges are "on system", which means they are controlled by the state, while 50 percent are "off system", which means they are either city or county controlled. In Georgia, approximately 1,100 bridges are classified as structurally deficient, with 200 of these being on system and 900 off system. The National Asset Management Program as recommended by this Commission is an attractive solution to ensure that these bridges are maintained, and the tragedy in Minnesota is not repeated.

The ports of Savannah and Brunswick in my State are growing at a tremendous rate. The Freight Transportation program to relieve congestion, increase intermodal connections, and reduce time and costs to the supply chain appears that it will ensure that these ports growth is not choked off.

I have long advocated for intercity passenger rail along the I–75 and I–85 corridors in the south to relieve congestion on those interstates in our region. I believe that the Federal Government should provide the infrastructure, but instead of Amtrak running the routes on a government subsidy we should instead leave it to the private sector to compete and provide service. I am pleased to see the Commission's emphasis on this.

I am also pleased to see the Commission's recommendations on a national access program for smaller cities and rural areas. When many people think of Georgia they think of metropolitan Atlanta, and often forget that so much of our State is rural. I have long advocated for connections for these rural communities to the economic centers of my State for moving freight and people. I look forward to hearing from the Commission on this.

Finally, my greatest interest is in the Commission's recommendations on congestion relief for our metropolitan areas. In metropolitan Atlanta, the average roundtrip commute time is over 1 hour per day. The impact on business and families as a result of this congestion is very real. Further, only 9 percent of our metropolitan community uses mass transit. I look forward to hearing the Commission's suggestions on strategies that include an expansion of transit and highway and road capacity.

Madam Chairman, in Georgia we have been working on this issue for some time. I would like to submit for the record a report that the Joint Study Committee for Transportation Funding in our State Legislature put forth with its suggestions on addressing Georgia's transportation congestion problems. We must keep in mind as we move forward that any changes we make here in Washington have a tremendous impact on our State Departments of Transportation, and other stakeholders in our States. We must work in partnership with the States to ensure that we maximize our programs and resources as we work toward the common goal of ensuring that we meet infrastructure demand for the next century.

Madam Chairman, I yield back my time.

Senator BOXER. Senator, I really appreciate your comments, and also the work you do with Chairman Baucus on the subcommittee. It is crucial. Thank you.

Senator Alexander, you are next.

## OPENING STATEMENT OF HON. LAMAR ALEXANDER, U.S. SENATOR FROM THE STATE OF TENNESSEE

Senator ALEXANDER. Thank you, Madam Chairman, Senator Inhofe. I thank all of you for your work on this. I really look forward to this.

If there was anything that we could do to reduce congestion on America's roads, the American people would congratulate us and double our approval ratings overnight. So we are going to take this, I am going to take this seriously. In the mid–1980's, when I was Governor of Tennessee, Saturn and Nissan had just come to our State. I was trying to understand what we could do to bring the auto industry there. We had a good location, a right-to-work law and low taxes. But what I realized was we had a poor four-lane highway system.

So we had three big road programs build what the truckers said was the best four-lane highway system in the Country, built a lot of interstate-quality roads with 100 percent State money. And today a third of our manufacturing jobs are auto jobs, where 25 years ago, almost none were. In order to do that, we had to pay the bill, which meant doubling the gas tax and every Republican voted for it and almost every Democrat. The only people who got in trouble were those who didn't.

Now, I say that because I hope that we don't have a big discussion about revenue before we have a big discussion about what we need to do. We can get all hung up on how to pay the bill but pay the bill for what? So the first thing we need to talk about are your recommendations to envision what should the greatest country in the world have as a transportation system for the next 20, 25 years, and then we can recommend how to pay the bill. And I

imagine that most Americans would be grateful to pay the bill to reduce congestion and keep our jobs.

The subjects I am interested in are the following. I hope to hear your comments on them. I will list them briefly. How can we give States more flexibility to contract in a more cost-effective way? Senator Bond's home State has a way of improving all of its bridges by 2012 and maintaining them for 25 years with Missouri making no payments until after the construction is finished and using existing Federal dollars to do it.

A second point is, Senator Isakson and others have proposed a 2-year budget for the Federal Government and I would like to understand exactly what inefficiencies are caused by our failure in Congress to have an orderly budgeting process. I know it must be billions of dollars every year from the inability to let contracts on an orderly basis. So what can we do with existing dollars if we had a more orderly system here, what opportunities are there to do more of what Missouri is doing?

I would like to understand much we lose by applying rescissions to the highway funding, in other words, by taking money out of the existing Highway Trust Fund and using it for other purposes, and make sure that we Senators understand that.

I would like to make sure I understand, too, why we don't have some sort of efficiency rating for States based upon their efficient use of their roads. Senator Bond and I used to go to Governors conferences. And we would brag about how Missouri was ahead of Tennessee or vice versa.

I can guarantee you that if Tennessee were 50th in the Country in terms of the efficient use of existing roads, that is because we were doing construction in rush hours and not getting, and just doing a sloppy job of the roads we already have, a person could win a Governor's race based upon that. So why don't we rank States 1 to 50 based upon the efficient use of the roads, and let Governors' campaigns be based upon that as we go ahead?

So I am very much looking forward to this. I thank you for the time you have spent on it, and I would end where I started: I hope we will focus first on imagining the kind of transportation system that a great country ought to have. I believe most Americans will respect us for that if we do that, and it would be an exciting thing to do and vitally important for our Country.

Then second, let's talk about how to pay the bill. Of course, that is an important subject and there are many ways to do it. But let's don't start out talking about how to pay the bill when we haven't even had a consensus yet of what we are paying the bill for.

Thank you very much, Madam Chairman.

Senator BOXER. Senator, you speak for me on that point.

The order I have, and if anyone says I am wrong, is Barrasso, Bond, Voinovich and Craig. So we will go to Senator Barrasso.

## OPENING STATEMENT OF HON. JOHN BARRASSO, U.S. SENATOR FROM THE STATE OF WYOMING

Senator BARRASSO. Thank you very much, Madam Chairman. I want to thank members of the Commission for being here today.

This is a topic in which I am very interested. Wyoming is a very large, rural State, and we have about five people living in every

square mile of the State. So people are spread out. We rely heavily on the Highway Trust Fund, and it is appropriate, because much of the damage done to our roads is not done by the people of Wyoming, it is done by the large trucks as part of our Nation's commerce, moving product from east to west, west to east. For each of those large trucks, that does more damage than many, many cars.

So it is appropriate for us as we look to the Federal Government for help, because this is part of national commerce. As we heard earlier this morning, that national commerce and those products are going to double and have that same impact on our roads.

In the Wyoming State Senate, I was chairman of our transportation committee. We did push within the State of Wyoming for additional State money to go into our highway system. Every year I was chairman of the committee, we were able to accomplish that. We were able to accomplish it also without raising the gas tax. I have heard much already around the State of Wyoming about your recommendation that the gas tax be raised. I have significant concerns there.

As we proceed through this process, I will tell you I hope that we can discuss proposals that are truly equitable and that don't pit big cities against rural America and highways against transit. So I thank you very much for being here and look forward to your comments. Thank you, Madam Chairman.

Senator BOXER. Thank you very much, Senator Barrasso.

Senator BOND.

**OPENING STATEMENT OF HON. CHRISTOPHER BOND, U.S. SENATOR FROM THE STATE OF MISSOURI**

Senator BOND. Thank you very much, Madam Chair and Ranking Member Inhofe, for having this very important hearing today. It is vital that we initiate this discussion and special thanks goes to members of the Commission, especially those here today. Because you have taken on a global subject and given some very interesting outlooks on how we deal with it.

In addressing this issue, we need to take a hard look at the best way to balance our critical national infrastructure needs with helping American families keep more of their hard-earned money. Most people call me conservative, but I am infrastructure conservative. You can't have good economic growth unless the Government plays its role in assuring that vital infrastructure. I believe, as I know you do, that transportation infrastructure is an absolutely vital component of our economy. We need to bring the infrastructure of this Nation back to the point where it can promote and sustain strong economic growth.

Now, Governor Alexander and I had numerous discussions between the States of Tennessee and Missouri who could provide best transportation. I can tell you that there was something I learned as Governor, when we were trying to bring jobs into the State. Jobs went where there was good transportation; if you had a four-lane highway, and especially if you had good rail service, and if you had adequate water transportation. Too often we limit our focus just to the highways. We drive on them every day, but we know that the much more efficient and environmentally friendly way of transportation will be rail and water.

So the long-term financing and infrastructure problems we face today need to be evaluated in depth, and all the viable solutions need careful consideration.

The one thing that is clear in this debate is the need for action. With the growth of our population, coupled with expanding global economic activity, our Country cannot withstand the consequences of inaction. As I pointed out in our arguments over the 2002 Water Resources Development Act, which we finally managed to pass in 2007, that we were in great danger of losing our agricultural exports to Brazil and other countries were they were developing water transportation. One of our great exports to Latin America were the barges and tow boats that we used to be able to use on our rivers. We were shipping them the means to compete more effectively in transportation to take their products to the market, while we were sitting land-locked with our highways over-crowded, our rails at capacity and our water resources under-utilized.

We need a good starting point in understanding our current infrastructure situation and the possible solutions. However, as we move into these discussions, there are a couple areas of concern in the Commission's recommendations. It is important to address possible alternatives to the recommendations regarding the increased Federal role, the gas tax hikes and the rise in tolls. We did, in the SAFETEA measure, provide streamlining that cut, some people say, 10 to 15 percent of the cost of highway construction by making the process run more smoothly. That was an easy one. I think we have taken the easy solutions. We need to take a look at the tougher ones now.

And while I respect the Commission's report, it is my hope that this report will foster the discussion of possible alternatives, rather than narrow the scope of solutions. I will have a question either I ask or submit for the record, that kind of bothers me on how the Department of Transportation can effectively administer 10 new focus areas, eliminating the modal-focused divisions that we currently have, and how we as a Congress can do a better job in exercising oversight of those areas where they cross jurisdictional lines. Undoubtedly our transportation infrastructure is in need of an overhaul. We should strike a balance with the need and the everyday needs of the American family. We have difficult decisions.

But your report has given us a good starting point. We very much appreciate your work and we look forward to hearing from all of you and working with the entire Commission and our Committee to solve these problems.

[The prepared statement of Senator Bond follows:]

STATEMENT OF HON. CHRISTOPHER BOND, U.S. SENATOR FROM THE STATE OF MISSOURI

Thank you Chairman Boxer and Ranking Member Inhofe for holding this hearing today. This hearing is a great opportunity to initiate the necessary conversation of how to move this country forward to meet our country's transportation needs.

In addition, thank you to all the members of the commission for their hard work on this report, and especially to the members testifying today. It is your work that has brought needed attention to this issue.

In addressing this issue, we need to take a hard look at the best way to balance our critical national infrastructure needs with helping American families keep more of their hard earned money. Many call me a conservative but I am an infrastructure conservative.

I believe, as many do, that our transportation infrastructure is a vital component of our economy and that we need to bring the infrastructure of this nation back to the point where it can promote and sustain strong economic growth. For this reason, the long term financing and infrastructure problems that we face today need to be evaluated in-depth and all viable solutions need careful consideration.

However, the one thing that is clear in this debate is the need for action. With the growth of our population, coupled with the expanding global economy, our country cannot withstand the consequences of inaction. I hope that our discussion today will be a good starting point from which we can better understand our current infrastructure situation and the possible solutions to this situation.

However, as we move forward in our discussions, there are a couple areas of concern in the commission's recommendations. It is important to address possible alternatives to the recommendations regarding the increased Federal role, the gas tax hikes and the rise in tolls. In SAFETEA, we managed to streamline the Federal process.

Also, I will have to question how the Department of Transportation can administer the 10 new focus areas eliminating the modal focused divisions and how we exercise effective congressional oversight. Additionally, the Commission focused a great deal on highway but needs to expand the focus to include efficient rail and water (WRDA).

While I respect the commission's report, it is my hope that this report will foster the discussion of possible alternatives rather than narrow the scope of solutions.

Undoubtly, our transportation infrastructure is in need of an overhaul; however, we should strike a balance to strike a balance with that need and the everyday needs of the American family. We have difficult decisions before us, but this report can make those decisions more informed and more effective.

Again, I thank the chair and the commission for their hard work. I look forward to hearing from the other commissioners and to working with the entire commission to move forward in solving America's infrastructure needs.

Senator BOXER. Thank you, Senator Bond.

Senator VOINOVICH.

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

Senator VOINOVICH. Thank you, Madam Chairman. I am pleased that you are holding this hearing today and really appreciate the commissioners being here and the time that you put into making this report available to us.

Federal transportation policy is of real importance to my State, because Ohio has one of the largest surface transportation networks in the Country, the tenth largest highway network, fifth largest volume of traffic, fourth largest interState system and the second largest number of bridges. Fourteen percent of all freight that moves in the United States moves in through or out of Ohio—the third greatest amount in the 50 States.

Throughout my career, I have worked to increase funding for infrastructure. As Governor, during ISTEA, I sought to increase Ohio's rate of return from the Highway Trust Fund from 80 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 the States, which is extremely important. I remember the days when it would go up and down and you couldn't do any planning. I think we have been able to correct that.

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. At that time, we knew that what we were doing was inadequate. I predicted that the money spent in that authorization bill would not be enough. Sadly, I was right. Because of the rising cost

of construction and energy, the purchasing power from SAFETEA-LU has significantly declined. In effect, we are not even going to keep up with inflation as a result of SAFETEA-LU. Everyone at this table knows how the projects that people anticipated to go forward aren't going forward because the money has evaporated.

So as I say, I have been looking forward to this report for a long time. If any of us think that we can deal with these problems without more money, we are being intellectually dishonest. I hope that the next President of this Country clearly understands that. It is time to level with the American people.

Recently we have been talking about putting together an economic stimulus package to jump-start the economy. We ought to look at how our inadequate highway system is hurting our economic situation here in the Country and impacting our competitive position in the global marketplace. I know how important highways are, I am a former Governor. Remember that I doubled the exits on the Ohio Turnpike when I was Governor. We went to three lanes on the Ohio Turnpike, made a big difference and helped the economy. We have to understand those things.

As ranking member of the Clean Air and Nuclear Safety Subcommittee, I am also aware of the relationship between highway planning and air quality. I am glad that you talked about that in the report.

I have also been a champion of public-private partnerships. The Diesel Emission Reduction Act, which Senators Carper, Clinton and I championed during the Energy Bill and the last Highway Bill, is a great example of this, how we are going to spend Federal money, get the private sector involved and really do something about reducing diesel emissions.

I support the Commission's recommendations on improving and streamlining the delivery of transportation projects. One of the things I campaigned on when I ran for the Senate was to reduce the time it takes to complete transportation projects. Even though, as Senator Bond mentioned, we have done some good work, we really need to look at that again. We need to revisit this. I couldn't believe this, I thought we had made some real significance, but your report says that it takes 13 years on average to complete major projects? Thirteen years? Unbelievable.

The report echoes what I have been saying for years: it is the Government's role to provide the infrastructure for American business. Unless we develop this infrastructure of competitiveness, our children and grandchildren are not going to be able to enjoy the same standard of living or quality of life that we have been able to enjoy. We owe you a great debt of gratitude for the time that you have spent on this report. I can tell you for sure that we are going to take your recommendations into consideration when we put the next Highway Bill together.

Thank you.

[The prepared statement of Senator Voinovich follows:]

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

Mrs. Chairman, I am pleased that you are holding this hearing today. I would like to thank the Commissioners for being here and for all your hard work and strong leadership in putting together this report.

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. As a result, highway projects have had to be 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.

I have been looking forward to reading this report for a long time. If any of you think that we can deal with these problems without more money, you are being intellectually dishonest. And, I hope the next president understands this clearly.

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 have always been a champion of public private partnerships. The Diesel Emissions Reduction Act, which Senators Carper, Clinton and I championed during the energy bill and last highway bill, is a great example of this. The Federal Government provides funding for private entities to retrofit their vehicles to help reduce emissions. One of the findings of the report was that public private partnerships should play an important role in financing our national surface transportation system and for reducing our energy consumption. I hope that we can encourage this in the next authorization bill.

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. During the last highway bill, we tried to expedite the environmental review process but there are still many improvements that need to be made as the report recognizes.

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 an 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, Commissioners, our hearing today can shed more light on this critical issue.

Senator BOXER. And last but certainly not least, Senator Craig.

**OPENING STATEMENT OF HON. LARRY CRAIG, U.S. SENATOR FROM THE STATE OF IDAHO**

Senator CRAIG. Madam Chair, thank you very much.

Commissioners, this is a bit of a unique panel. Most of us have either served in State legislatures, dealt with transportation, you have a Governor, a Governor and a Governor that just left, who knew their political fortunes were based on doing the right things in transportation. You have a mayor.

Senator Barrasso and I come from those States that are unique to the formula: lots of lane miles and darned few people. But lane miles that, as the Senator said, are critical crossings for the commerce of America across the western States. Having said that, my State of Idaho is in an interesting microcosm at the moment, because we are one of the fastest-growing States in the Nation, third now, because the metro area of Boise-Nampa-Caldwell is growing so rapidly it is sucking up all of the transportation money that once spread across the State. And it has to, just to keep things moving there, because it is hard to catch up with where you are or where you need to be when you are growing as rapidly as we are. So that in itself becomes a fascinating anomaly.

Mr. Rose, you have a right-of-way in Sand Point, Idaho, that I am very interested in. Because it is another anomaly. Rails and roads used to go right down here, and then the communities built around them. All of a sudden, they become too big. We want to put a highway system on your right-of-way. We have been negotiating with you for 10 years. I am ready to sign the contract. Are you?

[Laughter.]

Senator CRAIG. But my point is quite simple. All of these are real, very real problems that we have to deal with. I was in Spain a week ago, and at an ambassador's reception, and into the embassy walked a young man who had just negotiated a 75-year lease on a toll road in Chicago, between Chicago, I think, and Indiana. A Spanish government, a Spanish company had taken it over, going to run it for 75 years, collect the toll. Why are we letting that happen? Because we have no other way to finance roads. I think they own or they have leased now for 75 years one of the Pennsylvania turnpikes and toll roads.

So there are interesting, unique things happening out there in this transportation system of ours that I find fascinating. Just before the Christmas recess, this Committee, under the chairmanship of Senator Boxer, completed a climate change bill. We are all very interested in cars that are cleaner, that burn less fuel. I am a Senator who, for the first time in 27 years changed my position and helped lead a change in CAFE standards for fleets in this Country. Yet we are saying we have to ask more per gallon of gas to fund the system, when we are saying we are going to burn less gas per car per unit? And if we are good at what we do by 2030 we will more hybrids and plug-in vehicles and they are going to be electrical and they are not going to pay a dime, or very little, gas tax. That ought to be our goal.

So a funding mechanism, a new formula on how we finance, because they will be wearing out the roads, they will be lighter, they won't do as much damage, but the heavy trucks will still be there, unless we do what others are saying, what Senator Bond has

talked about in water transportation and rail transportation. Phenomenal challenges for our Country, but directly tied to our economic vitality. There is just no doubt about it.

We in the west, as we grow and populate, are still going to have those unique rural anomalies. Drive 500 miles across my State on the interState and see few people. But it is bumper to bumper trucks moving from Chicago to Los Angeles or Chicago to San Francisco or any place in between. It must continue to happen.

So those are going to be challenges. Personal investment in rural America will be critical as we work our way through that. So let me conclude and listen, as we all will, to you and your reports. Mr. Rose, we will talk about the right-of-way later.

Thank you.

Senator BOXER. Senator Craig, let me say that I agree with your comments on the gas tax. It is just—it is going to be, if we succeed in getting off of the fossil fuels——

Senator CRAIG. And that is our goal.

Senator BOXER. That is right. So we have to now think much more creatively about miles traveled and other ways to think about this. I have talked with Senator Inhofe and we are really going to work very hard together across party lines. I would say, this doesn't reflect a lack of interest, it reflects interest in FISA and the stimulus package. That meeting was just going very strong when I left. So know that I will be talking to all my colleagues. This is a bipartisan approach that we are taking to this issue.

Well, now we get to you, and we are just so pleased to have members of the Commission here. We will start with Mr. Jack Schenendorf, who was appointed by Speaker Hastert and was the Vice Chair of the Commission. We welcome you, sir.

**STATEMENT OF JACK L. SCHENENDORF, OF COUNSEL, COVINGTON AND BURLING, LLP**

Mr. SCHENENDORF. Thank you, Chairman Boxer, Senator Inhofe and other members of the Committee.

I am Jack Schenendorf, I am Of Counsel with Covington and Burling law firm in Washington, DC. I had the honor of serving as the Vice Chair of the Commission.

Given the subject matter of today's hearing——

Senator INHOFE. Let me interrupt just a minute, Madam Chairman.

You should also say you have all this extensive background working on the committees. Way back when I was in the House, Jack was in the transportation committee and has extensive background there.

Mr. SCHENENDORF. I worked for 25 years on the House Transportation Committee.

Senator BOXER. Well, we know you are qualified.

[Laughter.]

Mr. SCHENENDORF. Given the subject matter of today's hearing, it is true a special honor for us to appear before this Committee. For it was the leaders of this Committee, men such as Senator Al Gore, Sr., and first-term Senator Prescott Bush, who just over 50 years ago, in cooperation with President Eisenhower and their counterparts in the House, had the wisdom, the vision and the po-

litical will to establish the interState highway program and to ensure adequate investment by creating the Highway Trust Fund and almost tripling the Federal user tax on motor fuels.

These leaders understood that the Nation's transportation system was in crisis and at a crossroads. They knew the importance of transportation to our economy, our national defense and our quality of life. They understood that the political generation that pays for transportation improvements is not usually the political generation that benefits from the rewards. But they were willing to sacrifice and make the tough decisions, so that America would have a bright and prosperous future. We owe then an enormous debt of gratitude.

Madam Chairman, our commission has concluded that our transportation system is once again in crisis and at a crossroads. We have outgrown our aging highway, transit and rail systems. Now is the 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. It is in this context that we respectfully make our recommendations to Congress for the next transportation bill, which is scheduled to be considered in 2009.

We are recommending that Congress start with fundamental and wide-ranging reform. The Commission does not believe that the Federal program should be reauthorized in its current form. Instead, we are calling for a new beginning. We believe that Congress must restore a mission or sense of purpose to the Federal program. That is why we are recommending that the existing 108 some odd Federal transportation programs be replaced with 10 new programs that are performance-driven, outcome-based, free of earmarking, generally mode-neutral and refocused to pursue objectives of genuine national interest.

U.S. DOT, State and regional officials and other stakeholders would establish performance standards in the new Federal program areas and develop detailed plans and cost estimates to achieve those standards. These plans would then be assembled into a national surface transportation strategic plan which would guide Federal investment. All levels of government would be accountable to the American people for achieving the results promised. We are also recommending the project delivery time be reduced dramatically and we are recommending a BRAC-type commission to help depoliticize the process.

Reform, though necessary, will not be enough on its own to produce the transportation system the Nation needs for the 21st century. We also need adequate investment. We must upgrade our existing transportation network to a State of good repair and we must expand capacity and build the more advanced facilities we will require to remain competitive.

We need a system that emphasizes modal balance and mobility options, one that dramatically reduces fatalities and injuries, one that is environmentally sensitive and safe, one that minimizes use of our scarce energy resources, one that erases wasteful delays, one that supports just-in-time delivery and one that allows economic development and output more significantly than ever seen before in history.

Accomplishing these objectives will be expensive. We must come to grips with the sobering financial reality of such an undertaking. We estimate that all levels of government, including the Federal Government and including the private sector, will need to invest at least $225 billion annually for the next 50 years. We are spending less than 40 percent of that amount today.

Therefore, we have proposed a comprehensive set of financing recommendations. As a general matter, we strongly support the principle of user financing. We recommend continuation of budgetary protections for the Highway Trust Fund and we recommend that revenues generated by transportation, including concession fees, be used only for transportation purposes and not be diverted to non-transportation uses.

More specifically, for the long term, we are recommending that we transition to a VMT fee as quickly as possible, provided that substantial privacy and collection cost issues can be addressed. We have suggested specific steps for the next reauthorization bill to hasten this process. Like the National Academy of Sciences, though, we believe it will take until about 2025 to get this system up and running in the interim, the period between 2010 and whenever we can move to the VMT fee, whether it is 2025, 2030, whatever that timeframe is, we are recommending a range of financing options to be implemented. These include an increase in the Federal Motor Fuels tax, a Federal freight fee, dedication of a portion of existing customs duties, a ticket tax on transit and inter-city rail passengers, increased use of tolling, congestion pricing, private financing, including concessions, and increased State and local revenues. In other words, to close the investment gap, we must use all of the financing tools available to us in this interim period.

Let me close by saying that a failure to act would be devastating. The United States would be unable to compete effectively in the global marketplace. Our status as an economic superpower would be jeopardized. Jobs would be lost and our quality of life would safer substantially. Eventually, we would reach the point of catastrophic failures. Tragedies like the I–35 bridge collapse in Minnesota would become all too common.

We cannot sit back and wait for the next generation to address these ever-increasing needs. It will be too late. The crisis is now, and we have a responsibility and obligation to create a safer, more secure and ever-more productive system. We must do for our children and grandchildren what our parents and grandparents did for us. We need to create and sustain the preeminent surfaced transportation system in the world, and we need to do it now.

Thank you.

[The prepared statement of Mr. Schenendorf follows:]

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Testimony of Jack Schenendorf
Vice Chair, National Surface Transportation Policy and Revenue Study Commission
Before The
Full Committee on Environment and Public Works
United States Senate
Thursday, January 31, 2008

Thank you, Mr. Chairman.

I am Jack Schenendorf. I am Of Counsel with Covington & Burling LLP in Washington, D.C. Prior to joining Covington, I served on the Republican staff of the House Transportation and Infrastructure Committee for 25 years. I also served on the Bush/Cheney Transition where I was Chief of the Transition Policy Team for the U.S. Department of Transportation and was responsible for reviewing all transportation policies and issues for the incoming Administration.

In 2006, Speaker Hastert appointed me to the National Surface Transportation Policy and Revenue Commission. I was subsequently elected Vice Chair by my fellow Commissioners. It is in that capacity that I am testifying before you today.

In the Safe, Accountable, Flexible, Efficient Transportation Equity Act: A Legacy For Users (SAFETEA-LU), Congress established the National Surface Transportation Policy and Revenue Study Commission to undertake a thorough review of the Nation's transportation assets, policies, programs, and revenue mechanisms, and to prepare a conceptual plan that would harmonize these elements and outline a coherent, long-term transportation vision that would serve the needs of the Nation and its citizens.

