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IMPACTS OF EXPECTED HIGHWAY TRUST FUND INSOLVENCY

HEARING

BEFORE THE

COMMITTEE ON ENVIRONMENT AND PUBLIC WORKS UNITED STATES SENATE

ONE HUNDRED ELEVENTH CONGRESS

FIRST SESSION

JUNE 25, 2009

Printed for the use of the Committee on Environment and Public Works

Available via the World Wide Web: http://www.gpo.gov/fdsys

U.S. GOVERNMENT PUBLISHING OFFICE

95–156 PDF WASHINGTON : 2015

For sale by the Superintendent of Documents, U.S. Government Publishing Office
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ONE HUNDRED ELEVENTH CONGRESS
FIRST SESSION

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C O N T E N T S

Page

JUNE 25, 2009

OPENING STATEMENTS

Boxer, Hon. Barbara, U.S. Senator from the State of California 1
Inhofe, Hon. James M., U.S. Senator from the State of Oklahoma 31
Udall, Hon. Tom, U.S. Senator from the State of New Mexico 33
Vitter, Hon. David, U.S. Senator from the State of Louisiana 33
Lautenberg, Hon. Frank R., U.S. Senator from the State of New Jersey 35
Barrasso, Hon. John, U.S. Senator from the State of Wyoming 36
Cardin, Hon. Benjamin L., U.S. Senator from the State of Maryland 37
Carper, Hon. Thomas R., U.S. Senator from the State of Delaware 39
Merkley, Hon. Jeff, U.S. Senator from the State of Oregon 40

WITNESSES

LaHood, Hon. Ray, Secretary, U.S. Department of Transportation 41
Prepared statement 43
Responses to additional questions from Senator Boxer 49
Response to an additional question from Senator Voinovich 51
Ruffalo, Kathy, President, Ruffalo and Associates 65
Prepared statement 68
Responses to additional questions from Senator Boxer 74
Response to an additional question from Senator Voinovich 76
James, Don, Chief Executive Officer, Vulcan Materials Company 77
Prepared statement 79
Response to an additional question from Senator Voinovich 87
Responses to additional questions from Senator Boxer 87
Basso, Jack, Director of Program Finance and Management, American Association of State Highway and Transportation Officials 89
Prepared statement 91

IMPACTS OF EXPECTED HIGHWAY TRUST FUND INSOLVENCY

THURSDAY, JUNE 25, 2009

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

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

Present: Senators Carper, Inhofe, Lautenberg, Cardin, Klobuchar, Udall, Merkley, Voinovich, Vitter, and Barrasso.

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

Senator BOXER. The hearing will come to order.

Thank you so much, Secretary LaHood and the rest of today's witnesses for being here today to discuss such as important issue, the solvency of the Highway Trust Fund.

I ask unanimous consent to place in the record a document that shows the 24 entities that are calling upon us to fix this Trust Fund before August. I will just read a couple of them: Alaska Department of Transportation, Arizona Department of Transportation, California, the Rural Transportation Advisory Council of Arizona, Kent County, Delaware, a lot of agencies in Florida, Georgia, Illinois, Missouri, Oregon, Indiana, Pennsylvania, Tennessee, Texas, Virginia, Washington State, Wisconsin, the American Highway Users Alliance, the American Society of Highway Engineers and the National Governors Association.

[The referenced information follows:]

STATE OF ALASKA
DEPARTMENT OF TRANSPORTATION
AND PUBLIC FACILITIES
OFFICE OF THE COMMISSIONER

SARAH PALIN, Governor

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PO Box 112500
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PHONE: (907) 465-3900

June 19, 2009

The Honorable Mark Begich
United States Senator
825 Hart Senate Office Bldg.
Washington, DC 20510

The Honorable Lisa Murkowski
United States Senator
709 Hart Senate Office Bldg.
Washington, DC 20510

The Honorable Don Young
United States Congressman
2111 Rayburn House Office Bldg.
Washington, DC 20515-0201

Dear Senator Begich, Senator Murkowski and Congressman Young:

Next week, the Senate Environment and Public Works Committee will hold a hearing on the status and near-term outlook for the Highway Trust Fund. As you know, the fund is again facing a significant shortfall in revenue, which will result in its partial insolvency. When that occurs, several significant impacts will result to all state transportation and metropolitan planning organizations.

- Ongoing transportation projects, when billed to the Federal Highway Administration (FHWA) for reimbursement, will have such reimbursements delayed. Unless corrected, such delays will increase to ever longer time periods.

- Funding for Federal fiscal year 2010 will be severely restricted, by as much as 85% in each state. This is practically a near-100% restriction on new construction starts, since mandatory tasks funded by the highway trust fund (including GARVEE bond payments, data collection, bridge safety inspections, DBE programs, metropolitan and state planning, etc.) receive first priority under federal law.

- The benefits of the ARRA funded highway projects will be essentially nullified. With no additional project lettings in 2010, except for the last few ARRA projects, the loss of engineering, construction and related government jobs in transportation construction will be widespread and immediate.

- Critical projects that improve safety, sustain the existing system and provide needed expansion in key locations must all be put on hold.

- Immediate examples in Alaska would include replacing the three structurally deficient bridges on the Seward Highway near Moose Pass that are now restricting traffic; widening and separating the Parks Highway near Wasilla for safety and capacity purposes; and further progress on the Highway to Highway connection near downtown Anchorage.

- Local projects would also be delayed. Several locally-owned bridges in Juneau, Ketchikan and Mat-Su are scheduled to use federal funds in 2010 and all these projects would be suspended. Both FMATS and AMATS would also see their projects delayed or stopped. This would include several "Connect Anchorage" efforts and the downtown work in Fairbanks to improve traffic circulation.

At a time when the nation's economy is just beginning to recover, we can imagine no worse an outcome but to have such a large and important public works program effectively canceled. The impacts to many sectors of the economy, including fabricators, material suppliers, contractors and engineering firms will be widespread. Even at state DOTs most of the engineering staff are entirely dependent upon funds for design work to support their salaries.

The highway trust fund has been a model of a well-conceived and executed federal government program for more than 50 years. Self-funded by users, in good times and bad, it has provided a highway and transit network that the world envied, and served as a foundation for millions of private and public sector jobs. The tragedy of its potential demise in the coming months cannot be overlooked.

I ask you to work with others in Congress and find a solution to this very real and urgent issue. Alaska and the nation need this program to succeed.

Sincerely,

Leo von Scheben, P.E., L.S., M.B.A.
Commissioner

cc: Senator Barbara Boxer, Chairman, U.S. Senate Committee on Environment & Public Works
Senator James Inhofe, Ranking Member, U.S. Senate Committee on Environment & Public Works
John W. Katz, Director of State/Federal Relations, Governor's DC Office
Gordon Keith, Chairman, Anchorage Metropolitan Area Transportation Study
Steve Titus, Chairman, Fairbanks Metropolitan Area Transportation Study

Arizona Department of Transportation
Office of the Director
206 South Seventeenth Avenue Phoenix, Arizona 85007-3213

Janice K. Brewer
Governor

John S. Halikowski
Director

John A. Bogert
Chief of Operations

John McGee
Executive Director for Planning & Policy

June 19, 2009

Senator John McCain
United States Senate
241 Russell Senate Office Building
Washington D.C. 20510

Dear Senator McCain:

As you are aware, the Highway Trust Fund (HTF) is experiencing a cash shortfall this federal fiscal year which could cause a delay in payments to states. In addition, the shortfall will continue through federal fiscal year 2010 with a potential for reducing the federal aid highway program by 85% if additional funding is not identified.

For Arizona, this would create the "perfect storm" as we are already losing revenue to support the ailing State General Fund while our own gas tax and vehicle license tax revenues have declined dramatically. More that $400 million has been reallocated by the state legislature in recent years from the State Highway Fund into other areas of government. Between the reduction in revenues and the transfer of funds, this represents a significant loss of investment for Arizona's diverse transportation needs.

In 2010, there is a state legislative proposal to reduce transportation funds by another $167.5 million. If HTF dollars are also lost, Arizona may not be able to continue moving forward with a surface transportation program. We may be looking at only maintenance and even then, just for safety related issues.

About 80% of every dollar that the Arizona Department of Transportation (ADOT) spends goes directly to the private sector and keeps Arizona citizens working. ADOT has moved quickly forward with the Recovery dollars to put people back to work and complete needed transportation projects. If the HTF does not have sufficient funds to support a program, then we will be right back where we were before the Recovery funds with no money and ever growing needs. Further the jobs and tax revenues that were created with the Recovery funds will be quickly lost.

We urge you to support sustainable revenues to meet the transportation needs of our growing state as we move forward through both the appropriation and authorization process. We look forward to being an active participant in the discussions about the future of transportation funding.

Sincerely,

John S. Halikowski

cc: Senator Jon Kyl
Senator James Inhofe
Senator Barbara Boxer

Arizona Department of Transportation
Office of the Director
206 South Seventeenth Avenue Phoenix, Arizona 85007-3213

Janice K. Brewer
Governor

John S. Halikowski
Director

John A. Bogert
Chief of Operations

John McGee
Executive Director for Planning & Policy

June 19, 2009

Senator Jon Kyl
United States Senate
730 Hart Senate Office Building
Washington D.C. 20510

Dear Senator Kyl:

As you are aware, the Highway Trust Fund (HTF) is experiencing a cash shortfall this federal fiscal year which could cause a delay in payments to states. In addition, the shortfall will continue through federal fiscal year 2010 with a potential for reducing the federal aid highway program by 85% if additional funding is not identified.

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We urge you to support sustainable revenues to meet the transportation needs of our growing state as we move forward through both the appropriation and authorization process. We look forward to being an active participant in the discussions about the future of transportation funding.

Sincerely,

John S. Halikowski

cc: Senator John McCain
Senator James Inhofe
Senator Barbara Boxer

RESOLUTION No: 2008-2

A RESOLUTION OF THE RURAL TRANSPORTATION ADVOCACY COUNCIL OF ARIZONA IN SUPPORT OF MEASURES TO PROTECT THE SOLVENCY OF THE FEDERAL HIGHWAY TRUST FUND AND THE CONTINUED ROLE OF THE FEDERAL GOVERNMENT IN CONTRIBUTING TO THE FINANCING OF THE NATION'S TRANSPORTATION INFRASTRUCTURE

WHEREAS, the federal government's current share of transportation funding is approximately 45%, and

WHEREAS, the impact of any new transportation resources will be greatly diminished if existing resources are not at least maintained, and

WHEREAS, the purchasing power of existing transportation resources has significantly diminished due to inflation and rising construction costs, and

WHEREAS, existing transportation resources are projected to be significantly inadequate to meet the future transportation infrastructure needs of Arizona, and

WHEREAS, the federal Highway Trust Fund is projected to incur higher spending authorizations than revenue as early as 2009, and

WHEREAS, the Rural Transportation Advocacy Council is supportive of measures to provide resources for the development of transportation infrastructure that will satisfy future mobility, accessibility, quality of life and economic development needs,

NOW THEREFORE BE IT RESOLVED, that the Rural Transportation Advocacy Council formally declares its support for measures to protect the solvency of the federal Highway Trust Fund and the continued role of the federal government in contributing to the financing of the Nation's transportation infrastructure.

Passed and adopted by the Rural Transportation Advocacy Council of Arizona this 11th day of February, 2008.

Joseph C. Donaldson

The Honorable Joe Donaldson, Mayor of Flagstaff
Chairman, Rural Transportation Advocacy Council

ATTEST:

Kevin Adam
Rural Transportation Liaison

STATE OF CALIFORNIA—BUSINESS, TRANSPORTATION AND HOUSING AGENCY ARNOLD SCHWARZENEGGER, Governor

DEPARTMENT OF TRANSPORTATION
OFFICE OF THE DIRECTOR
1120 N STREET, MS-49
SACRAMENTO, CA 95814-5680
PHONE (916) 654-5266
FAX (916) 654-6608
TTY 711

Flex your power!
Be energy efficient!

June 24, 2009

The Honorable Barbara Boxer
United States Senate
112 Hart Senate Office Building
Washington, D.C. 20510

Dear Senator Boxer:

To avoid a shutdown of California's transportation program and disruption of our State's economic recovery, I am writing to solicit your support for an immediate fix for the impending Highway Trust Fund (HTF) shortfall.

According to U.S. Department of Transportation officials, by August, the Highway Account of the HTF will have an insufficient cash flow to meet reimbursement obligations to states. Their current estimate is that the shortfall for fiscal year 2009 could be as much as $7 billion. Moreover, assuming current program levels, an additional cash transfer of $8 billion to $10 billion may be necessary if Congress is to address HTF solvency changes through fiscal year 2010.

Because of the time lag between state obligations and federal outlays to reimburse the states, an HTF shortfall could trigger significant cuts in California's transportation spending. Enactment of a federal solution to this problem is necessary to preserve surface transportation investment and provide the predictable, long-term federal funding on which highway projects and the California transportation budget depends.

Fixing the HTF shortfall as soon as possible will permit California to begin the fiscal year with the assurance that it will receive the amount of transportation funding pledged to it under federal law. This funding certainty will enable the State to continue financing highway projects that improve safety, ensure rural and urban mobility and access, and increase the mobility of people and goods. Fixing the Highway Trust Fund now will augment the injection of federal stimulus funds and continue the restoration of California's economy, increase well-paying construction jobs, and build the infrastructure that increases trade and commerce.

California depends on the federal partnership to build its transportation system. A disruption in that partnership, even on a temporary basis, will have severe impacts on the State and national economies. Therefore, I urge you to support legislation that would avert an HTF shortfall. Please contact me at (916) 654-5267 if there is anything else I can do to support you in this endeavor.

Sincerely,

WILL KEMPTON
Director

c: California Congressional Delegation
John Horsley, Executive Director, American Association of State Highway and Transportation Officials
Dale E. Bonner, Secretary, Business, Transportation and Housing Agency
Eric Swedlund, Deputy Director, Office of Governor Arnold Schwarzenegger

Kent County

Levy Court

Commission Members
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Hon. Richard E. Ennis
Hon. George "Jody" Sweeney

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(Handicapped Accessible)
(302) 744-2305
FAX: (302) 736-2279

June 23, 2009

The Honorable Barbara Boxer
Chair
Committee on Environment and Public Works
410 Dirksen Senate Office Building
Washington, DC 20510

Dear Madam Chairwoman:

As a county government official, I am very concerned about the challenges facing the Highway Trust Fund (HTF) and urge the Senate to take immediate action to address this problem.

As I understand it, the HTF is estimated to face a $5-7 billion shortfall for FY2009. Because of the current economic crisis and decreased use of fuel, funds flowing into the HTF have slowed and will not keep up with outlays. This problem will get worse as construction season moves ahead. I also have been informed that this will be an additional $8-10 billion problem in FY2010. The impact on county governments, many of whom receive federal surface transportation funds, will be substantial and this problem will also extend to my state department of transportation which also depends of federal transportation funds.

Once again, I urge you to take a leadership role in preventing this potential crisis in transportation funding. Thank you for your attention to this matter.

Sincerely,
Richard E. Ennis
NACo
Transportation Steering Committee

"Serving Kent County With Pride"

The Honorable Barbara Boxer
Chair
Committee on Environment and Public Works
410 Dirksen Senate Office Building
Washington, DC 20510

Dear Madam Chairwoman:

As a Leon County (FL) commissioner struggling to fulfill our transportation needs, I urge you and your colleagues to address immediately the $5 to $7 billion shortfall in this fiscal year's Highway Trust Fund -- as revenues fail to keep up with outlays. This problem is only getting worse as construction season moves ahead.

Only months from now, when FY2010 begins, there will be an even greater shortfall of $8 to $10 billion, which will create even more severe problems both locally and with our state department of transportation. We cannot afford as a nation to continue to fall behind at such a rapid pace.

Our county government has tried to bridge some of the transportation funding gap created by declining motor fuel tax revenues. Several years ago, our voters approved a local option one-cent sales tax to fund long-overdue transportation projects, including greenways and trails and conservation lands purchase; we are contributing $2.5 million in general revenues (mostly property taxes) in FY2010 for transportation; and we are contemplating increasing local-option gasoline taxes by five cents a gallon to the maximum level allowed by state law.

In other words, we are making a strong local effort, but we also need help from the Highway Trust Fund, and seek your help. I urge you to take a leadership role in preventing this potential crisis in transportation funding. Thank you for your attention to this matter.

Sincerely,

Bob Rackleff
Leon County Commissioner
Tallahassee, Florida
850-212-5663

P.O. Box 1989
West Palm Beach, FL 33402-1989
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Palm Beach County Board of County Commissioners

Jeff Koons, Chairman

Burt Aaronson, Vice Chairman

Karen T. Marcus

Shelley Vana

Steven L. Abrams

Jess R. Santamaria

District 7

County Administrator

Robert Weisman

"An Equal Opportunity Affirmative Action Employer"

Official Electronic Letterhead

June 22, 2009

The Honorable Barbara Boxer
Chair
Committee on Environment and Public Works
410 Dirksen Senate Office Building
Washington, DC 20510

Dear Madam Chairwoman:

As a county government official, I am very concerned about the challenges facing the Highway Trust Fund (HTF) and urge the Senate to take immediate action to address this problem.

As I understand it, the HTF is estimated to face a $5-7 billion shortfall for FY2009. Because of the current economic crisis and decreased use of fuel, funds flowing into the HTF have slowed and will not keep up with outlays. This problem will get worse as construction season moves ahead. I also have been informed that this will be an additional $8-10 billion problem in FY2010. The impact on county governments, many of whom receive federal surface transportation funds, will be substantial and this problem will also extend to my state department of transportation which also depends of federal transportation funds.

Once again, I urge you to take a leadership role in preventing this potential crisis in transportation funding.

Thank you for your attention to this matter.

Sincerely,

Commissioner Jeff Koons
Chairman

ELDRIN BELL
CHAIRMAN
WOLE RALPH
VICE CHAIRMAN
SONNA SINGLETON
COMMISSIONER
GAIL B. HAMBRICK
COMMISSIONER
MICHAEL EDMONDSON
COMMISSIONER

Clayton County Commissioners

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JONESBORO, GEORGIA 30236
PHONE: (770) 477-3208
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www.co.clayton.ga.us

June 22, 2009

The Honorable Barbara Boxer
Chair
Committee on Environment and Public Works
410 Dirksen Senate Office Building
Washington, DC 20510

Dear Madam Chairwoman:

As a county government official, I am very concerned about the challenges facing the Highway Trust Fund (HTF) and urge the Senate to take immediate action to address this problem.

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Once again, I urge you to take a leadership role in preventing this potential crisis in transportation funding. Thank you for your attention to this matter.

Yours for Clayton County,

Eldrin Bell, Chairman

COBB COUNTY
BOARD OF COMMISSIONERS

Samuel S. Olens
Chairman

100 Cherokee Street, Suite 300
Marietta, Georgia 30090
phone: (770) 528-3305 • fax: (770) 528-2606

June 22, 2009

The Honorable Barbara Boxer
Chair
Committee on Environment and Public Works
410 Dirksen Senate Office Building
Washington, DC 20510

Dear Madam Chairwoman:

As a county government official, I am very concerned about the challenges facing the Highway Trust Fund (HTF) and urge the Senate to take immediate action to address this problem.

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Once again, I urge you to take a leadership role in preventing this potential crisis in transportation funding. Thank you for your attention to this matter.

Sincerely,

Samuel S. Olens
Chairman

Missouri
Department
of Transportation

MoDOT

Pete K. Rahn, Director

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(573) 751-2551
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www.modot.org

June 22, 2009

Honorable Christopher Bond
United States Senate
274 Russell Senate Office Building
Washington, DC 20510

Dear Senator Bond:

Last year, the Highway Trust Fund became insolvent and the state of Missouri was in jeopardy of losing a significant amount of anticipated federal highway aid. Fortunately, Congress responded with a one-year $8 billion transfer from the General Revenue Fund to the Highway Trust Fund to sustain the authorized program for the departments of transportation across the nation.

As predicted, we are again facing a cash shortfall in the Highway Trust Fund for the current fiscal year that could again have a catastrophic impact on states. This shortfall could come as early as August of this year.

According to recent projections made by the U.S. Department of Transportation $5-7 billion is needed to address the shortfall in the Highway Trust Fund for fiscal year 2009. Without this injection of funds, MoDOT's apportionment would have to be reduced by roughly $600 million in federal highway funds.

In fact, if Congress does not act to provide additional funding to the Highway Trust Fund, an 85 percent reduction in the overall Federal-Aid Highway Program has been projected for the next fiscal year (2010), starting October 1. These impacts would totally negate the economic gains and job creation being delivered by MoDOT from the implementation of the American Recovery and Reinvestment Act of 2009.

On June 25, the Senate Environment and Public Works Committee will hold a hearing on the status and near-term outlook for the Highway Trust Fund. I want to thank you for your past support and encourage you to again support Congressional action to bring fiscal stability and continuity to the Highway Trust Fund.

Sincerely,

Pete K. Rahn
Director

Our mission is to provide a world-class transportation experience that delights our customers and promotes a prosperous Missouri.

Missouri
Department
of Transportation

Pete K. Rahn, Director

105 West Capitol Avenue
P.O. Box 270
Jefferson City, MO 65102
(573) 751-2551
Fax (573) 751-6555
www.modot.org

June 22, 2009

Honorable Claire McCaskill
United States Senate
717 Hart Senate Office Building
Washington, DC 20510

Dear Senator McCaskill:

Last year, the Highway Trust Fund became insolvent and the state of Missouri was in jeopardy of losing a significant amount of anticipated federal highway aid. Fortunately, Congress responded with a one-year $8 billion transfer from the General Revenue Fund to the Highway Trust Fund to sustain the authorized program for the departments of transportation across the nation.

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Sincerely,

Pete K. Rahn
Director

Our mission is to provide a world-class transportation experience that delights our customers and promotes a prosperous Missouri.

Oregon
Theodore R. Kulongoski, Governor

Department of Transportation
Office of the Director
355 Capitol St NE Rm 135
Salem, OR 97301

June 24, 2009

The Honorable Ron Wyden
United States Senator
230 Dirksen Senate Office Building
Washington, DC 20510-3703

Dear Senator Wyden:

The U.S. Department of Transportation recently announced that the Highway Account of the Highway Trust Fund, which annually invests about half a billion dollars in Oregon's transportation system, is dangerously low on cash and could exhaust its resources in August. This news has made the Oregon Department of Transportation very concerned about the impact a shortfall in the federal highway program could have on our transportation system and the nation's fragile economy.

The American Association of State Highway and Transportation Officials (AASHTO) estimates highway program funding levels for the upcoming fiscal year will have to be slashed by 35 percent if the Highway Account's shortfall isn't addressed by Congress. This will cost Oregon nearly $140 million—and completely offset the additional highway funding that will be spent in Oregon in 2010 due to the Recovery Act. This loss of funding would force ODOT and local governments to cut dozens of important projects that are already moving forward through the development process and cost thousands of jobs.

Stabilizing the Highway Trust Fund so that it can provide funding to preserve and improve our transportation system and put people back to work is critically important to Oregon. We are grateful for your support for investing in the nation's transportation infrastructure and hope you will work with colleagues to address this issue before its impacts the transportation system and the economy.

Sincerely,

Matthew L. Garrett
Director

CC: Senator Barbara Boxer, Chair, Senate Committee on Environment and Public Works
Senator James Inhofe, Ranking Member, Senate Committee on Environment and Public Works

June 24, 2009

The Honorable Barbara Boxer
Chair
Committee on Environment and Public Works
410 Dirksen Senate Office Building
Washington, DC 20510

Dear Madam Chairwoman:

As a county government official, I am very concerned about the challenges facing the Highway Trust Fund (HTF) and urge the Senate to take immediate action to address this problem.

As I understand it, the HTF is estimated to face a $5-7 billion shortfall for FY2009. Because of the current economic crisis and decreased use of fuel, funds flowing into the HTF have slowed and will not keep up with outlays. This problem will get worse as construction season moves ahead. I also have been informed that this will be an additional $8-10 billion problem in FY2010. The impact on county governments, many of whom receive federal surface transportation funds, will be substantial and this problem will also extend to my state department of transportation which also depends of federal transportation funds.

Once again, I urge you to take a leadership role in preventing this potential crisis in transportation funding. Thank you for your attention to this matter.

Sincerely,

INDIANA COUNTY BOARD OF COMMISSIONERS

Rodney D. Ruddock, Chairman

SHOHOLA TOWNSHIP
BOARD OF SUPERVISORS

Steve Dellert-Henry Prigge-Eleanore Wall
159 Twin Lakes Road
Shohola PA 18458
(570) 559-7394
Fax (570) 559-7523

June 22, 2009

The Honorable Barbara Boxer
Chair
Committee on Environment and Public Works
410 Dirksen Senate Office Building
Washington, DC 20510

Dear Madam Chairwoman:

As a local government official, I am very concerned about the challenges facing the Highway Trust Fund (HTF) and urge the Senate to take immediate action to address this problem.

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Once again, I urge you to take a leadership role in preventing this potential crisis in transportation funding. Thank you for your attention to this matter.

