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STATE AND LOCAL PERSPECTIVES ON TRANSPORTATION

HEARING

BEFORE THE

COMMITTEE ON ENVIRONMENT AND PUBLIC WORKS UNITED STATES SENATE

ONE HUNDRED TWELFTH CONGRESS

FIRST SESSION

APRIL 6, 2011

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COMMITTEE ON ENVIRONMENT AND PUBLIC WORKS

ONE HUNDRED TWELFTH CONGRESS
FIRST SESSION

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STATE AND LOCAL PERSPECTIVES ON TRANSPORTATION

WEDNESDAY, APRIL 6, 2011

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

The committee met, pursuant to notice, at 9:15 a.m. in room 406, Dirksen Senate Office Building, Hon. Barbara Boxer (chairman of the committee) presiding.

Present: Senators Boxer, Lautenberg, Alexander, Cardin, Sanders and Boozman.

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

Senator BOXER. The committee will come to order, and I want to welcome our witnesses.

I am going to put my opening statement in the record and hope that each Senator who arrives will do the same because we really want to get to talk to you and get some of your ideas.

I wanted to give you an update on where we stand on the bill. We are working across party lines both here, I am working with Senator Inhofe and the Subcommittee Chairs and Ranking Members we call the Big Four to craft a transportation bill that we feel will be adequate to the needs of the country.

We also have seen out in America the coming together of people of various political persuasions joining together to say that there is a lot of partisanship, but we are hoping that we don't have to face that in this bill. We have had Richard Trumka, the head of the AFL–CIO, and we have had Mr. Donohue, Tom, come together in a couple of venues. One was right here sitting over there at the table, and the other we had a press conference recently.

So they are all together saying let's get this done because I think everyone knows we still have to create jobs. The construction industry, I don't have to tell all of you this because I think you know, is suffering with a 30 percent unemployment rate in the construction industry.

So what we want to do today was to get some State and local perspectives, and we asked various colleagues here to recommend some of you to come speak to us. So we are very glad to see this array of people before us, and we will start. Instead of giving you 5 minutes because no one is here to take up the time, I will give you 7 minutes each, so you don't have to feel like you need to rush through. All right?

So why don't you start the clock, and we are going to start with Hon. Isiah Leggett, County Executive, Montgomery County, Maryland. We are very excited to have you here, sir. Thank you.

[The prepared statement of Senator Boxer follows:]

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

Economic recovery and job creation are top priorities for this Congress, and investing in transportation is essential to that effort.

Surface transportation improvements create jobs in the construction industry, which has been especially hard hit by the economic downturn. The unemployment rate in the construction industry is currently 20 percent, which is more than double the national average, and there are nearly 1.7 million unemployed construction workers nationwide.

One of the most effective, far-reaching ways to create jobs and get the economy back on track is to fix the nation's outdated infrastructure.

Our transportation systems used to be the best in the world, but investments have not kept up with needs, and now we are falling behind. The rest of the world is building infrastructure systems to move people and goods—and so must we.

That is why the Environment and Public Works Committee is drafting a new surface transportation authorization bill, which we plan to mark up this spring.

This legislation will help put people to work, improve the condition of our nation's highways, bridges, and transit systems, and reduce congestion and its impacts on commerce and communities.

This legislation will impact all Americans because it sets the policy and provides the funding for transportation nationwide.

State and local governments depend upon Federal dollars to augment those collected at the State and local level for transportation improvements. They also have to follow Federal laws and regulations when carrying out projects using Federal funds.

As a result, State and local governments have a strong interest in the next surface transportation authorization.

Because they are close to the ground and can see the direct effects of Federal investments in transportation on a day to day basis, it is important for us to hear directly from individuals and organizations from across this nation about their priorities for surface transportation authorization.

In February, I was in Los Angeles for a Joint Field Hearing of the Senate Committee on Environment and Public Works and the House Committee on Transportation and Infrastructure to receive testimony from community leaders and government officials on national, State, and local transportation priorities.

Cindy McKim, director of the California Department of Transportation (Caltrans) testified at that hearing and I am pleased she is able to join us today.

Today's witnesses are from across the country, but they are all from states that are represented on this committee and can provide some State and local perspectives to our committee.

I want to thank them all for coming here today. I look forward to their testimony.

STATEMENT OF HON. ISIAH LEGGETT, COUNTY EXECUTIVE, MONTGOMERY COUNTY, MARYLAND

Mr. LEGGETT. Thank you, Madam Chairman, and good morning to the committee Members. I especially thank Senator Cardin for inviting me to testify before you today.

My name is Isiah Leggett, County Executive, Montgomery County, Maryland. Montgomery County is literally next door to the Nation's Capital, and the home to over 250 biotech companies and industry leaders such as Human Genome Sciences, MedImmune, and United Therapeutics.

We also have the distinction of having 19 Federal facilities in our County, including NIST, NRC, FDA, NIH and the future home of the Walter Reed National Military Medical Center in Bethesda. As part of the Washington Region, we have the unenviable distinction of having the highest levels of traffic congestion and delays in the entire United States. We have such a distinction with our congestion even though we are second only to the city of New York in the total percentage of commuters using transit or carpools daily.