This Commission has worked diligently to fulfill this charge, meeting and holding public hearings across the country during the intensive 20-month study period. On behalf of all of the Commissioners, I would like to thank our Chair, Secretary Mary Peters, who did an outstanding job in guiding us through this effort. She presided over the Commission with graciousness, wisdom, and a great deal of patience. And I would be remiss if I did not also thank all of the Department of Transportation staff assigned to the Commission—especially Chris Bonanti, Lydia Conrad, Ross Crichton, Eric Gabler, James March, David Marks, Mary Moehring, and Darren Timothy. Their professionalism, expertise and dedication were instrumental in our success. And a special thanks goes to our Executive Director, Susan Binder, for her hard work and for the sound guidance and advice she provided during our effort. We would not be here today were it not for her and her team.

Our findings and recommendations—calling for bold changes in policies, programs and institutions—are contained in our report, Transportation for Tomorrow. Our recommendations are the product of a bipartisan consensus of a diverse group of Commissioners—5 appointed by Republican officeholders and 4 appointed by Democratic officeholders; from both ends of the political spectrum and everywhere in between; from all regions of the country; a CEO of a company that relies on transportation services; a CEO of a trucking company; a CEO of a rail company; a state transportation official; and a local transportation official. But despite our different perspectives, we were able to coalesce around the findings and recommendations in the Commission's report.

My testimony today will focus on our vision and our four key recommendations.

## Background

But first a few key findings:

- Conditions on America's surface transportation systems — our roads, bridges and highways, our passenger and freight rail facilities, our public transit networks — are deteriorating. The physical infrastructure itself is showing the signs of age. In almost all cases, the operational efficiency of our key transportation assets is slipping.

- In figures compiled by the Texas Transportation Institute, congestion cost the American economy an estimated $78 billion in 2005, measured in terms of wasted fuel and workers' lost hours. Congestion causes the average peak-period traveler to spend an extra 38 hours of travel time and consume an additional 26 gallons of fuel.

- Over the next 50 years, the population of the United States will grow by some 120 million people, greatly intensifying the demand for transportation services by private individuals and by businesses. Most of that growth will occur in metropolitan areas. Congestion will increase and spread beyond the traditional morning and evening rush hours to affect ever-lengthening periods of each day.

- If, as expected, the world economy grows and becomes more globally integrated during the next half-century, the U.S. will experience higher trade volumes and greater pressures on its international gateways and domestic freight distribution network. Economic forecasts indicate that freight volumes will be 70 percent higher in 2020 than they were in 1998. Without improvements to key goods-movement networks, freight transportation will become increasingly inefficient and unreliable, hampering the ability of American businesses to compete in the global marketplace.

- Travel on the nation's surface transportation system is far too dangerous. In 2006, over 42,000 people lost their lives on American highways, and almost 2.6 million were injured.

- Overly onerous and procedure-bound environmental review processes can often serve to delay the speedy and cost-conscious delivery of important transportation improvements. Major highway projects take about 13 years from project initiation to completion, according to the Federal Highway Administration, and Federal Transit Administration figures indicate that the average project-development period for New Starts projects is in excess of 10 years.

## Our Vision

Just as it helps to know your destination before starting off on a trip, our Commission believed at the outset that it is important to have in mind a vision of what the national surface transportation system might look like — or at least how we'd like it to function — in the middle of the 21st century.

We decided to aim high. We agreed among ourselves that our fundamental motivation should be to help the United States to **"create and sustain the pre-eminent surface transportation in the world."** That pledge has in the end allowed us to reach agreement on a surprisingly wide range of sweeping policy proposals.

## Four Key Recommendations

The Commission respectfully makes the following key recommendations:

**First, to keep America competitive, we are recommending a significant increase in investment in our national surface transportation system.**

Any effort to address the future transportation needs of the United States must come to grips with the sobering financial reality of such an undertaking. We estimate that 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. We are spending less than 40 percent of this amount today.

The existence of an enormous investment gap is indisputable. It has been documented by study after study, including most recently the Urban Land Institute's Infrastructure 2007 Report, DOT's own Conditions and Needs Report, and various state studies. It has been documented by our Commission's analyses. It has been documented by the many witnesses we heard from in our hearings. And it is being documented every day by the

American people as they sit in congestion on crumbling roads or ride on crowded and aging buses and trains.

The implications of this underinvestment, which has been going on for decades, are ominous. We saw with Katrina what happens when there is a pattern of underinvestment in infrastructure. Unless we close this investment gap soon, our surface transportation systems will face the same fate as New Orleans' levees. We must not let this happen.

To close this investment gap, we will need increased public funding. We will also need increased private investment. More tolling will need to be implemented and new and innovative ways of funding our future system will need to be employed. And we will need to price for the use of our system, which will help reduce investment needs.

**Second, we are recommending that the federal government be a full partner—with states, local governments and the private sector—in addressing this looming transportation crisis.**

The problem is simply too big for the states and local governments to handle by themselves, even with the help of the private sector. We believe that the federal government must continue to be part of the solution, both in terms of providing leadership and in terms of providing a fair share of the resources.

And it's not just that the problem is big. The federal government has a strong interest in our national transportation system. The system is of vital importance to our economy, our national defense and our emergency preparedness. Our transportation network is critical to the interstate and regional movement of people and goods, economic growth, global competitiveness, environmental sustainability, safety and our overall quality of life.

**Third, we are recommending fundamental and wide-ranging reform of the federal transportation program. We are recommending that the program be transformed into one that is performance-driven, outcome-based, generally mode-neutral, and refocused to pursue objectives of genuine national interest.**

In addition to putting more money into the system, the federal transportation program must be reformed. We do not believe that the federal program should be reauthorized in its current form. Instead, we are calling for A NEW BEGINNING.

No more restrictive categories. No more planning silos. Generally no more modal silos. And no more earmarks.

There are three key elements to this recommendation.

Element One: We believe that a mission or sense of purpose must be restored to the federal program. Since completion of the Interstate System, the program has had no clear

mission. It is now essentially a block grant model, with little or no accountability for specific outcomes. We believe that this must change.

We are recommending that the program be transformed into one that is performance-driven, outcome-based, free of earmarking, generally mode-neutral, and refocused to pursue objectives of genuine national interest. More specifically, we are recommending that the 108 existing surface transportation programs in SAFETEA-LU and related laws should be replaced with the following new federal programs:

- A program designed to bring our existing highways, bridges and transit systems into a state-of-good-repair;
- A freight program designed to enhance U.S. global competitiveness;
- A program designed to reduce congestion in our largest metropolitan areas (population greater than one million) (e.g., reduction of 20 percent by 2025);
- A program designed to improve access and mobility in smaller cities and rural areas;
- A program designed to improve safety by cutting fatalities (e.g., by 50 percent by 2025);
- A program designed to provide high speed passenger rail service in the nation's high-growth corridors (300-500 miles);
- A program designed for environmental stewardship;
- An energy security program designed to hasten the development of replacement fuels;
- A federal lands program; and
- A coherent national research and development program.

These programs would give rise to a national surface transportation strategic plan that would guide federal investment.

US DOT, state and regional officials, and other stakeholders would establish performance standards in the federal program areas outlined above and develop detailed plans to achieve those standards. Detailed cost estimates would also be developed. These plans would then be assembled into a national surface transportation strategic plan.

Federal investment would be directed by the national surface transportation strategic plan. Only projects called for in the plans would be eligible for federal funding. And all

levels of government would be accountable to the public for achieving the results promised.

The Commission acknowledges that this element of the recommendation represents a major departure from current law. Developing performance standards and integrating them into a performance-driven regimen will be challenging but we believe the rewards will be worth the effort. In addition to making better use of public monies to accomplish critical national objectives, the Commission's recommended approach of performance standards and economic justification would do much to restore public confidence in the transportation decision-making process. In such an environment, we believe Congress and the public would be more amenable to funding the nation's transportation investment needs.

Element Two: The project delivery process must be reformed by retaining all current environmental safeguards, but significantly shortening the time it takes to complete reviews and obtain permits. Projects must be designed, approved and built as quickly as possible if we are to meet the transportation challenges of the 21st Century. This will save both time and money.

Element Three: We are recommending that Congress establish an independent National Surface Transportation Commission (NASTRAC), modeled after aspects of the Postal Regulatory Commission, the Base Closure and Realignment Commission, and state public utility commissions. The new federal commission would perform two principal planning and financial functions:

- The NASTRAC would oversee various aspects of the development of the performance-based performance standards in the federal program areas outlined above and the detailed plans to achieve those standards, and it would approve the national transportation strategic plan.

- Once the national strategic plan has been approved, the NASTRAC would establish a federal share to finance the plan and recommend an increase in the federal fuel tax to fund that share, subject to congressional veto.

**And fourth, to close the investment gap, we are recommending a wide range of revenue enhancements.**

Unfortunately, there is no free lunch when it comes to infrastructure investment. Policy changes, though necessary, will not be enough on their own to produce the transportation system the nation needs in the 21st century. Significant new funding also will be needed.

We are recommending significant changes in the way the program is financed. In the long-term, we envision transitioning from motor fuel taxes to a VMT tax; we include in our recommendations a number of provisions to hasten that transition. And in the interim, we would no longer rely almost exclusively on motor fuel taxes; instead, we would rely on a broad range of user-related fees and charges.

Here are our major revenue recommendations:

General Revenue Recommendations: We are making the following general revenue recommendations:

- It is imperative that all levels of government and the private sector contribute their appropriate shares if the United States is to have the pre-eminent surface transportation system in the world.

- We strongly support the principle of user financing that has been at the core of the nation's transportation funding system for half a century.

- We are recommending continuation of the budgetary protections for the Highway Trust Fund, so that user fees benefit the people and industries that pay them.

Immediate Revenue Recommendations: We recommend that legislation be passed in 2008 to keep the Highway Account of the Highway Trust Fund solvent and prevent highway investment from falling below the levels guaranteed in SAFETEA-LU.

Mid-Term Revenue Recommendations: We are making the following specific recommendations with respect to transportation funding in the period between 2010 and 2025:

- The annual investment requirement to improve the condition and performance of all modes of surface transportation – highway, bridge, public transit, freight rail and intercity passenger rail – ranges between $225-340 billion. The range depends upon the extent of peak- hour pricing implemented on congested urban highways in lieu of physical capacity expansion. To address this investment target by providing the traditional federal share of 40 percent of total transportation capital funding, the federal fuel tax needs to be raised by 25-40 cents per gallon. This increase should be phased in over a period of 5 years (5 to 8 cents per gallon per year). This rate increase should be indexed to the construction cost index.

- We are also recommending other federal user-based fees to help address the funding shortfall, such as a freight fee for goods movement projects, dedication of a portion of existing customs duties, and ticket taxes for passenger rail improvements. Tax and regulatory policy also can play an incentivizing role in expanding freight and intermodal networks.

- In addition, we are recommending that Congress remove certain barriers to tolling and congestion pricing, under conditions that protect the public interest. This will give states and local governments that wish to make greater use of tolling and pricing the flexibility to do so. More specifically, we are recommending that

Congress modify the current federal prohibition against tolling on the Interstate System to allow:

- tolling to fund new capacity on the Interstate System, as well as the flexibility to price the new capacity to manage its performance; and
- congestion pricing on the Interstate System (both new and existing capacity) in metropolitan areas with populations greater than 1 million.

- We are recommending that Congress encourage the use of public-private partnerships, including concessions, for highways and other surface transportation modes. Public-private partnerships can serve as a means of attracting additional private investment to the surface transportation system, provided that conditions are included to protect the public interest and the movement of interstate commerce.

- State and local governments have many different types of revenues to draw upon for their share of new investment. The Commission expects that state and local governments will have to raise motor fuel, motor vehicle, and other related user fees. In addition, many may take advantage of the expanded opportunities in tolling, congestion pricing and public-private partnerships that our recommendations propose.

Long-Term Revenue Recommendations: We are making the following specific recommendations for transportation funding in the post-2025 era:

- The motor fuel tax continues to be a viable revenue source for surface transportation at least through 2025. Thereafter, the most promising alternative revenue measure appears to be a vehicle miles traveled (VMT) fee, provided that substantial privacy and collection cost issues can be addressed. The next surface transportation authorization act should require a major national study to develop the specific mechanisms and strategies for transitioning to the VMT fee or another alternative to the motor fuel tax to fund surface transportation programs.

## A Failure To Act Would Be Devastating

The surface transportation system of the United States is at a crossroads. The future of our nation's well being, vitality and global economic leadership is at stake. We must take significant, decisive action now to create and sustain the pre-eminent surface transportation system in the world.

But some will question whether it is realistic to think that Congress will raise the gas tax by 25 to 40 cents per gallon over 5 years, given the current anti-tax increase sentiment in some quarters. The Commission's recommendation is based on our best judgment on

what needs to be done to address our investment shortfall, without factoring in the political feasibility.

But it doesn't seem unreasonable to think that the public would be willing to support an increase of this magnitude to finance a reformed program that has a clear mission and is focused on projects in the national interest. In year five, the cost to the average motorist would be 41 cents to 66 cents per day—less than the price of a candy bar or about 1/5 the cost of a cafe latte. This seems like a bargain when you consider that he or she will get for it: substantially reduced fatalities, highway and transit systems in a state of good repair, reduced congestion, a transportation system that can support a strong economy and job growth, and access for all Americans to all parts of our nation. Moreover, forty-one or sixty-six cents a day also seems quite reasonable when you compare it to the projected $5 to 6 dollar average per trip cost of using a 14-mile stretch of the Capital Beltway during rush hour—a project which some have called a "national model."

But even more compelling is that a failure to act—that is, a failure to raise sufficient revenue to close the investment gap—would be devastating.

The United States would be unable to compete effectively in the global marketplace. Our status as an economic superpower would be jeopardized. Jobs would be lost. And as U.S. businesses are squeezed by foreign competitors, those jobs that remain would likely be lower paying.

Moreover, our quality of life would suffer substantially. We would have fewer travel options. We would spend more time in congestion. We would have to leave our families earlier in the morning and arrive home later at night. Going to and from the doctor would be more difficult as congestion extends to more and more roads and for longer and longer periods of time. Other errands and trips to school would be similarly affected. And as gridlock became common even in rural areas, vacations would become a nightmare. And the cost of maintaining our vehicles would increase as they are damaged by our crumbling infrastructure.

Eventually we would reach the point of catastrophic failures. Road closures. Bridge collapses. Long detours. Tragedies like the I-35 Bridge collapse in Minnesota would become all too common.

Fatalities and injuries would continue increasing and could reach alarming rates.

We cannot let this happen. We must find the political leadership and the political will to make the necessary reforms and the necessary investment. Raising revenues will not be easy. But we must do it, and we must do it soon.

## A Call To Action

President Dwight D. Eisenhower had the foresight to understand how a system of interstate highways would transform the nation. If there was ever a time to take a similarly daring look at a broadened surface transportation network, it is now. The nation faces challenges similar to those of the Eisenhower era. However, the imperative for change due to the global economy is even stronger.

The good news is that we can do it. We believe that our recommendations, if enacted as a package, will give the American people the transportation system they need and deserve. We cannot just reform our way out of the transportation crisis; nor can we get the job done by sending lots more money coursing through a broken project delivery system. We need both reform AND increased investment

We cannot sit back and wait for the next generation to address these ever-increasing needs. It will be too late. The crisis is now and we have a responsibility and obligation to create a safer, more secure, and ever more productive system. We need to create and sustain the pre-eminent surface transportation system in the world. Now.

RESPONSES BY JACK SCHENENDORF TO ADDITIONAL QUESTIONS FROM SENATOR LIEBERMAN

*Question 1.* I have a question about your newly proposed "Metropolitan Mobility" program, which will be geared to reduce traffic congestion. I agree that all solutions to ease congestion must be explored, including tolling and possibly congesting pricing. In your report, the Commission specifically stated that funds authorized under the Metropolitan Mobility program will be reserved for urban areas of 1 million or more in population. Can you explain to me how you arrived at that figure? As you know, there are a number of small cities in Connecticut, including Hartford, New Haven, Stamford, and Bridgeport. Each of these cities has serious traffic congestion problems. New Haven is a good example. If you have ever driven from New York City to Boston, you are well aware of the traffic problems along I–95 and even the Merritt Parkway. According to recent consensus estimates, New Haven's population is close to 125,000, with 600,000 people residing in the Greater New Haven area. Under the Commission's proposal, New Haven would not be eligible to apply for funding in the Metropolitan Mobility Program. How would a city such as New Haven—which exists at the juncture between two major interstates (I–95 and I–91) resolve its congestion problems. After all, traffic congestion does not always arise in direct connection because it is the nexus in the northeast corridor between New York and Boston.

Response. In proposing the Metropolitan Mobility program, focused on large cities, the Commission recognized that congestion must be addressed through a regional approach. Accordingly, the Commission explicitly recommended that eligibility for this program use a broad definition of "metropolitan area", such as the combined statistical areas (CSAs) defined by the Office of Management and Budget. Under this definition, Fairfield, New Haven, and Litchfield counties would be included in the New York-Newark-Bridgeport CSA, and would thus be eligible for funding under this program. Hartford, Middlesex, Tolland, and Windham counties would also be eligible as part of the Hartford-West Hartford-Willimantic CSA.

*Question 2.* I would like to ask a question about the independent commission you have proposed creating, tentatively named NASTRAC (National Surface Transportation Commission) in your report. I understand the advantages of creating an independent commission to make difficult policy decisions, such as closing military bases with BRAC and raising postal rates with the Postal Regulatory Commission. I would like to hear more about how you think an in dependent transportation commission would operate vis-a-vis Congress. In your report, you State that the Commissions' revenue recommendations would be sent directly to Congress. The recommendations would then be subject to a congressional veto, requiring 2/3 recorded vote of both Houses within 60 days of receipt. If no action was taken, the recommendations would become law. I understand that other independent commissions, such as BRAC, work in similar ways. But if an independent transportation commission was created, I worry that Congress would be ceding much of its authority over transportation policy in the Unites States. I also worry that Congress may be ceding an important representational function.

Therefore, my question is what is Congress's role in transportation policy if many of the revenue decisions are turned over to an independent commission? I understand that an independent commission would work with the departments of transportation from each state, but how can a ten-member commission possibly master the particular needs of all 50 states?

Response. We did not spell out the details of exactly how NASTRAC would operate, but our vision was that Congress would retain a strong role in guiding surface transportation policy. Congress would continue to be responsible for multi-year surface transportation authorizing legislation and for oversight of surface transportation programs. Among other things the surface transportation legislation enacted by Congress would establish the individual Federal programs through which funds would be allocated to the States, establish eligibilities for funding under each program, and define the parameters under which NASTRAC would operate. In our study of comparable BRAC and postal setting apparatus, we saw that there were adjustments made by Congress in the authorities provided to those entities over time. If after operating with NASTRAC for a period of time there were changes that Congress wished to make in its operations, those changes could be made in subsequent legislation.

In our report we recommended 10 program areas that we believe should be the foundation of an overall Federal surface transportation program and outlined how those programs might be administered. We envision that NASTRAC would oversee certain aspects of U.S. Department of Transportation (U.S. DOT) implementation of the laws passed by Congress. We did not envision that NASTRAC itself would work

extensively with the State departments of transportation in developing the national plans in each program area that would be the basis for funding decisions. That would be the role of the U.S. DOT, working through its extensive field office organization that has day-to-day contact with the State departments of transportation. The U.S. DOT would consolidate State and metropolitan level plans from the various States, ensuring that projects included in the plans appear to be cost-beneficial and contribute to meeting agreed upon performance standards. The U.S. DOT would then integrate the individual programmatic plans into an overall national strategic plan for surface transportation that would be presented to the NASTRAC.

The NASTRAC would oversee development of performance standards and plans to meet those performance standards to assure the credibility of the plans developed under the Department's technical criteria. Its primary role, however, would be to recommend funding levels and any necessary changes in user fees to provide the Federal share of funds needed to carry out the plan.

*Question 3.* I would like to delve further into the decision making process that NASTRAC will use when setting national transportation policy objectives. In your report, you State that the U.S. Department of Transportation would lead the strategic planning process in consultation with State departments of transportation, metropolitan planning organizations, and private sector interests. The U.S. Department of Transportation would then submit a consolidated plan to NASTRAC for approval as the consolidated national strategic plan. I am interested to know more about the criteria that NASTRAC will use when determining if a component of the U.S. Department of Transportation's strategic plan will become part of the national plan.

The Commission has also recommended that NASTRAC make revenue recommendations to Congress, and also be granted the authority to change the amount of Federal funding a project should receive based on performance. How is Congress supposed to act on the revenue recommendations of NASTRAC knowing that these funds may be reallocated.

Response. We envision that NASTRAC would review several aspects of the strategic plan presented by the U.S. DOT. One important area we anticipate that NASTRAC would want to review is whether multi-State transportation projects are adequately represented in the plans. Another area would be to assure that plans in the various program areas are adequately integrated, especially in metropolitan areas where passenger and freight transportation needs must be jointly considered. We anticipate that NASTRAC would want to be assured that projects included in the various plans all contribute to applicable performance standards and that appropriate procedures for assessing whether projects are cost-beneficial were used. The NASTRAC might also be want to be assured that the procedures for developing plans in various States were sufficiently compatible that they did not distort the relative needs among the States.

We envision that in setting up NASTRAC Congress would specify the conditions under which a larger Federal share could be provided. We do not envision that NASTRAC would apply a different Federal matching share to a large share of total funding. To reward innovation and high performance, we thought NASTRAC might be given the authority to temporarily change the Federal share for particular programs in individual States. These changes would be included in funding recommendations NASTRAC would send to Congress, so Congress would be aware of any changes to standard matching shares before they acted on NASTRAC's recommendation.

## RESPONSES BY JACK SCHENENDORF TO ADDITIONAL QUESTIONS FROM SENATOR CARPER

*Question 1.* Most Americans understand the value of a gas tax and the impact on consumers is relatively minimal. However, the public must be assured that their money won't be wasted—not simply more highway miles and more road congestion. If the additional revenue from a higher gas tax can go toward a better product, then it's a good idea. Is the gas tax increase recommended in this report solely a matter of resources or is there some prioritization or improvements to projects we build that are needed as well?

Response. The Commission was unanimous in concluding that simply raising the Federal fuel tax and putting more money into the same programs will not be acceptable. The Commission strongly believes that before Federal financial support for surface transportation is increased, the Nation's surface transportation programs must be fundamentally reformed. Our recommendations include limiting the scope of programs eligible for Federal assistance to the ten programs identified in our Report, making State and local agencies receiving Federal funds accountable for meet-

ing specific performance objectives, reducing unnecessary and wasteful project delivery requirements and requiring that major projects be subject to benefit-cost analysis. Such reforms are needed to ensure the projects that are selected for implementation are effective in addressing the national interest.

On March 3d 2007, I 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 food control structures. The commission would then make recommendations to Congress and the President about how to maintain our current infrastructure while meeting future needs and safety requirements. While your report was a good start in highlighting the need to sustain the US surface transportation system, a more detailed plan as called for in my bill is necessary. How does the Commission anticipate that the specific steps needed to achieve the wide-ranging reform recommended by the report will be developed and prioritized? What in your report do you expect that transportation agencies can begin to implement immediately. What required congressional approval?

Most of the Commission's recommendations related to the Federal program would require congressional approval. The Commission described several short-term steps that could be taken to generate revenue for the Highway Trust Fund. The long-term restructuring of the Federal transportation agencies would hopefully take place in the next reauthorization of SAFETEA-LU. Meanwhile, there are certainly some tools, techniques, and processes outlined in the report that could be implemented by State and local governments on their own.

*Question 3.* New transportation development has numerous environmental effects, including the 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 storm water pollution. Unfortunately, Senator Warner's amendment to include storm water runoff in the last surface transportation reauthorization was not successful. How do the Commission's recommendations ensure that agencies representing transportation, environment and land planning interest at the Federal, State and local levels work together to consider all the impacts of new infrastructure to ensure that transportation investment does not require greater taxpayer investment elsewhere as storm water treatment?

Reducing project delivery time was a major priority for the Commission. Overall, we recommended handling environmental mitigation issues early such that potential mitigation could be considered while the range of alternatives were being developed rather than restricting the options for serious consideration. We also believed that projects should be reviewed by the governmental parties at the Federal and State levels in an integrated and systematic manner, not just handling requirements on a sequential basis. That lead agency approach is now in law but not nearly as often in practice today.

*Question 4.* In Delaware, tolls make up a significant portion for State programs. The Delaware Department of Transportation (DelDOT) finances the maintenance of both State Route 1 and a portion of InterState 95 by collecting tolls from users of these roads at a rate sufficient to cover the costs of maintaining these roads. The report recognizes the important role that tolls play in funding highway projects and recommends providing new flexibility for tolling and pricing. Implementing congestion pricing was mention specifically. What other flexibilities would be given to states and local governments?

The Commission recommends that States and localities be given a great deal of flexibility in determining the financing and design of their capital improvement plans to address performance objectives. The use of tolling, pricing, and public-private partnerships should be encouraged where such mechanisms are in the national interest. Pages 47 through 51 of Volume I of our report identify a number of criteria that should be met to ensure that the use of these mechanisms is in the public interest.

Our recommendations regarding speeding project delivery are intended to provide State and local grant recipients with greater flexibility in completing environmental reviews, to allow projects to be advanced more quickly in a manner that is still consistent with our environmental objectives. Our proposal to replace 108 existing Federal surface transportation programs with 10 plan-driven programs is also intended to provide States and local governments with additional flexibility. Each State and local government would be permitted to tailor their capital investment plans to reflect the preferences of their communities while meeting agreed-upon performance standards. States and local governments would be free to determine the modal investment splits and financing mechanisms that would work best for them, rather

than having their investment patterns be artificially constrained by numerous Federal funding categories.

RESPONSE BY JACK SCHENENDORF TO AN ADDITIONAL QUESTION FROM SENATOR INHOFE

*Question.* The commission report does seem to explicitly define the role of State and local governments. Could you succinctly describe the role of State and local governments under the commission's proposal?

As State and local governments own and operate the vast majority of the nation's existing transportation assets, they will bear primary responsibility for planning and implementing the capital improvements necessary to improve the system. The Commission's proposal envisions the USDOT, in cooperation with State and local governments, and a range of public and private stakeholders would develop national performance standards for each applicable program area; the USDOT would then work with each State and major metropolitan area to develop specific performance standards for their programs.

State and local governments would be tasked with developing comprehensive plans to meet these performance objectives, identifying the mix of activities including capital investments across any and all modes as well as operational improvements, and the estimated costs. States and local governments would have a great deal of flexibility in developing their plans to fit their communities and their customers. They would tailor their relative investments in different modes, their use of tools such as congestion pricing, and their utilization of public private partnerships, as necessary to address the particular circumstances they are facing.

While States would have greater flexibility under the Commission's proposal, they will also have more accountability. Once their plans have been approved and funded, State and local grant recipients will be held accountable for achieving the specific performance objectives they had agreed to. Failure to make adequate progress toward meeting such standards could result in their receiving a lower Federal matching share in future years. Conversely, matching rates could be increased for grant recipients that exceed performance objectives, or as an incentive to reward creativity and innovation in the design and implementation of State and local plans.