Sincerely concerned,

Eleanore Wall,
Supervisor/Secretary/ Treasurer

June 22, 2009

The Honorable Barbara Boxer
Chair
Committee on Environment and Public Works
410 Dirksen Senate Office Building
Washington, DC 20510

Dear Madam Chairwoman:

As a local government official, I am very concerned about the challenges facing the Highway Trust Fund (HTF) and urge the Senate to take immediate action to address this problem.

As I understand it, the HTF is estimated to face a $5-7 billion shortfall for FY2009. Because of the current economic crisis and decreased use of fuel, funds flowing into the HTF have slowed and will not keep up with outlays. This problem will get worse as construction season moves ahead. I also have been informed that this will be an additional $8-10 billion problem in FY2010. The impact on county governments, many of whom receive federal surface transportation funds, will be substantial and this problem will also extend to my state department of transportation which also depends on federal transportation funds.

Once again, I urge you to take a leadership role in preventing this potential crisis in transportation funding. Thank you for your attention to this matter.

Sincerely,
Westfall Township Board of Supervisors

STATE OF TENNESSEE
DEPARTMENT OF TRANSPORTATION
SUITE 700, JAMES K. POLK BUILDING
NASHVILLE, TENNESSEE 37243-0349
(615) 741-2848

GERALD F. NICELY
COMMISSIONER

PHIL BREDESEN
GOVERNOR

June 19, 2009

The Honorable Lamar Alexander
United States Senate
455 Dirksen Senate Office Building
Washington, DC 20510

Dear Senator Alexander:

I have been advised of a looming cash shortfall in the Highway Trust Fund for the current federal fiscal year as well as a possible 85% reduction in the Federal-Aid Highway Program for Fiscal Year 2010, if Congress does not act to provide additional funding. I am very aware of the larger deficit issues you and your Senate colleagues are facing.

However, the depletion of the Trust Fund would have dire consequences to the citizens of Tennessee and all those who use our highways on a daily basis. A delay in reimbursement payments to the states would require us to bear this additional financial burden at a time when the economy is distressed and revenues are down. Even more devastating, an 85% reduction in the Federal-Aid Highway Program would drastically impact our effort to reduce traffic congestion, improve safety and enhance long-term economic productivity. This action would certainly serve as a negative impact on the ability to sustain the economic gains and job creation and preservation from the Economic Recovery Package.

I urge you to take whatever steps are necessary to bring fiscal stability and continuity to the Highway Trust Fund, without which, our ability to effectively plan and deliver infrastructure improvements is greatly compromised.

Sincerely,

Gerald F. Nicely
Commissioner

cc: Senator Barbara Boxer
Senator James Inhofe

STATE OF TENNESSEE
DEPARTMENT OF TRANSPORTATION
SUITE 700, JAMES K. POLK BUILDING
NASHVILLE, TENNESSEE 37243-0349
(615) 741-2848

GERALD F. NICELY
COMMISSIONER

PHIL BREDESEN
GOVERNOR

June 19, 2009

The Honorable Bob Corker
United States Senate
185 Dirksen Senate Office Building
Washington, DC 20510

Dear Senator Corker:

I have been advised of a looming cash shortfall in the Highway Trust Fund for the current federal fiscal year as well as a possible 85% reduction in the Federal-Aid Highway Program for Fiscal Year 2010, if Congress does not act to provide additional funding. I am very aware of the larger deficit issues you and your Senate colleagues are facing.

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Sincerely,

Gerald F. Nicely
Commissioner

c. Senator Barbara Boxer
Senator James Inhofe

TARRANT COUNTY

GARY FICKES
COUNTY COMMISSIONER
PRECINCT NO. 3

Northeast Sub-Courthouse
645 Grapevine Hwy., Suite 6
Hurst, TX 76054
(817) 581-3600
(817) 581-3603 - Fax

Southlake Town Hall
1400 Main Street, Suite 410
Southlake, TX 76092
(817) 481-8234
(817) 481-8053 - Fax

June 22, 2009

The Honorable Barbara Boxer
Chair, Committee on Environment
and Public Works
410 Dirksen Senate Office Building
Washington DC 20510

Dear Madam Chairwoman:

As a Tarrant County Commissioner and member of the NACo Transportation Steering Committee, I am very concerned about the challenges facing the Highway Trust Fund and urge the Senate to take immediate action to address the problem.

As I understand it, the HTF is estimated to face a $5-7 billion shortfall for FY2009. Due to the current economic crisis and the decreased use of fuel, funds flowing into the HTF have slowed and will not keep up with outlays. This problem will get worse as the construction season moves ahead. I also have been informed that this will be an additional $8-10 billion problem in FY2010.

The impact on county governments, many of which receive federal surface transportation funds, will be substantial and this problem will also extend to my state department of transportation which also depends on federal transportation funds.

I urge you to take a leadership role in preventing this potential crisis in transportation funding. Thank you for your attention to this matter.

Sincerely,

Gary Fickes

bcc: Bob Fogel, NACo

gfickes@tarrantcounty.com

Virginia Association of Counties

CONNECTING COUNTY GOVERNMENTS SINCE 1934

President
Donald L. Hart, Jr.
Accomack County

President-Elect
Phillip A. Bradshaw
Isle of Wight County

First Vice President
Robert R. Adkins
Wise County

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William B. Kyger Jr.
Rockingham County

Executive Director
James D. Campbell, CAE

General Counsel
Phyllis A. Errico, Esq., CAE

June 22, 2009

The Honorable Barbara Boxer
Chair
Committee on Environment and Public Works
410 Dirksen Senate Office Building
Washington, DC 20510

Dear Madam Chairwoman:

As a county government official, I am very concerned about the challenges facing the Highway Trust Fund (HTF) and urge the Senate to take immediate action to address this problem.

As I understand it, the HTF is estimated to face a $5-7 billion shortfall for FY2009. Because of the current economic crisis and decreased use of fuel, funds flowing into the HTF have slowed and will not keep up with outlays. This problem will get worse as construction season moves ahead. I also have been informed that this will be an additional $8-10 billion problem in FY2010. The impact on county governments, many of whom receive federal surface transportation funds, will be substantial and this problem will also extend to my state department of transportation which also depends of federal transportation funds.

Once again, I urge you to take a leadership role in preventing this potential crisis in transportation funding. Thank you for your attention to this matter.

Sincerely,

Donald L. Hart, Jr.
President

1207 E. Main St.
Suite 300
Richmond, Virginia
23219-3627

PHONE: 804-788-6652
FAX: 804-788-0083

E-mail: mail@vaco.org
Web site: www.vaco.org

Board of County Commissioners
BENTON COUNTY
P.O. Box 190 • Prosser, WA 99350-0190
Phone (509) 786-5600 or (509) 736-3080
Fax (509) 786-5625

Leo Bowman
District 1

June 24, 2009

The Honorable Barbara Boxer
Chair
Committee on Environment and Public Works
410 Dirksen Senate Office Building
Washington, DC 20510

Dear Madam Chairwoman:

As I understand it, the HTF is estimated to face a $5-7 billion shortfall for FY 2009. This is very concerning to me as a County Commissioner in Benton County Washington. This concern causes me to strongly urge the US Senate to take immediate action to address this problem.

I understand the current economic crisis and decreased use of fuels, funds flowing into the HTF have slowed and will cannot keep up with the needs. As well this problem will continue to get worse as construction season moves ahead this year. We have also been informed that there will most probably be an additional $8-10 billion shortfall in FY 2010. The impact on county governments, many of whom receive federal surface transportation funds to repair, improve, and expand this important infrastructure will be substantial.

The need for funding of our roadways includes safety improvements and as well we are working hard to diversify our economy, and good infrastructure is crucial to that mission. Communities like ours depend on resources like the HTF to expand our tax base and improve productivity and traffic flow.

Once again, we urge you to take a leadership role in preventing this potential crisis in transportation funding. Thank you for your attention to this matter.

Sincerely,

Leo M Bowman
Benton County Commissioner

The Honorable Barbara Boxer
Chair
Committee on Environment and Public Works
410 Dirksen Senate Office Building
Washington, DC 20510

Dear Madam Chairwoman:

As a county government official in Dunn County Wisconsin and Chairman of the National Association of Counties Highway/Highway Safety Sub-Committee, I am very concerned about the funding challenges facing the Highway Trust Fund (HTF) and urge the Senate to take immediate action to address this problem.

As I understand it, the HTF is estimated to face a $5-7 billion shortfall for FY2009. Because of the current economic crisis and decreased use of fuel, funds flowing into the HTF have slowed and will not keep up with outlays. This problem will get worse as construction season moves ahead. I also have been informed that this will be an additional $8-10 billion problem in FY2010. The impact on county governments across the nation, many of whom receive federal surface transportation funds, will be substantial and this problem will also extend to the State departments of transportation which also depend on federal transportation funds.

As we work together to promote renewed economic vitality to our nation, Transportation funding is paramount to this effort, and stabilization of the HTF is absolutely essential to this success.

Once again, I urge you to take a leadership role in preventing this potential crisis in transportation funding. Should you have questions, comments, or concerns please do not hesitate to contact me.

Thank you for your attention to this matter.

Sincerely,

Daniel J. Fedderly P.E.;R.L.S.
Executive Director, Wisconsin County Highway Association
District 8 Supervisor, Dunn County Wisconsin Board of supervisors
Chairman, NACo Highway/Highway Safety Sub-Committee

Cc Bob Fogel, NACo

June 23, 2009

Hon. Barbara Boxer, Chairman
Committee on Environment and Public Works
United States Senate
SD-410 Hart Senate Office Building
Washington, DC 20510

Dear Madam Chairman:

The American Highway Users Alliance (The Highway Users) represents nearly 300 motor clubs, non-profit associations and companies that support safe and efficient highway transportation. Our members represent millions of American motorists and The Highway Users is charged with representing their interests.

Highway users supply all of the revenue to the Highway Trust Fund through taxes on fuel, heavy vehicle tires, and sales of new trucks and truck equipment. Since 1956, the revenue motorists and truckers have provided to the trust fund has paid for nearly the entire federal-aid highway program. Highway user fee revenue also helps subsidize funding for alternate surface transportation modes, such as mass transit and bicycle paths.

We are proud of our tradition of "paying-as-we go". But, as you have recognized, current revenue from highway users is insufficient to fund the current surface transportation programs. Unless the problem is fixed, massive highway funding cuts could paralyze road improvements across the country. Highway users are ready to do more, including paying more, for a strong "user-fee" based program that addresses our country's serious congestion, safety, highway freight, and aging infrastructure needs. When the time is right to advance user fee increases as part of a comprehensive six-year authorization bill, we hope highway users will be at the table.

In the meantime, the Highway Trust Fund needs immediate aid to prevent shortfalls this summer and in fiscal year 2010. Without these funds, any transportation-related economic gains made as a result of this year's stimulus bill will be reversed. In the long-term, we will need a more financially sustainable solution – such as a fuel tax increase.

Thank you for your proactive leadership to address the looming shortfall in the Highway Trust Fund. **We commend your decision to hold a hearing this Thursday to develop testimony on this issue** and stand ready to assist you as you seek solutions to the trust fund crisis.

Sincerely,

Gregory M. Cohen
President and CEO

1101 14th Street, NW • Suite 750 • Washington, DC 20005 • 202.857.1200 (P) • 202.857.1220 (F) • www.highways.org

Edward G. Rendell
Governor of Pennsylvania
Chair

James H. Douglas
Governor of Vermont
Vice Chair

Raymond C. Scheppach
Executive Director

June 22, 2009

The Honorable Harry Reid
Majority Leader
United States Senate
Washington, D.C. 20510

The Honorable Mitch McConnell
Minority Leader
United States Senate
Washington, D.C. 20515

The Honorable Nancy Pelosi
Speaker
U.S. House of Representatives
Washington, D.C. 20515

The John Boehner
Minority Leader
U.S. House of Representatives
Washington, D.C. 20515

Dear Senator Reid, Senator McConnell, Speaker Pelosi, and Representative Boehner:

The nation's governors call on Congress to address the impending funding shortfall of the Highway Account of the Highway Trust Fund (HTF) as soon as possible.

According to Department of Transportation officials, the Highway Account of the HTF by August will have an insufficient cash flow to meet reimbursement obligations to states. In fact, the Department estimates that the shortfall for fiscal year 2009 could be as much as $7 billion. Moreover, assuming current program levels, an additional cash transfer of $8 billion to $10 billion may be necessary if Congress is to address HTF solvency challenges through fiscal year 2010.

Because of the time lag between state obligations and federal outlays to reimburse the states, a HTF shortfall would trigger significant cuts in state transportation spending. Enactment of a federal solution to this problem is necessary to preserve surface transportation investment and provide the predictable, long-term federal funding on which highway projects and state transportation budgets depend.

Fixing the Highway Trust Fund shortfall as soon as possible will permit many states to begin their 2010 state fiscal year on July 1 with the assurance that they will receive the amount of transportation funding pledged to them under federal law. This funding certainty will enable states to continue financing highway projects that improve safety, ensure rural and urban mobility and access, increase the mobility of people and goods and, together with the injection of federal stimulus funds, promote a sound economy through well-paying construction jobs.

Hall of the States * 444 North Capitol Street * Suite 267 * Washington, D.C. 20001-1512
Telephone (202) 624-5300 * www.nga.org

Page Two
June 22, 2009

Our federal-state highway partnership is essential to the success of our nation's surface transportation system. We urge you to pass bipartisan legislation to eliminate the impending shortfall as soon as possible so that states can continue planning for and funding critical highway programs.

Sincerely,

Governor Edward G. Rendell
Chair

Governor James H. Douglas
Vice Chair

cc. Secretary of Transportation Ray LaHood
House Transportation and Infrastructure Chair James Oberstar
Senate Environment and Public Works Chair Barbara Boxer
House Transportation and Infrastructure Ranking Member John Mica
Senate Environment and Public Works Ranking Member James Inhofe
House Appropriations Transportation–HUD Subcommittee Chair John Olver
Senate Appropriations Transportation–HUD Subcommittee Chair Patty Murray
House Appropriations Transportation–HUD Subcommittee Ranking Member Tom Latham
Senate Appropriations Transportation–HUD Subcommittee Ranking Member Christopher "Kit" Bond

Senator BOXER. So, I think we all understand that the job before us is urgent. The good news is, I think we all do agree on that across party lines. I certainly know that Secretary LaHood made himself available to come to the Hill with a team from the Administration to discuss this matter, and I know that he is very bound and determined to work with us across party lines to solve this problem.

Look, this is about jobs, it is about our economy. For every billion dollars in Federal funds invested in transportation and matched by State and locals, there are 34,779 jobs created and $6.1 billion of economic activity. I know all of us are focused on economic recovery. We cannot come forward with a plan that is a year. That does not do it. I like what the Administration did on an 18-month timeframe because that gives certainty to our people.

I am open, personally, to many ways of filling the gap. I had suggested to the Administration using some of the unused stimulus funds. It is something that I know Senator Vitter has written a bill on. But, unfortunately, from my standpoint, it is a very short term. It expires right before the election, which may or may not have been his intent. I am not saying it is. But the fact is, we know where we are right before an election. It is hard to get the permanent fix done.

I would prefer to see 18 months because it gets us past the politics and, in addition to that, and this is very, very key, it gives certainty to the people. And that is very, very important.

We have a lot of issues on the table in terms of a long-term solution to our funding. So, I am going to ask for unanimous consent that my entire statement be placed in the record, and I will continue to read part of it.

We know that we expect to encounter the sharp shortfall in the Highway Trust Fund as early as August. The Mass Transit Account of the Highway Trust Fund is also expected to run out of funds soon. The Highway Trust Fund provides Federal funding for highway, bridge and transit systems.

I think that it is important to remember that the Federal Government provides about 40 percent of the capital expenditures for highway transportation nationwide. That spurs the States and locals to act. We then, putting all of our funding together, really stimulate this economy and do what we have to do to move people, to move products. It is very, very important.

I am proud that the American Recovery Reinvestment Act provided $48 billion for transportation improvements. I have to say I stood shoulder to shoulder with my Ranking Member trying to get more funds in that particular——

Senator INHOFE. Yes, three times more.

Senator BOXER. I will repeat. I stood shoulder to shoulder with my colleague trying to get three times more funding into the Stimulus Bill for highways and transportation. When we stand together, I think it sends a powerful signal. That is why some of us think that it would be good to go to the unused stimulus funds from other areas because we think that this particular use puts people to work, keep them working and keeps our economy moving.

Let me just say that transportation investments have a positive impact on our communities, regardless of where we are from. We

must have continued investment. We must have continued job creation.

Again, I want to thank Secretary LaHood. I think this is key. He answered our call. We sent a letter to him. He said we are going to fix this problem together. He said 18 months is what we want to do. I think that is an intelligent number of months to give the certainty to our people at home, and to give us enough time to really reform the way we do transportation.

So, the time is short. I know that Secretary LaHood has offered to work with us, give us the technical assistance we need. But we intend to do this job and I think our date is what? To mark up a bill? The middle of July. We will get our work done.

I thank you very much and I turn to my Ranking Member.

[The prepared statement of Senator Boxer follows:]

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

Thank you, Secretary LaHood and the rest of today's witnesses for being here today to discuss such an important issue—the solvency of the Highway Trust Fund.

This is about jobs and our economy. According to the U.S. Department of Transportation, for every $1 billion in Federal funds invested in transportation (and matched by States or locals), there are 34,779 jobs created and $6.1 billion in economic activity. That is why immediately addressing the anticipated insolvency of the Highway Trust Fund must be a top priority.

We are facing a possible reduction in transportation spending because the Highway Trust Fund is expected to encounter a shortfall as early as August. According to Department of Transportation estimates, an additional $5 billion to $7 billion will be needed to keep the Federal-aid Highway Program running through the end of fiscal year 2009 and an additional $8 billion to $10 billion will be needed in fiscal year 2010.

The Mass Transit Account of the Highway Trust Fund is also expected to run out of funds soon.

The Highway Trust Fund provides Federal funding for our Nation's highway, bridge and transit systems. Traditionally, the Federal Government provides about 40 percent of the capital expenditures for highway transportation nationwide. Without this critical funding, State and local governments would be forced to dramatically cut spending on transportation.

Earlier this year, Congress passed and the President signed into law the American Recovery and Reinvestment Act of 2009 (H.R. 1), which provided a total of $48 billion for transportation improvements.

Of that $48 billion about $27.5 billion was included for the highway program. These dollars are already putting people back to work, while at the same time making improvements to the transportation system that will help move people and goods more efficiently in the future.

According to DOT data and an analysis by the American Road and Transportation Builders, by the end of May, State and local transportation agencies had invested more than $13 billion, almost half of the $26.8 billion in ARRA funds that had been apportioned or allocated, and much more than the $9.3 billion that was required to be obligated within 120 days of apportionment.

These transportation investments provided in ARRA are having a positive impact today in communities nationwide.

We must have continued investment from the highway trust fund to maintain these jobs, and to make additional, needed improvements to our transportation infrastructure.

I recently sent a letter with several of my Senate colleagues who serve as Chairs and Ranking Members of the relevant authorizing committees requesting that the Administration come forward and work with us to find a solution to the immediate problem. I am pleased that the Administration is working with Congress to address this pending problem.

Just last week, Secretary LaHood proposed that Congress pass an immediate 18-month extension of the current highway, transit and highway safety authorization, and that Congress immediately replenish the Highway Trust Fund to avoid a shortfall.

As I am sure Secretary LaHood will mention today, the Department of Transportation now estimates the Highway Trust Fund will require a cash infusion of about $20 billion to support both highway and transit programs for the next 18 months.

I look forward to working with the Administration on this proposal, which would keep the recovery and job creation moving forward and give us the necessary time to pass a more comprehensive and transformational multi-year transportation authorization bill with stable and reliable funding sources.

As we work our way out of this recession, the last thing we want to do is to drastically cut back on necessary transportation priorities. Spending on transportation means jobs and more efficient movement of people and goods, all of which benefit our economy.

In order to help make sure transportation priorities are not cut, I ask the Secretary to ensure his department provides expedited technical assistance as we work to craft this extension. The time is short and we need the Department's input to help ensure the legislation works as intended.

Thanks again to the witnesses for appearing today. I look forward to your testimony.

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

Senator INHOFE. Thank you very much, Madam Chairman.

I am going to go ahead and submit my statement for the record. I will just highlight a couple of things.

First of all, we did try. We made an effort back during the $789 billion Stimulus Bill to get a much larger percentage of that, Mr. Secretary, into something that really is stimulus, and that is road construction. We had a lot of things that were ready to go and that would have worked very well.

Now I know that in my State of Oklahoma, Gary Ridley, our Transportation Secretary, we would have to de-program somewhere between $50 million and $80 million worth of projects. These are programs that have already been let, contracts that have already been let. It is a very serious thing that we are facing.

I can remember when we went through the crisis in September. At that time, I reminded everyone that we had a problem 10 years prior to that when then-President Clinton took $8 billion out of the Highway Trust Fund and put it into the General Fund in an attempt to balance the budget. I objected to it then and, for every year since then I have been trying to get it back. Well, we successfully did that. In fact, that was over a threatened veto by the President that we successfully did that last September.

Now, we are going to have to have more money. One of the sources I want to look at is, if it is logical to have undone a wrong that was 10 years old last September, what is wrong with going back now and saying we need also to transfer the interest that has been earned over that 10-year period. That amounts to about $13 billion.

The other thing that we have been trying to go after, and I am sure that Senator Vitter is going to get into this, and I agree with his efforts that he is trying to do, to do it through some of the stimulus money that came originally out of the $700 billion plan.

I regret that I was not able to talk to my Chairman about this earlier, but what I would attempt to do would be to not have projects included in this for the White House, the Executive Department, or us. I know this is right. When we were starting in to see if we could make this thing work.

We need to have an extension. To me, the 18-month extension makes sense. What I do not want to do is find ourselves in a position where we have to, the same position which we found ourselves in last September, but now, finding ourselves in that same position, where we have to renege on contracts, where we have to stop construction. I just do not want that to happen.

So, I am still open to all possibilities here. Hopefully, perhaps Senator Vitter and some of the others have some ideas that might work, Mr. Secretary.

[The prepared statement of Senator Inhofe follows:]

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

I'm very pleased we are having this hearing today. This is a critical issue. We recently learned that the Highway Trust Fund will run out of money sometime before August of this year, and will require an infusion of $5 billion to $7 billion to get through the rest of fiscal year 2009. In addition to the funds required for 2009, $8 billion to $10 billion will be required for 2010. This amount will be higher if an extension longer than 12 months is enacted.

It is critical to fix this shortfall. Failing to do so will delay planned and ongoing road projects and result in people being laid off. This would be unacceptable anytime, but more so during today's economic downturn.

Oklahoma's Secretary of Transportation, Gary Ridley, has notified me that if we fail to fix the Trust Fund Oklahoma and most other States will not have the cash to honor infrastructure projects that have already reached agreement. As a result, my State will be forced to deprogram between $50 million and $80 million in projects. This will be done by canceling new projects and existing contracts that have already been signed, in addition to slowing down projects that have already broken ground. Clearly this would have a detrimental effect on the economy and will negate any gains made by the stimulus which as I've said before, dramatically underinvested in infrastructure.

This must be prevented. The good news is the Administration announced yesterday they were committed to fixing this within the next 6 weeks. They also proposed an 18-month extension. I think the reality is that since we don't have a way to pay for a long-term bill, an extension is probably in order.

This Monday there was a meeting between the bipartisan leadership of the 3 authorizing committees in the Senate (EPW, Banking, and Commerce) and the Administration. The Senators at the meeting were unanimous in their desire to have a clean, long-term extension, which would include a Trust Fund fix. This is good news, because it cuts down the likelihood of it getting bogged down in policy fights.

There are a number of ways to fix the Trust Fund shortfall. We fixed a similar shortfall last year by remedying a wrong that was done in 1998 when $8 billion paid by road users was transferred from the Trust Fund to the General Fund.

But TEA–21 actually made 2 negative changes to the Trust Fund in 1998: the first being the $8 billion transfer from the Trust Fund to the general fund that was restored last September and the second ended the long-standing practice of crediting the Trust Fund with interest on its cash balances.

Repaying the Trust Fund for lost interest would result in about $13 billion in cash. If interest were also paid on the $8 billion that should have been sitting in the Trust Fund, the lost interest would amount to about $17 billion.

According to the Congressional Research Service, every other major trust fund is credited with interest on cash balances: from Social Security to the Airports and Airways Trust Fund. In fact, I am not aware of any other trust fund that is not credited with interest on cash balances.

It was wrong to stop crediting the Trust Fund with interest. Correcting this wrong would be sufficient to prevent Trust Fund insolvency.

The bottom line is that I'm confident that Congress will fix the Highway Trust Fund shortfall. How we do it is yet to be determined—the interest approach is just my preference.

Senator BOXER. Senator Udall.

OPENING STATEMENT OF HON. TOM UDALL,
U.S. SENATOR FROM THE STATE OF NEW MEXICO

Senator UDALL. Thank you very much, Chairman Boxer.

Secretary LaHood, it is great to have you here today.

I am not going to put any statement in the record, but I would just like to briefly say that I think the Highway Trust Fund is very important to our transportation system and we know that it needs additional revenue.

There are a number of proposals that are on the table. Raising the gas tax, which I understand the Administration does not want to do. Create some kind of new fee or tax or something along the line based on vehicle miles traveled, which would be another way to look at that. Toll roads and congestion pricing.

I know that the National Surface Transportation Infrastructure Financing Commission has talked about increasing fees on freight movers. I think at a time of reform that what we should be looking at are the folks that are using the roads. Are they using them and paying their fair share? I think we have heard for years and years and years that freight movers do not necessarily pay their fair share, so I think we need to look at that.

So, I am happy to have you here today, Secretary LaHood, and I look forward to your and the Administration's suggestion to us as to how we move forward. I know one of your suggestions is that we delay the Transportation Bill and I think that is something that we need to discuss and take a look at.

So, thank you for being here. And Chairman Boxer, it is great to be here with you today.

Senator BOXER. Thank you so much. We will go to Senator——

Senator INHOFE. Before we move on, let me mention that I have the same problem that we always have. We are making up the Defense Authorization Bill, so I am going to have to be going in and out of this thing right now.

Senator BOXER. Well, we will miss you for sure.

[Laughter.]

Senator BOXER. I mean it. I am not kidding. I mean it. This is my ally on this.

So, we are going to go to Senator Vitter, then we are going to go to Senator Lautenberg.

OPENING STATEMENT OF HON. DAVID VITTER,
U.S. SENATOR FROM THE STATE OF LOUISIANA

Senator VITTER. Thank you, Madam Chair.

Thank you, Mr. Secretary, for being here and, more importantly, for all of your leadership and all of your work. I really appreciate it.

I feel strongly with regard to this issue in support of two principles. No. 1, we need to continue the highway program and continue that vital work. No. 2, we should not borrow more money on top of everything we have borrowed over the last several months and the last several years to do it.

Because of that, I have introduced a bill that Chair Boxer has referred to, and it would extend the Highway Trust Fund and backfill the program exactly as the Administration has talked about for

the same time period, but do it from already appropriated stimulus funds. Let me make some important points in that regard.

First of all, we would adopt exactly the same timeframe and the same extension as the Administration, I believe, has talked about, which is 18 months. So, whatever timeframe you all would envision, it would be the same timeframe.

No. 2, it would backfill the fund with stimulus funds and, in doing so, give maximum flexibility to the White House and the Administration in determining how best to do that. We would not micromanage where to take it, or how to move the money around. We would suggest maximum flexibility to the President and the White House. And I think that is important, to give the Administration all of those options.

No. 3, under language actually contained in the bill, if we were to come up with a new highway bill, a more permanent fix, a more permanent extension, this legislation would immediately sunset and would be replaced with the provisions of that highway bill.

So, if we can come together and pass a highway bill next year, and it would take effect before those 18 months are passed, then my bill would sunset, that would end, and whatever provisions of the new highway bill that are applicable, those would apply.

I think this is the right way to go for three reasons. No. 1, we have enormous exploding debt and we should not add to it. No. 2, this is exactly the sort of shovel-ready infrastructure spending for which there is a broad bipartisan consensus in the Congress and, in fact, a lot of us wanted a heck of a lot more of this than the 3.5 percent in the stimulus bill. And No. 3, this does give maximum flexibility to the Administration in order to figure out how to do it.

At the end of the day, by the time the stimulus bill is completely worked through, I am personally confident that we are going to have more than that $20 billion that cannot be spent for various reasons, or has not been accepted by the States.

Now, we do not have that identified yet. But I believe that at the end of the duration of the stimulus bill, we will have more than that. So, let us give the Administration maximum flexibility to identify how to do that in the meantime, and take these funds from the stimulus.

In our private conversation before the hearing, you mentioned that economic advisors at the White House, including Larry Summers, are looking at ways to pay for this backfill outside the stimulus. My only comment would be, if those exist in the budget, those should be used to pay down debt and pay down spending, and we should still use stimulus funds to backfill the Highway Trust Fund in this manner for the next 18 months.

So, I look forward to working with you, and the Administration, and other members. This proposal has got a lot of early interest. It has only been circulated a couple of days and it has got a lot of early interest, including bipartisan interest, so I look forward to following up on that.

Thank you, Madam Chair. Thank you, Mr. Secretary.

Senator BOXER. Thank you, Senator Vitter. I am glad you talked about 18 months. I think that is really key for me, too, because otherwise I think that it is too short an extension.

OK, we have Senator Lautenberg, Cardin and Carper.

OPENING STATEMENT OF HON. FRANK R. LAUTENBERG, U.S. SENATOR FROM THE STATE OF NEW JERSEY

Senator LAUTENBERG. Thank you, Madam Chairman.

Welcome, Mr. Secretary. We obviously hope that you bring, that you are the bearer of, good news. Now, the only question is, how much of news is good news? It has got to be a pretty big package, as you know, because we are working against all kinds of odds and becoming more impatient, less abusive of the environment, and more dependent, relatively speaking, on foreign oil.

We see, by the end of the summer, the Highway Trust Fund is likely to run dry, delaying essential repair and construction projects from coast to coast and costing hardworking Americans their jobs. At a time when we need more investment in our transportation infrastructure, we cannot afford to go belly up in August. We cannot afford to go belly up anytime. When you think of what the needs are and what is being proposed, the two do not exactly meet.

I salute a recommendation that says, look, let us just make sure that we keep this traffic moving by having a reasonable time extension on the current bill, and give us a chance to think through the problems that we have to work through in order to make the whole program more efficient.

It has been more than 2 years, for example, since the tragic bridge collapse in Minneapolis. Two years, and still more than 25 percent of our Nation's bridges are classified as deficient. In my home State of New Jersey, 34 percent of our bridges are classified as deficient.

We look at the funds coming to us from the Federal Government. I know how hard the Administration is trying and how hard it is on all of us to look at the bumps in the road, the delays in traffic, the foul air, all of those things, and not be looking at a plan that says we are really going to grab hold of this.

My State, for instance, ends up being a thoroughfare State. Our traffic, not just from New Jersey people, but from people who are doing their traveling through our State and across our State, the load is so heavy it is almost impossible to carry. So, we need to invest and expand transit options because they are more convenient and more energy efficient and in this economy, with today's endless traffic, people are looking to both use less time on the road away from their families and away from their jobs, and looking to save money as well.

In 2008, Americans took nearly 11 billion trips on public transportation. The highest ridership level in 52 years. And this record ridership establishes that people will choose transit if the option is there.

President Obama and Secretary LaHood have offered a plan to keep the Highway Trust Fund solvent on a short-term basis. I commend you for it. But I cannot believe that we can do anything that is less than a single year extension to the current law and be able to give us the time necessary to write a comprehensive authorization bill that meets all of our transportation needs.

I look forward to working with you and the Administration to quickly pass an extension that protects our transportation prior-

ities. And, as we finalize this short-term solution, we have got to get to work on the longer term solution.

Senator Rockefeller and I have introduced a bill that would take a long-term and large-scale approach to transportation planning. It would set a national transportation policy that puts on a track to repair, maintain and modernize our Nation's infrastructure.

And I look forward to working with our Chairman, who is really energized about this, sees the crisis that we face and reality. And with you, Mr. Secretary, and President Obama, as we look to improve these important benchmarks in the next surface transportation bill.

Just to summarize, it looks to me like the only option we have now is an extension of the current bill long enough to give us a chance to catch our breath, catch up to our planning, deal with other problems that are of an emergency nature, and get on with repairing a system that has been a long time broken down.

Thank you.

Senator BOXER. Senator Lautenberg, I just want to associate myself with what you said about the need for a transformational policy. It is essential. And that is why I, too, favor, this short-term extension, this 18 months, because we have so much work to do across party lines, with the Administration, so that we get it right.

I think that your statement was quite eloquent and I just wanted to congratulate you on it.

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 do have a statement that I will include in the record.

I want to thank the Secretary for being here today to share your thoughts and your ideas.

Wyoming is a State of big geography, long miles and Interstate 80 running through the State gets a significant amount of truck traffic that does not either originate or end in Wyoming. So, we have specific needs.

I agree with Senator Lautenberg. We do need a short-term strategy. We need a long-term strategy. The question is, how are we going to pay for it? People talk about either cutting spending or increasing revenue. This is not a time when I think we should be looking at increasing gasoline taxes for the people of America.

What I would like to see is using money that is already part of the stimulus plan for projects that are ready to go and use that money to deal with our short-term immediate needs.

With that, Madam Chairman, I will just submit my statement for the record and look forward to hearing from the Secretary.

[The prepared statement of Senator Barrasso follows:]

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

Thank you, Madam Chairman and Senator Inhofe, for holding this hearing. We would not be here today addressing the Highway Trust Fund issue without your leadership.

Thank you, Secretary LaHood, for taking the time to testify this morning.

Wyoming is a bridge State that allows the flow of commerce to move from coast to coast. I–80 captures over 60 percent of truck traffic, most of which does not originate or terminate in Wyoming.

Wyoming's short construction season cannot afford to be cut short. Our construction contracts cannot afford to be suspended.

Last year we were put in the same position. Fix the trust fund or stop highway construction across the Country.

For months now we have known that the trust fund is going to run out of money again. And here we are today. The trust fund needs another bailout. But we have not seen a plan yet.

We all agree that something must be done. But how are we going to pay for it? In order to pay for something we either need to cut spending or raise the revenue. I can tell you now raising the gas tax is a not an option.

There is plenty of wasteful Washington spending we can cut to pay for the trust fund bailout. Or we could use unobligated stimulus funding since there is still a lot of that to go around.

There is not a question of available money to fix the problem. The question before us is how do accomplish this in a responsible manner. We must protect the taxpayer and ensure our States can continue to execute their transportation plans.

The trust fund uncertainty we face today leads to the question What happens if we don't have a bill by October 1st?

If we are going to take up a long-term highway bill extension it needs to be clean, reliable and responsible. The highway program is already complicated enough.

As we work through these issues we must keep in mind this is not all about congestion. Congress must not lose sight of the importance of a national, interconnected system of highways that includes access for rural America.

Thank you, Madam Chairman, for your leadership in holding this hearing.

Senator BOXER. Thank you, Senator, very much.

Senator Cardin.

OPENING STATEMENT OF HON. BENJAMIN L. CARDIN, U.S. SENATOR FROM THE STATE OF MARYLAND

Senator CARDIN. Madam Chairman, thank you for conducting this hearing.

I want to welcome Secretary LaHood and thank him for his continued service. We very much appreciate your leadership within the Department of Transportation and the aggressive way that you are going after trying to find solutions to our Nation's infrastructure needs.

I think we all understand the practical problems of a temporary or short-term extension. It allows for the infrastructure improvements to continue to be made and to search for long-term solutions that will be adequately funded so that we can invest in America's future.

I think we have to be honest about it. We are going to have to take a look, make some hard decisions. I would hope that it would be a given that we need to advance the infrastructures of America. We know the dire needs that are out there. We understand the economic impact of this. So, we need to make sure that we get it done right.

Madam Chair, I just really want to underscore what is at stake here by mentioning what happened Monday night in a WMATA train that was heading between Maryland and the District and in which several people lost their lives, the worst tragedy in WMATA's history. Our prayers go out to the families, the victims, those whose lives were forever changed as a result of that tragedy.

Now, we do not know what happened. The National Transportation Safety Board is conducting an investigation and they will have our complete support. It will take at least several months be-

fore the conclusions from that investigation and we need to make sure that goes forward.

But one thing is clear. The WMATA system is stretched. It is strained. It is old. Last year, I visited the Shady Grove Station and took a look at the platforms there. They are literally being held up by wooden planks. They need help. This is an old system. This is America's system. Almost half of the ridership on WMATA is individuals going to and from Federal facilities as workers. Ten percent is in the Capital Complex and the Pentagon alone. So, we have a direct responsibility here.

Last year, I was proud that we did pass, at long last, a game plan for adequately funding this transit system, the second busiest in America, which does not have a dedicated revenue source. And we did pass a framework to get that done where the District, Maryland and Virginia have agreed to match Federal participation.

The difficulty here, Madam Chairman, and I just want to point this out because the Appropriations Committee will be meeting shortly and going over the transportation appropriation for next year. They are going to have a lot of conflicting needs. I understand that. It is a very tough budget.

Last year, we authorized $1.5 billion of Federal funds over 10 years for the WMATA system. That passed this Congress by overwhelming support. Now, the first installment is due this year of $150 million. It is not in the President's budget.

I understand that the budget was put together in a difficult moment. And I appreciate Secretary LaHood's commitment to work with us to try to find adequate funding for the WMATA system. We need to do that, working with this Committee, working with the Appropriations Committee, because literally the safety of the ridership is at stake here. We know the trains are too old and need to be replaced. And, by the way, Congress came up with over $100 million to help replace some of those trains. We need to be more aggressive at it.

So, Madam Chair, as we are looking for ways of short-term extension of our current surface transportation program so that we can make sure that our roads and our bridges and our transit systems around the Nation are advanced and maintain, I just want people to understand how urgent this need is. Look what happened Monday night right in this community and know that we have to make a stronger commitment toward our Nation's infrastructure.

[The prepared statement of Senator Cardin follows:]

STATEMENT OF HON. BENJAMIN L. CARDIN, U.S. SENATOR
FROM THE STATE OF MARYLAND

Madam Chairman, thank you for holding this hearing, and I very much appreciate Secretary LaHood and our distinguished panel taking the time to come before us to talk about this other pending financial crisis.

Before we start, I want to once again extend my sincerest condolences to the families, friends and others who suffered losses during Monday's tragic Metrorail accident. It is also a reminder of how important our transportation infrastructure is to the fabric of our lives every day. In that sense, today's hearing couldn't be more timely.

As the causes of this accident continue to unfold I would encourage this committee to look into the safety measures that can be taken to prevent such tragedies in the future.

Our Nation's transportation infrastructure is something we largely take for granted. We may wonder about how we may get some place but we hardly ever worry about if we can get there.

America's transportation system is incredibly reliable. But that reliability relies on adequate funding. It is no coincidence that both our transportation and energy systems are simultaneously at a crossroads. They are connected to each other by what drives them both—fossil fuels.

It is on the issue of fuel where these intersecting infrastructure systems, and the Federal policies on energy and transportation, diverge from one another.

Americans are encouraged to use less energy as a means of saving money, reducing our reliance on foreign oil and reducing carbon emissions—all of which I support. To many people this means driving less, purchasing fuel efficient vehicles and using public transportation to get around. Unfortunately, our transportation funding system relies on sustained, if not increased fuel consumption. Clearly, reconciliation between these two policies must be made.

My State's Department of Transportation has informed me that if Congress does not address the projected negative balance in the Highway Trust Fund this summer, the Federal Highway Administration will not be in a position to reimburse Maryland for Federal eligible expenses that FHWA has committed to funding.

That means MDOT will be in a fiscal situation where they will have to "float" as much as $30 million in expenses if a 3-week delay occurs—this deficit will only grow as Federal funding is further delayed.

Maryland, like most States, may not have sufficient cash balances to float expenses without adversely impacting project schedules.

At MDOT, some contracts would have to be delayed and in some cases work under contract will have to be stopped. It is important to note that this slow down would be counter to our overall stimulus efforts.

We cannot continue to write checks without the funds to back them up. All options must be on the table. The Administration has said it would not support an increase in the gas tax. Where then will the needed revenues come from? We can and should be more efficient, but we also have to be frank that we need additional revenues.

This means considering expansion of the Vehicle Miles Travelled pilot program. I have advocated using revenues from the Cap and Trade system to support public transportation systems—which would free up more funds for roads from the Gas Tax funded Trust Fund.

Others have suggested a fee system based on parking. Still other concepts have been advanced. What we need is some candid and specific suggestions from the Administration about how it intends to meet our funding needs.

I look forward to hearing your ideas for addressing this problem and working with you and your Department to finding solutions.

Senator BOXER. Very well said, Senator.

Senator Carper followed by Senator Merkley.

OPENING STATEMENT OF HON. THOMAS R. CARPER, U.S. SENATOR FROM THE STATE OF DELAWARE

Senator CARPER. Thank you, Madam Chair.

Secretary LaHood, welcome. It is very nice to see you. I wonder what it is like sitting on that side of the table as opposed to this side. You look pretty comfortable, at least so far.

[Laughter.]

Senator CARPER. This is an important issue, as we all know, a rather serious problem. We appreciate very much your thoughts as to how we might address this problem.

I have, we have, a simultaneous meeting going on in the Finance Committee on Health Care Reform and I need to slip over there, so I will not be able to stay for as long as I would like. But we are grateful for this opportunity to have some conversation and look forward to more in the months to come.

I want to applaud the Administration's proposal for an 18-month extension of SAFETEA-LU. Though we would all prefer a full au-

thorization bill now, I do not believe that is practical given our current economic environment and our funding uncertainties.

But when we do pass a full authorization though, I believe that we must increase our Nation's investment in transportation. When the economy begins to improve, and I see growing signs that at least we are bottoming out and I am encouraged by that, but when the economy improves I think some increase in the Federal gasoline tax would be an important component of that investment.

However, we cannot expect the American people to pay more until we refocus the existing transportation system that we have. The looming insolvency of the Highway Trust Fund and the expiration of SAFETEA-LU in September provide this Committee, and I think, the Congress and the Administration, with an important opportunity to set the stage for transportation reforms.

We can start now by instructing the Department of Transportation to study performance objections. And we can enhance the data collection and modeling capabilities of the Department as well.

I do appreciate your willingness to serve in this capacity. I really appreciate your leadership on this issue and we look forward to hearing the Administration's suggestions on how we can use this opportunity to set the stage for greater reforms to come later.

Good luck. Thanks again for joining us.

Senator BOXER. Thank you very much, Senator.

Senator Merkley.

OPENING STATEMENT OF HON. JEFF MERKLEY, U.S. SENATOR FROM THE STATE OF OREGON

Senator MERKLEY. Thank you very much, Madam Chair.

Thank you, Mr. Secretary, for being here to watch this process of wrestling with our transportation bill. I am very glad to see that you are going to be out in Oregon next week. I believe that I am going to have a chance to meet with you, briefly, on the morning of July 1st. It looks like I will not be able to escort you on the streetcar ride, which I had hoped to do, but I know you are going to be well taken care of out there.

This bill, obviously, is going to be very important to Oregon as to the other 50 States. I know you are engaged in dialog with my colleague on the House side from Oregon, Congressman DeFazio, about structure and strategy. I will certainly be engaged in the substance of the issues and appreciate the challenges that come to bear on meeting this shortfall in the Trust Fund and continuing the development of multitudinous goals within our transportation system.

So, thank you. And, like my colleague, I have to go to the Health Committee, so I also apologize. I cannot be here for the duration of the hearing.

Thank you.

Senator BOXER. Thank you, Senator.

Senator Voinovich. No?

Senator VOINOVICH. During the question period?

Senator BOXER. Excellent.

Senator VOINOVICH. OK.

Senator BOXER. Well, it looks as if we are—yes?

Senator INHOFE. We have not heard his opening statement yet.

Senator VOINOVICH. Oh, we have not?

Senator BOXER. No, we have not.

Senator VOINOVICH. Well, I will hold my powder until the questions. How is that?

Senator BOXER. Sounds very fair.

Well, Secretary LaHood, welcome, and the floor is yours. I think we should say 7 minutes for a secretary. Seven minutes, yes.

STATEMENT OF HON. RAY LaHOOD, SECRETARY, U.S. DEPARTMENT OF TRANSPORTATION

Secretary LAHOOD. Thank you.

Before I begin my formal testimony, I want the Committee to know that the thoughts and prayers of all of us at DOT are with the families who lost loved ones in the Metro crash on Monday. I met this morning with the General Manager of WMATA, John Catoe, and he and I had a lengthy discussion about what we can do to assist with the way forward. There are opportunities to improve safety in the Metro system and we will continue to work with Mr. Catoe's staff along the way.

I know this is not under the jurisdiction of this Committee, but as the Secretary of Transportation, I agree with Senator Cardin that this is America's metro system. And when you look at the enormous number of people who were delivered around this region during the Inauguration, and so many tourists who use this system, I felt it important that I express these thoughts.

I appreciate the opportunity to discuss the state of the Highway Trust Fund and its impact on Federal surface transportation programs. I want to begin by updating the Committee on the department's progress in implementing the American Recovery and Reinvestment Act. As of today, we have obligated $19 billion, roughly 40 percent of the total appropriated to the Department of Transportation. We have made these funds available for more than 5,300 approved transportation projects in all 50 States and 3 Territories, and over 1,900 projects are underway.

I am proud to report that the department has met every statutory deadline imposed by Congress and that every State has obligated 50 percent of its highway related recovery funds within the first 120 days as the law required.

Traveling around the Country with the Vice President, I have seen firsthand the positive impact this program has had on workers and their communities. Through the Recovery Act, we are putting people back to work while revitalizing our roads, bridges, rails, airports, transit systems and seaports.

We must solve our long-term infrastructure financing challenges so we can show the American people that we will build on this momentum and continue to invest in our transportation needs for the future.

As you know, we anticipate that the Highway Trust Fund will be unable to sustain current spending levels into 2010. We have shared with appropriate committees in the House and Senate our estimate that an additional $5 billion to $7 billion will be needed through the end of this fiscal year, and another $8 billion to $10 billion through fiscal year 2010.

Clearly, this situation cannot continue. We have inherited a system that can no longer pay for itself. Let me assure the Committee that we are monitoring the situation very closely. We are ready to take proactive steps to manage the cash-flow balance in the account.

Last week, I proposed an immediate 18-month highway reauthorization that calls for a $20 billion cash infusion into the Highway Trust Fund to cover our needs through March 2011. We look forward to working with Congress on a full reauthorization measure for surface transportation programs, but we do not believe this important legislation should be rushed. In the interim, we must keep the Trust Fund solvent, and we will work closely with the White House and Congress to identify appropriate funding and offsets.

Critical reforms are needed as a part of this effort to help us better make investment decisions focused on smarter investments in metropolitan areas and promote the concept of livability to more closely link home and work.

As we move forward, several key principles and priorities should be our guide. First, we need transportation funding mechanisms that are both sustainable and flexible. Tying revenues to an unpredictable source like the fuel tax is simply inadequate to our needs. We need access to resources that will enable us to plan for and execute far-reaching transportation programs that meet our goals for safety, mobility, economic competitiveness, environmental stewardship and livability. Therefore, we must diversify sources for transportation funding.

The Treasury's General Fund, the national infrastructure bank, public-private partnerships, and, in some instances, user fees, are just some of the mechanisms we must consider over and above our current financing approach. In addition to ensuring we must invest adequately in new transportation needs for the future, we must also bring our current transportation system into a state of good repair. We must get a much better handle on this issue and step up efforts to assess the capital needs across all modes.

Other priorities that require sustainable funding include reducing energy consumption all across modes, investing in intelligent transportation technologies, and making public transportation even more accessible to suburban, rural and transit-dependent populations.

The new Surface Authorization Program offers all of us an opportunity to refocus our investments so that all Americans have access to the safe and efficient transportation systems they need and deserve. We must approach this task with a renewed sense of accountability and discipline by ensuring that we invest our limited resources wisely so that we can measure the results.

I will be happy to answer any questions. Thank you for the opportunity, Madam Chair.

[The prepared statement of Secretary LaHood follows:]

STATEMENT OF
THE HONORABLE RAY LAHOOD
SECRETARY OF TRANSPORTATION

BEFORE THE

COMMITTEE ON ENVIRONMENT AND PUBLIC WORKS
UNITED STATES SENATE

June 25, 2009

Madam Chairman, Members of the Committee, thank you for inviting me to appear before you today to discuss the state of the Highway Trust Fund and its impact on the Federal surface transportation programs that are supported through the Highway Trust Fund.

Before I address the issue of highway and transit needs and the Highway Trust Fund, I want to begin by reporting briefly to you on our efforts to help the economy recover from the recession in which we found ourselves when President Obama took office. Economic recovery is crucial to our plan for meeting long-term investment requirements for our Nation's highway networks and transit systems.

The Recovery Act has several statutory deadlines that the Department was directed to meet, and I am happy to report to you that we have met all our deadlines to date. As we have gotten these programs underway, month by month, the transportation portions of the Recovery Act are increasing the number of dollars obligated, projects under way, and jobs created. As of June 19, the Department had obligated $19 billion of the $48.1 billion appropriated, with 1,935 projects under way. Moreover, through these projects we will dramatically improve our transportation infrastructure, bring it substantially closer to a state of good repair, and make it better able to meet the long-term needs of the American people.

SHORT-TERM NEEDS OF THE HIGHWAY TRUST FUND

Let me now turn to the issues of the Highway Trust Fund. The Safe, Accountable, Flexible, Efficient Transportation Equity Act: A Legacy for Users (SAFETEA-LU) authorized funding for the Federal Highway Administration (FHWA), the Federal Transit Administration (FTA), the National Highway Traffic Safety Administration (NHTSA), and the Federal Motor Carrier Safety Administration (FMCSA) through fiscal year 2009. The Act provided a record $286.4 billion investment in our highways, transit, and highway safety programs over the life of the Act. At the same time, the funding levels set in SAFETEA-LU were designed to spend down the accumulated balance in the Highway Account of the Trust Fund. At the time the bill was signed into law, economic forecasts indicated that there would be sufficient revenues to

cover estimated expenditures from the Highway Trust Fund through the end of the current authorization period.