RESPONSES BY JACK SCHENENDORF TO ADDITIONAL QUESTIONS FROM SENATOR BOND

*Question 1.* While I don't necessarily agree with all of the conclusions found in your national commission report, I am curious why it is that you chose to expand the Federal role rather than reduce it? Would each of you please comment on what you believe the Federal role in government should be? What would you propose the Federal role should be if a gas tax increase were not agreed to by Congress?

Response. I do not think that the Commission recommended an expanded Federal role. The Federal contribution will remain, on a percentage basis, about what it is today. And in some important ways, we reduced the Federal role.

Let me start by saying that we kept a strong Federal role for a variety of reasons. The Federal Government has played an important role in building the Nation's infrastructure from its earliest days. Decisions made about transportation in one State can influence the success of commerce and economic growth throughout the whole Nation by either promoting or impeding the interState flows of goods and services. Similarly, the efficient movement of citizens and goods within congested major urban areas is critical to the productivity of these areas, and by extension, to the economic vitality of the entire Nation. Americans are also entitled to transportation that is safe and an environmentally sound, regardless of where they may be in the Nation, thus justifying a Federal role in ensuring these objectives. Each of the 10 programs described in Volume 1 of the Commission Report is introduced by an explanation of why the Federal role is necessary.

Given the need for a strong Federal role in these 10 programs, and the enormous investment needs of the transportation system, the Commission supports a substantial increase in the level of Federal funding for these programs. However, as I mentioned above, the Federal contribution will remain about the same on a proportional basis. State and local governments, with the help of the private sector, will have to significantly increase their funding contribution as well.

Clearly, in the event that Congress does not increase the Federal fuel taxes, the importance of the Federal role in transportation would remain and the investment needs would remain. Therefore, Congress should look for another source of Federal revenues to replace the Federal fuel tax. It is imperative that the Federal Government contributes its fair share.

The failure of the Federal Government to increase the motor fuel tax, or find an equivalent source of revenues, would be tantamount to dumping our national transportation crisis on State and local governments. We do not believe that State and local governments can handle the entire burden, even with the help of the private sector. Our transportation network would suffer. Our economy would suffer. And our way of life would suffer.

Congress should also expedite the transition to the Vehicle Miles Traveled (VMT) fee. VMT fees are linked directly to each vehicle's actual travel, which may or may not vary by time of day. In the Commission report, the transition year from fuel taxes to VMT fees is projected to be 2025. However, we recommend that Federal research funds be targeted aggressively, beginning almost immediately, to overcome the technological, institutional, and privacy concerns that might otherwise impede a more rapid transition to VMT fees and the funding and operational efficiencies they will enable. Hopefully, we will be able to transition to a VMT-approach, assuming the problems and concerns can be worked out, as soon as possible and earlier than the estimated 2025.

*Question 2.* I worked hard along with my colleagues, Senator Inhofe, Senator Reid, Senator Baucus and Senator Jeffords to make sure that spending levels on SAFETEA were as robust as we could make them during life of SAFETEA. Although SAFETEA was a 44 percent cumulative increase in spending for highways, transit and safety about TEA–21 (SAFETEA was 286.5 billion and TEA–21 was 198 billion), I was told the day that we passed it that the buying power remained the same from bill to bill due to the increased costs of labor, materials (steel and concrete). Would each of you please comment on this and what your view would be of the next authorization?

Response. The funding increases in SAFETEA-LU were an important step forward, but they still fall far short of what is needed to avert a national transportation crisis. The next reauthorization bill should increase investment to the levels recommended in our report.

Moreover, we need to address project delivery. The buying power of the funding authorized under SAFETEA-LU has declined further subsequent to its passage, as the recent sharp increases in the prices of construction materials that you have cited have continued. This trend makes it critical that our recommendations for speeding project delivery be incorporated in the next reauthorization. Our report illustrated that, based on recent inflation trends, the cost of a project started now and completed by 2011 would be half as much as the same project if its completion were delayed until 2021. Shaving time off of the project delivery process will yield savings that could then be applied to other projects, substantially reducing the overall funding needed to meet national objectives. Until we can do that, inflation will continue to severely diminish or even eliminate the impacts of increased funding levels on the performance of the surface transportation system.

*Question 3.* The commission's report raises some issues of jurisdictional concern to those of us here on the Hill. You propose to eliminate all existing programs of the FHWA, FTA, FMCSA, NHTSA and the FRA and replace them with 10 new programs that cross agencies and modal lines. As a practical matter, how do you think that this goal could be accomplished here in the Senate, and for that matter within the Department of Transportation?

Response. The Commission believes there is great value in realigning activities of the U.S. Department of Transportation along functional lines. Not only would this likely save money, but it would increase coordination and help deliver the right blend of transportation projects in a timely manner. It would put the proper focus on problem solving in terms of outcomes and system performance rather than any one means to get there.

The Commission acknowledges that, in the short term, this type of realignment would require major statutory, bureaucratic, and regulatory changes. The Commission did not speculate how a realignment would impact congressional operations. The Commission has utmost confidence that Congress and executive branch agencies could oversee such a transformation of transportation-related activities.

Moreover, it may be possible to structure the program in a way that meets the Commission's goals, while at the same time respecting current jurisdictional realities.

RESPONSES BY JACK SCHENENDORF 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 about the Commission's recommendations to restructure

the Department of Transportation programs so that are focused on national interests and performance.

How will this proposal promote State and local decision making authority? How will funds be allocated on a state-by-State basis? Does this new approach eliminate the donor/donee status based on these new categories?

Response. The Commission believes that the multitude of narrowly focused highway and transit programs that have been created in recent surface transportation legislation reduces State and local flexibility to target Federal funds toward either national or State and local interests. The 10 new Federal program areas we have recommended reflect not only national surface transportation priorities but State and local interests as well. State and local transportation agencies will have much greater flexibility in how they spend Federal funds than under the current program structure. This flexibility will allow them to meet Federal performance standards in a way that is best suited to their unique local transportation needs.

We recommend changing the current method for allocating funds among States with "pass through" to localities as match the comprehensive plans. State and local agencies would develop plans for achieving performance standards in each of the main program areas. Funds would be allocated to States in proportion to the cost to implement their plans compared to the cost to implement all State plans. This is essentially the same method that funds were allocated to construct the InterState System. The equity programs that currently guarantee a minimum return to States would be eliminated, but we believe that all States would receive sufficient Federal funding to contribute to meeting their highway and transit improvement needs.

*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? Did the Commission consider giving states flexibility on the match component for State DOT projects?

The Commission believes that increased expenditures from all levels of government and the private sector will be necessary to compensate for past investment failures while addressing significant increases in future demand. As indicated in our report, based on the investment gap we identified, the non-Federal share of additional investment requirements—from State, local and private sources—could range between the equivalent of 34 and 63 cents per gallon of fuel tax. While State fuel taxes are likely to remain an important part of the funding mix, we anticipate that individual States and local governments will draw upon a wide array of other financing mechanisms as well. We recommend that the Congress provide States with new flexibility for tolling and pricing, and encourage the use of public-private partnerships where States or local governments are willing to use them. The revenues generated from such sources, along with increased revenues from other financing mechanisms that States may opt to employ, would reduce the size of any fuel tax increases that may be required. Our report includes an analysis of the advantages and disadvantages of a variety of revenue sources that individual States and local governments might opt to utilize in closing the investment gap.

In terms of matching rates, our report proposes that the Federal share for particular activities could be adjusted as an incentive, rewarding States and metropolitan planning organizations (MPOs) that demonstrate creativity and innovation in meeting their performance objectives. However, we believe that the large increase in Federal investment that we have proposed should be matched by a commensurate increase in funding from other levels of government, so we would not recommend significant changes to the matching rates we have proposed.

While the prospect of tripling the current level of surface transportation infrastructure investment is daunting, we believe that the American people will rally behind this cause. They will only do so, however, if we can adequately communicate the benefits that can be derived in terms of lives saved, time saved, and overall improvements to people's quality of life. Such an increase in investment, coupled with the programmatic reforms that we have recommended, are essential to the long term economic health of our Nation.

*Question 3.* Can you elaborate on the vision for National Surface Transportation Commission and could you discuss the pros and cons of the impact this commission functions as it relates to national program priorities?

Response. The National Surface Transportation Commission (NASTRAC) is envisioned to provide an independent assessment of nationwide surface transportation investment requirements and to recommend to the Congress funding levels to meet those requirements. The NASTRAC would review nationwide plans developed for each of the 10 program areas recommended by the National Surface Transportation Policy and Revenue Study Commission. NASTRAC would ensure that plans address key national performance standards and that proposed projects would be cost-beneficial. The NASTRAC would coordinate with the U.S. Department of Transportation which would consolidate plans developed by State and local transportation agencies in cooperation with key stakeholders.

The advantage of NASTRAC in the Commission's view is that it would remove decisions regarding surface transportation funding from the political process. The Commission did not make this proposal lightly and recognized how controversial it would be. We believed, however, that the only way to adequately fund surface transportation programs would be to create an independent body to make funding recommendations. Congress could veto NASTRAC's recommendations, but we hoped that the political cover provided by the independent commission would make it easier for Congress to accept funding levels in the long term interest of the country without undue concern about short term political pressures to constrain funding. We believe the Base Realignment and Closure Commission is serving Congress well and we hope that NASTRAC could be equally effective.

The biggest disadvantage of our NASTRAC proposal is the difficulty Congress will face in developing a consensus to create such a Commission. We recognize that it would take some decision making responsibilities away from congressional committees, which understandably is difficult, but it would not take away congressional oversight responsibilities or dilute the role of Congress in enacting periodic legislation to reauthorize surface transportation programs.

*Question 4.* During our consideration of SAFETEA-LU, there was a significant debate between the donor and donee states. Did the Commission review equalizing the rate of return to all of the states?

The Commission believes that the lack of a clear Federal vision or mission, such as there was in the InterState era, significantly contributed to the donor-donee debate. While the Commissioners recognized the congressional interest in equity with respect to the amount of Federal funds returned to each State, there nevertheless was a consensus that funds should be allocated to the States in relation to the needs of States for investment in key program areas being recommended, without specific consideration of equity. Restoring a sense of national purpose to the Federal program should help to address the donor-donee issue.

*Question 5.* I have long advocated for an increase in the gas tax. However, in this climate, I am uncertain of the feasibility of this.

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 free increase to meeting our future transportation needs?

The potential revenue-generating potential for different Federal, State, and local funding mechanisms is explored in our report. Exhibit 5–17 in Volume II of our report includes estimated revenue generation from fuel taxes, motor-fuel sales taxes, heavy vehicle use taxes, tax credit bonds, customs duties, investment tax credits, container fees, motor vehicle registration fees, motor vehicle sales taxes, general sales taxes, tolling/pricing, local option taxes and impact fees. The advantages and disadvantages of these options are evaluated in Exhibits 5–20 and 5–21.

While other financing mechanisms can and should be utilized to defray a portion of fuel tax increases where possible, the fuel tax remains the most obvious source of revenue to address the infrastructure needs that we have identified in the short and medium term. Failure to increase revenues above current levels will cause us to fall further and further behind in meeting our transportation needs, causing us to face a steady decline in the physical condition of our infrastructure assets, and significant degradation of the operational performance of the system.

Beyond 2025, we anticipate that the factors that you have identified will make it necessary to transition to a new revenue source. The most promising alternative that has been identified to date are Vehicle Miles Traveled (VMT) fees linked directly to each vehicle's actual travel, which may or may not vary by time of day. We support additional research and pilot projects to overcome the technological, in-

stitutional, and privacy concerns that would need to be overcome in order to make such a mechanism feasible.

*Question 6.* Senator Carper, Senator Clinton and I have been working on legislation to establish National Infrastructure Commission. This commission would examine all at our nation's infrastructure needs. This legislation passed the Senate last year. We are not waiting for the House. In your experience, do you think this type of commission would be helpful? Do you have any advice for how to put it together?

Commissions can play a very helpful role in defining needs, identifying solutions and building consensus. While there is always value in expanding the field of knowledge about the Nation's infrastructure, I do not think that a new commission is necessary with respect to transportation infrastructure. Study after study, including our 20-month study, has made it clear that we are not investing enough in our national surface transportation network. In my view, we do not need any more transportation studies. We need action. We strongly encourage Congress to act on the recommendations outlined in our report.

With respect to non-transportation infrastructure, I do not have a view as to whether a new study would be useful.

With respect to how a new commission should be put together, I do have two suggestions. First, if the desire is to have an independent commission, I would respectfully suggest that Federal legislative or executive officials not be included on the commission. Second, I recommend that adequate funding be included to ensure that the Commission can hire its own staff and contract for independent studies.

*Question 7.* We are currently considering economic stimulus legislation. How important do you think is transportation infrastructure to providing an economic boost to the economy?

Response. The Commission did not consider whether transportation investment should be part of a short-term economic stimulus package. My own personal view, based on my professional experience of over 30 years, is that transportation investment would be an effective component of a stimulus package.

In my view, Congress should consider including in the stimulus package three elements related to transportation.

First, Congress should include a provision to fix the Highway Trust Fund's cash deficit problem in 2009. This problem is causing uncertainty in State and local governments and the private sector, and could cause them cut back on planned investments. Fixing the problem will remove this uncertainty and allow planned investment to go forward.

Second, Congress should include a provision to bolster Highway Trust Fund revenues to ensure that funding in 2010 and beyond will not be less than SAFETEA-LU levels. Again, this will provide State and local governments and the private sector sufficient certainly to ensure that they do not retrench from planned investments. The Commission's recommendation to dedicate a portion of existing revenues derived from customs fees to the Highway Trust Fund could be helpful in this regard.

Third, Congress should provide $15 to 20 billion for ready-to-go transportation projects. Not only will this investment help stimulate the economy in the short to medium term, but it will produce long-term benefits by contributing to economic growth and international competitiveness.

*Question 8.* I have always been a champion of public private partnerships. During the last highway bill, I worked with the Ohio delegation on an intermodal facility that is going to create 10,000 jobs. Unfortunately, this project has hit some snags because there were barriers at FHWA and the State during the project implementation. Many people do not recognize the important of these types of partnerships.

What do you recommend for breaking down these barriers and for the public to recognize how the public benefits and when the Federal Government partners with a private entity?

We spent considerable time during our Commission meetings discussing public-private partnerships and also heard many views regarding such partnerships at the public hearings we held across the country. In our report we recommended a number of safeguards to assure that the public interest would be protected when States undertake public-private partnerships. Putting appropriate safeguards in place should help build confidence that both the public and the private sectors will benefit from public-private partnerships. This should help to break down barriers and earn the trust of the public.

Senator BOXER. Thank you very, very much.

Our next speaker is Hon. Frank Busalacchi, Wisconsin Secretary of Transportation, Commissioner, appointed by Minority Leader Pelosi, she was then Minority Leader, now Speaker.

## STATEMENT OF HON. FRANK BUSALACCHI, WISCONSIN SECRETARY OF TRANSPORTATION

Mr. BUSALACCHI. Good morning, Madam Chair, Ranking Member Inhofe and members of the Committee.

My name is Frank Busalacchi. I am Secretary of the Wisconsin Department of Transportation and the Chair of the States for Passenger Rail Coalition. As a commissioner, I have had a unique opportunity to share my perspective and goal for a new direction in national transportation policy, one that includes a Federal-State funding partnership for inter-city passenger rail similar to the partnership that exists for highways, transit and aviation.

The Commission heard testimony from State and local officials and others asking for additional public investment in inter-city passenger rail. The Commission agrees that passenger rail must be a part of a multi-modal solution. It can help alleviate highway and airway congestion, high gas prices, and the impacts of global warming. We don't envision rail replacing other transportation modes. We see rail providing greater mobility to help meet the needs of our growing and our aging population.

To assist the Commission in advising Congress, I engaged the passenger rail working group to provide analysis. This group created a 2050 map and cost estimates for passenger rail improvements. The map's focus is city to city connections in corridors of 500 miles or less.

The map provides one perspective of the future of passenger rail. It is entirely illustrative. Individual States will be responsible for their own rail plans, and with congressional support, they will be empowered to implement them.

Of the ten new transportation programs recommended by the Commission, inter-city passenger rail is the only modal-focused program. The Federal Government will fund 80 percent of the program, similar to the other modes.

Fifty years ago, a bold vision and strong commitment to funding the interState highway system made it possible. Today, both our highway and aviation systems are congested. It is time to invest in another mode and to provide our citizens a modal choice.

I commend my colleagues on the Commission for agreeing to this bold new vision for passenger rail. We are united in our view that this Nation needs passenger rail if it is to achieve its vision of being the preeminent transportation system in the world.

Thank you.

### RESPONSES BY FRANK BUSALACCHI TO ADDITIONAL QUESTIONS FROM SENATOR LIEBERMAN

*Question 1.* I would like to ask a question about the independent commission you have proposed creating, tentatively named NASTRAC (National Surface Transportation Commission) in your report. I understand the advantages of creating an independent commission to make difficult policy decisions, such as closing military bases with BRAC and raising postal rates with the Postal Regulatory Commission. I would like to hear more about how you think an independent transportation commission would operate vis-a-vis Congress. In your report, you State that the Com-

mission's revenue recommendations would be sent directly to Congress. The recommendations would then be subject to a congressional veto, requiring 2/3-recorded vote of both Houses within 60 days of receipt. If no action were taken, the recommendations would become law. I understand that other independent commissions, such as BRAC, work in similar ways. But if an independent transportation commission was created, I worry that Congress would be ceding much of its authority over transportation policy in the United States. I also worry that Congress may be ceding an important representational function.

Therefore, my question is what is Congress' role in transportation policy, if many of the revenue decisions are turned over to an independent commission? I understand that an independent commission would work with departments of transportation from each state, but how can a ten-member commission possibly master the particular needs of all 50 states?

Response. Early on the Commission determined that it was important to look at transportation issues from a clean slate perspective. We tried to think less about the political process that creates a transportation authorization bill and more about identifying the issues and crafting solutions.

The NASTRAC is meant to address two current issues related to transportation financing: inadequate revenues to fund the system and politicization of project decision making. Those who support the Commission report stand behind the needs number identified in the report and it is staggering to think about raising the revenues needed to support the transportation system we envision. Public officials and members of Congress are aware of the problems associated with raising taxes on motor fuels. They will most likely face the same problems attempting to implement tolls, congestion pricing or road privatization. If the public doesn't support the value associated with the project they will oppose the revenue increase—regardless of the form it takes.

The notion of the NASTRAC—to more dispassionately look at a rolled-up national plan, price it and send the revenue needs number to Congress for an up or down vote—was our attempt to diffuse the politics associated with Members of Congress supporting a motor fuel tax increase. This goes hand-in-hand with the national plan, the roll-up of many local and State plans which the revenue increase is designed to support.

In my view the NASTRAC shouiCi'not in any way detract from congressional authority over the transportation program. Congress would retain its traditional role of developing an authorization bill that establishes the funding and program parameters for the multiyear program. Local governments and states would then create their plans for applying Federal funds to projects. (This may be much like the creation of the current State Transportation Improvement Plan [STIP] with some process outcome modifications) US DOT and, ultimately, NASTRAC would assure that the plans address key policy goals (as outlined in the authorization bill) to have a positive cost-benefit ratio and have appropriate performance standards. In its oversight role NASTRAC would help to assure that State and local governments and all other entities receiving Federal transportation funds meet the national requirements. This non-partisan review and approval of the national plan was intended to help Congress with its oversight roles.

Commissioners who supported this concept expect that Members of Congress will carefully evaluate the pros and cons of this approach and we encourage that evaluation.

*Question 2.* I would like to delve further into the decision making process that NASTRAC will use when setting national transportation policy objectives. In your report, you State that the U.S. Department of Transportation would lead the strategic planning process in consultation with State departments of transportation, metropolitan planning organizations, and private sector interests. The U.S. Department of Transportation would then submit its consolidated plan to NASTRAC for approval as the consolidated national strategic plan. I am interested to know more about the criteria that NASTRAC will use when determining if a component of the U.S. Department of Transportation's strategic plan will become part of the national plan.

Response. The Commission did not outline the criteria that NASTRAC would use for approving these plans. Instead, the Commissioners believe that MPOs, States, the private sector and USDOT would work to create specific criteria for each of the ten programs. Each program would include planning requirements, how to establish project cost-benefit information, and performance and accountability requirements. NASTRAC would use those criteria after the technical and program experts developed them.

*Question 3.* The Commission has also recommended that NASTRAC make revenue recommendations to Congress, and also be granted the authority to change the amount of Federal funding a project should receive based on performance. How is Congress supposed to act on the revenue recommendations of NASTRAC knowing that these funds may be reallocated?

Response. In general, Congress should be confident that what NASTRAC sends up to the Hill will have been reviewed and vetted by US DOT, the State or local government entities and when involved (e.g. the freight program) the private sector. As a result, the funding and project plan will generally hold. It is the Commission's hope that the cost-benefit analysis will result in strong project performance.

RESPONSE BY FRANK BUSALACCHI TO AN ADDITIONAL QUESTION FROM SENATOR CARPER

*Question.* The report highlights passenger rail transportation as a key component of the Commission's vision for the future. The Commission believes that intercity passenger rail is a critical missing link in the nation's surface transportation system. I have long been a proponent of dedicating cent of gas tax revenue to intercity passenger rail. Does the Commission support devoting a portion of the gas tax for passenger rail?

Response. I was a strong proponent of including intercity passenger rail in the Commission's report. I believe it is time to provide Federal funding support to passenger rail, as has been done for decades for highways and transit.

The Commission recommends that intercity passenger rail be supported by the following revenue sources: 80 percent from the Surface Transportation Trust Fund (partially motor fuel tax-financed) and 20 percent from the General Fund. Ticket taxes, similar to those imposed on airline tickets, would be collected, with the ticket tax revenues deposited into the Surface Transportation Trust Fund.

RESPONSES BY FRANK BUSALACCHI TO ADDITIONAL QUESTIONS FROM SENATOR BOND

*Question 1.* While I don't necessarily agree with all of the conclusions found in your national commission report, I am curious why it is that you chose to expand the Federal role than reduce it? Would each of you please comment on what you believe the Federal role in transportation should be? What would you propose the Federal role should be if a gas tax increase were not agreed to by Congress?

Response. At the beginning of work together, the Commission committed to a full slate of public hearings. I participated in those hearings, and we heard from citizens and transportation experts from all over the country. The vast majority of those who testified told us the Nation needs to focus on our infrastructure and must make investments to upgrade and expand our system. When asked specifically about the Federal role, the vast majority of those who testified said they believed the Federal role must grow.

In my comments during the EPW hearing, I indicated that I believe our citizens expect two things from the Federal Government: a strong defense and strong infrastructure. We've been very successful at investing in the first, but not the second.

The strength of our transportation system is its national character. Roads and rails crisscross the Nation, and these interState systems serve both passengers and freight. Users do not see a significant difference driving on the interState highways in different states. I believe that Federal strategic leadership and funding is critical to assuring a national system perspective among the states and local governments and consistent performance. Otherwise, and I can assure you of this, states and local entities will focus on their own self interest in making investment decisions.

As to your question on the gas tax, the Commission envisioned that possibility in its "do nothing" vision. I think there will be a good deal of variability among states and local governments on what they are willing and able to invest; this would lead to the continued degradation of our transportation system.

*Question 2.* I worked hard along with my colleagues, Senator Inhofe, Senator Reid, Senator Baucus and Senator Jeffords to make sure that spending levels on SAFETEA were as robust as we could make them during the life of SAFETEA. Although SAFETEA was a 44 percent cumulative increase in spending for highways, transit and safety above TEA–21 (SAFETEA was $286.5 billion and TEA–21 was $198 billion), I was told the day that we passed it that the buying power remained the same from bill-to-bill due to the increased costs of labor, materials (steel and concrete). Would each of you please comment on this and what your view would be of the next authorization?

Response. The Commission heard testimony on the loss of purchasing power due to inflation in the construction industry. In my role as Secretary of the Wisconsin Department ofTransportation, I know that between 2003 and 2007, the significant increase in commodity prices for petroleum, concrete, asphalt, steel and construction machinery reduced the improvements that states and local transportation agencies could fund. One way to address this issue would be to index the Federal motor fuels tax to the consumer price index. Our revenue source, whether it be vehicle miles traveled, gas tax or any other mechanism, should include a mechanism to address the impact of inflation on the program.

*Question 3.* The commission's report raises some issues of jurisdictional concern to those of us here on the Hill. You propose to eliminate all existing programs of the FHWA, FTA, FMCSA, NHTSA and the FRA and replace them with 10 new programs that cross agencies and modal lines. As a practical matter, how do you think that this goal could be accomplished here in the Senate, and for that matter, within the Department of Transportation?

Response. The Commission felt a new beginning was necessary to address the problems that have arisen in our transportation system over a period of 50 years. Providing funding in silos to the different modes creates real difficulties for states and local governments who must find ways to fund multi-modal projects. The nation needs a multi-modal, intermodal system.

While the Commission's recommendations will need to be phased in over time, Congress could begin work now to consolidate the US Code titles related to highways and transit (Titles 23 and 49), which have always been separate. During the transitional period to the new programs, it would be important to advance projects to completion that are already underway. I would encourage Congress to consider transforming US DOT into an intermodal agency that could bridge the divide across administrations and begin to look at problems from the perspective of the 10 different programs outlined in the Commission report.

From a State DOT perspective, there is no question that the FHWA-model has always been easier to work with than the FTA-model. The history of the partnership, program and funding, has instituted a culture of working in FHWA that more outcome-driven.

RESPONSES BY FRANK BUSALACCHI TO ADDITIONAL QUESTIONS FROM SENATOR VOINOVICH

*Question1.* I 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 about the Commission's recommendation to restructure the Department of Transportation programs so that they are focused on national interests and performance.

How will this proposal promote State and local decision making authority? How will funds be allocated on a state-by-State basis? Does, this new approach eliminate the donor/donee status based on these new categories?

Response. I believe that the Commission approach, in recommending the 10 program areas, will actually enhance State and local decision making and their ability to choose the right transportation solution to their transportation issue. Depending on the program, each government entity will need to create a plan that addresses: project cost-benefits, performance measures and institutional accountability. For example, accountability may rest at the metro level for the Metropolitan Mobility plan. With most other plans, the accountability will rest with the states. The general notion is that Congress would authorize funds based on the needs identified in each of these plans. Ultimately, US DOT and the NASTRAC would assure the State and local plans address the requirements related to projects, performance and accountability.

I agree that there are unanswered questions related to implementation detail in the Commission report. We were constrained to stay at a 50,000-foot level. I look forward to working with stakeholders and Congress during the transportation authorization bill to fill in some of those details that must be addressed in the broader vision that the Commission outlined.