However, revenues into the Trust Fund have not been as high as originally estimated, leading to a growing imbalance over the years between Highway Trust Fund revenues and spending. This has left the Highway Account of the Trust Fund unable to sustain spending for current highway programs. The sustainability issue became apparent when in 2008 the Highway Trust Fund required an $8 billion cash transfer from the General Fund in order to remain solvent. While the cash transfer enabled us to continue to pay our bills on time, the current reduction in economic activity has only exacerbated the problem of sustainability. We anticipate another cash shortfall in the August timeframe, and we already anticipate that the Highway Account will be unable to sustain spending at current levels into fiscal year 2010.

We have shared our internal projections on the status of the Highway Trust Fund with the staff of the authorizing, appropriations and tax committees in the House and Senate. Based on current spending and revenue trends, DOT estimates that the Highway Account of the Highway Trust Fund will encounter a shortfall in August 2009. Based upon current economic assumptions, we estimate that an additional $5-7 billion will be needed in the Highway Account to manage the cash flow and pay all of our bills on time through the end of the current fiscal year. And we estimate that another $8-10 billion will be needed to cover the anticipated cash shortfall in fiscal year 2010. Left unchecked, the situation would only worsen in the coming years.

Let me assure the Committee that we are monitoring the situation very closely. The Department is ready to take more proactive steps to manage the cash flow should the balance in the Highway Account fall below what we believe to be a prudent balance. Under these procedures, we would continue to run our surface transportation programs normally and obligate funds, but we may need to delay the payment of some bills.

The Administration inherited a difficult problem – a system that can no longer pay for itself. There simply is not enough money in the Highway Trust Fund to do what we need to do. The fiscal year 2010 President's Budget frames the challenging spending decisions facing policymakers. We are fast approaching the expiration date for SAFETEA-LU and we need to enact sustainable funding mechanisms for the Trust Fund to ensure that we continue to meet our Federal surface transportation infrastructure investment needs.

Last week, I proposed an immediate 18-month highway reauthorization through March 2011, and that Congress immediately replenish the Highway Trust Fund to prevent a shortfall this August. To carry the program to March 2011, we estimate that the Highway Trust Fund will require a $20 billion cash infusion. As part of this proposal, I also called for the inclusion of initial, but critical, program reforms to help us make better investment decisions. They include making better use of cost-benefit analysis in investment decisions, creating a new program to improve the movement of people and goods in metropolitan areas, and promoting livable communities. Given the short period

of the reauthorization, these would be leading edge reforms that could be built upon in subsequent legislation.

The Administration opposes a gas tax increase during this recessionary period, which has hit consumers and businesses hard across our country. But we will work closely with the White House and Congress to identify funding and offsets to ensure the solvency of the Highway Trust Fund.

LONG-TERM FUNDING OF THE SURFACE TRANSPORTATION SYSTEM

While we have not yet established a long-term plan for funding the surface transportation system, we can lay out some of the principles that would be reflected in that plan.

First, our system of transportation funding should be both adequate to address the needs of the Nation's economy and sustainable with respect to changing economic circumstances. Transportation patterns will change. Prices of fuel will rise and fall. New technologies will emerge. We need a robust transportation funding system that can continue to generate the revenues we need in spite of changes in the environment within which the transportation system operates.

Second, we need a transportation funding system that is flexible with respect to the surface transportation needs it can support. All the surface transportation modes make an important contribution to meeting the Nation's surface transportation needs; we need a funding system that can meet the funding needs of all these modes. We need to be able to invest in the kinds of transportation infrastructure that will meet the Nation's needs, and that will achieve our objectives of safety, economic competitiveness, sustainability, and livability. A transportation funding system that is restricted to funding only certain kinds of transportation cannot meet these needs efficiently.

Third, transportation provides mobility to travelers, allowing them to gain access to jobs and economic opportunities, and it also provides people with leisure and recreational opportunities, keeping families connected in our highly mobile society. Since users benefit directly from transportation systems, it makes sense as a general principle for users to fund investments in the system. In some instances, however, user based funding may be inappropriate because collecting revenue from users is impractical, or because the project generates benefits that are not captured by its users. In such cases, projects should be funded out of general spending. We need a flexible and robust funding system that draws upon a variety of different funding sources.

SURFACE TRANSPORTATION PRIORITIES

The surface transportation system that we will be funding also needs to reflect certain important priorities.

In the long run, our goal is to increase the economic competitiveness of our Nation by investing more aggressively in our future. Just as past generations built the transcontinental railroad, the Erie Canal, and the Interstate Highway System, so our generation must build the transportation infrastructure that our Nation will need in the 21st Century. Measurably, the Nation's inventory of roads, bridges, and transit systems has steadily improved. Over the past ten years, we have expanded our highway network by more then 80,000 miles, enough to circle the globe more than three times, and the number of route-miles of transit systems has increased by 44,000 miles. The percentage of miles traveled that is on highways in good condition has increased from 39 percent to 47 percent; the percentage of bridges that are structurally deficient or functionally obsolete has declined from 35 percent to 29 percent; and the average condition of the Nation's transit buses has improved from 2.94 to 3.01 (3.0 = "fair").

Still, there is much work to do. We need to bring our Nation's highways, bridges, and transit systems up to a state of good repair, both to improve safety and to enhance economic competitiveness. About 53 percent of highway miles traveled are on roads that are in less than "good" condition. Almost 30 percent of our bridges are structurally deficient or functionally obsolete. Almost 22 percent of our transit buses – and 32 percent of our transit rail cars – are over-age, while 76 percent of our transit bus facilities and 56 percent of our transit rail facilities are in less than good condition. We don't even know the condition of our railroads and ports, because we don't gather any data on that in a systematic way. President Obama believes that we need increased infrastructure investment – and we need to invest smartly – so that the resources we dedicate to our surface transportation system effectively contribute to a state of good repair and ensure the competitiveness of our economy. As we increase our investment in infrastructure, we must also ensure that we are obtaining a high return on this investment by committing government funds to projects that can demonstrate that they will achieve performance goals.

At the same time, we need to begin making progress on halting the seemingly inexorable growth of greenhouse gases in our atmosphere, and that means reducing the carbon footprint of the Nation's transportation system. About 28 percent of the greenhouse gases generated in the United States are attributable to transportation, so this is an area in which we need to make progress. We need to reduce the amount of energy needed to operate our transportation system, and that means moving more of our freight by energy-efficient means such as rail and water, and making more strategic investments for passenger travel. We need to accelerate the introduction of energy-efficient cars and trucks into our highway vehicle fleet. We need to build a sustainable model for transportation in the 21st Century, built on cleaner energy and reduced environmental costs.

We also need to make sure that our transportation system makes a more positive contribution to enhancing the livability of our communities. We need to build a transportation system that gives our citizens the choices they want – to get to their destinations by the transportation mode of their choice, whether that is driving, or public transportation, or bicycling, or walking. When people choose public transportation, we need to make sure that intermodal connections are safe and easy – from transit to intercity

rail, from transit to air, and from highways to transit. We need to make sure that the transportation system doesn't adversely affect local communities, either by generating excessive noise or by blocking highway-rail grade crossings. We need to make sure that Americans, whether they live in urban areas or rural areas, have access to our bus, rail, and aviation systems that is cost effective for users and society as a whole. We need to integrate our planning processes for transportation, land use, and housing so that we build communities where our transportation systems and land use patterns are made for each other.

Finally, we want to take advantage of the opportunities that new technologies present to us. We need to make greater use of Intelligent Transportation Systems, both to reduce highway congestion and to improve safety in all our modes. We will move promptly to implement the positive train control requirements in last year's Rail Safety Improvement Act, and we will provide the resources necessary to deploy the Next Generation Air Transportation System. And, of course, new technology will be the basis of more energy-efficient and safer cars, trucks, and other vehicles.

REFORM OF THE SURFACE TRANSPORTATION SYSTEM

What do these priorities imply for how Federal surface transportation programs should work? First, because economic competitiveness is such a compelling objective for our surface transportation system, it is important for that system to be designed to address national needs for an efficient 21st Century economy. When supply chains reach across America, it is important to have a national vision that addresses national needs as well as local visions that address local needs.

Second, because of the need to invest in the full range of surface transportation infrastructure modes – highway, transit, rail, and water – we need to have a transportation financing system that can meet the needs of each of these modes. The traditional trust fund approach to transportation funding has been essential in building the Interstate Highway System and expanding our network of transit systems. We need to ensure that the funding system is sufficiently flexible to address the different transportation challenges that face state, local, and regional governments.

Third, if we are to focus our transportation infrastructure investment on improving the Nation's economic competitiveness, we need to draw upon the best available economic analysis to guide our transportation infrastructure investment decisions. In the Transportation Investment Generating Economic Recovery (TIGER) Discretionary Grants portion of our Recovery Act programs, we have called upon grant applicants seeking more than $100 million in funding to provide a full benefit-cost analysis of their proposed investment. We recognize that economic analysis cannot quantify all the benefits and costs of proposed infrastructure investments, but the systematic assessment of all categories of benefits and costs provides us with a decision-making framework that allows all kinds of benefits and costs to be evaluated and compared, whether they can be quantified or not. For projects designed to maintain or rebuild existing infrastructure, we

will be calling on infrastructure owners to make greater use of asset management techniques to reduce the costs of maintaining their infrastructure in a state of good repair over the long term. If we invest more efficiently, we can get more from every dollar that we invest – more economic productivity, more safety benefits, more accessibility, more sustainability, and more livable communities.

Fourth, we need to improve accountability by making greater use of performance measures for our transportation system. When we invest tax dollars in transportation infrastructure, people have a right to know what performance they can expect from that investment. We need to measure how well our transportation system is performing and report back on whether we are meeting our performance objectives. We need to demonstrate that we are using our tax dollars responsibly and that people are getting the performance improvements for which they paid.

Thank you for the opportunity to appear before you today to discuss the challenges we all face with regard to the Highway Trust Fund. I believe that this challenge offers us an opportunity to chart a new course for transportation infrastructure investment in the United States over the years to come. I look forward to working with Congress and transportation stakeholders to make this a reality.

I will be pleased to respond to your questions.

Questions for the Record
for
Secretary of Transportation
Ray LaHood

Questions from Senator Barbara Boxer

QUESTION 1: Management: This is the second time in a year that we must apply a "patch" to the Highway Trust Fund. While we will address a sustainable funding source in reauthorization, what ideas do you have for instituting protections so that we can avoid this in the future?

ANSWER: The funding system for surface transportation must not only be adequate to meet the Nation's growing needs for surface transportation infrastructure; it must also be sustainable with respect to changes in fuel prices and technology. Serious concerns have been raised about the sustainability of the fuel tax. The National Surface Transportation Infrastructure Financing Commission concluded that improvements in fuel economy threaten the sustainability of the fuel tax. The Department of Energy forecasts that the average fuel economy of the U.S. vehicle fleet will rise from 20.4 miles per gallon (MPG) in 2009 to 28.9 mpg in 2030. Since fuel taxes are a fixed amount per gallon, the amount of revenues per mile driven will decline. While fuel tax revenues may grow in nominal terms, they will fall in real, inflation-adjusted terms. The Financing Commission, moreover, believes that this forecast could well understate the actual increase in fuel efficiency. If fuel prices increase more sharply than expected, or if vehicle technologies (such as alternative fuels and battery technologies) change more quickly than expected, or if concerns about global warming become more compelling, efforts to improve fuel efficiency could reduce fuel tax revenues faster than currently forecast. While the fuel tax will probably continue to play a part in funding the surface transportation system, the revenue generated by the fuel tax is vulnerable to these changes in fuel prices, technology, and environmental concerns. We will need a more diversified, flexible funding system to enhance the sustainability of our surface transportation funding system. Part of this funding system could be based on more direct user charges, such as tolls, congestion pricing, or mileage charges, while part could draw upon sources of revenue specifically related to freight transportation.

QUESTION 2: September Rescission: Another feature of SAFETEA-LU that will soon become effective is the requirement that over $8 Billion be rescinded from individual State accounts. What do you expect to be the impact? Much of the rescission applies to program balances that would not be able to be used but some would be true program losses. Can you tell us how much of the rescission would impact "real money"? Considering how much pressure States are under with their own transportation resources drying up, would you support a reversal?

RESPONSE: SAFETEA-LU mandates that the Federal Highway Administration (FHWA) rescind on September 30, 2009, $8.708 billion of unobligated contract authority previously apportioned to the States. This rescission affects fifteen Federal-aid programs

for which funds were apportioned over a six-year period. FHWA has no discretion under the law in the application of the rescission. While a majority of rescinded funding will come from excess contract authority (no obligation limitation attached), the rescission will affect "real money" since it applies to the Minimum Guarantee, Equity Bonus and Appalachian Development Highway System programs.

The size and the complexity of the SAFETEA-LU rescission make it a challenge to execute. Implementation of the rescission is further complicated by a provision in the Energy Independence and Security Act of 2007, which only applies to certain programs and uses a different methodology to distribute rescission amounts among programs. Because part of the calculation of the programmatic distribution of the rescission requires knowledge of the unobligated balances of contract authority as of September 30, 2009, FHWA will not know the rescission amounts for each program, including the effect on "real money," until the end of the fiscal year.

Question from Senator George V. Voinovich

QUESTION 1: One of the toughest questions that we are facing is funding for the Federal Highway Trust Fund. As we all know, the decline in road miles has really hurt that fund. I know that you are working on a proposal to address the short-term funding shortfall. How do you propose to pay for fixing the Trust Fund?

ANSWER: The funding system for surface transportation must be both adequate to meet the Nation's growing surface transportation infrastructure needs and sustainable with respect to changes in fuel prices and technology. Serious concerns have been raised about the sustainability of the fuel tax. Current forecasts indicate that increases in vehicle fuel economy will cause fuel tax revenues to grow in nominal terms but fall in real, inflation-adjusted terms. If fuel prices increase more sharply than expected, or if vehicle technologies (such as alternative fuels and battery technologies) change more quickly than expected, or if concerns about global warming become more compelling, efforts to improve fuel efficiency could reduce fuel tax revenues even faster. We will need a more diversified, flexible funding system to enhance the sustainability of our surface transportation funding system.

We also need a funding system that is flexible enough to provide funds for whichever mode of transportation is best suited to meeting the Nation's goals of improving economic competitiveness, increasing fuel efficiency, and enhancing safety and livability. We need to be able to direct infrastructure investment toward rail and port and bicycle projects as well as highway and transit projects. One weakness of the fuel tax is that, because it is paid by only one mode of transportation, it inevitably creates pressures to spend revenues only on that mode of transportation. A package of revenue sources that is more diversified will make it easier to direct investment toward whichever mode of transportation is best suited to meeting the Nation's key transportation goals.

The specific package of diversified funding sources that will meet these requirements remains to be determined, but it could include more direct user charges, such as tolls, congestion pricing, or mileage charges, or draw upon sources of revenue specifically related to freight transportation.

Senator BOXER. Thank you, Mr. Secretary.

We will have 5-minute rounds and go around to people until they feel they have asked enough questions.

Mr. Secretary, after we solve this current funding crisis, and I do want to thank you for stepping up to the plate instead of just walking away and saying it is your problem, Congress, you came forward and we appreciate that. I certainly want to work with you on a comprehensive and transformational multi-year authorization that will improve all the modes of our Nation's transportation system and their impacts on our environment.

I know you have been doing some thinking on this and, as a matter fact, I have some view into it, but if you could, for the record, tell us some of the things that you would like to tackle in the long term to really transform our transportation system.

Secretary LAHOOD. My priorities are priorities that I really have worked on in collaboration with President Obama. There is no question that, when you look at $8 billion for high-speed rail, that is the President's priority.

We do not have high-speed rail in America. Folks from your State, Madam Chair, have been working, as you know, decades to get to high-speed rail. They are in a very good position, and we are going to be helpful, and we are going to work with them. But where are other regions in the Country on high-speed rail? That is a new initiative. That is President Obama's initiative.

We also believe that people are tired of being in traffic jams for 90 minutes trying to get to a grocery store or get to work. We believe in the concept of livable communities where you create modes of transportation, whether it is transit, bus, streetcars or light rail, so that people do not have to drive an automobile everywhere they go.

You can do this in urbanized areas by creating livable neighborhoods, or you can do it in communities. Portland, Oregon is a very good model for this. So, the concept of livable communities is part of what we believe should be the transformational aspect of this, placing more emphasis on transit.

I met with a number of port officials from your State yesterday, Madam Chair. We believe that ports can be the economic engine now for many parts of the Country, not only in creating jobs. So we will put a good deal of emphasis on the marine highway.

We have $1.5 billion in discretionary money. We are looking at some very strong applications from ports around the Country to enhance their ability to create more capacity. We are being out-competed by our friends north and south of our Country. So, we want to work on opportunities to really enhance our ports.

We believe in enhancing transit and other modes, and we are always going to sustain our highways. We have a state-of-the-art interstate system. It is second to none anywhere in the world. We are not going to give up on that. We have to have the resources to make sure we take care of it. We know that it is the lifeline for many rural parts of the Country. It is the only way that many people can get around.

But we need to think also outside of the box on how we pay for these things. And that is why we have talked about tolling, public-private partnerships, and an infrastructure bank, which I know

some people on this committee like and others do not. But we need to think outside the box. The Highway Trust Fund is insufficient right now to meet all the things that we want to do.

So, those are probably three or four things that we thinking about out of the ordinary traditional way of thinking about an authorization bill. Some of this comes from people that we have met with in the Senate and House that want to implement these things, and some of it comes from people in our department, too.

Senator BOXER. Well, thank you. I met with my port people. I think it was right before they met with you. I am glad that you had a good meeting with them.

I think there is no question, I guess a few of us here have ports, and we know what engines they are for growth, moving the goods in and out. In Los Angeles, we bring in 40 percent of the imports and then we move them across, through Senator Barrasso's State, and he has impacts from that as all my colleagues do, as the goods move through on these heavy trucks. So, we all are bound together on with what happens at our ports.

I would say that I really agree with you because, at this point in time, my ports cannot expand because the air is so polluted. The trucks sit there and they are belching out all of these terrible toxins into the air. We still have, unfortunately, these big ships that are still using bunker fuel. We are making progress on getting rid of this. And if you look, and we have had hearings on this, at the incidences of cancer, they are clustered around our ports.

So, for reasons of health and reasons of economic growth, we need to figure this out. So, I am very glad you raised the issue of our ports.

My State bonded itself. The people voted to bond themselves up to $9 billion for high-speed rail. So I am glad you mentioned that. We see it as a way to be able to jump on a train and go between San Francisco and Los Angeles, instead of taking your car or even a bus or even a metro to the airport. It just saves time. It is a cleaner way to go and a very pleasant way to go.

That is why I very much want to get to the 5-year bill. I want to get to that transformational bill. But I recognize, and again Senator Lautenberg spoke for me with the very words he used, that at the moment, with the Trust Fund so depleted, we have to figure out a way to replenish it. I will tell you that there is a lot of push back on an infrastructure bank. I do not need to get into that with you.

A lot of us on this Committee want to find a way to fill the Highway Trust Fund and do it in a way that makes sense. That the users pay. We already see truckers stepping up to the plate to help us. We want you to keep your mind open, in the Administration, because we think that the Highway Trust Fund works.

And with that, I will turn it over to my friend and partner.

Senator INHOFE. Thank you, Madam Chairman.

I know the title of this meeting goes beyond just the 18-month extension, but that is, frankly, all I am concerned about right now because that is the immediate problem that we have. I alluded to this, Mr. Secretary, in my opening statement.

Last September, and I do not recall the exact date, when the crisis hit us, and at that time you were not in the position that you

are in now but I was, we had what I felt was an equitable solution. My own President, President Bush at that time, objected to it. I went to him, and he even said if you try to do that, I will veto it.

Well, the idea was, and it was back in 1998, then-President Clinton took $8 billion out of the Trust Fund and put it in the General Fund. There was a reason for doing that at the time, it was to make the deficit look smaller and all that. I objected to it at the time. In fact, I think that everyone on this panel who was serving at that time objected to it, because there was an honesty issue there.

I know I am taking too long on this, but I think it is important because I am coming up with a solution that I would like to have you give serious consideration to.

The moral issue there was that we have a Trust Fund, people put money into that as they are using it. It is a user fee. They do not really object to that. It is a popular tax, if there is such a thing. But then, that is under the assumption that the money they put in goes to fixing roads, highways and its intended purpose.

Now, when they took $8 billion out, that was a violation of that confidence in that tax. So, I went to them, at that time, and they said that if we would take that back out and undo the damage that was done 10 years before and put it back into the Trust Fund, it would, No. 1, fix the crisis we had at that time, and No. 2, it would correct something that should not happened 10 years before So that happened and the President did not veto it. In fact, it was scored at zero, as budget neutral.

Now, I would only say that, if that was the right thing to do then, and I think it was the right thing to do then and we did it then, what is wrong with going back and then recouping the interest, which is about $13 billion? If it was right to recoup the principal, then it would be right, equally, to recoup the interest.

So that is my first question. Where are you going to be on that when we try to propose that?

Secretary LAHOOD. Well, Senator, I need to really see if there is any interest that has accrued on this money and look at that.

Senator INHOFE. OK. Let us just go under the assumption that I am right, because I have already checked into it.

[Laughter.]

Secretary LAHOOD. My feeling, Senator, is that you all need to know that I had a meeting with Larry Summers yesterday, and we talked about this issue. And I want you to know, and I want the entire Committee to know, that the folks at OMB are trying to find the money to get us to $20 billion through March 2011. That is our goal. There are a lot of people working on this.

I will be happy to take your suggestion back to these folks. I had a discussion with Senator Vitter about his bill, as well as the suggestion that he is making in the bill.

Senator INHOFE. Which I agree with. I want to say that I agree with Senator Vitter. Well, he is not here now. I am just saying that we have some choices here.

Secretary LAHOOD. The thing that I want you to know, and I want every Committee member to know, there are a lot of people putting their heads together right now to figure out how to, where

to get $20 billion and how to pay for it. I will take your suggestions back to them.

Senator INHOFE. Well, first of all, we are talking about on an 18-month extension. What figure would you like to use for the 18-month extension, forgetting about——

Secretary LAHOOD. Twenty billion.

Senator INHOFE. Well, it is my understanding that it is not that great. But we can go back and look at other——

Secretary LAHOOD. Well, Senator, I mean we have some very smart people in the department. And they——

Senator INHOFE. Well, I know we are not very smart up here, but we, I have heard——

Secretary LAHOOD. My statement did not imply that you were not smart because I know you are. I am just saying, all of the smart people at the department put their heads together, and we figured out that it is about $20 billion through March 2011.

Senator INHOFE. OK, I am just asking, in a very friendly way, and you and I have been friends for a very long time, that there are ways of doing this, and that was something that was done to everyone. Then, afterwards, even though they were opposed to it in the beginning, thought it was the right thing to do.

The second question I want to ask you, because I think this is very important, if we do an extension, an 18-month extension, that will take us out of this crisis in time. But, in my opinion, and the initial understanding that I had, not from you directly to me but just from things that I heard, was that it would be a clean extension. I know a clean extension is something that the Republicans want. I think that I would like to know where you are and where the Administration will come down on a clean extension. I mean, none of the reforms, none of the other stuff.

Secretary LAHOOD. I was in the same meeting that you were, and it was pretty clear in that meeting that the folks around here are not very keen about talking about anything other than a clean extension. I got the message on that and I delivered the message yesterday to our friends at the White House about it. They would still like to have, as part of the discussion and the debate on this, some of these reforms. But I know where you are on this. You want a clean bill.

Senator INHOFE. OK, that is good. By the way, my time has expired, but I had a nice evening last night with your old boss. I enjoyed it.

Secretary LAHOOD. Oh, thank you. He is doing well.

Senator BOXER. Senator Lautenberg.

Senator LAUTENBERG. Thank you, Madam Chairman.

I look at the situation that we are in, and I think that what we see is a house on fire. We hear now that an upgrade is critical for WMATA. That it should have been done. What future disasters might fall upon us? How much more wear and tear is going to take place before we start seeing serious improvements in our transportation system?

We need more of national leadership. I do not know why this is not seen as a crisis of major proportion, described that way. I do not diminish other things. I do not diminish the war efforts that

we are involved with, making sure those troops are amply taken care of. But this is a crisis. And we are facing several of these.

We have the crisis with foul air and the declining quality in our environmental condition. Why are not things like some of those used in the past identified as emergency actions to be taken now? Maybe we ought to just, say, go back a little bit. I do not want to use a time line because mine goes further than anybody else in this room. But the fact of the matter is, that maybe things like an analysis of whether slower driving is going to reduce the amount of pollution in the air, or is going to reduce the amount of fuel that we have to import. Perhaps other things that are not obvious.