On the donee/donor issue, I replied in Question 4 that the Commission tried to create a vision that would mitigate this issue?—which relates to size of pie, rather than what we want to accomplish at the national level. I do believe that states must generally feel they are treated fairly under any new approach.. At the same time, I hope that the policy discussion associated with the next bill addresses the purpose of the program, rather than how the 50 states carve up a diminishing funding pie.

*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? Did the Commission consider giving states flexibility on the match component for State DOT projects?

Response. State highway investment is, in my states, already considerably higher than the required 20 percent match for Federal funds. While this is true in Wisconsin, it may not be the case in all states. In the passenger rail mode, depending on how match requirements are defined, it is true that more states will need to develop a source of funding for the strategical portion of their project costs. Again, in Wisconsin, we are ready to match up to $400 million in Federal funds with State bond funds.

The Commission report did provide some flexibility on the match issue, but generally came down on an 80/20 arrangement. However, the Safety and Energy Security programs have higher match ratios of 90/10 and 100 percent Federal, respectively. The Commission sought to equalize treatment between the surface modes of highways, rails and transit.

*Question 3.* Can you elaborate on the vision for the National Surface Transportation Commission and could you discuss the pros and cons of the impact this commission functions as it relates to national program priorities?

Response. I have outlined my view on NASTRAC in questions 1, 2 and 3 of Senator Lieberman.

Fundamentally, I believe the NASTRAC is the mechanism that the Commission settled on to assure that an outside group with program and technical expertise, reviewed the work of the states and local governments and provided their professional perspective to Congress that if the projects outline the plan were completed, these projects serve the national interest.

*Question 4.* During our consideration of SAFETEA-LU, there was a significant debate between the donor and donee states. Did the Commission review equalizing the rate of return to all states?

Response. The Commission agreed that Federal investments should have a positive cost-benefit, associated performance measures and that states should be accountable for the investment. There was agreement among all Commissioners that the donee-donor debate was not productive because it did not support a national system strategy. Instead, what the Commissioners tried to assure was that all states would be eligible for funds to put their system into a State of good repair, addressing investment needs in both urban and rural areas.

As I indicated in Question 1t I do believe it is critical that we shift off the donor-donee debate, but at the same time, work to assure that all states feel they are treated fairly in the authorization bill.

*Question 5.* I have long advocated for an increase in the gas tax. However in this climate, I am uncertain of the feasibility of this.

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?

As Highway Trust Fund revenues decrease in the future due to increased fuel efficiency and use ofalternativefuelstwhatdoestheCommissionrecommendto maintain a reliable source of highway funding?

Response. Commissioners who support this report are keenly aware of how sensitive raising the gas tax, or any tax is. Our strong view is that it will be difficult to raise revenues from any source, whether it is public-private partnerships, tolls, congestion pricing or user fees. I believe the motor fuel tax will be a sound revenue mechanism for use over the next 10 years. I also believe that increasing the motor fuel tax would be compatible with an energy policy goal of reducing reliance on oil-based fuels. We expect that higher taxes may result in less usage. That is why, during this shorter-term window, the Commission recommended a 25-to 40-cent increase in the motor fuel tax over 5 years and that the tax be indexed after 5 years.

Motor fuel tax revenues could continue to shrink in relation to the increasing costs of infrastructure investment needs as a result of high prices at the pump. That

is why the Commission recommended that Congress implement a vehicle miles traveled (VMT) approach as soon as possible. The transitional groundwork must be laid out in the next authorization bill.

As for private sector involvement in our system, there may be some projects where the public sector investment can be protected and private sector investment goals can be satisfied. I think those projects will be limited; AASHTO has supplied the perspective that P3s, tolling and congestion pricing, could supply seven to 10 percent of the needed revenues. The real issue with tolling (whether private or public sector supported) is that much of the revenue generated on a particular segment of roadway must be reinvested into the maintenance and technology: and ultimately reconstruction, on that segment. This is especially true of congestion priced roadways which are extremely technology intensive and thus, expensive to maintain.

*Question 6.* Senator Carper, Senator Clinton and I have been working on legislation to establish a National Infrastructure Commission. This commission would examine our nation's infrastructure needs. This legislation passed the Senate last year. We arc now wailing for the I-louse. In your experience, do you think this type of commission would be helpful? Do you have any advice for how to put it together?

Response. I was not familiar with Senate Bill 775 prior to your question, but I have reviewed it to respond to this question. Based on my understanding, the bill seeks to evaluate a number of issues related to our nation's infrastructure (broadly defined), including: economic development and competitiveness, age and condition, methods of financing, investment needed to maintain and improve by all levels of government, the impact of local development patterns, the impact of deferred maintenance and the collateral impact of deteriorated inFrastructure.

As a response to the evaluation of these issues, the Commission will make recommendations on a number of issues, including: an infrastructure plan that details national priorities; improvements and methods for delivering projects, analysis and criteria that could be used by State and local governments for assessing conditions and guidelines for uniform reporting by Federal agencies. The legislation further envisions that the eight-member Commission will do its work between 2008 and 2010.

I certainly think the work of the Surface Commission would assist in addressing many of the surface transportation issues that you outline in your legislation. With that said, I have a couple recommendations, based on my Commission experience.

First, this legislation, in addition to surface transportation, also encompasses air transportation and the broad spectrum of infrastructure projects (water, sewage treatment, dams, etc). The scope and breath of the Commission's charge may be extremely challenging, especially in the 2-year timeframe. There is a certain amount of ramp-up with Commission work, when Commissioners are charting their work plan and getting to know one another. It will likely take in the range of three months before their time together becomes productive. Finally, our Commission started 6 months late, due to the slow appointment of members by the Administration. All of that said, you may want to consider providing this Commission a slightly longer timeframe for their final report.

Second, $4 million is likely not adequate funding for the charge. Our Commission received $2 million and requested another $2 million in the technical corrections bill, which we never received. We needed to rely on Commissioners to pay for many aspects of the work (documents, facilitators, analytical work, additional staff) and we had to enlist the help of stakeholder groups to host the field hearings. I would guess that a Commission with the broad responsibility that you envision will require more than $4 million to adequately cover the issues you envision without relying on external help. When Congress asks for the time and expertise of Commission members, Congress should assure that the Commission they have created has adequate resources to do their work.

Third, assure that the Commission does outreach and can discuss their findings, after their report is available, with the public. Our Commission does not have the revenue to do this, and we are missing a critical opportunity to educate the public on the importance of our surface transportation system and our findings.

Fourth, and this is a very important issue in my view, the legislation should specifically State that an administration appointee does not fill the chair position of the Commission. There are many issues with this approach and they should be avoided.

Finally, I would encourage Congress to carefully consider the issues outlined in our Commission report, and perhaps, revisit the charge of this new Commission in light of the progress we made. I believe there are elements of the proposed Commission's charge that may not be necessary in light of the Surface Commission's recommendations.

*Question 7.* We are currently considering economic stimulus legislation. How important do you think transportation infrastructure is to providing an economic boost to the economy?

Response. In my testimony before the House Transportation and Infrastructure Committee,

I indicated that I believed the states were ready to deliver projects within 6 months of passing a stimulus bill for infrastructure. Since that time, the American Association of

State Highway and Transportation Officials (AASHTO) surveyed the states and found that states could deliver projects. I strongly urge Congress to pass another Stimulus Bill that includes an infrastructure element. The bill should use the current system to get money out the door, as quickly as possible, to projects in the states. This bill would mean jobs to our citizens and would provide a long-term investment for the Nation.

*Question 8.* I have always been a champion of public private partnerships. During the last highway bill, I worked with the Ohio delegation on an intermodal facility that is going to create 10,000 jobs. Unfortunately, this project has hit some snags because there were barriers at FHWA and the State during the project implementation. Many people do not recognize the importance of these types of partnerships.

What do you recommend for breaking down these barriers and for the public to recognize how the public benefits when the Federal Government partners with a private entity?

Response. I agree that transportation has had a long tradition of Public-Private Partnerships (P3s). We have successfully implemented P3s in Wisconsin; a most recent example is our intermodal terminal in downtown Milwaukee. But I would agree with you, this project has not been easy to implement, especially working with FTA and FHWA on different governmental funding streams.

However, there are some P3s, specifically the long-term leases in Chicago and Indiana, where I do have concerns and spoke about those concerns in my February 2007 testimony before the House Transportation and Infrastructure Committee. My fundamental concern is assuring that an asset, paid for and owned by taxpayers, is getting the best value from the private sector entity. In addition, I want to assure that we consider access in these deals. I am very concerned about the cost of using toll roads when a private sector entity has the option of raising tolls each year based on three different factors (Indiana deal). We must assure that if we toll roadways, our citizens can afford the tolls or have other convenient and cost-effective modes of travel.

In the end, I believe the Commission devoted a tremendous amount of time to this issue and developed an approach that encourages private investment, but still protects our ' citizens' interests. We encouraged these deals to the extent that they help address our revenue gap, but still protect the public sector interest.

Senator BOXER. Thank you, sir.

Matthew Rose, we welcome you. You are Chairman, President and CEO of BNSF Railway Company. And you were appointed by Speaker Hastert, at that time Speaker Hastert.

## STATEMENT OF MATTHEW K. ROSE, CHAIRMAN, PRESIDENT AND CEO, BNSF RAILWAY COMPANY

Mr. ROSE. Thank you, Madam Chair, Senator Inhofe.

I am usually associated as the freight rail individual on the Commission. Pat Quinn, who is the former ATA chairman, and the co-CEO of U.S. Express, is not here with us today, so I will focus my remarks on the overall freight message.

The last 20 months have been spent in holding field hearings all over our great Country, testimony from experts from all transportation constituencies. What we found is that goods movement was not only a global competitiveness and an economic growth issue, but it was truly a key element of our commuter congestion. Eliminating choke points and increasing freight capacity solves a number of problems, including relieving commuter congestion.

The problem is really evidenced in two ways. First, the average commute times for everybody in the United States is growing. Sec-

ond, the supply chain costs, as a percent of GDP, which has had a 25-year downward trend over the last couple of years, has started to reverse and started to increase again, impacting our global competitiveness. Expected population and economic growth will result in significant worsening of both of these indicators.

The Commission made a number of recommendations aimed at increasing freight capacity and targeting these choke points, which I will briefly highlight. However, even more fundamentally, the Commission brought freight into the policy stable in a meaningful and mode-neutral way. Personally, I am pleased that the Commission recognizes freight rail's critical role in moving gross ton miles from the highway to the significantly more fuel-efficient and environmentally friend freight railroad network. The Commission essentially concluded that freight capacity needs to be expanded systematically over the next 50 years, and also determined that freight rail market share should be increased.

In sum, here is what the report recommended with regard to freight. The Commission made freight-related programmatic recommendations that I predict will be hotly debated in the freight stakeholder circles. The Commission believes that there ought to be a freight program to help expand and de-congest freight networks. For example, to expand inter-modal connectors and do more projects like the Alameda Corridor.

The Commission recommended more funding for freight projects from a variety of sources and broad eligibility across programs for freight programs. Additional funding should include gas tax revenues and also a portion of the customs fees, any revenues that the Federal Government might realize from greenhouse gas regulation and potentially a freight fee. Trade is the key driver for these increasing volumes, so I think that customs duties are a particularly appropriate source of revenue to help fund some of these freight programs.

Diverting just 5 percent from the customs duties would generate about $2 billion a year and would not displace any freight between ports of entry. Also, collection and administration is already established. The Commission was not specific about the form of any freight fee which Congress might authorize, such as a container fee or a waybill surcharge. But it did clearly State that it must not burden commerce. No local and State proliferation of such fees, no private sector administration, collection requirements, and steamship lines, trucking companies and rail companies will find it hard to pass on a fee to the ultimate consumer.

The Commission also recognized that the payers of such a fee must realize the benefit of improved freight flows. This is a fundamental user fee principle. Shippers agree to pay for the Alameda Corridor because they could see the benefits of capacity and throughput as well as the benefits to the surrounding Los Angeles neighborhoods.

Although it will no doubt be asked, should there be a freight trust fund, the rail industry has long had no trust that the funds would flow to the projects that meet the goals of goods movements versus the political earmarking process. The Commission makes a variety of recommendations for creating transparency and accountability in directing these funds to high priority freight projects.

Achieving responsible governance around project funding will be critical to obtaining the freight community's support. I could not support any freight fee and related program without it.

Second, the Commission advocates promoting private investment. The report recognizes that private investment is and always will be the primary means of meeting the goal of expanding the freight rail network to meet continuing demand. It states that rational economic, safety, security, labor, environmental policies are all fundamental to sustaining private investment. It also supports incentivizing private investment in freight railroad network expansions, including investment tax credit for expansion expenditures.

From a public policy standpoint, you should weigh every freight-related proposal against whether it will expand or constrict investment in the freight railroad capacity. Thank you very much.

RESPONSE BY MATTHEW ROSE TO AN ADDITIONAL QUESTION FROM SENATOR INHOFE

*Question.* There is a delicate balance between damaging the nation's economy by allowing congestion to worsen ad by raising taxes and tolls to unnecessarily high levels. How comfortable are you that you struck the correct balance? Is the goal of the 20 percent reduction in congestion on somewhat arbitrary? Was economic modeling done to measure the impact of congestion and tolls on the economy?

Response. There is a critical equation that must be solved in the next surface transportation bill increased fees from whatever source balanced against the necessary maintenance and expansion of the nation's infrastructure. In general, I believe investments made with additional user fees would preserve and promote economic development to support the added costs, whether they come from gas taxes, tolls or VMT fees. Furthermore, the performance-based prerequisites for infrastructure spending called for in the Commission report should help calibrate which investments are worthy of public participation.

There was no modeling done to measure the impact of tolls on the economy; however, the Texas Transportation Institute (TTl) has long analyzed the impact of congestion on the economy. TTl reports that the cost of highway congestion in the nation's urban areas increased 60 percent, from $39.4 billion to $63.1 billion, from 1993 to 2003. The U.S. DOT estimates that the cost of congestion across all modes of transportation could be three times as high-approaching $200 billion per year-if productivity losses, costs associated with cargo delays, and other economic impacts are included. If you factor in all modes and forecast to 2020, it is clear that the cost of congestion will be well over $200 billion. We can only assume that these numbers will climb as more congestion builds on all segments of our surface transportation system.

Additionally, specific to freight, total logistics costs, which are about 10 percent of OOP, are increasing as demand is outstripping available capacity. For example, from 2005 to 2006, transportation costs increased 9.4 percent, and inventory and administrative costs increased 13 percent. This trend will ripple through the economy beyond merely the users of the freight system (both truck and rail). China has much higher logistics costs than the United States, about 18 percent of OOP. Their response has been to increase spending on transportation infrastructure, which will bring down logistics costs and increase their comparative advantage in the global marketplace.

RESPONSES BY MATTHEW ROSE TO ADDITIONAL QUESTIONS FROM SENATOR BOND

*Question 1.* While I don't necessarily agree with all of the conclusions found in your national commission report, I am curious why it is that you chose to expand the Federal role rather than reduce it? Would each of you please comment on what you believe the Federal role in government should be? What would you propose the Federal role should be if a gas tax increase were not agreed to by Congress?

Response. I believe the report attempted to more sharply focus Federal dollars on national priorities so that, in some respects, the Federal role may be reduced. I support sharply focusing the Federal program aimed at national priorities-interState commerce and providing a Federal partnership to an even larger regional effort around congestion relief. The programmatic streamlining contained in the report,

and other reforms such as improved project permitting processes and improved planning, are important to matching the more focused Federal role to Federal funding.

State and local governments and public private partnerships also will have to significantly increase funding contributions to meet transportation demand. Regional priorities should be consistent with national programs and priorities but, in some instances, will go beyond. The envisioned Federal role remains a partnership, recognizing that State and local governments must do more but are not always best positioned to promote and support important national transportation priorities. They certainly cannot fund all of them.

*Question 2.* I worked hard along with my colleagues, Senator Inhofe, Senator Reid, Senator Baucus and Senator Jeffords to make sure that spending levels on SAFETEA were as robust as we could make them during life of SAFETEA. Although SAFETEA was a 44 percent cumulative increase in spending for highways, transit and safety about TEA–21 (SAFETEA was 286.5 billion and TEA–21 was 198 billion), I was told the day that we passed it that the buying power remained the same from bill to bill due to the increased costs of labor, materials (steel and concrete). Would each of you please comment on this and what your view would be of the next authorization?

Response. I fully associate myself with the response of Vice Chairman Schenendorf who stated for the record in response to the above question the following:

"The funding increases in SAFETEA-LU were an important step forward, but they still fall far short of what is needed to avert a national transportation crisis. The next reauthorization bill should increase investment to the levels recommended in our report.

Moreover, we need to address project delivery. The buying power of the funding authorized under SAFETEA-LU has declined further subsequent to its passage, as the recent sharp increases in the prices of construction materials that you have cited have continued. This trend makes it critical that our recommendations for speeding project delivery be incorporated in the next reauthorization. Our report illustrated that, based on recent inflation trends, the cost sofa project started now and completed by 2011 would be half as much as the same project if its completion were delayed until 2021. Shaving time off of the project delivery process will yield savings that could then be applied to other projects, substantially reducing the overall funding needed to meet national objectives. Until we can do that, inflation will continue to severely diminish or even eliminate the impacts of increased funding levels on the performance of the surface transportation system."

*Question 3.* The commission's report raises some issues of jurisdictional concern to those of us here on the Hill. You propose to eliminate all existing programs of the FHWA, FTA, FMCSA, NHTSA and the FRA and replace them with 10 new programs that cross agencies and modal lines. As a practical matter, how do you think that this goal could be accomplished here in the Senate, and for that matter within the Department of Transportation?

Response. The Commission discussed the value in realigning activities of the U.S. Department of Transportation along functional lines. There was discussion of increased coordination to deliver transportation projects in a timely, mode-neutral manner. The Commission weighed whether this approach would put the proper focus on problem solving in terms of outcomes and system performance rather than anyone means to get there. I personally have concerns about how the safety functions of these agencies would be affected by any major realignment and spoke out during Commission proceedings about the need to ensure that agencies which have primarily safety jurisdictions remain independent and focused on that important function. Nevertheless, I do agree with Vice Chairman Schenendorfs response that it may be possible to structure the program in a way that meets the Commission's goals, while at the same time respecting current jurisdictional requirements and political realities.

## RESPONSES BY MATTHEW ROSE 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 about the Commission's recommendations to restructure the Department of Transportation programs so that are focused on national interests and performance.

How will this proposal promote State and local decisionmaking authority? How will funds be allocated on a state-by-State basis? Does this new approach eliminate the donor/donee status based on these new categories?

Response. I concur with the response to this question provided by Vice Chairman Schenedorf:

"The Commission believes that the multitude of narrowly focused highway and transit programs that have been created in recent surface transportation legislation reduces State and local flexibility to target Federal funds toward either national or State and local interests. The 10 new Federal program areas we have recommended reflect not only national surface transportation priorities but State and local interests as well. State and local transportation agencies will have much greater flexibility in how they spend Federal funds than under the current program structure. This flexibility will allow them to meet Federal performance standards in a way that is best suited to their unique local transportation needs.

We recommend changing the current method for allocating funds among States with "pass through" to localities as match the comprehensive plans. State and local agencies would develop plans for achieving performance standards in each of the main program areas. Funds would be allocated to States in proportion to the cost to implement their plans compared to the cost to implement all State plans. This is essentially the same method that funds were allocated to construct the InterState System. The equity programs that currently guarantee a minimum return to States would be eliminated, but we believe that all States would receive sufficient Federal funding to contribute to meeting their highway and transit improvement needs."

*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? Did the Commission consider giving states flexibility on the match component for State DOT projects?

Response. I concur with the response to this question provided by Vice Chairman Schenendorf:

"The Commission believes that increased expenditures from all levels of government and the private sector will be necessary to compensate for past investment failures while addressing significant increases in future demand. As indicated in our report, based on the investment gap we identified, the non-Federal share of additional investment requirements-from State, local and private sources-could range between the equivalent of 34 and 63 cents per gallon of fuel tax. While State fuel taxes are likely to remain an important part of the funding mix, we anticipate that individual States and local governments will draw upon a wide array of other financing mechanisms as well. We recommend that the Congress provide States with new flexibility for tolling and pricing, and encourage the use of public-private partnerships where States or local governments are willing to use them. The revenues generated from such sources, along with increased revenues from other financing mechanisms that States may opt to employ, would reduce the size of any fuel tax increases that may be required. Our report includes an analysis of the advantages and disadvantages of a variety of revenue sources that individual States and local governments might opt to utilize in closing the investment gap.

In terms of matching rates, our report proposes that the Federal share for particular activities could be adjusted as an incentive, rewarding States and metropolitan planning organizations (MPOs) that demonstrate creativity and innovation in meeting their performance objectives. However, we believe that the large increase in Federal investment that we have proposed should be matched by a commensurate increase in funding from other levels of government, so we would not recommend significant changes to the matching rates we have proposed."

*Question 3.* Can you elaborate on the vision for National Surface Transportation Commission and could you discuss the pros and cons of the impact this commission functions as it relates to national program priorities?

Response. I endorsed the concept of the National Surface Transportation Commission (NASTRAC) with the proviso that I was concerned about its political viability in Congress. As envisioned, it would provide an independent assessment of nationwide surface transportation investment requirements and recommend to the Con-

gress funding levels to meet those requirements. Although that is not the same as choosing and funding projects, and certainly would have no impact on the congressional oversight function, I was concerned that an argument could be made that it usurps congressional authority and prerogatives. However, an equally compelling argument can be made that insulating decisions regarding surface transportation funding from the political process, such as through an independent commission, would make it easier for Congress to allocate funding without undue concern about short term political pressures.

*Question 4.* During our consideration of SAFETEA-LU, there was a significant debate between the donor and donee states. Did the Commission review equalizing the rate of return to all of the states?

Response. No, it did not. The Commission based its recommendations on system needs and performance outcomes, not donor-donee concepts. However, it is my view that funding based on need and premised on performance will be a good proxy for a fair donor/donee relationship. The Commission believed that the re-orientation of a Federal program and funding mission, in an era of overall increased funding to meet transportation needs, will provide a constructive alternative to the donor-donee analysis.

*Question 5.* I have long advocated for an increase in the gas tax. However, in this climate, I am uncertain of the feasibility of this.

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 free increase to meeting our future transportation needs?

Response. The report contained a discussion of options. I believe that the Congress should move quickly to develop and implement a VMT fee system that is workable and fair and does not cross-subsidize users of the highway system.

*Question 6.* Senator Carper, Senator Clinton and I have been working on legislation to establish National Infrastructure Commission. This commission would examine all at our nation's infrastructure needs. This legislation passed the Senate last year. We are not waiting for the House. In your experience, do you think this type of commission would be helpful? Do you have any advice for how to put it together?

Response. I would not oppose a commission which is tasked with looking at infrastructure needs across all sectors. However, there has already been a substantial amount of analysis done, particularly in the area of transportation infrastructure. It is my view that Congress could develop legislative proposals based on the existing body of research and solicit input on them from the public and private sector entities which have done the work. Given the amount of time available before the current surface transportation authorization lapses, this would seem to be necessary.

*Question 7.* We are currently considering economic stimulus legislation. How important do you think is transportation infrastructure to providing an economic boost to the economy?

Response. There is no doubt that transportation investment provides a stimulus to the economy. The stimulus proposal with which I am most familiar—the 25 percent railroad expansion investment tax credit—will provide an estimated 20,000 jobs for each additional billion that railroads spend to expand their networks, which the Commission deemed essential to meeting future freight demand.

*Question 8.* I have always been a champion of public private partnerships. During the last highway bill, I worked with the Ohio delegation on an intermodal facility that is going to create 10,000 jobs. Unfortunately, this project has hit some snags because there were barriers at FHWA and the State during the project implementation. Many people do not recognize the important of these types of partnerships.

What do you recommend for breaking down these barriers and for the public to recognize how the public benefits and when the Federal Government partners with a private entity?

Response. The Commission report strongly supported the concept of such partnerships. albeit with a number of safeguards that the Commission felt were essential to preserving the public's confidence in these joint ventures. In the railroad industry, we have a long track record of public private partnerships to fund projects which have benefits not only for freight mobility in an area, but contribute other public goods such as cleaner air, reduced truck and auto congestion. The private good is increased capacity and through-put. The paradigm requires a fair determination of each's benefits and correlating financial participation. There have been barriers to successful rail project PPPs, such as eligibility limitations for public funds, which ought to be reviewed and eliminated in the upcoming surface transportation reauthorization legislation.

Senator BOXER. Thank you very much.

And then we hear from an appointee by Leader Reid, Tom Skancke, CEO of the Skancke Company and Commissioner. Welcome.

**STATEMENT OF TOM SKANCKE, CEO, THE SKANCKE COMPANY**

Mr. SKANCKE. Good morning, Chairman Boxer, Ranking Member Inhofe and members of the Committee. My name is Tom Skancke.

It has been an honor and a privilege to serve on this Commission for the past 22 months with such a distinguished and incredible group of people. I cannot imagine 12 other individuals who could have served our great Nation in such a better capacity.

I would also like to thank you for the additional time that you gave this Commission to complete our work. We needed the time and this report is very compressive and very thoughtful.

As my colleagues know, I have spent most of my professional life working in the private sector to bring to completion important, needed transportation projects across this Nation. I do so within the framework of the rules and regulations and laws passed by Congress. And I must say that we have a transportation crisis in this Nation that we have never seen before, and one which will likely not change unless we as a Nation do something quickly and swiftly.

I would like to thank each and every one of you for bringing up a topic this morning that is very near and dear to my heart. And I want to focus my comments today on the project delivery process that causes a lot of waste in both time and money in our program. As we started our transportation program, we found that as we continued to try and improve our system, we seemed to be adding more government to the process, not less. We seemed to add more years onto our project delivery process, which is already costing the American taxpayer billions and billions of dollars in time and productivity through inflation.

We have been throughout this Country in public hearings and in our research. We found that when we add one Federal dollar to a transportation project in our Nation, it can add an additional eight to 10 years to the project delivery process, making that project go from 5 years to 14 years from the time of conception to completion.

I will never forget about 7 years ago I had a meeting in Southern California with the CalTrans district director regarding a $1.5 billion interchange and highway expansion project. She told me that if she could not get $100 million in one of the authorizations that she didn't want the hassle and the trouble with the Federal dollar, because it would slow her project down by at least 10 years.

My friends, that is just unconscionable. The Utah Department of Transportation does not put one Federal dollar in their major capital program, because it adds too much time to the delivery process. Instead, Utah uses their Federal dollars for routine striping, painting, rehabilitation and preventive maintenance programs. These are all meritorious programs, but they do not meet the goals that the Federal program intended to address and the Nation's needs as a whole.

Now, some will say that this is all about the NEPA process. And I will tell you that the elaborate processes surrounding NEPA are

a part of the problem, but they are not the entire problem. We are all environmentalists to some degree. We all want to save our own piece of the environment, and we should.