We cannot grow money. That is the problem. And we need it desperately because of neglect. We did not take care of the functions of our transportation system, the functioning parts. When you described, and I read carefully, Mr. Secretary, with respect to what you said, 53 percent of our highway miles traveled are on roads less than in good condition, 30 percent of our bridges are structurally deficient, 22 percent of our transit buses and 32 percent of our transit rail cars, are all over age. I know, personally, that things over age can be effective——

[Laughter.]

Senator LAUTENBERG. But why are not these things in emergency conditions? Mr. Secretary, would it not be wise to put more money immediately into transit programs to make sure that the places there are shovel and pick ready to go in lots of places throughout the Country? You get people back to work. That is one of the critical issues that the Country is facing and that President Obama is committed to reducing.

And yet, I would like to see more clean air for my asthmatic grandchild and, therefore cleaner air for all asthmatic grandchildren. We can do those things if we invest in mass transit and reduce the pollution that is thrown at us because of our consumption of fossil fuel.

So, Mr. Secretary, does that strike a note with you that says, yes, this is some place where we have got to go?

Secretary LAHOOD. Senator, we at the department are committed to all modes of transportation. I will tell you this. The $8 billion that was in the Recovery Act for transit is being well spent. It truly is. On some very, very important——

Senator LAUTENBERG. Is being immediately spent?

Secretary LAHOOD. Yes, sir. We have complied with every provision that Congress put in the bill for spending this money. And this money is going to be going out the door here very quickly. We are committed to transit. There is no question about it. If Congress decides they want to step up more funding for transit, we will find plenty of ways to spend it.

Senator LAUTENBERG. Well, the thing that I am really pleading for here is, I am pleading for a message that says the transportation system is one of the critical parts of our functioning as a society. And that leadership in our Country says, look, do the things that you can do. Use cars, buy cars that have more efficient mileage. Drive less if you can do it. Drive slower. Ask the States to look at what are the consequences of higher and higher speeds on the highways.

It is an emergency condition, as I said earlier. The fire is in the cellar. Do we want to wait until the fire is up to the second floor before pouring lots of water on it?

Thank you.

Senator BOXER. Thank you, Senator.

Senator Barrasso. We are going in order of arrival.

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

In your written testimony, you had mentioned that you would like to reform the highway program using kind of a long-term extension to make better use of what you called cost benefit analysis.

About 70 percent of the entire Federal aid highway network is located outside of metro areas. And I express the same concerns that Senator Boxer did when she talks about the ports and the goods coming in to those communities and then getting sent across the States to get to a place like Chicago and how we use this cost benefit analysis.

Could you talk a little bit about what your plan is for using cost benefit analysis to reform the highway program and how that is going to impact on rural areas? Because, if you do something along the lines of the number of cars per hour or cars per mile, there are clearly areas that are getting overused in terms of our highway system and with repairs and expenses, across Wyoming, Nebraska, Utah and similar states, where the actual total volume is down but the one truck equals that of 4,000 cars.

Secretary LAHOOD. We want to make sure that every dollar that we spend, that we can say to the taxpayers, this is the best use of this money. All of you have been around long enough to know that people are tired of reading about transportation projects that are funded because of some sweetheart deal or some earmark or something like that.

We want to get to a place where we can say to Congress, this is the best use of these dollars, and develop metrics to show that the infrastructure dollars are being spent as wisely as possible. There are metrics there for us to judge a transit project or a highway project so that, when somebody says, this was done because so and so wanted it done, we can say, no, the answer is it was done because the cost-effective metrics that we put in place said it was so. And it was needed.

That is the place that we want to be, so we can justify every project using metrics that everybody understands.

Senator BARRASSO. Well, I appreciate your comments, specifically about the sweetheart deals and the earmarks. We read now, in the last week, about the airport that nobody uses that is getting all of this money. So, I am encouraged by your comments that you are actually going to use cost benefit and point out and hold the people accountable for the sort of things that are being listed, that do not seem to be the best use of it.

Secretary LAHOOD. Yes, Senator, that is where we need to get. That is what we want to do in working with Congress on an authorization bill so that there can be no criticism of Congress and no criticism of DOT, that we are all on the same page. These projects are worth funding, whether at an airport or somewhere

else, because of the metrics that we use that prove that it has a cost benefit to the taxpayer.

Senator BARRASSO. It also talked a little bit about livable communities, if I could visit about that. Certainly, in Wyoming, we could have significant reservations about Washington, with its wisdom, coming in and telling the people of Wyoming what is a livable community and what is not a livable community in terms of how the Federal Government in Washington decides to spend its money, the one size fits all approach. I do not know if you wanted to comment a little on that.

Secretary LAHOOD. Yes. No, this is not Washington speaking. This is people like Earl Blumenauer and Peter DeFazio, who come from Portland, OR, and who have, over a period of time, worked with their local elected officials, developed a streetcar system, and worked to develop housing along the streetcar system, so everybody in Portland does not have to get in automobiles in order to go where they want to go.

This is not something that Ray LaHood dreamed up. This is the dream of Members of Congress who have seen it by working with their mayors, and their Governors, and their city councils for communities where people do not have to use an automobile to go everywhere. You do not have to have a three-car garage. You might have a car, but you might also have an opportunity to get on a streetcar, a light rail, a walking path, a bike path in order to get to work or get to the drug store. Look, Senator, I got this idea from being around here.

Secretary BARRASSO. Thank you, Mr. Secretary. Thank you, Madam Chairman.

Senator BOXER. Thank you.

Senator Voinovich.

Senator VOINOVICH. Hello? Does anybody hear us? Does this Administration hear from the folks out there that are in the business, that have all come together and said, we need a robust highway bill now? There is an urgency to it. It is good for our environment, good for our competitive position in terms of our economy, good for jobs. Good for jobs.

You are talking about finding some money to keep us going at the level we are at. The $285 million we passed in 2005 was inadequate. It is way below what that is today. We are going to continue that? We have a $2 trillion deficit and you are going to have to find some money so that you can take care of us during the next year or 18 months? The way to get the job done is to pass a bill now. Urgent. Get it done.

Madam Chairman, I would like you to know that this bill we passed in 1985 did not get the job done. No. 2, we have got stimulus money out on the street and that is going to evaporate. What the Country needs is to know that within the next 5-year period we are going to make a comprehensive commitment to the infrastructure, including high-speed rail, highways, ports and the rest of it, to get it done to the tune of about $450 billion. Can you imagine what that will mean in terms of our economy and giving some people confidence in where we are going?

Is anybody listening when you have got every group in this Country that says we want this done now, we need it? I am going

to be doing some studies, Madam Chairman, about the impact that this is going to have on the reduction of jobs. It is going to take a balloon that has a little air it and looking forward to having a whole lot more air, and the balloon is just going to subside and there will not be anything there. And that would be awful for our economy.

Does anybody know how bad it is out on the street? Does anybody know how many businesses have gone out? Do you know how many businesses are on the fringe, right now? They have got to have some kind of confidence that we are going someplace, at least one part of our economy.

And by the way, we do not have to have an emergency spending. We do not have to borrow the money. We are going to pay for it. And the American people will pay for it if they know they have got a product.

Now, Madam Chairman, I would to say to you that there is a man over on the House side named Jim Oberstar that has had over 50 hearings and spent over 2 years on this. The stuff that has been talked about, livability and performance, it is a terrific piece of legislation. They are going to mark it up in the House.

And, Madam Chairman, I think we should look at it. And I think that we ought to get it, and understand that this is important. The Chairman is always talking about the environment. We get this bill passed and get going, this is going to have a dramatic impact on reducing greenhouse emissions.

You talk about how our highways are second to none. Give me a break. Have you been to Europe lately? We are way behind Asia, China, and India. We are behind. We have fallen behind. If we want to compete, we need to have these corridors working. We need to get rid of congestion. And we need the jobs badly. We need them.

I would say to you, and I thank you very much, sir, for the job that you are trying to do and you are representing the Administration, but I do not think they get it right now about what this is. There is going to be a bunch of us, in the next couple of months, that are going to the American people and we are going to talk about the situation as it is and the impact that not going forward with this bill is going to have on our economy and our environment and our competitiveness in the global marketplace.

It is time to do it. We should not wait for 18 months and try to fiddle-faddle it around and try to figure out how to rob Peter to pay Paul. You know there is no money here. You either have to make an emergency and borrow the money, or figure another way to borrow the money, or go through Jim Inhofe's suggestion about the interest. The interest? We will calculate the interest. There is no money there. Where are you going to get the money for the interest? It is just not there.

So, my message to you is to go back to the President and start talking about where we are. Because I am going to tell you something. There is going to be one large crescendo in this Country during the next couple of months to let the people of America know just exactly where we are today and what we need to do.

Senator BOXER. Well, Senator, I share your passion for doing a transformational bill. I have been here for a very long time in Con-

gress and I have always pushed hard for change and transformation. And sometimes I have won it, and sometimes I have not.

In this case, I feel that, as the Chairman of this Committee, until I know how I can tell the American people we are going to pay for this major change and major need, I am not ready to find that solution.

I know that Chairman Oberstar and you and others have talked about a big increase in the gas tax. I will tell you, if you go out to the people of America and you tell them that is the solution, I do not think they will buy it. They are struggling right now. I think we have to come up with other ways.

I have talked to Secretary LaHood, and he has responded that the day after we pass this extension, and my goodness, we have done that before. There are moments when you need to have the time. If the Highway Trust Fund was not going broke, that would make this a very different conversation.

So, we will have this debate in this Committee. I do not know of any others on the Committee who share your view at this particular time. I know James Oberstar does. He is a great man with a great vision and I share a lot of his vision. But it is timing. It is the timing.

Secretary LaHood has stated that, in fact, we are going to work day in and day out. I hope that you will, despite your, I would say, extreme dismay and disappointment that most of us are moving toward this 18-month extension, in that period of time we are going to be meeting, probably daily, on how to pay for the kind of vision that you have exhibited. That is the fact. That is where it is. And I look forward to that debate.

Senator VOINOVICH. Madam Chairman.

Senator BOXER. Go ahead.

Senator VOINOVICH. My theory is that if you put a package together that addresses the concerns of the American people, and they can see that they are going to get something out of it in terms of, as I mentioned, dramatic decreases in the release of greenhouse gases, a major improvement in the elimination of congestion in traffic corridors, and livability performance planning, and also the impact that it is going to have on the economy and the jobs, that I believe that they will support it. We know that we have to find other sources, but I believe they will support a gas tax.

I was a mayor. I was a Governor. I have supported tax increases. I have gone to the people and I have explained to them what we are going to do with the money. And after they looked at it, they came out and supported it. It is a sales job. They have got to know what the product is.

And I am saying that Jim Oberstar is going to vote a bill out of his committee that does it. It is a terrific piece of legislation. It gets at a lot of things that the American people are concerned about and I think there is going to be a tremendous receptivity to it. And I think if you have a product, Madam Chairman, where they can see it is going to really make a difference for our Country, that they will be supportive of it.

I mean, when the truckers tell me that they are willing to have an increase, a big increase in taxes, and every group that is out there that in the past, Madam Chairman, we were only taking a

walk, they are there, and they understand how important it is. I just think, I want you to know that I am going to work my you know what off in the next couple of months with everybody out there to convince the American people that we do need to get this done now and that it is going to take some money and it means that we are going to have to pay more for our gas tax initially.

That would take care of your problem in the next 18 months. You are going to be working right now, are you not, to try to find the money, to try to get us through this the first time? Then you have got to find the money for the next time, $20 billion. If we got the bill done on time, you would not have to do that because we would have increased the gas tax and it takes care of your problem.

With all due respect, I would urge you to look at this again.

Senator BOXER. Senator, if I could just say, this is a very important moment for us to send a strong signal that we are going to work together to, at the minimum, extend the highway bill so that it is seamless, and nobody is threatened, because all the programs will be going forward. We do have stimulus money out there. I do not think that should be overlooked, and which is also increasing, actually, the projects on the ground.

So, by extending, you keep everything at the same level, plus the influx of the stimulus money, you are moving forward. There is no reason to frighten people that in the short term anything bad is going to happen. We are agreed, across this Committee, with maybe one or two exceptions, and I only know of one exception, that the short term, 18-month extension is the way to go.

Now, my colleague is absolutely right. In the House, it is a different modus operandi. The Chairman, who I deeply respect and hold in high regard, has decided that it is his committee's role to put this out there and then the Ways and Means is going to figure it out. But I want you to know that the level of spending in the Oberstar bill, there is only half the money in the Trust Fund to pay for it. In other words, it only pays for half of the Oberstar bill.

I, in good conscience, as the Chairman of this Committee, do not feel that I can move forward at this time of fiscal stress and strain with that type of a bill without being able to pay for it. I have some really good ideas on how to pay for it. I want you to know I have been working constantly on that.

And by the way, our Ranking Member and I have been talking about it because we, although we have not agreed upon a full package of funding, we are beginning to make some progress on things that we agree with.

It is true that the truckers have stepped up, and I think you are right to single them out. They are the only ones who have stepped up. All of the others who have spoken to me have not put on the table what they will do. They want to do more, but they have not been specific.

We need time. This is the moment, now, in the next year or two, that we have to transform the way we do this. I could not agree more with you on that point, and with Senator Lautenberg.

I also wanted to say to my friend that greenhouse gas emissions, that is a major problem. And the Obama administration has taken moves which are fantastic to increase fuel economy. Tremendous strides. We looked at some modeling and it is extraordinary the

amount of greenhouse gases that will be taken out. And we will be working on a greenhouse gas reduction bill, which I hope my friend will help me on, to do even more. So, on that front, we have tremendous possibilities.

I do not like to have a split with my friend from Ohio on this because he is on the right track of what we need to do. It is a question of timing. It is a question of pay forward. It is a question of sending a signal out today that we going to move quickly because the Highway Trust Fund is going broke and we need to replenish it. That adds another layer of uncertainty. I think the most certain way to proceed is this 18-month extension.

I will tell my friend, we could write a bill, he and I, and it would be a tremendous bill. And I would guarantee my friend that it would have tremendous change in it. As he said, he has talked about many of the things that Secretary LaHood has spoken about.

But let us be honest here. When it comes to going to the Senate floor, when you have that type of bill, this cannot be done quickly. It has to take time. And time is not on our side in terms of a Trust Fund that could be out of funds as early as August. We are hoping not July. That will put hundreds and thousands of jobs at risk and for me, the most important thing I think we can do is to do this extension as clean as it can be. Clean as a whistle. So we do not delay it, we do not run into trouble. And Senator Inhofe and his staff and mine are working to that end.

So, we have a division. But I have to say, and I believe I speak for almost all the members of this Committee, I cannot say to a person, but I have discussed this with most of them and they have supported the 18-month extension.

Secretary LaHood, I am sorry that you had to sit through a debate here within the Committee, but I am glad you did in a way. Because I think you can take back the message that while we, in the Senate, the majority of us here across party lines, agree to a clean 18-month extension, not with these policy changes because it will in fact jeopardize a quick passage of this extension.

We also believe, as Senator Voinovich does, the difference I have with him is strictly on the timing, it is not on what he said. His passion, his concern, the issues he lays out, I have not got one bit of a quarrel with. So maybe if you could tell the President that we do have the short-term strategy in this Committee, and we have a long-term strategy that we want to begin as soon as we have taken care of our short-term problem.

You have been so helpful and understanding. You know what it is to work around here. I just appreciate your leadership, your straightforward comments, and your patience.

So, we thank you very much. I do not know if you want to——

Secretary LAHOOD. I appreciate your leadership, Madam Chair, and I would say to Senator Voinovich that, sir, I have been out around the Country. I just met with your Governor. I just met with your other colleague that serves in the Senate here. He came to my office and we talked about a lot of issues.

I have had three meetings with the Governor of Pennsylvania, three meetings with the Governor of Michigan. These are States, your State, Michigan, Pennsylvania, Illinois, these are all States that are hurting really badly. We know the pain out there.

We think our portion of economic recovery is doing many, many good things. When I get out around the Country, I see a lot of people working as a result of the fact that our portion of the stimulus is working. We are getting the money out of the door the way Congress asked us to do.

And I will tell you this. President Obama does have a vision for transportation. I tried to express it here in my statement. It is not something that he is going to ignore or turn a blind eye to at all. I just want you to know that we have listened, not only to you, sir, but to many other people around the Country as we get around. I have been to many States and I have talked to a lot of elected officials, including some who are serving in this body, and we will work with you.

Your vision of transportation is very similar to President Obama's vision of transportation. As the Chairwoman said, the timing is, I guess, where we part company.

Senator BOXER. Senator, if you want to respond?

Senator VOINOVICH. This will continue, I think that we pretty well all know that.

All I can say to you is that if people that you have met with, probably when we get back from the break, you are going to see a tremendous number of people who you say are not willing to step to the table, who are willing to step to the table. I have met with them and they are a strong, united group. I am going to join with them and others and Jim Oberstar to try and convince you and others that we need to get on with this and we cannot wait 18 months to do it.

One bullet that we are going to have to bite in order to pay for this and not have to borrow the money or do all the other things that we always do around here when we don't have the money, we finagle it, that one way that we are going to do that is that we are going to pay for it. The American people will understand that.

The second thing they are most concerned about today, beyond jobs, is the fact that they know that where we are going, the way we are going, in terms of our deficit and national debt is not sustainable. They get it. The Europeans get it. The world gets it. We do not get it.

We talk about, Secretary, you are going to try to find a little money someplace. It will be rob Peter to pay Paul. Something to get you through it. Then you have to find some more money.

A much cleaner way would be to say to the American people, this is a really good highway bill, it is needed for our Country, and we know that, with the facts, you are going to be supportive of this because it is going to make a difference. And by the way, it is not emergency spending, it is not some of the other Mickey Mouse stuff that we do around here. We are going to pay for it. OK? We are going to pay for it. Would that not be wonderful for once?

Senator BOXER. Yes, and I am very glad you are going to meet with the players, because I have met with all of them, and the only one of the group that has put forward a proposal has been the truckers. And I can tell you, I am very grateful to them.

I want to say this. I could not agree with your more. The deficit and the national debt have got to be brought down. We had that under Bill Clinton, and we did it. We inherited from the first Presi-

dent Bush an enormous debt and an enormous deficit. And we did it. Under Bill Clinton, we got a balanced budget, we got a surplus, and we got that debt going down. We are going to do it.

That is the reason why I want the extension. I do not feel comfortable bringing forward the bill until I know how I am going to recommend paying for it. I cannot imagine why I would ever do that. I do not see it, in my view, as being fiscally responsible, just to put together a giant bill and send it off to some other committee and have them figure it out.

I want to work with you, Senator Voinovich, so we can have the people at the ports say, this is what we are willing to do to pay for it. The railroads, this is what we are going to do to pay for it. I am not going to keep going back to the American people and a gas tax. Let the heavy users, like the truckers, step up to the plate. And we can work together.

I have stated before, I am willing to see the gas tax indexed to inflation. I think that is a fair thing to do. So there are ways we can do that in a fair way.

But again, it is chicken and egg. The theory of Chairman Oberstar seems to be, I am going to write this great bill, which he has done, and now it is going to force the way to pay for it.

My view is, when I do the bill, I want to make sure we have that done. It is just my thinking. But is also Senator Inhofe's thinking, it is also the vast majority of my colleagues, Senator Baucus and others, including the fact that I do not know of any other Republican that does not agree with that.

Having said all of that, I hope that we can work together as you meet with these various groups, Senator, because if we have a breakthrough, nothing is going to stop us from writing our bill the minute we have our break through. For example, if we had a breakthrough in 3 months, I would sit with you, we are going to get a bill out there and we are going to move.

So, this is a question of immediacy versus the long-term solution. That long-term solution is going to come. It could come in 3 months. I think with your driving force, it could come in 2 months. I am very much open to that.

So here is where we are. We are going to continue to work with you on this 18-month extension. Senator Voinovich is going to work hard to change our minds. I always am willing to hear his ideas on how we are going to pay for this big vision that I support at this time. We will get there. I do not know that we can get there in 3 weeks when the Trust Fund is out of money. I should say maybe it is a little more than that, maybe 6 weeks or 8 weeks.

I want to thank you, Mr. Secretary. This is tough. This hard. But we are getting there. Thank you very much.

It is my privilege to call up our second panel: Kathy Ruffalo, President, Ruffalo and Associates, and she was a member of the National Surface Transportation Infrastructure Financing Commission; Dawn James, Chief Executive Officer, Vulcan Materials; and Jack Basso, Director of Program Finance and Management, American Association of State Highway and Transportation Officials. We welcome you and we look forward to your words of wisdom.

So, if people could leave the room quietly, that would be very good.

We will start with you, Kathy Ruffalo.

STATEMENT OF KATHY RUFFALO, PRESIDENT, RUFFALO AND ASSOCIATES

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

I appreciate the opportunity to address you today regarding the impending insolvency of the Highway Trust Fund.

By way of background, I did spend 11 years as a staff member to this Committee and had the privilege to work on ISTEA, TEA–21 AND SAFETEA-LU.

Senator BOXER. And you lived to tell the tale.

[Laughter.]

Ms. RUFFALO. And I am not sitting where you are now. So, yes, I learned a valuable lesson.

[Laughter.]

Ms. RUFFALO. I spent 6 years working in State government and I am a member of the Commission, as you mentioned. All that experience has certainly shaped my perspective on the situation that you find yourself in today and I have a very healthy respect for what you and your staff are trying to do in developing that multi-year proposal.

Having said all this, I believe your task will be made more difficult if Congress were to allow the Highway Trust Fund to become insolvent, allow for a dramatic reduction in transportation funding next fiscal year, and possibly allow for the loss of contract authority as the basis for our transportation programs.

I would like to briefly cover a couple of areas with you today. I was asked to talk about the history of the Highway Trust Fund, so that is in my written testimony if folks would like to refer to it. But what I would like to focus on is how did we get to where today and what are the impacts of the insolvency of the Trust Fund?

As background, there are two major sources of revenue into the Trust Fund. It has been talked about a little bit today. They are the motor fuel taxes and then, of course, the vehicle and tire taxes. The motor fuel taxes account for about 90 percent of the revenue in the Trust Fund and the non-fuel taxes and fees are about 10 percent.

As we all know, the current economic situation has dramatically impacted the revenues collected from the motor fuel taxes and while increased fuel efficiency has had an impact, the fact that fewer people are choosing to drive and purchase fuel is a much larger factor.

But there are two other issues I would like to bring to your attention. First, the non-fuel revenues continue to be extremely volatile. These are things like the truck trailer sales and tire taxes. It is the volatility in these non-fuel revenues that are impacting the balances in the Trust Fund.

Again, while these non-fuel revenues are only 10 percent of the overall revenues in the Trust Fund, wild and dramatic swings in these taxes and fees can have a really dramatic impact on the balances of the Trust Fund.

The second issue I would like to bring up is that, in SAFETEA-LU, of course, we had to spend down the balances in the Trust Fund. We spent down the balances in the Trust Fund because we knew that the revenue coming in from the fuel taxes was not going to be enough to spend at levels that Congress wanted to spend at the time. So, over the life of SAFETEA-LU, we did spend down the Trust Fund balances and that is another reason why we find ourselves in the situation that we are in today.

So, there are basically two choices facing Congress. You all have talked about them this morning. We need to develop a solution to either add additional revenues into the Trust Fund for this fiscal year, or do nothing and allow States and transportation agencies to experience a reduction in funding and slower reimbursement rates. We need to decide: are we going to break the promises of SAFETEA-LU or at least take care of this fiscal year?

Madam Chairman, I know that you and others on the Committee are committed to finding a solution to our current insolvency problem, and also to finding intermediate and long-term funding solutions. It is my hope that the entire Congress will choose the same route and will take action and resolve the insolvency issue for fiscal year 2009.

As has been discussed, Congress did pass the stimulus bill in February with the stated purpose of creating and sustaining jobs. It would not make sense to not provide additional infrastructure spending 6 months after that bill. It just seems counter-intuitive.

So, as has been mentioned, again, the impact from any gap in Federal transportation funding will have a ripple effect across the transportation sector and certainly through the economy. Construction jobs will certainly be lost.

But we have to keep in mind that, in addition, businesses in the transportation sector will continue to be reluctant to hire workers if there is no clear signal that Congress is committed to these jobs and the investments being made. And, in fact, some businesses may begin to slow down production of transportation-related features if it appears there will be a gap in Federal funding.

Madam Chairman, I work every day with many of the stakeholders in the transportation community, businesses, States, local governments and various transportation associations. I can you there is real apprehension regarding the pending insolvency and the impact of inaction.

I would like you and the members of the Committee to know that many in the transportation community stand ready to assist you in resolving this crisis and I hope you will tap these resources to help make the case on the importance for transportation investment to others in Congress and, just as importantly, the public.

Madam Chairman and members of the Committee, at the end of the day, we are all trying to do the right thing for this Country. I believe that we all need to remember that there are real men and women behind all the numbers and the statistics that we tend to use up here. We cannot get caught up in national statistics and forget the impacts of the decisions being made. Thousands of jobs depend on Federal transportation funding and not just the direct jobs.

So, whether it is to get to work, move goods across this Country or maintain our quality of life, the Federal Government is, and should be, an important partner in transportation investments.

With your leadership, Madam Chairman, and the leadership of this Committee, I hope Congress can quickly resolve this crisis.