However, in my humble opinion, we are being environmentally irresponsible when we take 14 years to deliver a transportation project in this Nation. We are being irresponsible when we are not insisting that all Federal agencies take advantage of the latest changes in the laws and therefore resist the coordination that you all provided in SAFETEA-LU when they conduct the NEPA reviews.

We are being derelict to the environment when we take 10 years to perform an environmental assessment that ultimately results in a finding of no significant impact. These laws need to be updated and brought into the 21st century. These laws are old, some are dated. And they need to be reviewed and updated so that the outcomes better protect our environment, not used to stop a transportation project or harm the environment.

I realize that this is a political hot button here in Washington, DC. and across the Nation. I will likely have to start my car from a remote location after I leave this hearing today. But with all due respect to my colleagues and members of this Committee who have served this Nation so well for many years in the transportation arena, and have dedicated their lives to this issue, don't you think it is time to cut the project delivery time to 5 years and be more environmentally responsible by getting the review process done in 2 years instead of 5 years or 10 years?

When you add one Federal dollar to a project, you can add 10 years to delivery time. The New Starts Program in transit is even worse. Let me explain to you briefly the cost to the American taxpayer. A $1 billion project today in 2008 dollars delivered in 2022 costs the American taxpayer an additional $3 billion to $4 billion. That cost is in review time, inflation, product cost increases, the public bidding process and the like.

Ladies and gentlemen, we are spending money we just don't have, and we are spending future money that can be better spent elsewhere.

If I may, Madam Chair, if that $1 billion project took 5 years instead of 14 years, we could not only have more projects earlier to meet the community's needs, but we could have more money to authorize more projects. We could maybe upgrade 200 more $50 million interchanges. We could fix 150 bridges. We could add additional freight and passenger rail lines, improve our transit systems, and we could add capacity equal to hundreds of additional miles with new technology, lanes, up-to-date design to provide congestion relief and still have money left over for more bike lanes, pedestrian walkways and have a cleaner, safer, healthier environment.

At this time when the President and you all as Members of Congress are considering enacting an economic stimulus package, let me point out that the payoff for transportation investment is dramatic. Federal Highway Administration research has estimated $1 billion in investment can generate an overall 40,000 new jobs in either direct or indirect induced jobs. Numerous academic studies have demonstrated that the investment in public capital, such as transportation facilities, have a positive effect on private output

and productivity. Streamlining the project delivery process means that our economy would realize these benefits sooner, not a decade down the road.

Senator BOXER. Tom, if you could just wrap up.

Mr. SKANCKE. I most certainly will.

In closing, Madam Chair, I would like to point out a couple of things for you. This Commission ran out of money in August 2007. I think it is important to point out that all of us paid our own way to and from Washington, DC. to complete this work. That is how seriously we took this project.

Commissioner Frank Busalacchi from Wisconsin paid for the inter-city passenger rail report out of his budget; Steve Hemminger paid for the executive summary of this report. We took this job very seriously for the past 22 months. This was a 30 hour a week, non-aid full-time job for many of us.

I want to thank each and every one of you today for your years of dedication to our Nation and the people who live here. It is an honor for me to be here today and be a part of this Commission. I look forward to any questions you may have. Thank you.

RESPONSE BY TOM SKANCKE TO AN ADDITIONAL QUESTION FROM SENATOR LIEBERMAN

*Question.* One of the Commission's recommendations is to improve project delivery by decreasing the time from inception to completion. Right now, it takes an average of 13 years to finish a Federal transportation project. In principle, I agree with you that 13 years is too long, and poses many problems from a planning perspective because costs exceed allocated budgets over time. However, I would like you to elaborate on the Commission's suggestion that regulations should be revised to allow for a simple Environmental Impact Statement (EIS) rather than the current requirement for a draft and final EIS. My experience is that communities often learn a lot about a proposed project when the draft EIS is made public, and their concerns are frequently addressed in the final EIS. How will the streamlining of the EIS process impact the ability of communities and environmental groups to comment on major transportation projects as they progress through the planning phase?

Response. I am greatly concerned about the time it takes to get a project approved, and I know my fellow Commissioners share this frustration. The Commission's suggestion for a revised EIS process would allow for the same participation and opportunity to comment, but it would reduce the redundancy that exists in the current EIS documentation process. Under the simple EIS process, public participation during the preparation of the draft EIS would be the same as it is with the current process. The issuance of the draft EIS would be followed by a required public hearing and additional opportunities to comment before a project decision is made. Response to public concern and input would be addressed in the Record of Decision rather than in both the final EIS and Record of Decision. The need for a final EIS fully documenting the same issues addressed in the draft EIS that needs no further analysis would be eliminated. The Record of Decision would become the document for addressing public concerns on the draft EIS. In my opinion, we are being environmentally irresponsible when we take 13–15 years to deliver an infrastructure project in our county. We can do better than that. We're the United States after all.

RESPONSES BY TOM SKANCKE TO ADDITIONAL QUESTIONS FROM SENATOR CARPER

*Question 1.* Most Americans understand the value of a gas tax and the impact on consumers in relatively minimal. However, the public must be assured that their money won't be wasted—not simply more highway miles and more road congestion. If the additional revenue from a higher gas tax can go toward a better product, then it's a good idea. Is the gas tax increase recommended in this report solely a matter of resources or is there some prioritization or improvements to the projects we build that are needed as well?

Senator, all the Commissioners felt that just raising the Federal fuel tax and putting more money into the same programs is not the answer to our problems. Our

hearings throughout the country made it clear that the public will not support a gas tax increase unless the entire program is changed from top to bottom. We made several recommendations to accomplish this. One that is especially important to me is to drastically reduce the long project delivery time period which contributes enormously to the cost of all projects. In addition, I, and my fellow Commissioners feel that Federal dollars need to be better targeted to those projects that clearly affect the national transportation system and are cost beneficial. This reform needs to take place whether or not you concur with our recommendation for an independent Commission to oversee a national surface transportation plan.

*Question 2.* On March 3, 2007, I 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. While your report was a good start in highlighting the need to sustain the U.S. surface transportation system, a more detailed plan as called for in my bill is necessary. How does the Commission anticipate that the specific steps needed to achieve the wide-ranging reform recommended by the report will be developed and prioritized? What in your report do you expect that transportation agencies can begin to implement immediately? What requires congressional approval?

Response. Senator, we recognize that our report did not go into specifics in some areas because we felt that this was best left to the congressional process. However, one thing that we feel must be done immediately is to ensure that the Highway Trust Fund has enough money to pay its obligations. This needs to be done in advance of any reform. In addition, we do not suggest that new rules and procedures apply to projects already in the pipeline.

However, we believe the Congress needs to establish a transition process in the next reauthorization bill, which among other things, requires a shift to performance-based planning by States and others, and which will return the Federal program to it "national" purpose. Other changes such as the reorganization of DOT may take somewhat longer as it requires major administrative change. As to your question on the need for congressional legislation, the answer is an unqualified "yes". In particular, the structure of the U.S. Department of Transportation, and funding formulas are in large part set by statute, and therefore the recommendations by the Commission to reorganize the agency from a modal stovepipe to one centered on programs, and which establishes new funding formulas, and an independent Commission, will take both legislation and time. The process, however, must begin with the upcoming reauthorization. Congress could direct a newly created NASTRAC to do the drafting with the assistance of DOT, or it could direct DOT itself to provide draft legislation Congress. Congress of course would have the final say in the reform of our surface transportation program.

*Question 3.* New transportation development has numerous environmental effects, including the 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 the Commission's recommendations ensure 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. As a resident of Las Vegas, one of the fastest-growing metropolitan areas in the United States, I know firsthand that we need to closely coordinate transportation with land use planning. My fellow Commissioners agreed with me, and the final report notes the following: "The Nation's population is expected to swell to 420 million residents by 2050. Given the immensity of this increase, it is essential that the surface transportation system be transitioned away from fossil fuels, and that planners incorporate transportation into thoughtfully planned, efficient, and environmentally sustainable communities."

The Commission recommended handling environmental mitigation issues early by considering them in an integrated fashion, looking at overall resources rather than in a sequential, project-by-project basis.

In my discussions with the U.S. Department of Transportation, I learned that there are already some initiatives underway related to these recommendations. Many State transportation agencies and local governments are joining with resource

and regulatory partners to identify and map their watersheds and other green infrastructure resources, so that environmental data will be available to better guide land use and transportation decisions.

In 2006, the Federal Highway Administration and seven other Federal agencies published Eco-Logical: An Ecosystem Approach to Developing Infrastructure Projects. This approach addresses an alternative to the resource-by-resource, project-by-project approach to environmental protection. It looks instead at the ecosystem and the current and proposed land use for that area. FHWA is currently awarding grants to 14 State and local agencies based on the Eco-Logical approach.

The FHWA is also working closely with the Transportation Research Board to develop an outcome-based ecosytem-scale approach and corresponding crediting system.

The U.S. Environmental Protection Agency and the FHWA are leaders in the Green Highways Partnership. This is a collaborative effort with mid-Atlantic State and local governments, non-governmental officials, and the construction industry. It is an attempt to engage collaboratively on highway improvements.

With respect to stormwater management, mitigation from Federal aid highway projects is currently an eligible construction expense, and has been for some time. New construction and reconstruction projects must meet current environmental standards. Additionally, stormwater retrofits and stand-alone projects for stormwater abatement are eligible for both National Highway System and Surface Transportation Program funding, with some limitations.

Stormwater pollution may be a problem on older facilities that were built prior to current requirements and do not adequately address the runoff from the roadway. However, for facilities that are new or are being rebuilt, those issues are being addressed as part of the construction or reconstruction project, and hopefully they should not create any burden on local facilities, or on the taxpayer, for stormwater treatment. For older facilities that are not planned for improvements in the foreseeable future, the SAFETEA-LU provisions for stand alone projects for stormwater abatement and treatment may be an option.

*Question 4.* The report discusses ineffective investment decisions, a problem that is partially attributed to the lack of performance standards. I stand behind any programmatic changes that lead to making better use of public money for transportation. Linking funding to performance is a step 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?

Senator, as I said in my earlier answer, the Commission heard loud and clear that the public will not fork over more money unless it can be assured that it is spent in a way which makes a difference, particularly in terms of congestion, safety, and efficiency. We debated the best way to achieve this, and we determined that the future surface transportation system must be based on fundamentally different project selection procedures. This new process would require the development of plans by each State and major metropolitan area. These plans would be at the system level, i.e., a combination of investment and operations and technology in the context of community situations and decisions These comprehensive plans would be conceived and assessed in terms of how they can be expected to attain performance standards that we set as a Nation. Individual projects would have to be shown to make a contribution to those plans that are cost-beneficial. These investment plans would essentially determine eligibility for Federal funding.

We think that subjecting each project to a rigorous and transparent analysis at the beginning will lead to better project decisionmaking. However, this alone is not enough. We also strongly feel that recipients must be held strictly accountability for meeting the established performance standards. The success, or failure, of grant recipients in meeting these standards would be evaluated, and would be taken into account in determining Federal matching ratios in the future. With this overall structure in place, we believe that provide grant recipients will have powerful incentives to select and implement projects efficiently and to minimize waste.

### RESPONSES BY TOM SKANCKE TO ADDITIONAL QUESTIONS FROM SENATOR INHOFE

*Question 1.* The report points out the waste of taxpayer funds attributable to excessive delays in project delivery due to lengthy and often redundant environmental reviews. Many of the problems identified are the same problems we heard about prior to drafting SAFETEA-LU and even TEA–21 before that. Some of the recommended solutions seem similar to ideas we tried to incorporate in Title VI of

SAFETEA-LU. Could you please comment on what, if any, impact these SAFETEA-LU provisions have had? Were we on the right track and now just need to wait a little longer to realize the benefits? Or did we miss the mark?

Response. Overall, there appear to be encouraging developments around the country, but it is still too early to determine whether or not improvements will align with congressional expectations. This is because SAFETEA-LU mandated changes in the planning and environmental review processes are not pervasive or integrated in common practice sufficiently to be reflected in performance metrics. The Federal Highway Administration has been working with the General Accounting Office to answer similar questions associated with an ongoing audit of SAFETEA-LU 6001 and 6002 requirements.

As shown in the report, I believe that we can go much further and must be more aggressive in our efforts to be more cost-effective with our planning and project development processes. Although the States complete environmental reviews in many different ways, most believe they did not need to make major changes to their existing processes to comply with the requirements added by SAFETEA-LU. My sense is that those changes were perceived as institutionalizing a more disciplined project management, essentially "tightening up" the environmental review process. If undertaken, the work at the project level might be accomplished with more speed but only after complying with the new requirements. We need to go beyond simply efficiency within the existing institutional arrangements.

Even the limited experience has been mixed. Some State transportation departments and resource agencies have noted challenges in their efforts to implement the post-SAFETEA-LU changes. For example, the so-called "resource agencies" have themselves rather limited resources to take on what might be considered extra responsibilities. Despite extensive outreach, resource agencies and local public authorities still have incomplete knowledge about post-SAFETEA-LU requirements. There are concerns about paperwork slowing down efforts to complete environmental reviews. However, some States do not believe that the additional documentation requirements are not overly burdensome. They noted that the new documents, especially the coordination plan, help to achieve better management and oversight of projects.

Some State transportation agencies and FHWA Division Offices note that the new statute of limitations could lead to cost savings. It limits lawsuits and to a period when it would not cost as much to change project plans. If no lawsuit is filed, work can proceed on a project without the risk of a lawsuit and cost escalation.

Overall, I understand from the Federal Highway Administration that it may take between three and 5 years to discern the effects that SAFETEA-LU made to the environmental review process. That does not mean, however, that we cannot continue to develop common sense approaches that might be implemented in the next reauthorization bill.

*Question 2.* On March 3, 2007, I 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. While your report was a good start in highlighting the need to sustain the U.S. surface transportation system, a more detailed plan as called for in my bill is necessary. How does the Commission anticipate that the specific steps needed to achieve the wide-ranging reform recommended by the report will be developed and prioritized? What in your report do you expect that transportation agencies can begin to implement immediately? What requires congressional approval?

Response. Senator, as I indicated in an earlier response, the Commission suggested several short-term proposals to increase revenue for the Highway Trust Fund—which is the most immediate need. Certainly many of the proposals we suggest will take some years, and congressional legislation to implement, but we believe the reauthorization of SAFETEA-LU should begin this process. In the short term, I would strongly suggest that Congress take steps to permit transportation agencies the ability to speed up the project delivery process which currently adds many years and countless dollars to the completion of needed projects.

### RESPONSES BY TOM SKANCKE TO ADDITIONAL QUESTIONS FROM SENATOR BOND

*Question 1.* While I don't necessarily agree with all of the conclusions found in your national commission report, I am curious why it is that you chose to expand the Federal role rather than reduce it? Would each of you please comment on what

you believe the Federal role in transportation should be? What would you propose the Federal role should be if a gas tax increase were not agreed to by Congress?

Response. Senator, the Commission believes that the national focus of our surface transportation system has been diluted over the last two reauthorization cycles. The need for a national system of transportation is absolutely critical to our economic vitality as a country. Individual states have an important perspective and set of responsibilities for construction and maintenance of that system. However, the sum of those perspectives are not necessarily equal to a national one. A decision by one State can influence the success of commerce and economic growth throughout the whole Nation by either promoting or impeding the interState commerce. Every American is entitled to the benefits of a surface transportation that is efficient and safe, whether they live in Whitefish, Montana, or St. Louis, Missouri. The Commission believes that Congress must reaffirm the historic, and constitutional, role of the Federal Government in transportation and commerce.

We described the need for a strong Federal role in each of the 10 programs described in Volume 1 of the Commission Report. Given the need for a strong Federal role in these 10 programs, and the enormous investment needs of the transportation system, the majority of the Commissioners advocated a substantial increase in the level of Federal funding of these programs. If Congress does not increase the Federal funding for transportation, through gas taxes or other means, the need for a robust NATIONAL transportation will not go away, but the ability of the Country to achieve that goal will be compromised.

Certainly, some of the program reforms recommended in the report such as simplifying and consolidating Federal transportation programs so they function more efficiently; focusing those programs on clearly defined national interests, using performance goals and better investment tools would allow our current existing Federal dollars to go further. The majority of the Commission, however, determined that this alone would not cover all the needs built up over many years.

*Question 2.* I worked hard along with my colleagues, Senator Inhofe, Senator Reid, Senator Baucus and Senator Jeffords to make sure that spending levels on SAFETEA were as robust as we could make them during the life of SAFETEA. Although SAFETEA was a 44 percent cumulative increase in spending for highways, transit and safety above TEA–21 (SAFETEA was $286.5 billion and TEA–21 was $198 billion), I was told the day we passed it that the buying power remained the same from bill to bill due to the increased costs of labor, materials (steel and concrete). Would each of you please comment on this and what your view would be of the next reauthorization?

Response. The Commission heard a great deal of testimony relating to the decreased buying power of the funding authorized under SAFETEA-LU due to the dramatic increases in the prices of construction materials that you have cited. This trend makes it critical that our recommendations for speeding project delivery be incorporated in the next reauthorization. Our report illustrated that, based on recent inflation trends, the cost of a project started now and completed by 2011 would be half as much as the same project if its completion were delayed until 2021. Shaving time off of the project delivery process will yield huge SAVINGS that could then be applied to other projects, substantially reducing the overall funding needed to meet national objectives. Until we can do that, inflation and the increase in the cost construction materials (for whatever reason) will continue to severely diminish or even eliminate the impacts of increased funding levels on the performance of the surface transportation system. I believe that before we can ask the tax paying public to pay more for a transportation system that is broken, we need to prove to them that our Government can save and the project delivery process is one way we can prove to save billions.

*Question 3.* The Commission's report raises some issues of jurisdictional concern to those of us here on the Hill. You propose to eliminate all existing programs of the FHWA, FTA, FMCSA, NHTSA, and the FRA and replace them with 10 new programs that cross agencies and modal lines. As a practical matter, how do you think that this goal could be accomplished here in the Senate, and for that matter within the Department of Transportation?

Response. Senator, the Commission recognizes that organizing DOT by function rather than mode would be a fundamentally different approach to doing business for the agency. However, we believe it makes sense because it would increase coordination and help deliver the right blend of transportation projects in a timely manner. I do not feel it would be appropriate for me to suggest how Congress would choose to organize itself in relation to such a change, but am fully confident that it is up to the task.

RESPONSES BY TOM SKANCKE 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 about the Commission's recommendation to restructure the Department of Transportation's program so that they are focused on national interests and performance.

How will this proposal promote State and local decisionmaking authority? How will funds be allocated on a state-by-State basis? Does this new approach eliminate the donor/donee status based on these new categories?

Response. Senator, as I said in answer to several other questions, the Commission strongly believes over the last number of years the surface transportation program has lost the national focus that created the extraordinary system which has so greatly contributed to our growth as an economic super power. States play a critical and indispensable role in building and maintaining that National system. However, the Commission is enormously concerned that the multitude of narrowly focused highway and transit programs that have been created in recent surface transportation legislation actually reduces State and local flexibility to target Federal funds toward either national or State and local interests.

The 10 new Federal program areas we have recommended address national surface transportation priorities, as well as State and local interests. Under the planning structure we propose, State and local transportation agencies will have much greater flexibility in how they spend Federal funds than under the current program structure. This flexibility will allow them to meet Federal performance standards in a way that is best suited to their unique local transportation needs, while at the same time ensuring that the needs of the Nation as a whole will be served.

As to the allocation of funds, we recommend changing the current method. As I indicated earlier, State and local agencies would develop plans for achieving performance standards in each of the main program areas. Funds would be allocated in proportion to the cost to implement these plans. Individual citizens benefit from the investments far beyond the piece that they are traveling on at any particular time because the performance of the overall route or corridor is influenced by the traffic flow on the entire route as well as parallel ones. That is why the funding for constructing the InterState System was apportioned out to the entire system on a cost to complete basis as segments were completed. We are all in this together rather than looking year by individual year as to how much funding one State receives compared to how much fuel is purchased (as a proxy for how much Federal fuel tax is accrued) in that State. We believe that the focus should be on all States receiving sufficient Federal funding to contribute to meeting their highway and transit needs.

*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 the State gas tax or other forms of revenue to match Federal funds as it grows? Did the Commission consider giving states flexibility on the match component for State DOT projects?

Response. As one of my fellow Commissioners, in describing the recommendations in the Report, stated—"There is no free lunch." The Commission believes that all levels of government need to increase their funding for transportation. Only this, along with increased private sector investment, will compensate for years of under investment and at the same time address increases in future demand.

Based on the investment gap we identified, the non-Federal share of additional investment requirements—from State, local and private sources—could range between the equivalent of 34 and 63 cents per gallon of fuel tax. Certainly State fuel taxes will remain an important part of the funding mix, however, we believe that States and local governments will begin to use other financing mechanisms as well. In this regard, we recommend that the Congress provide States with new flexibility for tolling and pricing, and encourage the use of public-private partnerships where States or local governments want to use them. The advantages and disadvantages of various revenue sources are described in our Report.

As I indicated in some earlier responses, our report proposes that plans meet performance standards, projects be cost beneficial, and that recipients be held accountable for results. In terms of matching requirements, the Federal share for particular activities could be adjusted as an incentive, rewarding recipients that demonstrate creativity and innovation in meeting their performance objectives. However, given the large increase in Federal investment that we have proposed, we believe that this major commitment to surface transportation should be matched by a commensurate increase in funding from other levels of government.

The Commission heard over and over, that users of the system recognize the need for significant additional investment in the nation's transportation infrastructure, provided it is spent wisely to address congestion, improve safety, and have a direct impact on their quality of life. The Commission strongly believes that the combination of increased funding and program reforms, are absolutely critical to both the short and long term economic health of our Nation. As a nation we must restore faith in our transportation system that we can deliver the preeminent transportation system in the world. We do that by bringing integrity back to the program and restore the trust the American people have not had for many years.

*Question 3.* Can you elaborate on the vision for the National Surface Transportation Commission and could you discuss the pros and cons of the impact of this commission functions as it relates to national program priorities?

The role of the National Surface Transportation Commission (NASTRAC) is to provide an independent assessment of nationwide surface transportation investment requirements and to recommend to the Congress funding levels to meet those requirements. As described in the Report, NASTRAC would work closely with the U.S. Department of Transportation. The focus of the experts and program managers at U.S. Department of Transportation would be to ensure that plans address key national performance standards, and that proposed projects included in the plans are cost-beneficial, consolidating the plans developed by State and local transportation agencies in cooperation with key stakeholders into a national strategic plan. Its unique role would be to look at the linkages between the nationwide plans developed for each of the 10 program areas described in the Report, and serve to assure their integration.

The very important advantage of NASTRAC is that it would remove decisions regarding surface transportation funding from the political process. We recognize this is a very controversial proposal. After much thought and discussion, however, we concluded that this was the best way to return a national focus to surface transportation system, adequately fund it, and reduce the number of earmarks that have so eroded the confidence of the public in regard to transportation decisionmaking.

Under our proposal, Congress could certainly veto NASTRAC's recommendations, but we felt that an independent commission would make it easier for Congress to accept funding levels in the long term interest of the country without undue concern about short term political pressures. The Base Realignment and Closure Commission appears to working well, and we have every expectation that NASTRAC could be equally effective.

We recognize that it will be difficult to achieve a consensus to create such a Commission, and that some decisions now made by Congress would be made by the Commission. However, congressional oversight responsibilities would continue as well as the need for Congress to enacting periodic reauthorization legislation..

*Question 4.* During our consideration of SAFETEA-LU there was a significant debate between the donor and donee states. Did the Commission review equalizing the rate of return to all of the States?

Response. The Commission did not specifically consider this issue. However, several Commissioners questioned the advisability of the Federal Government collect taxes and simply returning money to the States without any oversight of whether those taxes were spent in a manner which reflected the Federal interest in the national surface transportation system. Commissioners recognized congressional interest in equity with respect to the amount of Federal funds returned to each State, but there was a consensus that funds should be allocated to the States in relation to the needs of States for investment in key program areas without specific consideration of equity. Again, the Commission believes that is imperative that Federal surface transportation policy return to a national vision. Finally, we believe that with increased investment at all levels, the need to focus on rate of return would be diminished.

*Question 5.* I have long advocated for an increase in the gas tax. However, in this climate, I am uncertain of the feasibility of this.

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.

As Highway Trust Fund revenues decrease in the future due to increased fuel efficiency and use of alternative fuels, what does the Commission recommend to maintain a reliable source of highway funding?

Response. Senator Voinovich, I couldn't agree with you more. However, as I have said in my answers to previous questions, how can we expect the American tax payer to keep paying when we have a system and a program that is broken? It takes a minimum of 13–15 years to deliver a transportation project in this country and that is both fiscally and environmentally irresponsible. The waste in the program is outrageous. We can build a 5000 room hotel in Las Vegas in thirty-six (36) months, maybe less, and it takes 13 (13) years to build thirty (30) miles of highway. If we apply performance standards, create a cost/benefit analysis and cut the project delivery time by 9–10 years we save billions ultimately restoring trust back into the trust fund and then we can ask the American tax payer to pay more.

The potential revenue-generating potential for different Federal, State, and local funding mechanisms is explored in our report. I would refer you to Exhibit 5–17 in Volume II of our report. This Exhibit includes estimated revenue generation from fuel taxes, motor-fuel sales taxes, heavy vehicle use taxes, tax credit bonds, customs duties, investment tax credits, container fees, motor vehicle registration fees, motor vehicle sales taxes, general sales taxes, tolling/pricing, local option taxes and impact fees. The advantages and disadvantages of these options are evaluated in Exhibits 5–20 and 5–21.

While other financing mechanisms are available, and can and should be utilized to defray a portion of fuel tax increases where possible, the fuel tax remains the most convenient, immediate source of revenue to address the infrastructure needs that we have identified in the short term. In any event, if we do not increase revenues above current levels, we will face an ever increasing gap in meeting transportation requirements of this country.

In the longer term, which we have defined as 2025, we feel it will be necessary to transition to a new revenue source. At the moment, the most promising of these is Vehicle Miles Traveled (VMT) fee. This fee would be directly linked to each vehicle's actual travel. This fee could also be adjusted by time of day or other travel conditions. The Commission strongly supports additional research, pilot projects etc., to overcome the legitimate technological, institutional, and privacy concerns associated with this type of fee. Depending upon the speed with which the country can address the technological and administrative issues associated with implementation of such a fee and the speed with which the public adopts alternative fueled vehicles, the time at which this new approach to a more direct user fee will be sooner than 2025.

*Question 6.* Senator Carper, Senator Clinton and I have been working on legislation to establish a National Infrastructure Commission. This commission would look at all of our Nation's infrastructure's needs. This legislation passed the Senate last year. We are now waiting for the House. In your experience, do you think this type of commission would be helpful? Do you have any advice for how to pull it together?