Thank you for holding this hearing and I am happy to take any questions.

[The prepared statement of Ms. Ruffalo follows:]

Statement of

Kathy Ruffalo

Member, National Surface Transportation Infrastructure Financing Commission

President, Ruffalo and Associates, LLC

Before the Committee on Environment and Public Works

United States Senate

June 25, 2009

Madam Chairman, Senator Inhofe and Members of the Committee – I appreciate the opportunity to address you today regarding the impending insolvency of the federal Highway Trust Fund, and the implications of such insolvency.

By way of background, I spent close to 11 years as a staff member to this committee, working on transportation issues. In that position, I had the privilege of working on the last three multi-year transportation bills – ISTEA in 1991, TEA-21 in 1998 and SAFETEA-LU in 2005. In addition, I had the opportunity to work in state government for six years. So I've had the opportunity to advise Congress on transportation policy at the federal level and then see it implemented at the state level.

More recently, I was appointed to serve as a member of the National Surface Transportation Infrastructure Financing Commission, one of two commissions created in the SAFETEA-LU legislation.

All of this experience has shaped my perspective on the situation we face today in the transportation community. I have a very real respect for the work facing you and your staff as you develop the framework for our transportation system – now and into the future.

Having said all of this, I believe your task will be made more difficult if Congress were to allow the Highway Trust Fund to become insolvent, allow for a dramatic reduction in transportation funding next fiscal year and possibly allow for the loss of contract authority as the basis for our transportation programs.

I'd like to cover three areas with you today. First, I've been asked to briefly discuss the history of the federal Highway Trust Fund and how we got to where we are today; second, I'd like to discuss the impacts of the impending Highway Trust Fund insolvency; and finally, I'd like to mention the approach our commission took in

identifying funding and financing options, as it may be useful to you as you continue to develop your proposal to reauthorize federal highway and transit programs.

History of the Highway Trust Fund

Prior to 1956, federal motor fuel and vehicle taxes were directed to the General Fund of the U.S. Treasury. Federal financial assistance to support highway programs was provided by the General Fund, but with no defined relationship between the funding provided and highway-related taxes collected. In other words, investments were not tied to a user-fee system of taxes.

In 1956, Congress created the federal Highway Trust Fund (HTF) as part of the Highway Revenue Act of that year and it was intended as a dependable source of funding for the National System of Interstate and Defense Highways.

The current system for federal funding of our surface transportation system is centered on this trust fund. There are two accounts within the HTF – the Highway Account and the Mass Transit Account.

The Highway Trust Fund serves today as the mechanism by which the federal government provides resources to states, local governments and transit agencies for highway and transit investments.

The sources of revenue into the HTF fall into two separate categories – motor vehicle fuel taxes and various non-fuel taxes and fees. Highway Trust Fund revenues are:

- Gasoline and other fuels — 18.3 cents/gallon
- Diesel — 24.3 cents/gallon
- Retail tax on trucks — 12.0% on retail sales
- Highway-type tires — 9.45 cents/100 lbs capacity
- Heavy vehicle use tax — $100 + $22/1000 lbs

Motor fuel taxes account for the vast majority of revenue into the HTF – approximately 90% of the HTF net receipts. Other revenues (not based on motor fuel consumption) account for only about 10% of the HTF net receipts.

One cent per gallon on motor fuel taxes yields about $1.8 billion per year – of this amount, $1.4 billion is attributable to the gasoline tax and $400 million is attributable to the diesel tax.

In addition, 2.86 cents of every gallon of the motor fuel taxes is credited to the Mass Transit Account of the HTF.

So, why have a trust fund for transportation programs? The current HTF has offered the nation and transportation agencies some very important benefits:

- The HTF helps ensure federal highway user taxes and vehicle fees are used for transportation purposes (as defined by Congress) through the application of "budgetary firewalls" that prevent the diversion of revenues to non-transportation activities.
- The HTF enables the use of multi-year "contract authority", which provides states and transportation agencies with advance knowledge of future federal highway funding commitments and allows them to conduct meaningful long-range planning and to contract for multi-year projects based on a reasonable degree of year-to-year consistency in federal funding levels.
- The historical predictability and reliability of annual HTF spending has made federal surface transportation funding a viable means for supporting state-level and transit agency debt obligations used to finance long-lived assets.

How did we get here?

As a nation, we have reaped the benefits of previous generations' foresight and investment – generations that have developed and built a transportation system that became the envy of the world. Over the last few decades we have grown complacent, expecting to be served by high-quality infrastructure, even as we devoted less and less money in real terms to the maintenance and expansion of that infrastructure.

Growth in motor fuel tax receipts is driven by two factors: tax rates and fuel consumption. Federal motor fuel tax rates were last raised in 1993, when Congress added an across-the-board 4.3 cent increase. The proceeds from this increase, however, initially were directed to the General Fund and were not credited to the HTF until October 1997 (fiscal year 1998). Because the tax rate has remained constant since 1993, inflation has significantly eroded the value of the tax receipts – the purchasing power of the motor fuels tax has declined by 33 percent.

In addition, we have seen much volatility in recent months regarding receipts into the HTF. The non-fuel tax receipts – especially those related to truck trailer sales and the heavy vehicle use tax – have been especially volatile. It is this volatility that has also added to the uncertainty over the solvency of the HTF.

Over the last 15 years, Congress has consistently increased authorizations for HTF spending. Between 1980 and 1995, HTF balances gradually grew from $11 billion to $19 billion. Between 1996 and 2000, however, receipts substantially exceeded outlays, and the overall balance rose from $19 billion in 1995 to a peak of about $31 billion in 2000. With the economic downturn in 2001, however, revenues fell sharply. By 2005 revenues recovered to previous levels, although their growth rates slowed.

At the same time, both TEA-21 and SAFETEA-LU substantially boosted federal highway and transit spending, causing the HTF cash balances to begin to decline sharply.

Congress knew that the spend down of the HTF balances over the life of SAFETEA-LU would create a reduction in the cash balances by the end of 2009. In fact, Congress created two commissions in SAFETEA-LU to examine the revenue, funding and financing of this country's transportation system and to make recommendations on short-term and long-term options.

However, with the current economic slowdown and reduction in receipts to the HTF in the last couple of years, the HTF reached crisis level much sooner than expected when the bill was signed in 2005.

Congress is to be congratulated for the $8 billion General Fund infusion into the Highway Trust Fund at the end of 2008. It was certainly hoped for and anticipated then that the General Fund transfer would keep the HTF solvent through this fiscal year. Unfortunately, that does not appear to be the case and Congress is again faced with the decision of what to do. As reflected in the comments by Secretary LaHood, if steps are not taken immediately, the HTF will run out of money as soon as late August and states will be in danger of losing the vital transportation funding they need and expect.

Impacts of the expected insolvency of the Highway Trust Fund

As we approach the expected insolvency of the Highway Trust Fund – as early as August – a fundamental decision will have to be made. Should Congress "fix" the impending Highway Trust Fund insolvency or not? Should we find the resources we need to continue funding at SAFETEA-LU authorized levels for the remainder of this fiscal year or should we accept a reduction in federal transportation funding and slower reimbursements to the states and local governments?

If the answer is "yes", then there needs to be consensus on a few points: how much is needed to prevent insolvency (or "fix" the HTF) in fiscal year 2009; should any HTF "fix" be longer-term and include funding for fiscal year 2010 and if so, again, how much; should any "fix" include resources for both the Highway Account and Mass Transit Account; and should any "fix" be funded through new revenue into the HTF or should it be another General Fund transfer.

If the answer to "fixing" the Highway Trust Fund is "no", then the result will be a reduction in funding to the states and local governments for transportation projects. These entities will have to decide which projects to cancel or delay – or these entities will have to identify other sources of funding, which as we know, is very difficult to do in the current economic situation. Last year, when we faced a similar crisis, we saw the actions that states and local governments will take when faced with the uncertainty of federal transportation reimbursements. At a time when this country is trying to improve the economy and create jobs, it only makes sense to engage on this issue.

Madam Chairman, I know that you and others on the Committee are committed to finding a solution to our current insolvency problem and also to finding intermediate and long-term funding solutions as well. It is my hope that the entire Congress will choose the same route and will take action and resolve the solvency issue for fiscal year 2009. Congress passed the American Recovery and Reinvestment Act in February with the stated purpose of creating and sustaining jobs. It would not make sense to provide additional infrastructure spending in February, only to allow a dramatic reduction in funding for transportation six (6) months later.

The impact from any gap in federal transportation funding will have a ripple effect across the transportation sector and through the economy. Construction jobs will certainly be lost but we have to keep in mind that in addition, businesses in the transportation sector will continue to be reluctant to hire workers if there is no clear signal that Congress is committed to these jobs and the investments being made. And in fact, some businesses may begin to slow down production of transportation related features if it appears there will be a gap in federal funding.

Madam Chairman, I work every day with many of the stakeholders in the transportation community – businesses, states, local governments and various transportation associations. I can tell you that there is real apprehension regarding the impending insolvency and the impact of inaction. I would like you and the members of the Committee to know that many in the transportation community stand ready to assist you in resolving this crisis and I hope you will tap these resources to help make the case on the importance of transportation investment to others in Congress and just as importantly, to the public.

Commission approach

The National Surface Transportation Infrastructure Financing Commission completed its work in February of this year. We released a comprehensive report that details our short and long-term funding and financing recommendations. While that is not the focus of today's hearing, I wanted to describe for the Committee the methodology we used as we approached our work.

We examined over 40 funding options and numerous financing options. This list of options was very diverse and while the Commission did not recommend every one of these options, they are all listed in our final report. I call it – "the good, the bad and the ugly".

We took each of these 40 funding options and evaluated them based upon over a dozen different criteria. This exercise was very enlightening and allowed the Members of the Commission to look at a wide array of issues surrounding each funding option. The evaluation criteria fell into 4 broad categories: revenue potential; implementation and administration; economic efficiency and impacts; and equity. We then weighed each funding option against these criteria.

The Commission report includes a tremendous amount of detail related to these evaluations. In addition, and this was very important to me, the report lists the pros and cons for the options. The Commission spent over two years working on this report and what we submitted to Congress was the best effort of a diverse group of 15 individuals. As a former staffer, I'm well aware that Congress may have a different opinion and may choose a different set of options to fund and finance our transportation system. It is my hope that the Commission report proves useful to this Committee and the other Congressional Committees of jurisdiction as you continue to work on your authorization proposals.

Conclusion

Madam Chairman and Members of the Committee – at the end of the day, we are all trying to do what is best for this country. I believe we all need to remember that there are real men and women behind all of the numbers and statistics that we tend to use in our discussions. We can't get caught up in national statistics and forget the impacts of the decisions being made. Thousands of jobs depend upon federal transportation funding – not just direct jobs but indirect ones as well. Whether it is to get to work, to move goods across this county or maintain our quality of life, the federal government is an important partner in transportation investments.

I know that with your leadership, Madam Chairman, and the leadership of this Committee, Congress will quickly resolve this crisis.

Thank you again for holding this hearing and for providing me with the opportunity to be here today.

ANSWERS FOR THE COMMITTEE RECORD - KATHY RUFFALO

Questions from Senator Barbara Boxer

1. An immediate fix for the Highway Trust Fund shortfall is critical to avoiding a shutdown of California's transportation program, according to the Director of the California Department of Transportation. In light of the financial issues that California shares with all the States, and the employment generated through transportation spending what do you believe would be the impact of Highway Trust Fund insolvency?

Insolvency of the Federal Highway Trust Fund and the resultant reduction in federal funding provided to the states, local governments and transit agencies would have two immediate impacts – first, a reduction in much needed investments in this nation's transportation system and second, a reduction in both direct and indirect employment in the transportation sector.

To the first point - a reduction or gap in federal transportation funds being provided to states, local governments and transit agencies will force these entities to decide which projects to cancel or delay - or these entities will have to identify other sources of funding, which is very difficult to do in the current economic situation. Last year, when we faced a similar crisis, we saw the actions that states and local governments will take when faced with the uncertainty of federal transportation reimbursements. At a time when this country is trying to improve the economy and create jobs, a reduction in federal transportation funding could impact those efforts.

To the second point - the impact from any gap in federal transportation funding will have a
ripple effect across the transportation sector and through the economy. Construction jobs will certainly be lost but we have to keep in mind that in addition, businesses in the transportation sector will continue to be reluctant to hire workers if there is no clear signal that Congress is committed to these jobs and the investments being made. And in fact, some businesses may begin to slow down production of transportation related features if it appears there will be a gap in federal funding.

2. Based on your past roles in the Congress, in State government, and recently as a member of the National Surface Transportation Infrastructure Financing Commission, can you share with us why it is so important that we protect the Highway Trust Fund in the short run and in the long run?

My experience at the federal and state levels of government have provided me with an understanding of the importance of having a federal Highway Trust Fund (HTF) - the predictability, certainty and stability provided by the Highway Trust Fund has served this country well since its inception in 1956. While it is true that the
revenues into the Highway Trust Fund have fluctuated in recent years for a

number of reasons, these fluctuations do not diminish the need for the HTF.

The current federal HTF has offered the nation and transportation agencies some very important benefits:

- The HTF helps ensure federal highway user taxes and vehicle fees are used for transportation purposes (as defined by Congress) through the application of "budgetary firewalls" that prevent the diversion of revenues to non-transportation activities.
- The HTF enables the use of multi-year "contract authority", which provides states and transportation agencies with advance knowledge of future federal highway funding commitments and allows them to conduct meaningful long-range planning and to contract for multi-year projects based on a reasonable degree of year-to-year consistency in federal funding levels.
- The historical predictability and reliability of annual HTF spending has made federal surface transportation funding a viable means for supporting state-level and transit agency debt obligations used to finance long-lived assets.

Question from Senator George V. Voinovich

1. The report that your commission released recommended an increase in the federal gas tax to provide increased funding to the Highway Trust Fund. The Administration has indicated that they will not support such an increase. If we are not going to address the basic issue of setting the rate of the user fee at a level that can meet our transportation needs, what ideas do you have that would allow us to avoid future shortfalls?

The National Surface Transportation Infrastructure Financing Commission (Commission) released its report in February of this year - after almost two years of work. Our mandate was limited to issues surrounding funding and financing transportation investments. While the Commission did recommend a federal motor fuel tax increase to pay for much needed transportation investments - 10 cents/gallon for gasoline and 15 cents/gallon for diesel, along with indexing these rates to the CPI going forward - the Commission examined approximately 40 other funding options. The Commission undertook a painstaking examination of these options and evaluated each of them against 14 criteria that were broken down into four broad areas: revenue stream considerations; economic efficiency/impact considerations; implementation and administration considerations; and equity considerations.

While the Commission did not recommend many of these other options, it was important to the Commission members that the final report include each of these 40 options, along with the "pros" and "cons" of each of them. It was also important to the Commission members that Congress strongly consider that any funding mechanism should maintain a link between the fee or tax imposed and the use of the transportation system.

The Commission members understand that Members of Congress may have a different opinion as to how to raise revenue for funding transportation projects at the federal level and would strongly encourage a review of these 40 funding options and the data included in our report related to each one of them.

Senator BOXER. Thank you very much.

And now, Don James, Chief Executive Officer of Vulcan Materials. Please proceed, Mr. James.

STATEMENT OF DON JAMES, CHIEF EXECUTIVE OFFICER, VULCAN MATERIALS COMPANY

Mr. JAMES. Thank you, Chairman Boxer and members of the committee for the opportunity to testify here today.

I am Don James, Chairman and CEO of Vulcan Materials Company. My goal is to bring to you the point of view of the business I run and our employees and our customers to bear on the issues of the importance of the Highway Trust Fund and of the sustained and significant funding for America's transportation infrastructure that is needed.

Vulcan is the largest producer of construction aggregates in the Nation, primarily crushed stone, sand and gravel. We are also a major producer of asphalt and concrete. Our products build highways, roads and bridges and other large infrastructure projects in America.

We have been publicly traded on the New York Stock Exchange since our founding more than 50 years ago and we are a member of the S&P 500. Our employees at more than 350 operations serve customers here in the District of Columbia and in 23 States.

We have been recognized twice in the last 7 years as one of the top 10 of all Fortune 1000 companies for social responsibility. During the same period, Vulcan has been named by Fortune to its Top 10 List in two other categories, including use of corporate assets and as a long-term investment.

We strongly supported this Committee's efforts regarding the American Recovery and Reinvestment Act. We, and our industry association, stand ready to assist the Committee in its vital effort to support transportation infrastructure investment, investment that needs to be sustained and significant to meet the great and ever-growing transportation infrastructure needs of the Country.

The business of successfully building and maintaining our national surface transportation infrastructure depends in large measure on the funding stability and the year over year predictability of the Federal aid highway programs funded by the Highway Trust Fund. These authorizations provide an important continuity that my company, our employees and our customers rely upon in order to meet the significant and growing needs of our transportation systems.

Multi-year bills are particularly vital for the funding visibility and the related confidence they instill in State departments of transportation. When State DOTs know that the Federal aid highway program will apportion to them their Federal funding, year-over-year in an amount authorized, they have the confidence that their State expenditures will be reimbursed. The States then award contracts, and the process of building and maintaining our transportation infrastructure can proceed smoothly and efficiently. Confidence in the long-term stability of the program is a critical factor in ensuring its success.

When there are doubts, as there clearly are today, awards for construction projects slow because States are not sure there will be

funding for reimbursement. As the pipeline for project awards slows, this inevitably leads to a loss of jobs in the construction and related support industries.

As a materials supplier to highway contractors, we are the first to feel the impact of slowing rates of contract awards. The production of our products, and the private sector jobs that are created, precede by many months a State's request for Federal reimbursement of its State funds used to pay for the construction. This means that well in advance of any technical definition of insolvency in the Highway Trust Fund, at the point when the perception of a lack of future Federal funding occurs, that lack of confidence impacts our employees and our customers.

Our slowdown occurs at the first doubts about what Congress will do and when it will do it. We are already feeling the impact of these doubts. And with the end of the current multi-year authorization coinciding with a predicted shortfall of $5 billion to $7 billion in revenue just to cover 2009 budget authority, anxiety and doubt about the future of the Trust Fund continues to grow.

When one adds concerns about 2010, there is an even more negative speculation, further reinforcing the perception of unpredictability for the Highway Trust Fund.

There is another basic congressional dynamic that contributes to the perception of Trust Fund stability—timely, bipartisan action. Prolonged delays and disagreements, however, feed concerns that Congress is not poised to address either the Trust Fund shortfall or a multi-year reauthorization in a timely manner.

From the vantage point of our company, our employees, our customers and the State DOTs that we work with, the optimal solution includes addressing both the Trust Fund crisis and the timely passage of a multi-year bill.

Meanwhile, and ironically, in the absence of timely resolution of these matters, jobs in our industry and the construction trades that the stimulus legislation was intended to create or save, will continue to be lost.

Transportation infrastructure investment is an investment in American jobs and the American economy. The stimulus was intended to save or create jobs in part by putting Americans back to work building and maintaining our transportation infrastructure, thereby creating a real, tangible value for our economy. However, temporary influxes of Federal funding are not as helpful in creating and maintaining goods jobs with good benefits as are stable multi-year funding streams.

The best stimulant to the economy is a robust, multi-year highway bill which will be most important in putting the United States back on the road to infrastructure and economic recovery.

Thank you for the opportunity to share with you today the impact on our company, our employees and customers from delay and uncertainty in the funding of our Nation's highway infrastructure.

[The prepared statement of Mr. James follows:]

Testimony of

Donald M. James – Chairman and Chief Executive Officer
Vulcan Materials Company

Hearing on
Impact of Highway Trust Fund Insolvency

Submitted to
Senate Environment and Public Works Committee

June 25, 2009

Mr. James: Thank you, Chairman Boxer and Ranking Member Inhofe, for inviting me to testify today before the Environment and Public Works Committee. I am Don James, Chairman and Chief Executive Officer of Vulcan Materials Company.

My goal here with you today is straightforward – to bring the point of view of the business I run and that of our employees and customers to bear on the issue of the importance of the highway trust fund and of sustained, significant funding for America's transportation infrastructure.

We are the largest producer of construction aggregates in the nation, primarily crushed stone, sand and gravel used in all forms of construction. In particular, large quantities of aggregates are used to build highways, roads and bridges, as well as for use in other large infrastructure projects such as buildings, public works, erosion control and water treatment plants, all of which constitute the built environment.

Through its economic, social and environmental contributions, aggregates production helps create sustainable communities and is essential to the quality of life Americans enjoy.

Vulcan Materials is also a major producer of other construction materials, including asphalt and ready-mixed concrete and a leading producer of cement in Florida. We have been publicly traded on the New York Stock Exchange since our founding as a public company more than 50 years ago. We are an S&P 500 Index company. Vulcan employees and our more than 350 operations serve customers in the District of Columbia and 23 states, including California, our largest state by revenue, as well as Tennessee, Louisiana, New Mexico, Pennsylvania, and Maryland.

In 2008 and for the eighth year, Vulcan was named to *Fortune* magazine's list of the World's Most Admired Companies. Over the past seven years, Vulcan has also been recognized twice as one of the Top 10 of all Fortune 1000 companies for Social Responsibility. During the same period, Vulcan has been named to Fortune's Top 10 list in two other categories, "Use of Corporate Assets" and "Long-Term Investment".

We are active members in a number of our industry trade associations including the National Stone, Sand and Gravel Association, the American Road and Transportation Builders Association, the National Asphalt Pavement Association, the National Ready-Mix Concrete Association, and others. We strongly supported this Committee's efforts during the Congress' consideration of the

American Recovery and Reinvestment Act. We and our associations stand ready to assist the Committee in its vital effort to support transportation infrastructure investment – investment that needs to be sustained and significant to meet the great, and ever-growing, transportation infrastructure needs of the United States.

According to the American Society of Civil Engineers, America's infrastructure is graded overall a "D". This is not the kind of foundation upon which the restoration of economic growth can be built. Our nation's success in the 21st century will depend in large measure on our ability to compete, globally, in getting our goods to market and our growing population of citizens to their destinations efficiently and safely. This is no small challenge, but it is as fundamental as gathering our resolve to invest in our country again.

Aggregate sales in the U.S. are valued at approximately $20 billion annually. When combined with other related industries, such as cement, concrete, asphalt and construction equipment and supplies, the transportation construction industry generates more than $200 billion in economic activity every year and employs more than 2 million people. The business of successfully building and maintaining our national surface transportation infrastructure depends in large measure on the funding stability and year-over-year predictability of the federal-aid highway programs funded by the Highway Trust Fund.

This stability and year-over-year predictability has been achieved by means of multi-year federal-aid highway authorizations such as TEA 21 and SAFETEA LU. These multi-year authorizations provide an important continuity that my company, our employees and our customers rely upon in order to meet the significant and growing needs of local, state and federal transportation programs.

These multi-year bills are particularly vital for the funding visibility and related confidence they instill in state Departments of Transportation. When state Departments of Transportation know that the Federal-aid Highway program will apportion to them their federal funding year-over-year in the amount authorized, they have confidence that their state expenditures will be reimbursed. The states then award contracts, and the process of building and maintaining our transportation infrastructure can proceed smoothly. Confidence in the stability of the program is a critical factor in ensuring its success.

When there are doubts, as there clearly are today, awards for construction projects slow because states are not sure there will be funding for reimbursement. When states wait to see what Congress will do and when it will do it, the pipeline of project awards slows. This inevitably leads to the loss of jobs in the construction and related support industries. As a result of the recession, and with the prevailing uncertainty regarding highway funding projects, we have, to date, laid off approximately 14 percent of our workforce. A large number of those who remain are working significantly reduced hours.

Overall, the unemployment rate among the construction trades in the United States is two times higher than the unemployment rate in the US economy generally.

As a materials supplier to highway contractors for these projects, we are the first to feel the impact of slowing rates of contract awards. The production of our products, and the private sector jobs that are created, precede by many months a state's request for federal reimbursement of its state funds used to pay for the construction. This means that well in advance of any technical definition of insolvency for the Highway Trust Fund, at the point when the perception of a lack of future federal funds occurs, the lack of confidence impacts our employees and customers. Our slowdown occurs at the first doubts about what Congress will do and when it will do it. A perceived lack of consensus in Congress on what course it will take with regard to the Trust Fund and the federal-aid highway programs has been building for some time now.

Today, we are already feeling the impact of these doubts about what Congress will do and the timing for doing it. And with the end of the current multi-year authorization coinciding with a predicted shortfall of at least $5 billion in revenue just to cover Fiscal Year 2009 budget authority, anxiety and doubt about the future of the Trust Fund continues to grow.

This multi-billion dollar Fiscal Year 2009 shortfall fosters doubt in the marketplace about the Trust Fund's stability. When the issue of Fiscal Year 2010 is added to the equation, there is even more negative speculation and the perception of unpredictability for the Highway Trust Fund is further reinforced.

In describing the impact that the Highway Trust Fund insolvency debate can have on our employees and customers, I would like to emphasize a basic Congressional dynamic that contributes to the perception of Trust Fund stability – timely, bipartisan action.

Timely action to stabilize the Highway Trust Fund may be considered a rather simple course of action for people unfamiliar with the difficulties involved in prompt Congressional action. I know that here in Congress timely action is a more complicated course to chart –that there are trade-offs that must be made about how and when to proceed.

Some in Congress consider the expected Fiscal Year 2009 shortfall in highway trust fund revenue as a deadline of sorts that should drive "timely" action on a multi-year bill. Others believe the expected Fiscal Year 2009 shortfall is also a Fiscal Year 2010 funding problem and that work on a multi-year bill must yield to a "timely" concerted focus on the more immediate problem.

The very existence of these two perspectives fosters concern outside the Beltway over what Congress will do and when. The perception produced is one

of internal disagreement in Congress over its stewardship of the Trust Fund, thus stalling timely action that will benefit the citizens of all of our states. Not only is the multi-year bill caught up in the question of sufficient revenue flow into the Trust Fund for the remainder of fiscal year 2009, there are also multiple ideas within Congress regarding what to do about it.

Moreover, the current lack of a bicameral, bipartisan consensus on the content of a multi-year authorization only compounds such concerns. Bipartisanship and bicameralism have been hallmarks of multi-year authorization successes for many years. Industry, labor and state DOTs keep a close eye on these factors in gauging Congress' future actions and their timing. Transportation infrastructure investments that are stranded in mid-course, and needed investments that are not made at all in the absence of consistent multi-year funding, put a tremendous strain on industry, labor and the state DOTs, even as they serve to further slow overall economic growth.

The crowded agenda of this session of Congress also poses challenges. The perception is that neither a multi-year authorization nor an extension is currently on the Leaderships' agenda in either Chamber. Leadership support of transportation legislation has always been an additional critical factor in driving a consensus when one is not otherwise present. This is not to say that Congress' current agenda isn't full of important issues to the nation – just that the Trust Fund's stability and the related consequences to employment are also important to the nation and aren't perceived to be on the agenda. And with multiple proposals on how to proceed, there is no sign yet that Leadership is making an effort to develop a bipartisan, bicameral consensus on the next step.

We do know that the Administration prefers an extension of 18 months, but there are aspects of its approach that are not understood – such as what changes to current law might be suggested by the Administration in its extension proposal. If an extension is how Congress proceeds, a variety of stakeholders prefer a clean extension, although timely passage of a multi-year bill is obviously far more efficient than an extension.

Taken together, these Congressional realities produce negative perceptions, which have a direct impact on the transportation planning and construction activities of the states. With multiple ideas on what to do and when to do it coming from both Chambers – sometimes on a daily basis – it is not clear when and how Congress will act, nor that the Trust Fund will be able to cover its FY09 obligations.

These perceptions will fade when Congress acts in a bipartisan manner to restore stability and predictability to the Highway Trust Fund, before the end of fiscal year 2009. When Congress acts in a bipartisan and timely manner, confidence in the Trust Fund is restored. When Congress passes authorization

legislation that is bipartisan, resulting in balanced transportation policy, it reinforces the perception of program continuity among the state DOTs.

I am hopeful that Congress will pass legislation that brings financial stability to the Trust Fund for the remainder of Fiscal Year 2009 and for Fiscal Year 2010 – while also working on a multi-year bill – prior to Highway Trust Fund insolvency. But this won't mean that our company, our employees and our customers will have avoided the impact of the current perception that the Trust Fund might become insolvent without remedy, or that a new multi-year bill might be delayed.

At the end of Fiscal Year 2008, one of the biggest challenges our company and industry faced near-term was uncertainty related to the availability of funding for road and highway projects. Congress did resolve the Fiscal Year 2008 Highway Trust Fund shortfall – but the debate about the shortfall and questions about how and when Congress would act caused a significant level of uncertainty among our state DOT and local government customers. This led many state DOTs and local governments to suspend, postpone or altogether cancel expected construction and maintenance work – with corresponding work curtailments and job losses.

The Commonwealth of Virginia suggested it would consider postponing $1.1 billion worth of transportation projects as a result of its need to address a lack of funding brought about by concern over the Highway Trust Fund. Another example from last summer was in Pennsylvania, where a $1.2 million highway resurfacing contract was cancelled by the Pennsylvania DOT, which stated that, "The termination of this contract is based on future funding projections indicating that sufficient funds will not be available to complete the contract." This was not an isolated event last year and examples of this impact are present this year. The statements that follow, describing the adverse impacts on state transportation programs, were made during the previous Trust Fund crisis of 2008. They vividly demonstrate the difficulties the states face in the absence of consistent funding.

North Carolina
Raleigh News & Observer—September 2008
The slowdown in federal reimbursement could cost North Carolina more than $300 million in highway and bridge construction funds this year, state transportation officials said in Raleigh. Ifthe Senate fails to join the House in an $8 billion bailout for the federal Highway Trust Fund, North Carolina will eventually have to cancel or postpone construction projects planned for the coming year. In the past, the federal fund has covered 80 percent of most highway and bridge building costs.

Arkansas
Arkansas Democrat Gazette—September 2008
Uncertainty over federal funding resulted in the Arkansas Highway and Transportation Department deciding Monday to withdraw one project from a list of 12 scheduled for a bid opening today.

The Arkansas agency's move came the same day the Oklahoma Transportation Commission delayed awarding 32 projects worth $80 million on which it opened bids last month. The Oklahoma Department of Transportation also said it could cancel this month's bid letting, delay work orders on projects already awarded, suspend acquiring rights of way and look for ways to stop construction on existing projects while maintaining public safety.

Florida
WFTV Orlando – September 2008
The FHWA estimates that {the Trust Fund running out of money} will amount to a 34 percent cut in federal highway programs in FY 2009. The resulting effect would be an estimated loss of $573 million in federal funds for Florida in fiscal year 2009. The cuts could also cost almost 20,000 Florida jobs.

Arizona
White Mountain Independent – September 2008
While Congress is considering a proposed $8 billion one-year fix to the immediate crisis. . . the Arizona Department of Transportation is immediately placing a hold on new projects budgeted to use federal funding. In the months ahead, as much as $171 million in highway projects could be delayed because of this funding crisis. Gov. Janet Napolitano: "Arizona will be forced to delay vital highway projects at a time when we are facing crippling congestion and a need for economic stimulation."

California
Caltrans Director Will Kempton – September 5, 2008
Today, the U.S. Department of Transportation announced that effective Monday, September 8, the Federal Highway Administration will delay financial reimbursements from the Highway Trust Fund to all states. Here is a statement from California Department of Transportation (Caltrans) Director Will Kempton in response:

"This latest announcement from the U.S. Department of Transportation aggravates an already tight budget problem for California's transportation program. We had projected that the state budget impasse could impact ongoing transportation construction projects by October. However, delays in federal reimbursements could exacerbate this situation. Failure to resolve this issue will have a significant impact on California and the rest of the nation. Unless resolved, this situation could result in delaying, reducing, or canceling transportation projects. The ripple effect could impact the state's economy through loss of revenues, reduced productivity and increased unemployment. In July, I wrote a letter to California's congressional delegation emphasizing the need to resolve this issue at the earliest possible date. We will continue working with Congress and federal transportation officials to secure the passage of legislation that will address the funding shortfall in the Highway Trust Fund."

Some of these factors were temporarily offset by the transportation infrastructure funding included in the American Recovery and Reinvestment Act (ARRA).

ARRA was a step in the right direction, but only a step. The additional federal funding slowed a decline rather than reversed a larger trend. State transportation infrastructure spending – state revenue spent on transportation infrastructure – has in many states declined since ARRA passed. This is occurring because state revenue is in decline due to the economic downturn. The following examples are from two states, Florida and North Carolina, where Vulcan Materials Company has a significant presence. The conditions in these states further illustrate what DOTs are facing across our nation.

According to Florida's Secretary of Transportation, Stephanie C. Kopelousos, that state has made significant project deferrals. Beginning in fiscal year 2006 and through fiscal year 2009, Florida has deferred 566 major capacity construction and right-of-way projects. These projects total $10.6 billion in value. All of these projects had a tentative work program period of between four and five years.

In North Carolina, the situation is much the same. According to representatives of the North Carolina DOT, that state's transportation budget is down by $300 million as compared to last year. Similar or greater budget reductions are projected for each of the next two years. A reduction in or cessation of federal funds would be catastrophic for North Carolina. State officials are concerned that any momentum from the federal stimulus funds will be lost as a result of cuts or work stoppages at the state level due to uncertain revenues. North Carolina's DOT also indicated that uncertainty about the level or duration of the federal revenue stream would compel it to delay the letting of new projects, the majority of which are completed over a three- to four-year period.

We expect these trends to reverse themselves as the economy recovers -- but that will not happen overnight. Meanwhile, our transportation infrastructure needs, and unemployment in the construction industry, continue to grow.

Transportation infrastructure investment is an investment in American jobs and the American economy. The Stimulus was intended to save or create jobs in part by putting Americans back to work building and maintaining our transportation infrastructure – thereby creating a real, tangible value for our economy. However, temporary influxes of federal funding are not as helpful in creating and maintaining jobs as are stable, multi-year funding streams. I believe that the Stimulus was needed, and has provided a modest start in providing jobs in the transportation infrastructure sector. The best stimulant to the economy, however, is a robust, multi-year highway bill. To build and sustain economic growth, America needs a long term, well-funded transportation infrastructure bill. Such a bill will be a most important step in putting the United States back on the road to infrastructure, and economic, recovery.

Senator George V. Voinovich

1. *In your testimony you described the negative impact that the Highway Trust Fund's anticipated shortfall has had on your business and industry. I would like to see a multiyear reauthorization bill this year, so that states can have the confidence to move forward with critical projects. What are the implications for your industry if Congress fails to address the long-term uncertainty surrounding transportation funding?*

The uncertainty that already exists on the part of State DOTs concerning what amount of year-over-year funds Congress will provide for transportation infrastructure will deepen if Congress fails to act. As of the end of July, Congress passed legislation that funds the remainder of FY09 contract authority provided under SAFETEA LU. It is apparent that the House of Representatives and the Senate do not have an agreement in place on what action will occur in September when the two bodies return from the August recess.

The presence of an agreement between the two bodies on a common course of action in September is very much needed to send positive signals to state DOTs. Stakeholders would greatly prefer an agreement on a multi-year bill. Most stakeholders familiar with Congressional process realize, however, that a multi-year bill prior to September 30 does not appear at this point to be possible. As a result, it is believed that an extension is inevitable and that under the circumstances the sooner Congress agrees to its duration and passes it the better. The longer Congress delays in reaching this decision, the more uncertainty grows. That there is uncertainty regarding the prospects for a multi-year bill is a constant today. The variable with respect to uncertainty has to do with the timing and content of Congressional action in September to provide FY10 funding. The sooner Congress establishes a federal-aid highway funding authorization for FY10, the sooner Congress can proceed with efforts to develop consensus on a multi-year bill. A Senate multi-year bill is the next essential milestone towards a genuine bicameral effort to produce legislation that can become law.

Senator Barbara Boxer

1. *An immediate fix for the Highway Trust Fund shortfall is critical to avoiding a shutdown of California's transportation program, according to the Director of the California Department of Transportation. In light of the financial issues that California shares with all the States, and the employment generated through transportation spending, what do you believe would be the impact of the Highway Trust Fund insolvency?*

State DOT's would cut back the number of projects they intend to build as a result of insolvency. This would send waves of concern through the marketplace. The result would be increased lay-offs of workers in the transportation construction industry.

2. *Impact on Businesses and Private Sector: State DOTs have told us that avoiding a Highway Trust Fund shortfall is critical to their programs and providing the infrastructure critical to the economy. Your testimony highlights the importance of a steady and predictable flow of funds to your ability to help deliver the programs and projects. What do you believe*

would be the impact on your business if the Highway Trust Fund became insolvent, even temporarily?

Even a short period of insolvency would deepen stakeholder concern over the reliability of the Highway Trust Fund. Such an event has never occurred before and its consequences are therefore the subject of speculation - speculation that is itself problematic. We believe that the results of insolvency are serious and should be avoided. Significant harm would be done to the transportation construction industry and to important transportation programs throughout the United States. Resulting jobs losses would include jobs that have been restored by stimulus funding. Especially worrisome would be the harm such an event would have on the confidence of the states and of industry in the future of the Highway Trust Fund and the ability of Congress to act effectively to preserve and protect vital U.S. infrastructure. The ability of companies in the transportation construction industry to attract capital from investors and to borrow from banks would be seriously eroded by a loss of confidence in the commitment of Congress to maintain the solvency of the Highway Trust Fund. The effects of insolvency would be both a loss of jobs in the near term and a much longer term loss of investor confidence in the stability of public funding for transportation.

Senator BOXER. OK. Now, Mr. Basso.

STATEMENT OF JACK BASSO, DIRECTOR OF PROGRAM FINANCE AND MANAGEMENT, AMERICAN ASSOCIATION OF STATE HIGHWAY AND TRANSPORTATION OFFICIALS

Mr. BASSO. Thank you, Madam Chairman and Members of the Committee, for holding this hearing here today. And we particularly thank you from AASHTO for giving us an opportunity to testify.

The Highway Trust Fund has been the mainstay of stable, predictable funding for the highway and transit programs since 1956. That has changed. In fact, during the past 12 months, we faced two cash crises, one last September and now the latest that will occur in August.

Let me focus on the critical impacts of such a funding distribution on the States, the economy, transportation infrastructure investment and jobs.

First, let me address the immediate impact of curtailing payments to the States. That change will produce an immediate cash-flow distribution issue, impacting negatively the already cash-strapped States. The highway program is a reimbursable program where the States execute contracts, make payments and are reimbursed by the Federal Government. States do not have the option to simply delay contractor payments, and thus must generate cash and wait for reimbursement.

Years before modern electronic payment systems, this could take as much as a week and cause States to incur borrowing costs to make payments. That is not an acceptable, in this particular fiscal climate, environment.

As we turn to fiscal year 2010, the Administration estimates that the Highway Account of the Trust Fund will only support about $5.7 billion, or an 86 percent reduction in program commitments. AASHTO surveyed our State members and also has identified at least 1,900 projects that would have to be delayed or eliminated, altogether, a combined value of which is over $8 billion. That is just based on a survey at a projected 35 percent reduction. Probably triple that amount would occur in this situation.

Let me cite a few examples. North Carolina reported that some 400 projects valued at $300 million would have to be cut and could affect adversely their Garvey bond program. New York reported an impact of over 100 projects valued at $468 million being reduced. Pennsylvania advised 115 projects valued at $528 million would be reduced, undermining the ARRA economic recovery effort. And Michigan, one of the hardest hit states economically, reported that it would drop some 215 projects valued at $414 million. When combined with the ARRA funding as it phases out, the reduction to Michigan would be some 67 percent.

As important as the loss of programs is the negative job impacts from such a dramatic reduction. States are just hitting their stride on the economic recovery funding, and such a reduction would nullify the gains from the current investment program. The economy cannot afford this loss. Given the value of infrastructure investment to support and create jobs, it is clear that we must move to

address this crisis in the interests of the economy job creation supports.

The Administration has included a placeholder in the 2010 budget and we certainly agree that we need to fix fiscal years 2009 and 2010 funding wise. We agree the shortfall must be addressed, but do not support taking discretionary budget authority in the appropriations process to solve this problem. We think that it is more appropriate to continue the practice of a transfer to the Highway Trust Fund that will get us through this crisis.

We also understand that the Administration stated it wants offsets. To that end, we have identified some areas, including interest, which has been mentioned, about a $13 billion amount. There is $22 billion that was not put into the Trust Fund from 1993 to 1997 from the 4.3 cents that was collected for deficit reduction. Those are just but a couple of examples.

The bottom line is, we need to sustain the program and the Trust Fund while Congress moves to enact long-term legislation.

Again, thank you for the opportunity to provide testimony and I would be happy to answer any questions, Madam Chairman.

[The prepared statement of Mr. Basso follows:]

THE AMERICAN ASSOCIATION OF
STATE HIGHWAY AND TRANSPORTATION OFFICIALS

Impacts Expected From the Highway Trust Fund Insolvency

Testimony of
Peter J. Basso
Director of Program Finance and Management

Before the Committee on Environment and Public Works
The United States Senate
June 25, 2009

Madame Chairman, Ranking Member Inhofe, and Members of the Committee, I am Peter J. Basso, Director of Program Finance and Management. Today I am appearing on behalf of the American Association of State Highway and Transportation Officials (AASHTO), which represents the departments of transportation in the fifty states, the District of Columbia and Puerto Rico.

First, I want to thank you, Madame Chairman and Senator Inhofe, for holding this important hearing on the impacts of the Highway Trust Fund Insolvency and for your leadership in working toward a new, multi-year surface transportation authorization bill to replace the expiring Safe, Accountable, Flexible, Efficient Transportation Equity Act: A Legacy for Users (SAFETEA-LU) Act.

Transportation is a critical engine of the American economy. Capital investment in our national surface transportation infrastructure is important and fundamentally different from other kinds of government operations spending. Investing in transportation assets that last 50 to 100 years or more produces economic and societal benefits for many generations to come. Moreover, it creates and sustains good-paying American jobs.

Established in 1956 to fund the Interstate Highway System, the Highway Trust Fund is the principal source of funding for Federal investment in surface transportation infrastructure. Supported by a dedicated stream of user revenue, the Trust Fund allows Congress to finance surface transportation programs through the use of contract authority, which allows for commitments to be made in advance of appropriations. This provides the stability and predictability that are essential to the success of long-term capital investments. States and local governments are then able to execute long-term planning and multi-year construction contracts based on that stability and predictability. And over the years, Congress has provided additional revenue to ensure investments could be continued in keeping with the needs of the nation.

Today, however, the Highway Trust Fund is in crisis. In the short term, the Highway Account of the Trust Fund faces insolvency before the end of the current fiscal year and the prospect of a greatly reduced program in FY 2010. In the long term, the Trust Fund faces an enormous gap between available resources and the investment needs necessary to modernize our national surface transportation systems to meet the challenges of the 21st Century.

Consequently, we find ourselves at a crossroads. Will we step up and increase Trust Fund resources so that the Trust Fund can meet the short-term and long-term investment needs of the Nation? Or will we allow the Trust Fund to wither away—instead funding national surface transportation investment through the vagaries of the annual Federal appropriations process or by devolving the programs back to state and local governments in the hope that they will be able to raise the necessary resources? Those are essentially our choices.

AASHTO comes down squarely on the side of continuing a strong Federal program. AASHTO believes that a strong Federal partner is essential in meeting our short-term and long-term transportation needs. And AASHTO further believes that the stability and predictability that comes from a robust, adequately financed Highway Trust Fund is also essential.

Today, as we consider these issues I would like to emphasize several key points:

First, there are distinct short-term and long-term funding crises facing the Highway Trust Fund, and we must fix both.

The Short-Term Funding Crisis—Part One: As you know, Madame Chairman, spending from the Highway Trust Fund is exceeding the levels of revenues flowing into it. When SAFETEA-LU was enacted, it was estimated that Trust Fund reserves and current cash flows into the Trust Fund during SAFETEA-LU would be sufficient to fund all of the commitments in highway and transit investments guaranteed in the bill. But unprecedented high motor fuel prices during this period and the current severe recession have driven down demand to the point that Trust Fund revenues will be well below the levels that had been assumed at the time SAFETEA-LU was enacted.

In September of 2008, when the United States Department of Transportation (USDOT) announced that insolvency of the highway program was imminent, Congress transferred $8 billion back into the Trust Fund from the General Fund to enable USDOT to honor the commitments made to the states through October, 2009. That action kept the program solvent and enabled billions in highway investments to continue.

Unfortunately, recent reports from USDOT indicate that the $8 billion will not be enough to sustain the program until September 30, 2009. Current projections now show that insolvency of the highway program is again imminent. Without an immediate fix, USDOT will not be able to honor the commitments to the states for all of FY 2009.

We must transfer sufficient funds into the Trust Fund to assure that USDOT can honor all of its commitments in FY 2009. We estimate that $8 billion would be necessary to accomplish this task. That is consistent with the Administration's estimate.

The Short-Term Funding Crisis—Part Two: A second facet of the Trust Fund short-term funding crisis relates to what happens in FY 2010. While AASHTO is committed to completing the new long-term authorization bill on schedule, the possibility remains that additional time will be required for the House, Senate and Administration to agree on a final bill. Interim funding should be provided to assure that there is no interruption in the highway program in FY 2010 which begins on October 1, 2009.

We must transfer sufficient funds into the Trust Fund to assure that interim funding, if needed, will be at adequate levels. Again consistent with the Administration's estimate an additional $10 billion would be necessary for this purpose.

The Long-Term Funding Crisis: While the current economic downturn has highlighted the crisis condition of the Trust Fund, this condition has been playing out since fiscal year 2002. We have consistently been paying out more than we have been taking in and thus drawing down the balance of the Trust Fund.

User fees were last increased in 1993 and costs have skyrocketed since then. While it is true that the added receipts that came to the Trust Fund in 1995 and 1998 from those enacted for deficit reduction, they are not enough to sustain the current program level.

A 2006 Transportation Research Board study and two congressionally-chartered national commissions (The National Surface Transportation Policy and Revenue Study Commission and the National Surface Transportation Infrastructure Financing Commission) have thoroughly documented the needs and called for substantial increases in user fees to meet those needs.

In the new multi-year authorization bill, we must sufficiently increase Trust Fund revenues to begin to address these documented national surface infrastructure investment needs.

Second, a failure to act would be devastating and would seriously undermine our economic recovery.

If the Highway Trust Fund becomes insolvent in FY 2009, States will likely suspend new contract awards, halt right-of-way acquisition, and look for ways to stop on-going construction while maintaining public safety. If inadequate Trust Fund results cause the highway program to be cut back in FY 2010 to $5.7 billion, or 86 percent below the current program level, States will have to again cut back their programs substantially. Given the severity of the current recession, States will not be in a position to step in and fill the void. Likewise, the private sector will have to cut back—this will mean cancelled contracts, plant closures and layoffs. Expansion plans will be put on hold or cancelled.

Stated differently, Congress's failure to fix the short-term Trust Fund crises will undermine the economic recovery. The ARRA has recognized the critical need to ramp up investment in infrastructure to create and sustain jobs and put in place much-needed infrastructure. Jobs are in fact being created and sustained. But if there is a dramatic decline in investment due to the short-term Trust Fund crises, it is likely that much of the important recession recovery process will be lost. Also lost will be the many important transportation improvements that will have to be postponed or cancelled.

AASHTO recently surveyed the States to ascertain the effect of a major reduction. At the time of the survey we projected a 35 percent reduction in the program. States responded and the following data shows the negative impacts of a major reduction.

State	FY 2010 Reduced Level	Number of Affected Projects	Dollar Value of Affected Projects	State Comments
ARIZONA	$436,826,558	17	$300,000,000	While the ARRA funding offset a portion of these reductions, an additional $300 million cut would negate the positive impact that the ARRA funding had in Arizona. It would severely impact ADOT's construction program and the Arizona economy by eliminating virtually every major project from the program in 2010 outside of the Phoenix metro area.
CONNECTICUT	$271,582,747	59	$151,200,000	If obligation authority was provided in FY2010 at the same level as FY2009, ConnDOT could start an additional 59 projects with the additional $151.2 million. These are the projects that would not proceed under the 35% ceiling reduction scenario.
GEORGIA	$746,516,328	n/a	$397,326,417	If this anticipated reduction in funding occurs, the need to maintain the existing infrastruction would virtually consume the limited funding provided and essentially eliminate some programs as well as constrict most all new construction.
KENTUCKY	$365,636,425	50 to 75	$202,500,000	With state road fund receipts continuing to decline, our state program has already been cut dramatically. While ARRA funds will help in the short-term, the long-term sustainability of our highway program in Kentucky is uncertain without an adequately funded and prioritized federal program. Kentucky operates on a cash flow basis and any changes or delays in federal reimbursement have to be carried by our state road fund. With ever shrinking state road fund cash balances, Kentucky cannot afford to carry reimbursements any longer than necessary.
MICHIGAN	$590,918,727	215	$400,000,000	Reductions in federal-aid at the proposed 35% level would adversely affect an already economically depressed economy. When FY 2009 apportioned program funding is combined with funding from ARRA, our drop in funding is 67% (from $1.8 billion to $591 million). This would result in 30,000 fewer jobs than is supported by the overall level of federal funding Michigan received in FY 2009.
MISSOURI	$490,242,398	59	$414,000,000	It will negate any job creation and economic benefits associated with ARRA funding in 2010. The loss would be catastrophic to Missouri's transportation system.
NEW HAMPSHIRE	$92,609,976	40	$57,000,000	NH relies solely on federal funds for transportation program with very limited direct State funding, so such significant reductions in federal funds would correspondingly significantly affect the State program.
NEW YORK	$914,849,737	102	$468,393,070	Would result in the loss of 13,100 construction jobs (based on FHWA coefficients).