Response. Senator, our Commission spent almost 2 years examining the Nation's surface transportation needs. Certainly additional information relating to the Nation's transportation infrastructure would be extremely valuable. However, in the case of our surface transportation infrastructure, our Commission believes that we cannot delay a decision. We believe that we have made the case and pointed the way forward. Many of the issues are, frankly, philosophically based in our view of the future. The upcoming NEW authorization bill will provide Congress the opportunity to address the recommendations in our Report.

*Question 7.* We are currently considering economic stimulus legislation. How important do you think is transportation infrastructure to providing an economic boost to the economy?

Response. The Commission did not hear testimony regarding using transportation investment as a component of a short term economic stimulus bill. The Commission did hear a great deal of testimony about the importance of transportation investment to long term economic growth and international competitiveness. As we know that there are many meritorious projects ready to go and address the backlog in investment, I believe that they should be advanced for their transportation benefits as well as they employment benefits. However, I do not have the expertise to address whether in the short term; transportation investment would be an effective component of a larger measure to stimulate the economy. My personal opinion is that no American truly wants a hand-out they want a job. They want to preserve their personal integrity, their home and self worth. A $1 billion investment in transportation infrastructure creates at least 47,000 direct and indirect jobs according to

the Federal Highway Administration. Let's put Americans back to work and improve our infrastructure at the same time.

*Question 8.* I have always been a champion of public private partnerships. During the last highway bill, I worked with the Ohio delegation on an intermodal facility that is going to create 10,000 jobs. Unfortunately, this project has hit some snags because there were barriers at FHWA and the State during the project implementation. Many people do not recognize the importance of these types of partnerships. What do you recommend for breaking down these barriers and for the public to recognize how the public benefits when the Federal Government partners with a private entity?

The Commission spent a great deal of time, in fact too much time, discussing public-private partnerships. We also had the benefit of much testimony on PPPs in our hearings. In our report we recommend a number of safeguards to assure that the public interest would be protected when States undertake public-private partnerships. We believe that when appropriate safeguards will help build confidence that both the public and the private sectors will benefit from public-private partnerships.

It is true that some Commissioners were concerned that the safeguards recommended to protect the public interest might have a "chilling" effect on the desire of the private sector to engage in them.. We probably would benefit from additional study on how to protect the public interest without creating barriers to private sector investment.

Frankly, at the present time the U.S. is not very familiar with PPPs. The domestic industry is in an immature State but has much to learn from experiences abroad as well as other utility industries. As time goes on, and various types of arrangements are put into place, some of the barriers you describe will probably not seem so significant. I firmly believe that in the future, it will be easier for governmental agencies and the private sector to work together to their mutual benefit on surface transportation projects.

Senator, we need every dollar from the public and private sectors to accomplish the goals and objectives outlined in our report. I personally believe that we can do this. This is the United States of America! We are letting our Nation down by not making the investment we should be to sustain the current system we have built over the last 50 years, moreover, making the needed investment for the future generations to continue to have the preeminent surface transportation system in the world. We have an obligation to our country to do so.

Senator BOXER. Thank you very much.

We are going to start the question time. I just want to say, I was unaware that you had run out of the funds. You had so much dedication to continue your work, by paying all those expenses. I just want to say, I know I speak for every one of us here on both sides of the aisle, how much we appreciate this.

This is really important work that you are doing, and it is exciting to see bipartisan interests. So much of our work, unfortunately, is partisan in nature. But we have so much common ground, all of us, on this matter. It is wonderful that you are out there helping guide us.

So since we are going to write a new bill in 2009, what I hope to work on with my wonderful friend, Jim Inhofe, this year is setting the stage for that bill. And to the best of our ability, to reach a consensus on some basic viewpoints that will be reflected in the bill. For example, I am putting now a few that I think may well be unanimously endorsed, such as user financing. It is an important point, because there are a lot of ways to go after that. I think that Senator Alexander is right, we certainly need to know exactly what we need to raise. But I think we have to simultaneously look at the most fair way to do it.

Budgetary protection for the Highway Trust Fund. That is essential. I have always been for that. I think hopefully most of us, if not all of us, want to make sure that those funds are for the stated purpose. I think improvements in the delivery, I mean, which I think, Tom, you were most eloquent on, are important.

So with that in mind, let me start with you, Commissioner Skancke, and ask you, because I thought you made a very important point, we try to protect the environment, and sometimes we do it well and sometimes we don't. You are making a good point, if these projects are delayed, and one of the major functions is to reduce congestion, then by taking 13 years instead of 6, which is what the Commission wants to do, you are adding to greenhouse gases, you are adding to air pollutants that harm our kids.

So I think you make a good point. Since I would agree with you that is a notable and laudable goal and would like to see us do it, what would be some of the ways you would go about doing that?

Mr. SKANCKE. Thank you, Madam Chairman. In the report, we specifically outlined, and I will just address a couple of those items for you.

Senator BOXER. Please.

Mr. SKANCKE. One is a preliminary environmental document and a final environmental document, EIS. Our recommendation is that you don't need to do both. You can initiate as much public input by just doing either a preliminary or a final. But you can have as much public input as you can have through the process. In our discussions with departments of transportation directors across the Country, they pretty much know in the first 90 days meeting with a group which alignment is going to be the best.

Now, we don't want to predetermine an alignment. But when you go out and do public hearings, you know in the first 90 days about what is going to be the best location for a highway, both environmentally and for use. So one of the streamlining is to get departments to coordinate, reduce the number of documents that you have to submit, and really force other agencies to cooperate with the Department of Transportation.

Senator BOXER. So if I could just cut through, you are saying that if we had a certain amount of time on the front end to take in all the public input, guidance and so on, look at all the available options but not call that an official preliminary EIS, would that change? Would we have to change NEPA to do that?

Mr. SKANCKE. No, I don't believe so.

Senator BOXER. OK. Well, that is one good suggestion.

Based on your conversations with transportation experts around the Country, what do you believe the consequences would be if the Federal Government continued current levels of funding for infrastructure into the future? Now, we know the current levels of funding backed by gas tax are even going down. But if you could put it into some stark terms, and I would ask Jack and Frank to respond to that.

Mr. SCHENENDORF. It would be an absolute disaster to continue current levels of funding, even if we are able to maintain the SAFETEA-LU levels. That level represents an enormous under-investment. What is going to happen if we continue at those levels is the system is going to continue to deteriorate, you are going to wind up with catastrophic failures of our existing system, and you won't be putting in place the additional new facilities that we need to be able to compete in the 21st century.

So it will hurt our economy, it will hurt the American people. They will have less jobs and it will change our quality of life in a very unfavorable way.

Senator BOXER. I appreciate that, Jack. Frank, would you like to add to that?

Mr. BUSALACCHI. Sure, Senator. Thank you. Let me just give you a couple of factual examples here of what Jack is talking about, and I think a little bit about what Tom is talking about from my perspective as a secretary of transportation.

In Milwaukee, Wisconsin, we are in the process of rebuilding an interchange, which is a key interchange in the heart of downtown Milwaukee. We built that interchange in the 1960's for $80 million. We are replacing it for $810 million. We are going to embark on another project in 2009, rebuilding interState 94 from the Illinois State line up to Milwaukee, 35 miles of road. We built that for about $120 million. It is going to cost us $1.9 billion to redo it.

Senator, this is going on throughout the United States, not just Wisconsin. We are kind of like a parallel between what is going on in every State in the Union. The interState system is shot. It needs to be replaced. Not just the interState system, all the roads.

Senator BOXER. So your point is, if we were to stay at current levels of funding, finish the sentence.

Mr. BUSALACCHI. We wouldn't even come close, Senator, to accomplishing what we need to do. This is very serious. And this is what this Commission has dealt with for the last 20 months.

Senator BOXER. Well, you caught my attention.

Mr. BUSALACCHI. Thank you.

Senator BOXER. Senator Inhofe.

Senator INHOFE. Thank you, Madam Chairman.

I was going to get into that. I think you have covered it pretty well, except for the record, you might share with us, it is kind of a delicate balance that you are dealing with. On one hand you have the damage to our economy, on the other hand, you have the taxes and tolls, as what would be right.

But the question I would like to ask, I had a couple of things in my opening statement. One was, I thought that we were going the wrong direction when we were going toward the Federal Government and away from the State and local governments. Do you see your report as doing that?

Mr. SCHENENDORF. I do not. I think that the area where you might say the Federal Government is being asked to do more, it is not that it is being asked to do a different function. It is being asked to be a full partner the way it is today, which would mean more money, raising more money for the Federal portion of this. But the overall percentage of Federal capital investment we envision being very similar to where it is today.

In many respects, this is turning the program back to State and local governments. Because in these performance-based plans, while the Federal Government will be involved in helping set the standards, if you look at the, let's take the metropolitan areas, where you are going to reduce congestion by 20 percent by 2025 in the face of the growth that is coming. Those plans would be developed at the local and State level as to how to best do that for that particular area.

Senator INHOFE. OK. Let me ask this question. When was the report finished? I know when it was submitted, but when was it finished?

Mr. SCHENENDORF. It was finished, December 20th is when we had the final vote on the report.

Senator INHOFE. The question I would ask, I talked about this in the opening statement, that when we talk about increasing, and you gave some suggested levels, up to certain amounts of fuel tax, to make these things happen, if this report was actually finished on December 20th, it happens that on the, I remember it was December 18th, I believe, that the Energy Bill passed. I think that is right, because that was my 48th wedding anniversary. I don't forget those things.

[Laughter.]

Senator INHOFE. So you only had 2 days between the time that you were aware of the CAFE standards and the projections that you made. Anybody else?

Mr. SCHENENDORF. Well, I would just add that the proposal to increase the fuel tax at the Federal level is at an interim period while we are transitioning to something like a VMT tax.

Senator INHOFE. Yes, but my question, let someone else answer, Jack, when you are calculating the proposed tax, did you include your calculations to affect what you anticipated would be the CAFE standards? Because you couldn't have known at that time. Did you do that?

Mr. ROSE. No.

Senator INHOFE. OK. I hate to have Jack hog this thing, but I have to ask you this question. The VMT thing has always been fascinating to me, but I can't figure out how it can be enforced. Do you have a short answer on how you would work on that?

Mr. SCHENENDORF. That will be one of the challenges. Obviously it would be a GPS, satellite-based type of system, which would basically track where vehicles are, much the way your GPS system does. And there are certainly privacy issues with it. There are certainly VMT-related issues.

Senator INHOFE. Well, don't waste a lot of time on that one, because that isn't going to happen.

[Laughter.]

Mr. SCHENENDORF. But that is out in the future. That is a ways away. And the gas tax, based on all the studies we had, is a viable——

Senator BOXER. That is thousands of years away, though, we are going to track where people take their cars. I don't think so. I think we have a better way to get to the same point.

Add more time to Senator Inhofe.

Senator INHOFE. Well, I know I don't need more time. But Senator Craig had some interesting things, I have heard him talk about this before, where there are some foreign investors who come in and do these things. Do you guys have any thoughts about this? Can you expand on this?

Mr. BUSALACCHI. Well, Senator, I have some thoughts on it. The overall Commission, we felt that there is going to need to be investment on all different aspects of finance out there. I have to say that I was one of the commissioners that was probably kind of negative,

and still am, about public-private partnerships, tolling and things like that. Because I just don't know that we know enough about them.

But the thing that I caution everybody on, when you are talking about public-private partnerships and this innovative financing, it is going to come nowhere near, nowhere near solving the problem that we have with revenue here. We are going to try to do something with inter-city passenger rail. We need this investment for highways. We need this investment for bridges. Public-private partnerships are not the panacea that everybody paints them.

Senator INHOFE. I don't think anyone here is suggesting that. We are suggesting, it is kind of an all of the above thing, when we talk about the energy crisis, we need coal, oil, gas, nuclear, all of the above renewables and all that. So I think that would be, it is already in the mix.

Mr. BUSALACCHI. Yes.

Senator INHOFE. But politically there are problems with it. If you don't believe it, there is no one on this panel from Texas, but I can assure you there are problems with it.

Mr. ROSE. Senator, I don't think there is anything inherently wrong with foreign investment. It is really the governance that is set up to have foreign investment come in. We spent some time looking at some of the privatization of some of the roads, some of the State roads and debating that issue. So I think it more around the governance, not around whether it is foreign or not. There is a lot of high quality capital out there that quite frankly, can go a long way to help some of our transportation needs.

Senator INHOFE. Thank you very much. Thank you, Madam Chairman.

Senator BOXER. Senator Cardin?

Senator CARDIN. Thank you, Madam Chair. Let me thank all of you for your service on this Commission. I share the Chairman's concern about failure to adequately provide the budget support that we should have done.

I applaud your recommendations in looking at realigning the transportation programs of our Country into a more effective and efficient system. I think that is important. It is made more difficult because of the lack of resources that we put into public infrastructure in this Country. I think the President's budget will probably make it even more challenging for us to deal with these issues.

Currently, we invest less than three-tenths of 1 percent of our GDP in non-defense structures and buildings in this Country. We are paying a heavy price for that in transportation infrastructure. Some of you have already mentioned that. But we look at our economy and way of life, there is no an estimated 3.5 billion hours a year that Americans spend in traffic jams. You start to calculate that in dollars into our economy, so there is a direct economic impact.

We know the safety issues. My colleague from Minnesota, Senator Klobuchar, knows first-hand, if we don't tend to our bridges and roads what can happen. And the energy efficiency issues, the amount of wasted energy in this Country. We need to become energy-independent and wean ourselves off of foreign oil.

Then the environmental issues have been raised many times by our chairperson as to what we need to do about reducing greenhouse gases and how transportation can help.

I want to ask a specific question dealing with an area that I am very concerned about. I am concerned on your recommendations as to whether my fears are well-founded or not. Assuming we had adequate funding, I am worried that mass transit and passenger rail could be shortchanged. We have a problem in my community with freight rail versus passenger rail. Here you have a specific program to deal with freight, and I am for freight being efficiently handled. But when my commuters are fighting with the freight trains on the MARC system, trying to get from Baltimore to Washington, we have to curtail service on passenger rail, because freight takes priority.

We have a significant problem in this Congress dealing with Amtrak, and whether we would have adequate funding for rail. Then I look at our mass transit systems and look at our rapid rail systems, the Washington system, which is the second busiest in the Nation, is decaying. I went and visited one of the stations and saw the platforms literally falling down. I am concerned that because of the lack of specific attention to mass transit and passenger rail in the categories that are mentioned that it is going to be difficult to get the type of public investment in these areas even if adequate resources were made available for transportation in this Country.

Could someone help me on this issue?

Mr. SCHENENDORF. I think that we feel it is the exact opposite. We feel that transit, inter-city passenger rail are going to do very, very well. There is a specific program dedicated for inter-city passenger rail to put that in these dense corridors, maybe anywhere from 12 to 16 corridors, 300 to 500 miles in length. So we have a dedicated program to do that.

Senator CARDIN. And I saw that, but that is not my specific concern. I am for passenger rail, I am very much for that. And Amtrak today is the major vehicle for us to help.

I come from two urban centers in Maryland, Washington and Baltimore. One has a very mature, comprehensive rapid rail system. The other has a much more modest. Both need expansions, both need modernization. Both are fighting to get that. Where in this bill would we see that?

Mr. SCHENENDORF. They will get that in the metropolitan program, where the goal would be to have a performance-based standard to reduce congestion by a certain amount in the face of the growth that is coming. Our analysis is that in that kind of analysis, the transit systems, the expansion of transit systems will be essential to meeting those targets.

You can't meet those targets with highway construction. You are going to need transit, you are going to need congestion pricing, you are going to need additional road capacity, you are going to need land use changes to do it, you are going to need new ways to telecommute. You are going to need all of those things in order to be able to reduce congestion by 20 percent from today's levels in the face of the growth that is coming between now and 2025.

So we think transit will be a big winner in that program. It will be part of the solution. But it is going to have to be an enhanced part of the solution.

Mr. BUSALACCHI. Senator, it is going to take a large investment to implement the program that we are suggesting with inter-city passenger rail. A lot of the passenger rail that occurs, and you know this, in your State and in the East, occurs on freight rail track. There has to be capacity improvements. There has to be expansion. We need to work this out. Obviously, Matt and his people are running a business. We have to understand that.

But there is a huge advantage to the entire Country if we implement this program and invest what we are suggesting is invested. In my State alone, we are finding out throughout the Country that more and more people are using mass transit, more and more people are using inter-city passenger rail. So we know that the appetite is there for these programs.

Chicago-Milwaukee, I would like to extend that to Madison. Madison I would like to extend to Minnesota. We can do this, but it is going to take this partnership with the Federal Government, the same partnership that we have with highways and airports. It is going to take the same commitment.

If we get that commitment, believe me, we will help with the congestion. This will help. You are not going to get—I don't want to leave here with anybody thinking that we are going to get people out of the car. We are going to figure out a way to operate these cars, you are going to get up in the morning, put a can of peas in the car and you are going to go.

I mean, we are going to figure that out. I am confident of that. But we need to provide this modal shift to the American people, because they have shown that they want this.

Senator CARDIN. Thank you. Thank you, Madam Chair.

Senator BOXER. Thank you very much. I am thinking about the can of peas.

[Laughter.]

Senator BOXER. Senator Isakson, you are next.

Senator ISAKSON. Thank you, Madam Chairman.

I have two things. Mr. Skancke, I totally agree with your statement about expediting the construction of surface transportation. In fact, we have had some bills, streamlined bills on one side of this Congress and the other, but never have gotten one through both bodies.

But I notice on page 33 of the report, when you go into the role of the independent commission, the independent commission, I understand, has one purpose, it seems to me, and that is to act like a postal commission or a BRAC commission from a standpoint of recognizing—actually establishing the funding mechanisms subject only to a veto override vote in both houses. Am I correct there?

Mr. SKANCKE. Sure.

Senator ISAKSON. I have two questions in that regard. The first question is, if you want to streamline the process and you are adding a new commission that is an addition to the process, does that run the risk of protracting even further the ability to construct?

Mr. SCHENENDORF. It is not meant to. That commission is meant to be a much smaller body and simply to rubber-stamp the process

along the way, so that this independent commission would help to depoliticize some of the issues as to how much it is going to cost, whether or not things were done in accordance with the planning process that was set forth, and then what level of funding does the Federal Government really need to provide.

So it is not envisioned as something that would get into individual projects and as they are moving it is more looking at the overall programmatic approach to the program.

Senator ISAKSON. Which brings me to this question. I would assume then, that being the case, the DOT and the Congress are establishing the transportation infrastructure priorities and the Commission establishes how you pay for it? Is that correct?

Mr. SCHENENDORF. The Commission would establish what that level was that you needed to fund the programs at to accomplish the performance-based objectives that those programs have.

Senator ISAKSON. But the point I am trying to get to, we on the Transportation and Infrastructure Committee, we would pass SAFETEA-LU for 6 years, the highway authorization bill, which would include the projects that are therefore enumerated. Then the separate commission would then look at that, quantify it, establish what it would take to pay for it, and make that recommendation that would then be subject to a two-thirds vote of both bodies.

Mr. SCHENENDORF. I think what they would do is, you would set up the program initially and then the plans would come to you and when you did the reauthorization bill, they would be suggesting the levels of funding that would be needed in order to carry out the program that you have placed into law.

Now, you may in that bill change the programs. Obviously Congress can change anything as you go along. But they would be giving you, in the context of SAFETEA-LU, when that bill came up, they would have been recommending levels of funding and levels of the user taxes that would be necessary to accomplish the program as it was in the law. So you would have that as a guidepost in the reauthorization process.

Senator ISAKSON. And I am thinking about what you recommended here, I am not coming down on one side or another. But the one point is, if you take a postal commission/BRAC approach on the funding issue and free Congress to only talk primarily about what it wants funded or what it wants billed. You are almost giving Congress the ability to determine what the infrastructure is going to be, and its cost without the responsibility, so to speak, of paying for it. That might be a pretty dangerous situation.

So there needs to be an equal check and balance. I know you are giving a two-thirds vote check for Congress on the back to balance the Commission. But there is no check on Congress on what it might be recommending that runs that price so far up.

My other question real quick was on, and I think Senator Inhofe was asking about it, the VMT, is that currently being done anywhere?

Mr. SCHENENDORF. There was a pilot project in Oregon, and it is still going on. They just finished one report. But there is a pilot project there, and we are recommending a number of studies and additional pilot projects as we go forward to look at different ways

that it could be set up in order to work and still cover the privacy concerns and the collection concerns.

Senator ISAKSON. One additional question, if I can, on that. Mr. Busalacchi, tell me, in this type of project, how are they determining knowing how much vehicle miles traveled the vehicles are making? Are you having to check odometers? Is there some type of——

Mr. BUSALACCHI. Yes, and that is really a good question. In Oregon, there is probably only two or three gas stations where they really are doing it. I went to Oregon to see the project, the pilot project that the university is doing.

You purchase gas just like you normally do, but there is a computer. And the computer will determine the amount of miles that you are using on the roads in that particular State. As this system gets advanced, it will be able to determine what miles you are driving in any State. So if you cross the State line from Oregon into the State of Washington, it would calculate the miles in the State of Washington as well.

So the project, before everybody says they don't like it, the project does have some good to it, in that you would be able, through these computers, you would be able to control the number of miles that are being driven on the roads. And to take it a step further, just from a local DOT guy's standpoint, we could gather an awful lot of knowledge on what roads are being used in our State and when they are being used from a system like this. So there are a lot of good things. And I know there are privacy concerns. But there are a lot of good things with this program. It is a very good program.

Senator ISAKSON. Madam Chair, and again, I have to study this. I am not opening or shutting any doors right now. But I drive a Ford Escape hybrid. I have always wondered how you deal with this issue of taxing miles per gallon and you are protracting the number of miles per gallon a vehicle is getting, and your revenues actually go down, even though your mechanism might raise it up. But this seems like a way to take into consideration usage of the highways, rather than fuel burned.

Mr. BUSALACCHI. That is exactly right. And that is what it is intended to do. I think somebody in their opening remarks had said that they are concerned because of the hybrids, the electric cars and everything else. And yet those automobiles, and those vehicles are still impacting this cost to the road system. That is what this system does. This system catches all of that.

But it is going to take a number of years. We are advocating in our report for the Government to spend a substantial amount of dollars to develop this system. We know there are privacy concerns and some other concerns. But it is something worthwhile looking at.

Senator ISAKSON. Thank you, Madam Chair.

Senator BOXER. Well, if I just could say, speaking for myself, there are other ways to figure out how many vehicle miles we are using, other than having some Big Brother system tracking your every move. One would be when you register your car, you say, you certify, I am using this for pleasure, I am using it for business, et cetera, and you can estimate how many miles you go. There is a

chart, the more miles you go, the higher fee you pay. You could put in your vehicle miles, or it could be based on what you traveled the last year, rather than all this.

And before I will support spending one dime on coming up with this system, and then finding out we have spent millions of bucks, I sure would like to talk more about that. Because I do believe in an honor system. I do believe you just have people certify the mileage they put on that car the year before if they assume it will be approximately the same.

We did a little calculation, I was sharing it with Senator Inhofe's staff, with Ruth, of how many cars there are on the road, 247 million, almost 248 million total vehicles registered. So we could figure this out. And we know how many are passenger cars, we know how many are motorcycles, we know how many are light trucks, we know how many are tractor-trailers. There is also the issue of the weight and what impact it has on the road.

So I just want to lay it out here as Chairman of this Committee, it just sort of, when I get a feeling about something, I want to share it. And I think Senator Inhofe and I had a similar feeling at first about it. I am not speaking for him. But I think there are other ways to get to vehicle miles traveled, other than setting up some elaborate thing which, in you own words, will take until 2025 to figure it out and maybe by 2020, somebody says, we have already spent a billion dollars on this. I am just not interested in that.

Mr. BUSALACCHI. Senator, I don't believe that any of the commissioners are totally married to any system. I think what we are seeing is that there is a definite impact to the infrastructure in this Country, and that we have to figure out a way of protecting the Highway Trust Fund. That is really what we are trying to do.

Senator BOXER. We agree. All I am saying is, the vehicle miles traveled is a brilliant way. I agree with the Commission, vehicle miles traveled is the way to go. There are easier ways than this convoluted deal that, we spend money and 2025, you know, look, I believe in high-tech. I come from the high-tech capital. And I saw when computer voting came in, oh, this was going to be touchscreen, blah, blah. It doesn't always work. You know how many miles you put on your car last year. And when you got to register that, you could just specifically State, this is what I did this year and I certify I am going to, it will be approximately the same, or it will be cut in half because I retired.

I think that is a much better way to go without having to deal with all of this money for high-tech, anyway. I guess Senator Isakson is open-minded on the point. I am not open-minded on the point. I do embrace vehicle miles traveled, I really think that is so smart.

So we will turn to a great member of this Committee, Senator Klobuchar.

Senator KLOBUCHAR. Thank you so much, Chairman, and thank you so much to all of you. It is good to see you again.

Thank you again, Chairwoman Boxer, and our four panelists. Mr. Busalacchi was with me in Minnesota, with Congressman Oberstar. We had a transportation forum that was very good.

Mr. BUSALACCHI. A lot of fun.

Senator KLOBUCHAR. Yes, it was. Congressman Oberstar is always a good time——

[Laughter.]

Senator KLOBUCHAR. The thing that I wanted to focus on, first of all, just to follow up on this a little bit, I was sitting here, thinking about this vehicle miles traveled and Senator Isakson and his hybrid. The one thing you would lose on this would be that when the tax is assessed, as it is now, per gallon, it creates some incentive, it is already there, obviously, from cost, for more efficient cars. Because this will be just based on pure use of the road, which is appealing, because that is what we are trying to upgrade, and the roads. But the thing you lose is that people who have less efficient cars now have to pay more tax, because they have to get more gas.

Senator BOXER. Would the Senator yield on that point?

Senator KLOBUCHAR. Yes.

Senator BOXER. If you don't do away with the gas tax, you still have that as the base, the gas tax. So that is that incentive. Plus the other incentives you get for buying those cars. But you are right, it does do away with that. But I think there are other rewards and the other financing mechanisms.

Senator KLOBUCHAR. And as the price of oil goes up, clearly, you are going to have the incentive to have more efficient cars. Because it is so expensive to run them.

Mr. SCHENENDORF. You could also set different rates for different classes of vehicles, for different weight vehicles. So you can never get to the point where you can actually tell how many vehicle miles traveled. It doesn't have to be just one rate, it can be a variety of rates, depending on the weight of the vehicle, the mileage that the vehicle gets. So there are a lot of different ways to do it.

Senator KLOBUCHAR. Have you looked at Senator Dodd's proposal for transportation funding with the bonding and the infrastructure funding that he has? Have you discussed that as a group at all?

Mr. SCHENENDORF. We had some discussions about it. I think that we came down really on the pay-as-you-go approach and tried to minimize the amount that we would provide in the way of debt servicing out into the future, that future generations would have to pay. So most of the recommendations that we have are in the area of pay-as-you-go, collect the money now and put the investment in place.

We looked at some of the bonding, and I think we think it can play some role. But again, for the bulk of the program, we think the pay-as-you-go system is a good one.

Senator KLOBUCHAR. I just spent the month of January going around our State. I visited 47 counties in January and Minnesota, which was quite an undertaking, and traveled on a lot of roads, as you can imagine. One of the things that I noticed, and our State gets a lot of understandable attention on, because of our bridge falling down, was just the lack of improvement to our roads in the rural part of our State. One of the things that is most challenging about this was of course because of the next century's economy we are heading toward with the energy revolution. I think the Department of Agriculture estimates that truck freight in rural America is going to double by the year 2020. To me it seemed like as I went around our State and saw all these plants going up and the wind

turbines and all this understandable excitement with the climate change issues and things like that, all the possibilities were heading into the next century's economy with a transportation system that is stuck in the last century.

So one of the things I would like you to comment on, I know you have this national access program for smaller cities and rural areas that you have recommended out of your Commission, but if you could elaborate on that in terms of the rural roads and what you think is the best way to proceed there.

Mr. SCHENENDORF. Well, I think the intent of that program is to really have a set of performance standards again for providing access and mobility in rural areas and smaller communities. So I think there is a strong feeling that we needed to tie all of America together with a first-rate road system.

So in that program, you would see upgrading a lot of two-lane rural roads to four-lane divided highways, so that all of America can be tied together and they can have access to the same kinds of transportation network that everybody else does. So we view it as a very important program and a complementary program to the program for metropolitan areas of a million or more, this would be the rest of America, in connecting the rest of America together.

Senator KLOBUCHAR. Other comments on this?

Mr. BUSALACCHI. Senator, I think the program that we have put in the report would cover the rural areas. Our States are so similar, we are like twins. But I think this program would——

Senator KLOBUCHAR. Except that the Packers did better than the Vikings.

[Laughter.]

Mr. BUSALACCHI. I know, I am still in mourning.

I really think that the program we are suggesting would work very well for our States, because it would fit into this rural situation that we have. In the State of Wisconsin, we have less than 6 million people. We have to make sure that we take care of the metropolitan areas, but also we have to take care of rural Wisconsin, rural Minnesota. So this program would work very well.

Mr. SCHENENDORF. And just so you know, too, the State of good repair program would bring the rural roads into a State of good repair. That is in addition to the rural access issues. And the National Freight Program would envision upgrading a lot of corridors through rural areas where you have major movement of freight in interState commerce.

Senator KLOBUCHAR. Thank you.

Senator BOXER. Thank you so much, Senator.

Senator Barrasso.

Senator BARRASSO. Thank you, Madam Chairman.

Just a couple of quick things. One is, I heard that the Commission ran out of money and you are doing this out of your own pockets. People talk about public service, this is a real commitment and I want to thank each and every one of you for what you are doing for our Nation. Thank you very much.

Mr. Busalacchi, if I could visit with you, you run in Wisconsin, you call it WisDOT?

Mr. BUSALACCHI. WisDOT.

Senator BARRASSO. In Wyoming, we call it WyDOT. So I will ask you as if I were asking our own director of the Department of Transportation, in this report, they used the word performance a lot. I think over 200 times, if you do a word count. I know pay for performance has become a bit of a buzz word now. I hear talk about the $80 million for a project that now is at $810 million and the $120 million at $1.9 billion.

COUld you give me some practical examples of how that paying for performance might work and how it would be effective? Because I don't want it to just be a buzz word.

Mr. BUSALACCHI. No, we are doing it now. Since I have been the secretary in Wisconsin, we have really enacted standards in our entire program. The project that I explained earlier, the Marquette interchange, $810 million, is on time and it is on budget. We are 10 months away from finishing that project.

We instituted a lot of performance standards in that program and in our entire program. So there are huge savings here. What my fellow commissioner here has been saying about performance standards and project delivery is true. We have shown that it is true. There can be a huge savings here. So from my standpoint, what we are doing in the State, this can be a very, very valuable cost-saving program.

Senator BARRASSO. That is encouraging, because I think the public hears the stories about Boston, whatever it was, the Big Dig or something, with the overruns and the expenses. I think when we can point, as you can, to successfully implementing performance standards and paying for that level of performance, I think that will do a lot to help guarantee some public confidence in going forward with that.

Mr. BUSALACCHI. Our department has worked very, very closely with our contractors and with our consultants. Our program with them has worked very, very well. We have learned, Senator, a lot of lessons from around the Country: Boston, California and other parts of the Country. We have a lot of lessons that we have learned and we have implemented those into our program in Wisconsin and they are working well.

Senator BARRASSO. We are going to have to restore public confidence as we go forward.

Mr. BUSALACCHI. There is no question about it. This project that we are doing in the heart of Milwaukee, downtown Milwaukee, caused a lot of anxiety in the city when we started this project. There was a lot of talk about, we were going to go way over budget and there were going to be traffic delays and everything else. I believe, quite frankly, that we restored public confidence. And when you do that, you can do a lot of things off of that confidence of the public.

Senator BARRASSO. Mr. Vice Chairman, on another point, the report talks about de-politicizing this project by having an unelected commission. I still scratch my head to say, is this actually going to just add another layer of politics. If you would like to comment on that, please.

Mr. SCHENENDORF. Well, I hope not. That certainly would not be the intent of it. The intent would be to have independent, respected transportation experts who would basically be able to verify, I

mean, a part of when you go back and you look at SAFETEA-LU and you look at that debate that took place, here on the one hand you had the Department of Transportation study saying, here is the level of funding, you had others in the Department saying, no, this is what you need, and Congress was stuck with these two, huge varying estimates of what needed to be done.

The theory is, if you had a commission like this that was respected, they would be able to have the oversight and be able to say, yes, this is the need, this is the amount of investment you would have to do to meet the programs that you have established, and this is the implication with respect to how much you would have to raise fees in order to do it. So Congress would have something to look to to give it that kind of expert advice, then it would be up to Congress to decide what levels it wanted to actually fund the program at.

Senator BARRASSO. Thank you. Thank you, Madam Chairman.

Senator BOXER. Thank you so much.

Senator Bond.

Senator BOND. Thank you, Madam Chair. Again, I think an hour or so ago, somebody mentioned the possible bringing in of foreign investment. I hope that they will clear up some misinformation-information about that. One of the dumbest things Members of Congress ever did was block the Dubai World Ports deal. Because when we off-source $8 billion, which would have to be paid back from foreign sources, those facilities, we still have the facilities here and we don't have their $8 billion that could create jobs, could deal with the other challenges we have. It is a bad strategic move to insult one of our best strategic allies, and it is the worst signal we can send to allies in the Muslim world.

Having said that, I just wanted to get that off my chest, but if you have foreign investment, we need those dollars. If they buy a facility here, they are not going to take it home. It is absolutely outrageous to say that we can't do it.

Now, speaking of other things I am concerned about, while I am worked up, you talked about freight transportation. I will admit, I only had a chance to read this, I have been involved in some other things going on on the floor for the last couple of weeks. When you talk about freight transportation, there is a sideways glance on the second page, talking about all the Federal Aid Highway System. There is a line about intermodal connections, such as those near port facilities, where congestion increases.

I know my good friend Matt Rose was on this Commission. If you are talking about freight, the most effective and efficient ways of moving freight are not on our highways. We talk about congestion on our highways, we need to be thinking more about freight. It is not just freight rail. I don't know if they had anybody from waterways on this Commission. But that takes the burden off of the highways. The rails are at their capacity.

I would like to know from Mr. Rose, well, first, I would add gratuitously when people say freight rail is tying up passenger service, who do you think built the rails? If the private sector is going to pay the money to build the freight rails, then I don't think we can complain when they have to use the rails for freight and that inter-

feres with passenger service. There has to be a better balance. I bet Mr. Rose has a view on that.

Mr. ROSE. First off, we did not look at the water system, outside of the port system. We did not look at the inland port of the United States.

Senator BOND. That is what I was afraid of. When the Transportation Department covers it, the Transportation Department doesn't pay attention to water transportation, which has to be in the mix.

Mr. ROSE. Right. In regard to your question on the conflict of passenger and freight, the real objective is to not displace freight at all, because all that would do is move more trucks back to the highway, which is going to cause more and more of a problem, more and more of a challenge.

What has happened in our Country is that we have gotten delusioned by how do we get a world-class passenger rail system like Asia? How do we get a world-class passenger rail system like Europe? And it is real simple: it is a separated right-of-way from freight. They do not run a combination freight rail and passenger rail network when you are running 300 kilometers an hour. While they don't have good freight railroad networks like we have in the United States, it is just the opposite, we don't have good passenger rail networks. It is because we are trying to utilize that same right-of-way.

So the answer is going to be a significant investment in passenger rail if that is where as a society want to go. I think that the sooner it is, the better. We all believe that fuel prices will continue to go up. We need to give people an alternative to get out of their cars to something that will work.

Senator BOND. That would be great, if foreign investors wanted to invest and bring the Shinkansen, Grande Vitesse here, if they want to invest in it, we would love to have them.

Let me conclude very quickly by saying that I agree with the Commission that 108 programs should be reduced. But if you say no Member of Congress can have any input in where the dollars are spent, i.e., no earmarks, you overlook Article I of the Constitution and you ignore some of the most egregious earmarks exercised by the Department of Transportation. I could give you a list of them. They make dumb decisions, too. We need to fight them out on the floor and talk about some of the waste that has gone into the mis-application of dollars, Federal Transit Authority dollars being taken away from helping older adults transportation buses, for example, and putting it into a scheme for imposing tariffs or tolls in major cities, most of which don't have the ability to do tolls.

So before we jump on that no earmarks, I want to have a word. And I would like to submit for the record a question about how you would see the Department of Transportation administering these programs, if you focus not on the modal side and how we would oversee it.

Senator BOND. Madam Chair, I apologize to you and my colleague from Ohio. But I had a few thoughts I just needed to share.

Senator KLOBUCHAR.

[Presiding] Senator Voinovich.

Senator VOINOVICH. Thank you.

First of all, thanks again for the time you have put into this. I don't know whether Mr. Skancke is coming back or not, but Mr. Schenendorf and Mr. Skancke spoke very passionately about the need for us to do something and the impact it is going to have on our competitive position in the global marketplace, and also on the question of what kind of a America our kids and grandchildren are going to live in.

The problem is that it has to become a national priority. I just checked with my staff member, and I guess you guys had some kind of a press conference. I think you ought to get together over a cup of coffee and figure out—maybe getting hold of ASHTO and some of the other groups—how you can get some kind of a crescendo that will get this topic out into the political campaign this year.

Maybe it is a letter to each of the candidates, or maybe wait until the decision is made as to who they are. But get them to start speaking about this problem and face up to it. Because unless you can get the public really engaged and understand how crucial this is, we are not going to get it done next time. We won't. That is the way this place works.

I worked on the 4(f) program during this last highway bill. We got a little teeny thing done on that. But all the other groups came in and said, we don't want you to do this, you have to go through all the loops and hoops. We suggested maybe that one person should be the quarterback with all those groups that are involved, that those people would have to get their reports or their concerns in within, say, 60 days. No, we just want to do it, we want to leave it the way it is, it is this low-hanging fruit that could save enormous money. You need to engage in that.

On this issue of performance-based standards, as you have talked about I have to tell you, when I was Governor, it took us there years to come up with what we call objective standards in determining which projects would be tier one, tier two and tier three. But once we did that, we had something that we could look at that was objective, and it got it out of the arena where the former Governor said, whatever you want, you have it.

The other issue was earmarks that come out of Congress for projects that are never going to go anywhere. The money just sits there and doesn't really make any difference.

So the point I would like to make to you is, I hope that you would really give serious consideration to figuring out how you can get this topic on the national agenda, and it should be a focus on this campaign that is coming up for the President of the United States. Unless we face up to our infrastructure needs here, we have some basic problems, like all of the infrastructure of competitiveness, that if we don't get at this stuff, we are really in deep trouble.

What are your thoughts on how maybe we can make this happen?

Mr. SCHENENDORF. We very much agree. I will tell you, the nine commissioners that are supporting the report are all very, very involved, very, very engaged. We plan to take the message out on this report. We plan on also talking to the groups to see how they can help us get that message out, so that we can talk to people.

We have felt that that was the No. 1 issue that needed to be faced here, talking about giving the program a new sense of mission and a sense of purpose that people can understand and get that buy-in from the American public. Because without that buy-in from the American public, there is no way to raise the revenues that will be needed for this program. We are in agreement.

Mr. BUSALACCHI. Senator, let me just say, I think the key word that I have used throughout this report is awareness. You have really hit on a hot button topic with me. And that is, it just always seems like transportation is not warm and fuzzy. For some reason, it really isn't. Yet the American people expect two things out of their Government, Federal Government. One is a strong defense, which we provide, and a strong infrastructure, which we are failing on.

Yes, we have to get out to the public and we have to get this in front of the candidates. I agree with you, this has to be an issue that must, must be talked about. The dollars that need to be invested here are substantial.

This is an investment in America. It is not like we are going to spend this money and it is just going to go up in the moon. This is an investment in our Country. I think the Commission feels very, very strongly about this. This is why, as we got into this and we started looking at these numbers, these daunting numbers of our infrastructure, we became more and more committed and we just became kind of like united in what we were doing here. Because all of this investment, whether it is inter-city passenger rail or transit or highways or bridges, it is all very, very important to this Country.

So I agree with you, you have really hit on a very important topic here.

Mr. ROSE. Senator, I think the biggest problem is that our networks have run so well for so long, the investment that was made in the Eisenhower presidency and the development of the rail networks, we have had so much excess capacity, quite frankly. And as the capacity is filled up, we have had a hard time articulating it.

Right now, the people who study this say right now that we are seeing $65 billion to $70 billion a year of costs in terms of congestion. It is very hard for people to understand, what does that mean on a $13 trillion or $14 trillion economy. People understand that their commute times are going up, but what they have missed is that over the last 20 or 25 years or so, our highway miles have gone up by 9 percent, but our VMTs have grown by 97 percent. It is just the math, the way the math works, when we go from 300 million to 350 million, you are going to put so many more VMTs through this thing, and people don't think about what the cost of that is going to be.

We know that other people in the world are making incredible investments. China just announced a $44 billion rail investment. We can say they are a developing country and all that, but the bottom line is, we have not had a national vision for our transportation network.

Senator KLOBUCHAR. Senator Carper?

Senator CARPER. Welcome. Thank you very, very much for your willingness to serve on this Commission and for the good work that you have done.

We have any number of commissions that are formed that report back to the Congress and the President. Some of their work is quickly forgotten and set aside. I know there have ben concerns raised about some of the recommendations that you have made. But the fact that overwhelmingly, you have made these recommendations, difficult recommendations in some cases, I think your work will not have been for naught. When we have a new Administration, new President, new Congress, I believe we will have the opportunity to seriously take up and move forward on much of what you suggested.

My friend Senator Voinovich and I used to serve as Governors of our States. We understand, I think, full well, the need for investments in infrastructure, in part because of those responsibilities. He and I have co-authored legislation that has passed the Senate, it is over in the House, that would seek to build on the work that you have done. What we have called for is the creation of yet another bipartisan commission, eight-member panel, four appointed by, in this case by Republicans, two by the President, one each by the Republican leader in the House and in the Senate, then four appointed by the Democratic leaders, two by the speaker and two by the Democratic majority leader in the Senate.

The idea would be for them to look, not to duplicate what you have done, but to instead look at the other components of our infrastructure, which would include certainly rail. But it would include water, wastewater, it would include levees and dams, airports, too. It would seek to put on the desk of the next of the next President and the next Congress a series of recommendations, including prioritizing these recommendations and also trying to help us with figuring out how to pay for these proposals, much as you have sought to do in the work that you have done.

But I want to thank you for your work. Let me just ask, if I may, one of my favorite "gee whiz" comments that I like to drop on people is with respect to fuel efficiency of moving freight, and I suppose people, too, by rail. I always like to ask people, how many gallons of diesel fuel do you suppose it takes to move a ton of freight by rail from Washington, DC. to Boston, Massachusetts. People take gases. But it is one gallon, one gallon of diesel fuel to move one ton of freight by rail from Washington to Boston. We know that it is a lot more efficient to move people by rail than it is in our cars, trucks and vans, too.

I know that you have done some work in your commission that recognizes the importance of rail, whether it is on the freight side or on the passenger side going forward. But just take a moment and talk to us about how you have focused on putting extra investments, extra funding in support of passenger rail and in support of freight rail.

Mr. SCHENENDORF. Well, we have two people here who are experts, and I will turn it over to them. But just in general, we have created, the only modal program that we are recommending is an inter-city passenger rail, to have an interstate-style program to put inter-city passenger rail in our densest corridors. Because without

that inter-city passenger rail, you can't meet any of these congestion targets. You have to get people off the roads, in these 300 to 500 mile corridors.

Senator CARPER. And there are plenty of them, yes. I am told that over half the people in America now live within 50 miles of one of our coasts, which creates just any number of densely populated corridors, especially along our coastal areas.

Mr. SCHENENDORF. Right. So we have a very strong recommendation on that. Then we also believe that the programs that we have for freight, the programs that we have for mobility in metropolitan areas are going to mean that when you try to meet those performance standards, they are going to require extensive rail-related movements. The goal of the Commission report is to grow the market share of freight rail, to grow transit, so that transit is a real option for people.

So I think the way we have structured the program, it is our belief that both mass transit rail and inter-city passenger rail and inter-city freight rail are going to grow and grow significantly, because they are a big, big part of the solution.

Mr. BUSALACCHI. Senator, the investment is going to have to be substantial because of the fact that passenger rail uses the freight rail tracks. So there is going to have to be expansion. We are going to have to work this out.

Senator CARPER. That is outside of the Northeast Corridor. In the Northeast Corridor, as you know, between Boston and Washington, it is just the opposite, freight trains use Amtrak's track. And yesterday, one of them got in our way.

Mr. BUSALACCHI. But I think the point is that we are going to have to increase that capacity.

The thing that really concerns me about the inter-city passenger rail is that if gasoline prices continue to skyrocket, continue to go up, which I think they are going to, and we get this exodus of people to mass transit, inter-city passenger rail, are we prepared to accept this mode of travel? Do we have the infrastructure to handle it? And quite frankly, the answer is no, we don't.

Senator CARPER. And my question is, what were your recommendations with respect to how to pay for that?

Mr. BUSALACCHI. There are all kinds of different options. Obviously one of the things that the Commission came up with was the increase in the gas tax, ticket fee. There are all kinds of options.

Senator CARPER. Tommy Thompson and I both served on the Amtrak board of directors at different times. We were always interested in the notion of some day, when you do raise the gas tax, whether it is by 3, 4, 5, 6, 10 percent, whatever, but to include in there a half cent increase that would go to passenger rail service that would be used just for capital investment. Just for capital investments in some of these densely populated corridors.

And I think my time has expired, so go ahead and then we will call it quits. Thank you, Madam Chair.

Mr. SCHENENDORF. This program would have a dedicated stream of funding that would be funded from the trust fund. It would come mostly from gas tax revenues, but also from a ticket tax that we are proposing. And it would be a dedicated stream of funding, very similar to the way transit capital is funded now, with a general

fund component. And it would be a guaranteed funding stream, in order to put the kind of passenger rail system in place, similar to the way we put the interState system in place. So over a certain period of time, you would know that these corridors were going to be constructed on a cost to complete basis.

Senator CARPER. Good. Well, again, thank you very much, Madam Chair, you have been generous with the time.

Let me just mention to you and Senator Isakson, if I may, interesting things going on in terms of ridership at Amtrak. The last quarter, October 1st through December 31st, ridership in the Country and system-wide is up about 15 percent, revenues are up by about 15 percent, which suggests that people are tired of the congestion and they are tired of what they are having to pay for the price of gasoline.

Senator KLOBUCHAR. Yes, Senator Carper, we are seeing the same thing in Minnesota, where we just put a light rail line in. It has much more ridership than ever projected, a short line from Minneapolis to the airport. Now we are looking at other lines, and I just think there is going to be an increased interest in this. I agree with Mr. Busalacchi, but that we are just not ready for it. We have to start thinking ahead here, because there are just areas of our State where we never thought people would be crying out for public transportation like Anoka, Minnesota. They are because of the congestion and because of the cost.

Senator CARPER. Madam Chair, I have a couple more questions I would like to submit for the record and ask our panel to respond to them at their convenience. Thank you.

Senator KLOBUCHAR. Senator Isakson, do you have any more?

OK, thank you very much. This has been a lot of food for thought. We have to get moving on this. We appreciate it.

The hearing is adjourned.

[Whereupon, at 12:42 p.m., the committee was adjourned.]

STATEMENT OF HON. JOSEPH LIEBERMAN, U.S. SENATOR FROM THE STATE OF CONNECTICUT

And thank you for convening this important hearing to receive the report of the National Surface Transportation Policy and Revenue Study Commission. The commission consisted of an expert blue-ribbon panel, and we must consider their proposals seriously as we develop a national transportation policy for the twenty-first century. In my statement, I will highlight several key elements of the report that I believe warrant further debate as we move forward this year.

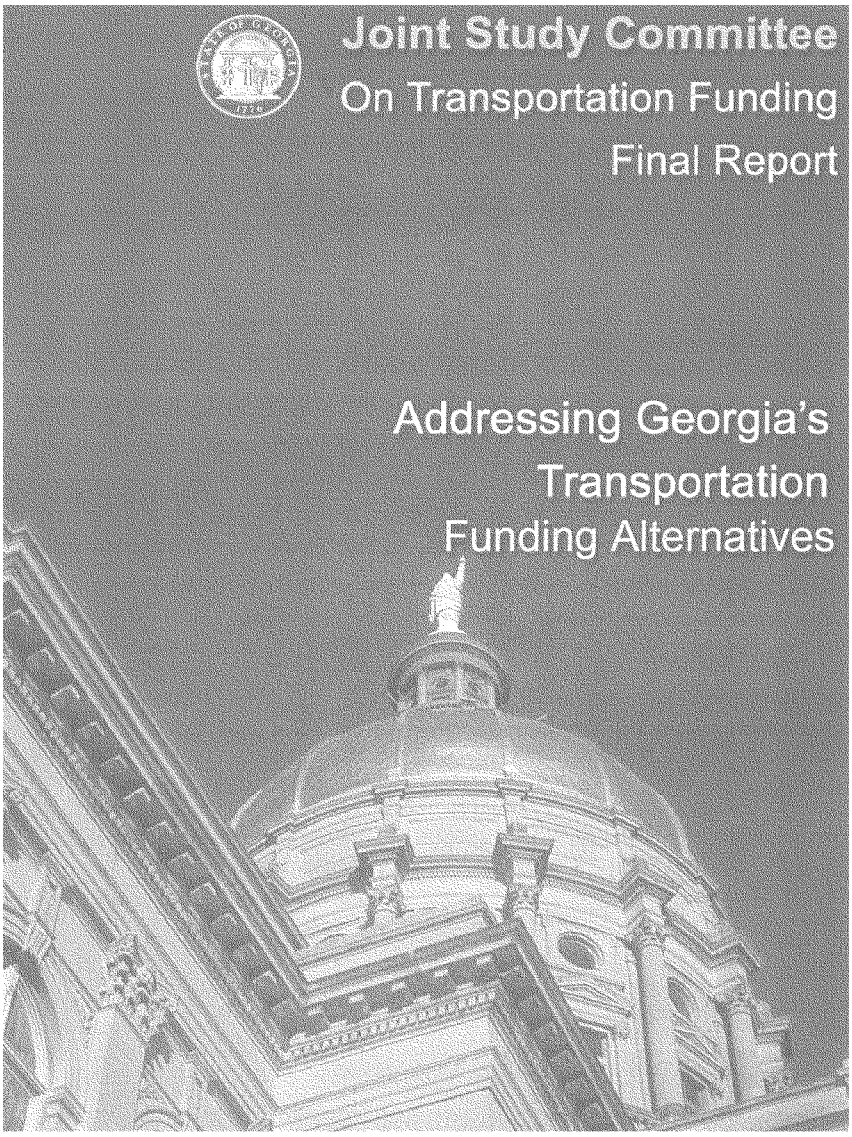
Our system does need reform. The Commission's findings concerning the length of time it takes from a Federal transportation project's inception until its completion are revealing, but not surprising. For example, the I–95 New Haven Harbor Crossing Corridor Improvement project in Connecticut may take a total of 27 years to complete—and that is without any complications or delays! Planning began in 1989, and the first phase of construction did not start until 2001. However, while I am concerned about the amount of time it takes to complete transportation projects, I am equally supportive of a comprehensive environmental review process that fully evaluates the impact a proposed project will have on the local community. It is a challenge of this committee, I believe, to figure out ways we can reduce inefficiencies in transportation project delivery without sacrificing the environment and I would like to thank the Commission for addressing the importance of environmental stewardship in future transportation planning.

One way we can improve efficiency in our transportation planning is to increase emphasis on performance and outcomes. Cost-benefit analysis can play an important role in this type of significant reform. While I am generally supportive of these principles, we need to hear more about how these determinations will be calculated on a national scale. As a Senator from the State of Connecticut, I am charged with a

duty to represent the needs of my constituents. The Commissioners note in their report that developing performance standards and integrating them into a new system for prioritization would be a "challenge" since local conditions are disparate and not readily comparable. I think we can all agree that objective criteria must play a role in funding decisions, but that still begs the question of what specific variables will be used. For example, the number of cars and the volume of freight which travel over a bridge on a daily basis is certainly an indicator of the economic benefit gained from rehabilitation. Nonetheless, there are countless bridges—including several in Connecticut—which would not measure up on a competitive usage barometer but are in dire need of immediate repair.

The final recommendation I will address is the creation of an independent National Surface Transportation Commission. I hope that during today's testimony, the committee will receive more details from the witnesses about how this independent commission would function in practice. I understand the rationale to depoliticize how we pay for transportation projects. However, I am concerned about Congress ceding its authority to guide and implement national transportation policy to an independent commission, a concern also raised by the dissenting commissioners. The report explains that an independent commission will give a "voice" to stakeholders and commuters alarmed about the enfeebled State of our nation's transportation infrastructure. I am unsure how a ten-member independent commission can provide a representational voice—on such a large scale—to those frustrated with the current transportation system. I know that earmarks are a dirty word in Washington, DC these days, but they do serve a purpose because lawmakers generally know their states better than Federal bureaucrats. The bottom line is that Congress shouldn't abuse its authority to authorize and appropriate transportation funding, and we must make decisions that address national needs. I think our challenge today is engaging in an extended debate about what processes will best match our long-term goals for developing the next iteration of transportation and infrastructure policy in the United States.

I applaud the Commissioners for their efforts, and welcome them to the hearing.