State	FY 2010 Reduced Level	Number of Affected Projects	Dollar Value of Affected Projects	State Comments
NORTH CAROLINA	$600,800,707	400	$300,000,000	The proposed reduction could affect our State's GARVEE abilities and may influence the rate of our upcoming sale. The proposed reduction is approximately 50% of the amount of ARRA transportation funding just received, which in essence reduces the intended economic impact by half.
NORTH DAKOTA	$130,451,970	76	$94,300,000	NDDOT's own pavement-management-system estimation tool indicates that a 35% decrease in funding would mean that within 2 years NDDOT's overall system condition would drop into "Fair" condition and in less than 20 years would drop into "Poor" condition.
OREGON	$234,603,774	100+	$138,000,000	The cuts would come sooner than otherwise required because ODOT does not have sufficient balances in the state highway fund to cushion the federal cut. It is likely that basic pavement preservation, bridge, and maintenance would sustain the bulk of the cuts.
PENNSYLVANIA	$915,977,986	115	$528,000,000	The reduction of $528 million immediately following the "ramp-up" of ARRA monies will dramatically impact construction contractors and consultant engineering firms not to mention delay of greatly needed highway and bridge repair.
RHODE ISLAND	$101,190,176	20	$60,000,000	If the funding is reduced, we would not be able to begin any new transportation construction projects during FY2010 as the funding received would have to be used to pay GARVEE debt service and to continue funding projects already underway using advanced construction.
TEXAS	$1,867,967,643	96	$2,800,000,000	This level of reduction would result in no new construction or added capacity projects being awarded in Texas for the entire year. It would also result in our annual letting being reduced from a total of $4.357 billion to only $1.600 billion.
UTAH	$165,695,761	n/a	$73,000,000	If the predicted Highway Trust Fund shortfall occurs the cost/benefit of these dollars will be worse, as lower funding levels would require a shift to a more reactive type project.
VERMONT	$82,992,948	n/a	$50,000,000	Although it is too early to tentatively identify any specific project, it is clear that such a reduction would essentially negate any positive impact from the FFY-10 economic stimulus funds provided to Vermont. Like other small States caught in the economic recession, with an already high tax burden, we do not have the option of generating additional State funding to compensate for such a large reduction in federal funding.
WISCONSIN	$419,247,634	206	$223,400,000	Not only will current deficiencies go untreated, most will cost significantly more to address in the future.

Third, we must act expeditiously.

If we are to avoid construction and construction-related job losses, if we are to avoid slowing down our economic recovery, and if we are to avoid shutting down and postponing important transportation projects, then we must act expeditiously to ensure that the short-term Trust Fund crisis is addressed in a timely manner. Legislation addressing Trust Fund insolvency should be enacted by the August recess. If Congress and the Administration are unable to complete action on the new multi-year authorization bill by October 1, 2009, legislation providing sufficient Trust Fund resources to support adequate interim funding should be enacted just before the August recess to assure that there is no interruption in the highway program in FY 2010. It is also important to complete the multi-year authorization bill on schedule, i.e., October 1, 2009, or as close to that date as possible.

Fourth, we must preserve contract authority and the sanctity and integrity of the Highway Trust Fund.

As we work through these issues and develop solutions, we must be careful to preserve contract authority for the highway and transit programs. The predictability and stability that contract authority provides is essential for state and local governments to make long-term commitments to major transportation investment projects.

Fifth, solutions must include increased resources to restore and sustain the solvency of the Highway Trust Fund in the short term and to modernize our national surface transportation systems to meet the challenges of the 21st Century in the long term.

We are faced with an immediate need to meet commitments for the remainder of this fiscal year and to ensure steady funding for fiscal 2010 if Congress is not able to complete work on a new authorization by October 1.

Last year the Congress acted to provide $8 billion to the Trust Fund recognizing the write-off of that amount in the 1998 TEA 21 legislation. Given the immediate need we propose that the Congress take similar action before the August recess. This will prevent the slowdown of payments to the States.

While this money would come from the General Fund there are similar kinds of considerations for recovering funding forgone or paid out from the Trust Fund.

The following table provides some illustrative examples of such funding:

Proposed Action	Revenues Foregone from the Highway Account	Revenues Foregone from the Mass Transit Account	Total Revenues Foregone from the Highway Trust Fund
Reimburse the Highway Trust Fund for revenues from the 4.3 cent per gallon federal excise tax increase enacted in 1993 that were credited to the General Fund during FY 1994-1997	**$17.8 billion**	**$4.5 billion**	**$22.3 billion**
Reimburse the Highway Trust Fund for interest on the HA and MTA balances that were credited to the General Fund between FY 1999 and FY 2008: **a. Interest on the actual balance** **b. Interest if $8 billion had not been transferred from the Highway Account in FY 1998 to the General Fund**	**a. $11.55 billion** **b. $17.64 billion**	**a. $5.22 billion** **b. $5.22 billion**	**a. $16.77 billion** **b. $22.86 billion**
Reimburse the Highway Account for emergency highway repairs that were charged to the Highway Account since FY 1989	**$7.3 billion**		**$7.3 billion**

Estimates by the American Road and Transportation Builders Association

In the long term, as both National Commissions have reported, we will need to increase income to the Trust Fund to begin to address the documented infrastructure investment needs. Thank you for holding this hearing and the opportunity to present testimony.

Senator BOXER. I just to make sure, I think your last sentence was what I wanted to home in on. I went through Mr. James' testimony and I want to make sure that Ms. Ruffalo agrees with this.

I just want to make sure that the three of you have stated that your preference is that we, and this is quoting from Mr. James' testimony, he said I am hopeful that Congress will pass legislation that brings financial stability to the Trust Fund for the remainder of fiscal year 2009 and fiscal year 2010, while also working on a multi-year bill prior to Highway Trust Fund insolvency.

That is my view. That is Senator Inhofe's view. That is Senator Baucus' view. And I believe it is the view of the vast majority. And that is the White House view. Is that what I hear from you? And I will reiterate it again. That Congress passes legislation that brings financial stability to the Trust Fund for the remainder of 2009 and 2010 while also working on a multi-year bill. Yes or no?

Mr. BASSO. Yes, Madam Chairman, and I add one caveat. We support strongly the efforts in the House of Chairman Oberstar to move a bill. But we need stability in the Fund at this point in time.

Senator BOXER. So, you support a two-track effort to make sure that the short-term problem is taken care of while we still work on the long term?

Mr. BASSO. Yes.

Senator BOXER. Does that speak for you, Mr. James?

Mr. JAMES. Chairman Boxer, it does. I would emphasize that it is urgently important, we believe, that we get on with the multi-year reauthorization as soon as possible, because that is really the basis of stability.

Senator BOXER. Well, it is my intent to work with the Administration the day after we resolve the short-term crisis. And, by the way, we will have many, many hearings starting in the fall. So, we will be calling you back for that purpose.

Yes, Ms. Ruffalo.

Ms. RUFFALO. Madam Chairman, I would certainly agree that we need to focus on fixing fiscal year 2009. As for 2010, if it appears that the October 1st deadline is going to come and go without the ability to enact a robust, multi-year transportation bill, then I would certainly ask Congress to take action to keep the programs continuing while Congress decides what is the appropriate length of time. I do not know what that length of time would necessarily be, but certainly seeing that continuity of the programs is very important.

Senator BOXER. Well, my belief is that an 18-month extension shows our commitment to continuity. But a short-term extension raises a lot of doubts, at least in my State. They are concerned because they know that a lot of what Senator Voinovich said, most of it, practically all of it, I agree with. But I can tell you that there are people on both sides that do not agree with everything he said. So, it is not going to be the easiest thing to do. But we are going to do it.

And then we have, of course, the Banking Committee that takes care of the transportation sector, and the Finance Committee that has to act. So, I guess my point is that the 18-month idea, coupled with working on this bigger vision immediately, starting in the fall for our Committee, it seems to me that sends a very strong signal

that we do not have to worry about the short-term problem and we are, in fact, resolving the longer term.

How much would you have to raise the gas tax? I know Congressman Oberstar wants to raise the gas tax. How much would he have to raise it to achieve his $500 billion bill? Do you know?

Ms. RUFFALO. Well, each penny raises about $1.8 billion. Each penny of gasoline and diesel tax coupled together is about $1.8 billion. So, if he needs roughly $250 billion, you know——

Senator BOXER. Plus the Fund is not making it on the current level.

Ms. RUFFALO. Plus to meet the gap. I do not know the math off the top of my head, but it obviously going to be a sizable increase——

Senator BOXER. In the gas tax?

Ms. RUFFALO. Gas and diesel, right, yes, Madam.

Senator BOXER. Well, could we get out our calculators and figure that out, please? And also I would say, Ms. Ruffalo, you said that the tire and vehicle taxes were very unstable. Is that correct?

Ms. RUFFALO. Yes.

Senator BOXER. And you said it is responsible for 10 percent of the Fund and you said it was more responsible for the problem than the gas tax. I had not heard that from my staff? Does my staff agree with that? So, how much did that Fund go down?

Ms. RUFFALO. Well, right now the decrease in the truck-trailer sales tax and tire taxes is about $2.5 billion. That has been the decrease right now. So, if you look at the gap that we are facing, that is one of the sizable reasons why we are seeing, for 2009, I am just talking about fiscal year 2009, it is that volatility.

Senator BOXER. What is each of your suggestions for replenishing the Fund, not on the short term but in the long term? Starting with you, Ms. Ruffalo.

Ms. RUFFALO. Mine might be one of the longer answers, Madam Chairman.

Senator BOXER. Go ahead.

Ms. RUFFALO. Just having been on the Financing Commission——

Senator BOXER. I know.

Ms. RUFFALO. We put together a whole menu of options, as you all know. I can tell you, quite honestly, that given the makeup of our Commission, we probably spent the first year and a half of our 2 years with members wanting to recommend anything but a fuel tax increase, given the political difficulties in doing so.

But at the end of the day, when we looked at over 40 funding options, the option that kept coming to the top of the list as far as easy to administer, cost efficient to implement and could generate a sizable amount of revenue at the Federal level, was the fuel tax, both gasoline and diesel.

So, we did recommend a 10 cents per gallon gasoline tax increase and a 15 cents per gallon diesel tax increase. And of that diesel tax increase, we proposed a portion of it be used for freight projects.

Senator BOXER. Now, was that before you knew of the shortfall in the Fund?

Ms. RUFFALO. Madam Chairman, we knew there was going to be a shortfall. We wrote our report over 6 months ago. So, we cer-

tainly did not. As you know, these projections have been changing quite dramatically. We certainly would not be able to use our projections today.

Senator BOXER. So, that 10 cent increase, would that cover Chairman Oberstar's bill?

Ms. RUFFALO. No, that would get us to where, that would reestablish the purchasing power from 1993, the last time the fuel tax was raised. It would help us sustain current funding levels in 2010. It would not fill the gap.

Senator BOXER. OK. And he is increasing programs by how much?

Ms. RUFFALO. Well, he has not put numbers in. But I believe he has spoken about $250 billion gap if it is a $500 billion bill.

Senator BOXER. So, my understanding is that it is about a third increased, the Fund? More than that? So, you can see where, if you rely on the gas tax, you are talking huge increases in the gas tax. Any other ideas, Mr. James, on how we can fill the gap?

Mr. JAMES. Well, certainly, we were disappointed, as I know you were, that the stimulus package had much less infrastructure spending, highway infrastructure spending, as a percent of the total. I believe, as Secretary LaHood pointed out this morning, the highway industry will be able to demonstrate that it is creating jobs faster and more quickly than perhaps other components of the stimulus spending.

As I said in my remarks and in my written testimony, we create private sector jobs months and months and months before the Federal money is actually disbursed——

Senator BOXER. Let me just cut you off from this, Mr. James, because I agree with you when using the unspent stimulus money. But that is a short-term fix. I am not talking about that. I am talking about the long-term fix. What would your ideas be?

Mr. JAMES. I think, and I agree with the commissions that have studied this and reported back to Congress, it will require a combination of user fees, which are, if they are dedicated to congestion relief and highway construction, I think we can get support. We know we have the support of the trucking association and hopefully the support of the Industry Coalition Alliance for that. I think being creative about tolling is another opportunity.

Anytime the users of highways get the opportunity to pay for them, I think, and there is a direct, and taxpayers can see that every penny they are paying in gasoline tax and tolls is being reinvested in the transportation corridor they are driving on, I think you get very good support. Your State has certainly demonstrated that.

Senator BOXER. We are using a lot of private sector-public sector agreements and tolling and so on and so forth. What about you, Mr. Basso, in terms of the long run, not the short run?

Mr. BASSO. Yes, the long run. We proposed at AASHTO a matrix of funding, revenue sources that came up to $1.3 trillion. It included a range of things from gravitating from a fuel tax to a VMT fee collection system. It included from freight a whole series of potential freight charges that could be used to dedicate to the freight programs. It included a bonding program, a fairly complex bonding program using tax credit bonds to generate as much as $100 bil-

lion. It also included some additional fees that could be collected from other sources and put into this program. Ultimately, I think——

Senator BOXER. Let me ask you—oh, I am sorry.

Mr. BASSO. Ultimately, I think—I am sorry.

Senator BOXER. No, no, go ahead.

Mr. BASSO. The one thing that I would beyond that is, we obviously have an eye on climate change and cap-and-trade legislation, given the fact that I think some money particularly for the transit program can be dedicated——

Senator BOXER. I agree with you completely. I think that a lot of our colleagues who are pushing for this do not understand the opportunities that they have with a cap-and-trade system to dedicate funding to transportation.

Let me just, my last question. The VMT, Vehicle Miles Traveled issue. Have you looked at it? Clearly, you obviously have because you are recommending that we look at it. There are a couple of problems that some of us have. We do not want it to be intrusive. So, we are trying to figure out a way to do it so that it is not intrusive into a car, because that is dead on arrival. We are not going to do that. But there may be other ways to do it.

My question is, because the truth is the more vehicle miles you travel the more stress you put on the roads, have you looked at a flat fee on that and what that would bring in?

Mr. BASSO. We looked at flat fees and we looked at the equivalent of about what it would be just to equate what we have today from gas tax. It is somewhere in the range of 2 to 3 cents per mile is what would be required.

Two other points that I would make, something that I think would interest you, Madam Chair. We have a report coming out here in about 2 weeks from the Transportation Research Board. We took to heart your comments to us several months ago: can you come up with something in the shorter term that might work?

Senator BOXER. Yes.

Mr. BASSO. And we have a report to deliver to you that I think you will find interesting.

Senator BOXER. Well, I am very, very grateful to you.

Senator Voinovich.

Senator VOINOVICH. Thank you, Madam Chairman.

I would like you to comment on the 2005 SAFETEA-LU piece of legislation and the fact that, because of the cost of gas, oil and steel, how that 285 has, in terms of today's dollars, evaporated in terms of what it buys. Because many of the States who wanted to move forward with their programs, as you know, were not able to go forward with them, know in Ohio because the money did not buy as much as what they thought it would buy because of the cost of steel and because of the cost of oil.

The point I made to Mr. LaHood today is that, in effect, what we are buying is below, I don't know how much, a third or something, below what we had in 2005. So, if we continue that, we are at this lower level of spending. OK?

Now, you have the stimulus bill which has come in and that has given us a little lift here. We are getting more money there. But, if we do not make it clear that we are going to provide the money

to pay for this year, does this not leave a large uncertainty out there among the States about where we are going? That is, if we are able to say look, we are going to take care of the extension, do not worry about it. But it is at this lower level. You have got your stimulus money coming in. And by the way, we are going to do everything we can to get this bill done. We will have new money coming in. This is the level it will be. This is the level it will buy. Do you not believe that, from a public policy point of view, would be the best way to go?

And I just want to quote Mr. James. You said, I am hopeful that Congress will pass legislation that brings financial stability to the Trust Fund for remainder of fiscal year 2009 and 2010 while also working on a multi-year bill prior to Highway Trust Fund insolvency. But his will not mean that our company, our employees and our customers would have avoided the impact of the current perception that the Trust Fund might become insolvent without remedy or that a new multi-year bill might be delayed.

Now, that is, that is getting at the planning. I was around when we passed ISTEA. I was a Governor at the time. I said we have got to go to multi-year spending so that the companies and the suppliers, everybody knows what the level is so that they can properly spend. And that brought a lot of logic and common sense to it and, by the way, I think was a lot cheaper way of doing it than this appropriate this year down and up and nobody ever knew what was going on.

So, could all of three of you comment on that, in terms of what impact, psychologically, this is going to have if we do not say we will take care of this year and then people say well, we are going to delay the bill until after 18 months? You understand what I am getting at.

Ms. RUFFALO. Well, Senator, there is no doubt that having some predictability and stability, not just of the States but for businesses as well, is going to be really important. One of the things that I hope Congress does not do is a number of very short extensions like we had under SAFETEA-LU, 3 weeks, a month, that kind of uncertainty just does nothing but give lack of confidence to people outside of Washington, DC.

So, there are certainly impacts to not having a multi-year bill done on time on October 1st and you have certainly articulated what they would be, whether it was an 18-month extension or some other version of an extension. There is always an impact of not having the bill completed on time.

Mr. JAMES. Senator Voinovich, I think the real key is to get the next multi-year highway bill done and in place. That is what is needed to get predictability and certainty that allows DOTs to move forward with significant projects and allows companies like Vulcan to gear up to provide the materials efficiently on projects like that.

I am not a politician and I do not understand necessarily all that has to happen to get the bill done. I agree with Ms. Ruffalo that having a series of short-term extensions is very damaging to the whole system and the program. I do think getting to the multi-year bill as soon as possible, and eliminating the uncertainty about what is going to be in that bill, which seems to be an issue today

about the content of what is in the bill and how all of that is going to work, that uncertainty creates a great deal of difficulty for the transportation network, I think.

Mr. BASSO. Senator, just two observations. I think the ultimate disaster would be a bill that drops the $5.7 billion because nothing is enacted. We at AASHTO see that. We need stability and predictability on the funding side.

As to the extension, I think we think that an extension, assuming it will happen, needs to create some stability and predictability. But ultimately the point I made earlier about getting a multi-year bill in place, as soon as possible, is the critical piece to a capital program that can be actually put in place and sustained over the long term.

Senator VOINOVICH. See, what I am worried about is that we are a lower level on the spending and we are going to fund that lower level. Then, the stimulus starts to tail off, and then we have a big, as I mentioned, you have a balloon and you have a little air in it, and then all of sudden it just evaporates. I think that whole concept, from a psychological point of view, is going to have a very, very negative impact on everybody, States in terms of what they are doing, businesses that are out there and what they can do to plan.

You would all agree that the sooner we can get the multi-year bill done, the better off the Country is going to be.

[Witnesses respond in the affirmative.]

Mr. JAMES. Yes, I do agree. I was very encouraged by the comments from the Committee about the need for any extension to be a clean extension because, if there is an extension and it is not a "clean extension" that is going to create a tremendous amount of uncertainty and the DOTs are going to tend to want to back up and wait and see, and the whole job creation benefit of the stimulus and the extension will get lost in the concern about the details of what new provisions are in the extension.

Senator VOINOVICH. Thank you.

Senator BOXER. Thank you, Senator Voinovich.

Just to make it clear so that we do not send a mixed signal from the Chairman and the Ranking Member, we plan to mock up a clean extension, for 18 months, the week of the 20th of July. That is our plan and we are going to do it. I want to make that clear.

Yes, Senator Klobuchar, welcome.

Senator KLOBUCHAR. Thank you very much, Chairman Boxer. Thank you to our witnesses.

Like everyone here, I would like to see this bill enacted as soon as possible, especially for the State of Minnesota, the home State of Representative Oberstar. And also, I understand the hazards of doing this month to month and on the short term.

When you talk about, Mr. James, not having a clean bill, what do you mean by that exactly? Some of the things going through, or what?

Mr. JAMES. I think that the programs that the State DOTs understand and can move forward with, and an extension, in my opinion, are very important. If there are programmatic changes that the House or the Senate wishes to have in a multi-year bill, that will have to be worked out.

But trying to do that in an extension, in whole or in part, I would have a great deal of concern that it is going to cause the State DOTs to go whoa, we do not know how that is going to work and we are going to back off on contract awards until we fully understand. And then we have destroyed probably the most important part of the reason for an extension, which is to keep the jobs——

Senator KLOBUCHAR. To keep the jobs going and the whole reason for the stimulus. Do you think that there are some transportation policy issues that Congress should be considering outside of the comprehensive authorization process of either the new bill or this extension? If you could pick some priorities. Secretary LaHood talked about better use of cost benefit analysis, improved mobility of goods and people promoting livable communities. What do you think we could be doing now outside of this extension?

Mr. JAMES. Senator, let me just mention, I think outside of the extension, and in the long term, there is a lot of reform and a lot of things that we proposed at AASHTO and the Congress has proposed that need to be done.

Given the short time, just being candid, that Congress has to deal with this extension, you may have been, or may not have been, informed, the DOT issued a letter last night saying payments will be curtailed to the States in August.

Senator KLOBUCHAR. Right. I am aware of that.

Mr. JAMES. So, there is not much time left to deal with this. We think a clean extension, from our point of view, is one that deals strictly with the shoring up and the money issue and does not try to enact major themes of reform, something that probably, candidly, cannot be done in the short time that we have forward, with the consequences of basically funding being cut off at a critical time.

Senator KLOBUCHAR. All right.

Ms. Ruffalo.

Ms. RUFFALO. Senator, I would just add that, having gone through three of these transportation bills from the vantage point of a staffer on this Committee, given that there are only 5 weeks really in session in July and the first week in August to get some sort of extension to fix 2009, keeping it as clean as possible would certainly make it a little easier to get it through process given the busy calendar that the Senate has.

I think one of the challenges will be, are there any reforms that could be done on an extension that would not be so controversial that people would not want to see this extension passed. I think one of the reasons why you hear concern about having an extension that is clean is just the need to get an extension done so quickly so that we do not see the States have a slower reimbursement date beginning the first week in August, potentially.

Senator KLOBUCHAR. All right. Thank you very much.

Senator BOXER. We are going to have to close this because of time. It is after noon.

Let me say thank you to all my Committee members who came today. It is a very tough moment and we have to stand up and make sure we do the right thing for the American people, for the environment, for our future.

Now, I want to say for me, I hope people do not believe that I am supporting an 18-month extension because I have a full plate. That is not the reason. The reason is we have a crisis in the Highway Trust Fund and we have no consensus on how to fund a transformational bill that I want and the majority of us want. We do not have that consensus. Nowhere close. And, in this very delicate, slow economic turnaround, we cannot have a moment's worth of hesitation on what we do.

Now, for those who want to focus on transformation, I urge them to work with me on my global warming bill. That is going to have a section on transportation. We are not waiting on that front. Because one of the best ways we can move to really clean up the air, to get off foreign and all the rest, is to make sure that we move toward a transportation system that is viable, that is convenient, that is affordable, and all the rest.

I hope that I have been clear here, for those that have been thinking that the reason we are not going into the 5 or 6 year bill is because our plate is full. No. If I had a consensus on how to fund this, and I could put it together in three or 4 weeks, I would be right there.

But if you listen to our witnesses, and they all want a transformational bill, they all said they are recommending to us that we take a dual track. I think Ms. Ruffalo, her original idea was a shorter fix, but she is even open to a longer fix, and the others definitely feel an 18 month.

I think that President Obama wants changes as much as any one of us. He wants change. And part of the change will be reflected in the five of 6 year reauthorization bill that we do pass. And it is also reflected, frankly, in Chairman Oberstar's bill.

I know it is hard to have a two-track strategy, but we must. Because if we do not, we send a mixed signal out there and that is the last thing I want to do because too many jobs are relying on this and too many hopes are relying on this.

We will do both. We will solve our short-term crisis and we will have a long-term bill that everyone is going to be proud of. Our President is going to be part of drafting that. Senator Voinovich is going to be part of drafting that. Because we are not waiting for 18 months or 12 months to start. The day after we fix the short-term problem we will get started. And that is a commitment from me to the members of this Committee.

Senator Voinovich.

Senator VOINOVICH. Yes, I would just like to say this. From a psychological point of view, right now we have got to get people to believe that the glass is half full and things are going to get better, Madam Chairman.

But maybe what we would be better off to do, and I know you do not agree with this, is that we guarantee that the problem this year will be taken care of so that the States will know that they have got the money and we will represent to them that we are going to be doing everything in our power to get the multi-year bill taken care of so that we do not have to go through another extension.

I think that approach, from a psychological point of view, in terms of what Mr. James is concerned about, and Ms. Ruffalo and

Mr. Basso, would put us in a much better position that if we just do the 18-month extension. Well, everybody says an 18-month extension. After it is extended, how many more years is it going to be before we get a highway bill? That is what we are talking about today. We have to keep people like Mr. James and his customers confident that there is going to be money on the street so that they can keep going.

Senator BOXER. Senator, except for the exact timing, we are in full agreement. I want a short-term fix. You are now suggesting a short-term fix, but your short-term fix is a little shorter than mine and a little shorter than the President's.

But we are moving closer. Let me just say that today, already, is this in the Wall Street Journal? It says, there is a warning that payments to the States could be delayed as we debate how to close the growing gap. That is a terrible signal.

So again, I want to say to the Wall Street Journal or whoever is covering this, that this Committee is ready. We have agreement across party lines. We are going to move this the week of July 20th. We are sending a signal that we are going to take care of this problem.

I thank you very much and we stand adjourned.

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

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