Joint Study Committee
On Transportation Funding
Final Report
Addressing Georgia's
Transportation
Funding Alternatives

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## Preface

In 2007 Senate Resolution 365, created the Joint Study Committee on Transportation Funding in Georgia. The Committee consisted of the following: Co-Chairmen Senator Jeff Mullis and Representative Vance Smith, Senator Chip Pearson, Senator Doug Stoner, Senator Tommie Williams, Representative James Mills; Representative Jay Shaw and Representative Donna Sheldon. Senator Valencia Seay and Representative Mark Hamilton also participated on the Committee as Ex-Offico members.

The Committee recognizes transportation infrastructure as a critical resource to the State of Georgia in providing greater mobility and a higher quality of life. Furthermore, transportation is essential to the commerce and the provision of goods and services throughout Georgia. Finding the necessary funds to maintain and improve the transportation infrastructure is becoming increasingly difficult. New sources and methods of funding are necessary to meet the growing needs for transportation in Georgia. The Georgia Department of Transportation estimates a $7.7 billion transportation funding shortfall during the current six year period. In fiscal year 2007 alone it was estimated that maintenance, safety and other transportation improvements were short nearly $445 million.

The Committee understands the crucial role of transportation in order to sustain economic growth. Therefore, the development of a Transportation Oversight Committee, as an ongoing effort, is a measure to constantly evaluate the transportation funding issues to ensure that Georgia continues to move forward to create a safe, mobile, reliable, predictable and dependable transportation system.

The goal of the Committee was to study the state's transportation funding needs and to recommend any actions or legislation necessary for alternative funding mechanisms, including special funding sources to overcome these shortfalls. Although Committee members did not agree on all aspects of the findings and recommendations, a general consensus was reached to move forward with a final report from the Committee as a whole.

## Schedule

### Meetings

The Committee held meetings throughout the state in order to gain a balanced perspective of both rural and urban needs.

- Atlanta June 28, 2007
- Savannah July 10-11, 2007
- Columbus August, 13-14, 2007
- Dalton August 27-28, 2007
- Valdosta September 10-11, 2007
- Atlanta September 24-25, 2007

### Work Sessions

The Committee held work sessions to develop recommendations for resolutions and proposed legislation to present during the 2008 Legislation Session of the Georgia General Assembly.

- Atlanta September 25, 2007
- Atlanta October 24, 2007

# Senate Resolution 365

## Senate Resolution 365

By: Senators Mullis of the 53rd, Pearson of the 51st, Whitehead, Sr. of the 24th, Hill of the 32nd, Goggans of the 7th and others

Creating the Joint Study Committee on Transportation Funding; and for other purposes.

WHEREAS, transportation is a critical resource in the State of Georgia in providing a high quality of life for residents across the state; and

WHEREAS, transportation is essential to commerce and the provision of goods and services to the people of this state, to getting the citizens of Georgia to the workplace, medical facilities, and educational facilities, to the tourism industry, and to every facet of the lives of Georgia citizens; and

WHEREAS, finding the necessary funds to maintain and improve our transportation systems and infrastructure is becoming increasingly difficult; and

WHEREAS, new sources and methods of funding transportation projects are needed to allow the transportation systems in Georgia to keep up with the needs of the population; and

WHEREAS, the General Assembly needs to study these issues to determine alternative funding mechanisms for transportation projects and special funding sources.

NOW, THEREFORE, BE IT RESOLVED BY THE GENERAL ASSEMBLY OF GEORGIA that there is created the Joint Study Committee on Transportation Funding to

be composed of eight members. The committee shall be composed of the chairperson of the Senate Transportation Committee, the chairperson of the House Committee on Transportation, three members of the Senate appointed by the Lieutenant Governor, and three members appointed by the Speaker of the House of Representatives. The chairperson of the Senate Transportation Committee and the chairperson of the House Committee on Transportation shall serve as co-chairpersons of the committee. The co-chairpersons shall call all meetings of the committee.

BE IT FURTHER RESOLVED that the committee shall undertake a study of the conditions, needs, issues, and problems mentioned above or related thereto and recommend any actions or legislation that the committee deems necessary or appropriate. The committee may conduct such meetings at such places and at such times as it may deem necessary or convenient to enable it to exercise fully and effectively its powers, perform its duties, and accomplish the objectives and purposes of this resolution. The members of the committee shall receive the allowances authorized for legislative members of interim legislative committees but shall receive the same for not more than six days unless additional days are authorized. The funds necessary to pay the allowances for the members of the committee shall come from the funds appropriated to the House of Representatives and the Senate. The funds necessary to pay all other expenses incurred by the committee shall come from the funds appropriated to the Department of Transportation. The Department of Transportation is authorized and directed to provide the committee with such logistical, professional, and other support as the committee's duties under this resolution. In the event that the committee makes a report of its findings and recommendations with suggestions for proposed legislation, if any, such report shall be made on or before December 31, 2007. The committee shall stand abolished on December 31, 2007.

# Executive Summary

## Executive Summary

The Joint Study Committee on Transportation Funding was established during the 2007 legislative session by Senate Resolution 365 to study transportation funding needs and solutions. The Committee sought alternative funding mechanisms and innovative funding solutions for transportation infrastructure needs. The Committee held six meetings between June and September 2007. Local, state, and national transportation experts provided testimony to the Committee during these meetings. Each meeting was webcast live and archived on the website along with the meeting presentations and transcribed testimonies at www.gatransfunding.com.

The Committee determined that the Final Report should comprise three phases:

- **Phase One:** Identify Transportation Funding Challenges in Georgia;
- **Phase Two:** Consider Potential Funding Solutions; and
- **Phase Three:** Provide Recommendations.

**Phase One: Identify Transportation Funding Challenges in Georgia**

The first two meetings focused on the funding challenges facing Georgia, a state with a growing population and increasing traffic. Speakers provided testimony defining the funding challenges in both urban and rural Georgia, as well as possible options to help solve these challenges.

Topics discussed in Phase One included:

- **Urban Metro transportation**
- **Rural transportation**
- **Truck and Rail Freight transportation**
- **Georgia's airports**
- **Transit alternatives**

Furthermore, the impact of the lack of available funding for transportation needs on Georgia's economy was repeatedly brought up to the Committee

**Phase Two: Consider Potential Funding Solutions**

The Columbus meeting focused on three possible solutions: (1) What other states are doing; (2) Freight Solutions; and (3) a State Infrastructure Bank. The Committee heard testimony on possible solutions from different industry experts including: the Reason Foundation; Floridians for Better Transportation; the Federal Highway Association (FHWA) Georgia Division; the CSX/Georgia Rail Road Association; the Georgia Motor Trucking Association; the Ohio Department of Transportation; the Florida Department of Transportation's Financial Management Office, and the Georgia Department of Transportation (GDOT).

The Dalton meeting began the discussion on possible funding solutions. The Focus was on Public Private Initiatives, Design Build, Transit, Maglev, Atlanta Beltline, and Mileage Based Enhancements. The Committee heard testimony on these possible solutions from: the United States Department of Transportation; the Virginia Department of Transportation; Royal Bank of Canada; Jacobs Engineering; the Florida Department of Transportation's Chief Engineer; Design Build Institute of America; Jeff Parker and Associates; the Mayor of Chattanooga; Transrapid International; the Atlanta Beltline; local officials; and the Oregon Department of Transportation.

The topics discussed in Phase Two included:

- **State Infrastructure Bank (SIB)** as revolving fund mechanism for financing a wide variety of highway and transit projects through loans and credit enhancement. SIBs are designed to provide states increased flexibility for financing infrastructure investments. Currently, Ohio, Colorado, and Florida, to name a few, have passed legislation implementing a SIB.
- **Public-Private Initiatives (PPIs)** allows states to partner with private/ corporate businesses to help finance, design, construct, operate ,and/or maintain transportation projects. Currently, approximately 12 states are using PPIs.
- **Design Build** as a project delivery method combines separate services into a single contract. With design build procurement owners, execute a single contract for both engineering services and construction.
- **Mileage Based Enhancements** is a mileage-based user charge system that relies on onboard vehicle systems to measure travel, and fees are assessed accordingly. The Oregon Department of Transportation launched a mileage fee pilot project in March of 2006 as one way of examining various revenue raising alternatives for replacing the gas tax as the primary source of revenue.

**Phase Three: Provide Recommendations**

The Valdosta meeting focused on five possible recommendations: (1) Asset Management; (2) Revenue Enhancement (3) Value Engineering (4) Marketing and (5) Transit. The Committee heard testimony regarding possible recommendations from: local officials, the Virginia Department of Transportation, VMS, Inc., Infrastructure Corporation of America, Cambridge Systematic, Triad Transport, Ohio Contractors, Washington State Department of Transportation, Florida Department of Transportation, American Association of State Highway Transportation Officials, Missouri Department of Transportation, Post, Buckley, Schuh & Jernigan and the Transit Planning Board.

The final meeting in Phase Three was held in Atlanta. This meeting focused on varying perspectives for the development of the Committee's recommendations. The Committee heard testimony from state agency heads, consultants, lobbyists, and top state government elected officials. This meeting was the final fact finding meeting for the Committee.

The topics discussed in Phase Three included:

- **Asset Management** as a strategic and systematic process for operating, maintaining, upgrading, and expanding capital assets effectively throughout their life-cycles. It focuses better decision making based upon quality information and well-defined objectives. This approach identifies and prioritizes statewide maintenance and operations needs based on inventory and condition assessments.
- **Revenue Enhancement** is used to provide additional funding for transportation through the collection of additional tax revenues. Georgia must consider moving to a percentage based tax which is automatically indexed to inflation, and thus will retain its purchasing power over time.
- **Value Engineering** is the application of a multi-disciplined team to analyze and provide the best value for money on a project.
- **Marketing** is essential for communicating both the funding needs and recommended solutions to the public.
- **Transit** comprises all transport systems in which passengers do not travel in their own vehicles, but utilize alternative means of travel, such as rail and bus services.

**Committee Recommendations**

After the final meeting in Atlanta, the Committee held working sessions to review the testimony it heard in order to develop a list of recommendations, which are defined in full detail on page 18.

1. **State Infrastructure Bank**

   The Committee recommends legislation creating a State Infrastructure Bank (Bank) in Georgia. These funds will be used to provide loans and credit enhancements to government units and private entities for use in constructing and improving transportation facilities throughout the state.

2. **Design Build**

   The Committee recommends legislation relating to the procedure for awarding design build contracts and to increase the frequency in which they are used.

3. **Aviation and Railroads**

   The Committee recommends that state funds be dedicated in a phased-in approach to provide appropriate funding to our statewide General Aviation airports and state wide rail system.

The Committee also recommends the transfer of responsibility for operation and management of the lease for the Western and Atlantic Rail Road from the State Properties Commission to the Georgia Department of Transportation.

4. **Statewide Transportation Funding**

The Committee recommends the General Assembly introduce legislation that would allow the citizens to vote on a Constitutional Amendment that may present anywhere from a revenue neutral, in which the 7.5 cent per gallon is replaced with an equivalent percent sales and use tax, to a 1 cent sales and use tax on all goods and services, except motor fuel, dedicated for use on all modes of transportation.

5. **Regional Transportation Funding**

The Committee recommends legislation allowing counties to join as a region to hold a referendum to pass a maximum one-cent tax for transportation projects.

6. **Statewide Transportation Plan**

The Committee recommends legislation requiring the development of a Statewide Transportation Plan (Plan), to be approved by the General Assembly, and updated every five years thereafter.

7. **Value Engineering**

The Committee supports the concept of value engineering and urges GDOT to use the practice of value engineering when designing and contracting projects.

8. **Overall Concession Plan**

The Committee recommends a resolution seeking a report from GDOT on the overall statewide concession plan by a date certain and will institute a schedule for regular reports to be presented to the House and Senate Transportation Committees.

9. **Public Private Initiatives**

The Committee recommends a resolution urging GDOT to award project contracts, where suitable, using the public-private method of construction and finance.

10. **Transit**

The Committee recommends a resolution supporting the inclusion of transit in the statewide transportation plan to provide Georgian's and visitors with an effective, efficient, and customer-friendly transit system in a transit-friendly environment.

11. **MagLev - Transrapid**

The Committee recommends a resolution supporting the construction of a Magnetically Levitated (MagLev) transit line, using the Transrapid technology, connecting Hartfield -

Jackson International Airport in Atlanta, Georgia with Chattanooga Metropolitan Airport in Chattanooga, Tennessee.

**12. HOV to HOT Lanes**

The Committee recommends a resolution urging GDOT to conduct a Regional HOT Lane Network Feasibility and Implementation Study.

**13. Efficiency in State Government**

The Committee recommends a resolution urging GDOT to continue to reduce costs and privatize those functions which can be supported by the private sector. Specifically, the Committee urges GDOT to move towards consolidation of county barns and privatization of maintenance projects.

**14. Transportation Oversight Committee**

The committee recommends that the General Assembly introduce legislation creating a Transportation Oversight Committee to review ongoing transportation issues and concerns.

**15. Transportation Governance**

The Committee recommends legislation defining the authority of the various transportation agencies which exist in Georgia and mandate a final transportation plan approved by the Georgia General Assembly.

**16. State Road and Tollway Authority**

The Committee recommends a resolution to urge the State Road and Tollway Authority to report to the House and Senate Transportation Committies plans for existing dollars under its jurisdiction and its posture as 2011 approaches and current legislation expires.

**17. Georgia Council for Rural and Human Services Transportation**

The Committee recommends legislation creating the Georgia Council for Rural and Human Services Transportation to be composed of the Commissioners of GDOT, the Department of Human Resources, the Department of Community Health, the Department of Education, and the Department of Labor.

**18. The U.S. Department of Transportation**

The Committee recommends 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 own choosing, not the federal government's.

## Conclusion

In conclusion it is the belief of the Committee that efficient transportation is the driver for continued economic growth in the Southeast and can only be maintained by addressing the transportation funding issues we are facing today. With the development of a Transportation Oversight Committee, as an ongoing effort, these issues will be evaluated each year to ensure that Georgia continues to move forward to create a safe, mobile, reliable, predictable and dependable transportation system.

It must be emphasized that individual members of the Committee represent a diversity of life experiences, rural and urban perspectives, and political orientations. However, this has resulted in a double edged sword. On one edge, this diversity has produced better information and richer discussions. On the other edge, the consequence of these differences is no absolute agreement in principle by the Committee members on all issues. As a result, fundamental agreement has been reached by the Committee as a whole on the recommendations.

# Recommendations

## Recommendations

The Joint Study on Transportation Funding Committee made up bi-partisan members from the Georgia Senate and House of Representatives have studied Georgia's transportation for three months and developed a list of recommendations for Urging Resolutions and potential Legislation to address the transportation needs plaguing our state. Working sessions were held by Committee members to review the testimonies in order to develop a list of substantive recommendations. Committee members did not agree on all aspects of the recommendations, however, a general consensus in principle was reached by the overall Committee as a whole. The following recommendations are being provided by the Committee.

**State Infrastructure Bank**

The Committee recommends legislation creating a State Infrastructure Bank (Bank) in Georgia. Planning for and adequately funding infrastructure for transportation purposes is critically important for the safety and welfare of the citizens of Georgia. The State Infrastructure Bank will primarily be funded through Federal and State sources. These funds will be used to provide loans and credit enhancements to government units and private entities for use in constructing and improving transportation facilities throughout the state. The Bank may lend capital costs or provide credit enhancements for transportation projects that provide for increased mobility on the state's transportation system or provide intermodal connectivity with seaports, airports, rail facilities, and other transportation terminals. To be eligible for consideration, projects should be consistent, to the maximum extent feasible, with local metropolitan planning organization plans and local government comprehensive plans and should provide a dedicated repayment source to ensure the loan is repaid to the bank.

**Design Build**

The Committee recommends legislation relating to the procedure for awarding design build contracts. Beginning in Fiscal 2010, the Department of Transportation will use the design-build procedure to award at least 5 percent of the monetary value of all its construction projects. The percentage of contracts awarded using the design-build procedure will be increased to at least 10 percent in Fiscal 2012. Prior to fiscal year 2010 the Committee urges the Georgia Department of Transportation to submit a report to the Oversight Committee indicating the anticipated projects to be constructed under Design Build. The Committee recognizes that it is important for Georgia to embrace this new reality in the industry while at the same time moving with prudence to be certain that both large and small businesses have an opportunity to grow into this method of business.

The Committee also recommends that the General Assembly examine current law governing local government public works construction contracts, specifically the use of competitive sealed proposals in bidding, for utilization in the bidding procedure for DOT construction and maintenance contracts. "Competitive sealed proposals" is a method of soliciting public works contracts whereby the award is based upon criteria identified in a request for proposals.

**Aviation and Railroads**

The Committee declares that General Aviation and Rail Programs are critical to economic development opportunities for Georgia. In order to compete with other states in our region, the Committee anticipates taking steps to urgently and strongly recommend that state funds be dedicated in a phased-in system to provide appropriate funding to our statewide General Aviation airports and statewide rail system. The Committee also urges the transfer of responsibility for operation and management of the Western and Atlantic Rail Road lease from the State Properties Office to the Georgia Department of Transportation. Georgia has 103 publicly owned public use airports and 93 General Aviation public use airports. Likewise, the railroad industry can help alleviate stress in the highway transportation system. Freight transportation remains at record levels, and reports indicate that freight transportation needs will continue to grow significantly over the next 15 to 20 years.

**Statewide Transportation Funding**

With improved technologies and Federal mandates for greater fuel efficiency, revenues based on motor fuel tax will be less dependable in the future and will likely show a decline in revenues based on miles driven. This revenue will be further reduced by alternative fuel and electric vehicles that have a lower or no user fee (motor fuel tax) contribution. Thus, resulting in a shift from a true user fee to a consumption basis fee. Currently, transportation projects are, for all practical purposes, funded by revenue collected at the pump for gasoline. Georgia must find realistic and equitable means to ensure future revenue for both the maintenance of existing transportation projects and expansion of the transportation system.

The Committee recommends the General Assembly introduce legislation that would allow the citizens to vote on a Constitutional Amendment that may present anywhere from a revenue neutral, in which the 7.5 cent per gallon is replaced with an equivalent percent sales and use tax, to a 1 cent sales and use tax on all goods and services, except motor fuel, dedicated for use on all modes of transportation. The existing sales and use tax on motor fuel of 4 percent will remain in place. This statewide proposal should not preclude the Regional Special Local Option Sales Tax (SPLOST).

**Regional Transportation Funding**

The Committee recommends that the General Assembly introduce legislation to allow counties to join as a region to hold a referendum to pass a maximum one cent tax for transportation projects.

**Statewide Transportation Plan**

The Committee recommends that the General Assembly introduce legislation requiring the development of a Statewide Transportation Plan (Plan), to be approved by the General Assembly, and updated every five years thereafter. The policy objective of the Plan is to create a safe, mobile, reliable, predictable, and dependable transportation system, and will include

forecasts for Georgia's transportation needs in five-year increments, for the next 50 years, utilizing projected growth and demographic trends.

**Value Engineering**

The Committee supports the concept of value engineering and urges the Department of Transportation to use the practice of value engineering when designing and contracting projects. Value engineering is the formal or informal attempt to assure highest value by delivering all required functions at the lowest overall cost. Value engineering seeks optimum value by balancing performance and cost.

**Overall Concession Plan**

The Committee recommends a resolution seeking a report from the Department of Transportation on the overall statewide concession plan by a date certain and will institute a schedule for regular reports to be presented to the House and Senate Transportation Committees.

**Public Private Initiatives**

The Committee recommends that the General Assembly introduce a resolution urging the Department of Transportation to award project contracts, where suitable, using the public-private method of construction and finance.

**Transit**

Rapid growth and development have placed tremendous pressures on Georgia's transportation system. Heavy volumes of traffic in most of the state's urbanized areas have created excessive congestion. Increasing suburbanization of population and employment has resulted in greater automobile use. Given the continuing dispersal of jobs and residents, roadway congestion is likely to worsen. In some metropolitan areas, transportation systems are expected to become increasingly saturated, even with implementation of roadway improvements defined in current long-range transportation plans.

In view of the above trends in Georgia's growth and development, members of the Committee recognize that Georgia must have user-friendly transit and transit development and it must be included in the statewide transportation plan. The Committee anticipates working with leadership from the Transit Planning Board as we explore transit options.

The Committee recommends that the General Assembly introduce a resolution to support the inclusion of transit in the statewide transportation plan to provide Georgian's and visitors with an effective, efficient, and customer-friendly transit system in a transit-friendly environment. Georgia must re-examine the role of transit in the context of a changing transportation environment.

**Mag Lev - Transrapid**

The principal of a MagLev train is that it floats on a magnetic field and is propelled by a linear induction motor. The trains follow guidance tracks with magnets. Transrapid is proven technology and has been under research and development since 1969. The test track has been in operation on Germany since the mid-1980s and reaches speeds in excess of 250 miles per hour (mph). A system in Shanghai, China has safely carried more than twelve million passengers at speeds of 270 mph with an overall system technical availability of 99.95 percent.

The Committee recommends that the General Assembly introduce a resolution supporting the construction of a Magnetically Levitated (MagLev) transit line, using the Transrapid technology, connecting Hartsfield - Jackson International Airport in Atlanta, Georgia with Chattanooga Metropolitan Airport in Chattanooga, Tennessee.

**HOV to HOT Lanes**

The Federal Highway Administration (FHWA) defines *managed lanes* as offering "enhanced operational conditions within separated lanes, which result in outcomes such as greater efficiency, free-flow speeds or reduced congestion."

*HOV (high occupancy vehicle) lanes* are travel lanes dedicated to vehicles with two or more occupants, including buses, carpools and vanpools. HOV lanes are a type of managed lane.

*HOT (high occupancy toll) lanes* are similar to HOV lanes in that they are dedicated to vehicles with two or more occupants. They are open to single occupant vehicles; however, the driver must pay a toll to do so. The toll is based upon the level of congestion in the non-HOT lanes heavier congestion equals higher tolls for single occupant vehicles. HOT lanes are a type of managed lane.

The Committee recommends that the General Assembly introduce a resolution to urge the Georgia Department of Transportation (GDOT) to conduct a Regional High-Occupancy/Toll (HOT) Lanes Network Feasibility and Implementation Study. The study is meant to determine whether a regional network of HOT lanes is warranted, define a phased implementation plan, and provide a regional context for demonstration projects.

Such a resolution will urge GDOT to give serious study to building on the existing High Occupancy/Vehicle (HOV) system to create a regional network of HOT lanes by converting existing HOV lanes to HOT lanes and expanding the HOV/HOT system where possible. A regional HOT lanes network is intended to:

- Make more efficient use of all freeway lanes;
- Provide a managed and reliable travel option for express buses, and carpools and single occupancy vehicles;
- Generate a reliable revenue source that can be used to expand and connect the regional HOV network and expand express bus and rideshare services.

**Efficiency in State Government**

The Committee recommends that the General Assembly introduce a resolution urging the Georgia Department of Transportation (GDOT) to continue to reduce costs and privatize those functions which can be supported by the private sector. Specifically, the Committee will urge GDOT to move towards consolidation of county maintenance facilities and the privatization of maintenance projects.

**Transportation Oversight Committee**

The Committee recommends legislation creating a Transportation Oversight Committee to continue to look at transportation issues each year. This committee will ensure Georgia's continued efforts to move forward in creating a safe, mobile, reliable, predictable and dependable transportation system.

**Transportation Governance**

A concern of the Committee is the broad number of government, quasi-government, and independent entities who are involved with, and seemingly empowered to affect, major transportation decisions. At some point, there needs to be clear leadership. Diverse opinions and large amounts of perspective are very important, every voice and community must be heard from, but there must be one governing authority that makes final decisions.

The Committee anticipates introducing measures to define the authority of the various transportation agencies which exist in Georgia and empower and mandate a final transportation plan prepared by Georgia DOT and approved by the Georgia General Assembly, upon review and recommendation of the Transportation Oversight Committee. It is, properly, up to the elected representatives of the citizens of Georgia to lead Georgia. The Committee calls upon the Governor and our colleagues in the General Assembly to join us and make the hard decisions for the good people of Georgia.

**State Road and Tollway Authority**

The Committee recommends a resolution to urge the State Road and Tollway Authority to report to the House and Senate Transportation its plans for existing dollars under its jurisdiction, as well its posture as 2011 approaches and current legislation expires.

**Georgia Council for Rural and Human Services Transportation**

The Committee finds that a considerable number of programs exist in the state, funded by local, state, and federal sources, which are designed to provide both rural and urban human services transportation over large geographic areas. The Committee recommends that the General Assembly introduce legislation creating the Georgia Council for Rural and Human Services Transportation (Council) to be composed of the Commissioners of the Department of Transportation, Department of Human Resources, Department of Community Health, Department of Education, and the Department of Labor. The Council will examine the manner in which transportation services are provided by these agencies and facilitate interagency

delivery of these services in order to encourage operating cost-efficiencies. The Council will issue an annual report to the Governor and the Chairmen of the Senate and House Transportation Committees with specific recommendations for improvement of human services transportation within the state.

**The U.S. Department of Transportation**

The Committee recommends that 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 own choosing, not the federal government's.

Among the many problems with the existing centralized, command-and-control program are long-standing regional inequities between "donor" states (those whose motorists pay more in fuel taxes than they receive back from the program) and "recipient" states, (those that receive more than they pay). Over the past several decades, many of the southern and western states have found themselves in the position of donors, while states in the northeast and central regions of the country are most often recipients.

Fast-growing states, such as California, Florida, Texas, Georgia, North Carolina, and South Carolina are long-standing donors, year after year shipping a portion of their fuel tax revenues to perennial recipient states, such as, New York, Massachusetts, and Pennsylvania.

Having completed the authorized task of constructing a 41,000-mile interstate highway system from coast to coast and border to border, the federal government has found it difficult to resolve surface transportation problems that are increasingly local in nature. Despite record levels of highway spending, congestion is worsening and roads are deteriorating.

The Committee urges the Georgia Congressional Delegation to examine legislation adjusting the current structure of the U.S. Department of Transportation to guarantee that Georgia receives our fair share of transportation dollars. Failing fair equitable legislation, the Committee recommends that the General Assembly introduce a resolution urging the abolishment of the U.S. Department of Transportation.

# Committee Signatures

**Respectfully Submitted**

Sen. Jeff Mullis, Co-Chairman
53rd District

Rep. Vance Smith, Co-Chairman
129th District

Sen. Chip Pearson
51st District

Rep. James Mills
25th District

Sen. Doug Stoner
6th District

Rep. Jay Shaw
176th District

Sen. Tommie Williams
19th District

Rep. Donna Sheldon
105th District

Sen. Valencia Seay, Ex-Officio
34th District

Rep. Mark Hamilton, Ex-Officio
23rd District

*After addressing the transportation funding issues Georgia is facing today, it is the belief of the Committee that by maintaining transportation, the Southeast will have continued economic growth. The goal of the Committee was to help in ensuring that Georgia continues to move forward to create a safe, mobile, reliable, predictable and dependable transportation system.*

*Regardless of individual differences, the Committee members agreed in principle on the recommendations contained herein, and are thus considered the product of the Committee as a whole.*