Our major Interstate highways, the Washington Metrorail, the new Metro bus system, and the county's 300 local bus systems, which is one of the largest in the entire Nation, cannot keep pace with the demand.

Montgomery County identified earlier this year more than a $1 billion shortfall in design and construction projects on the State roads in our County and an additional $4 billion in backlogged State transportation projects that have not completed environmental analysis.

The situation is so dire on our State roads now, which we think we can resolve in the foreseeable future, that our County has had to take the unusual step on several occasions to provide significant local funds for State projects. Now that we are facing severe local funding constraints, Montgomery County no longer can afford to provide such funds to the State when our own road system has been underfunded for local transportation requirements in the hundreds of millions of dollars.

Our traffic problems will deteriorate even further with the unexpected consequences of a major BRAC move to our County. A recent study by the National Academy of Science verified what we in Montgomery County already know, that the BRAC consolidation of two hospitals in Bethesda, while meritorious in its intent to establish a world-class military facility and medical facility, failed to account for the impact on the local transportation infrastructure. The potential gridlock around the Bethesda facility could be so severe that patients and doctors may be denied timely access to the facility.

I want to repeat that, Madam Chairman. The potential gridlock around the Bethesda facility could be so severe that patients and doctors may be denied timely access to the facility.

Montgomery County and the State of Maryland lack the funds to fully implement transportation projects to mitigate BRAC-related gridlock. In reauthorizing the Federal highway program that includes the Defense Access Roads Program, I would urge the committee to take a look at an increased role for State and local governments so that we can avoid such problems in the future.

We also must streamline the environmental review and approval process. We have a project in Montgomery County that we just opened the first leg of a few months ago called the ICC. It literally started in the 1950s with many attempts to obtain Federal approval. We failed in the 1980s, 1990s, but through the environmental streamlining process, in less than 3 years we were able to resolve it.

We need to find ways to increase revenues for the Transportation Trust Fund and continue funding New Starts. Simply maintaining the infrastructure at current levels of funding will continue our downward trend of failing infrastructure. Our competitiveness in the global marketplace will be reduced and our productivity will continue to be hampered by daily intolerable levels of congestion, poorly maintained and unreliable roads, and aging transit systems without the proper funding support to maintain acceptable levels of safety, efficiency and reliability.

As we look to the future, we are relying heavily on mass transit. We have several major projects that are on the way. The ICC is one road project. But our real strength is looking at the Purple Line, the Corridor Cities Transitway, and a bus rapid transit system in Montgomery County that will help us relieve the daily congestion problems that we face.

I want to thank you very much for the opportunity to discuss with you the transportation challenges in Montgomery County. I know that we have some difficulties at the local level, but we really need support in streamlining the process. We need support with additional funding, and we need cooperation at both the State and the Federal levels to avoid the consequences of what we see around the new Walter Reed National Military Medical Center in Bethesda.

I will say, as you probably use the Metrorail System here, that our Metro system desperately needs additional funding to avoid the capital constraints that we currently have. It is a main system that literally serves the entire Nation. But in serving the Nation, we need help and support from the Federal Government to relieve the problems that we face day in and day out. We have identified in the last year a number of major capital constraints that have hampered the system from resolving the already-identified safety concerns. That is something that is high on our list for the entire area, but literally for the entire Nation.

Madam Chairman, thank you for the opportunity to address you, and I will be able to respond to any questions after the other panelists have finished.

[The prepared statement of Mr. Leggett follows:]

Statement of the Honorable Isiah Leggett, County Executive
Montgomery County, Maryland
Before the
Environment and Public Works Committee
United States Senate
410 Dirksen Senate Office Building
"State and Local Perspectives on Transportation"
April 6, 2011

Good morning to the Committee, and a special thanks to Senator Cardin for inviting me to testify before you today.

My name is Isiah Leggett, and I am the County Executive of Montgomery County, Maryland. We are literally next door to the nation's capital and home to over 250 biotech companies and industry leaders such as Human Genome Sciences, MedImmune, and United Therapeutics. We have 19 federal facilities in the County including NIST, the NRC, FDA, NIH, and the future home of the Walter Reed National Military Medical Center in Bethesda. More than one-third of Montgomery County is dedicated to and preserved for agriculture and park use, making our transportation program atypical of a metropolitan suburb and more a mix of rural, suburban and urban transportation priorities.

As part of the Washington region, we have the unenviable distinction of enduring the highest levels of traffic congestion and delays in the United States-- despite the fact that we are second, only to New York City, in the total percentage of commuters using transit or carpools daily. Our major interstate highways, the Washington Metrorail and Metrobus system, and our own local 300-bus Ride On service-- one of the largest in the nation-- cannot keep up with area traffic demands. With this in mind, I particularly appreciate the chance to share a few thoughts with the Committee as you work toward developing a transportation reauthorization bill.

Transportation Needs

Earlier this year, Montgomery County identified a more than $1 billion backlog of design and construction projects on state roads, and more than $4 billion in backlogged state transportation projects that have not yet completed environmental analysis. The situation is so dire on our state roads-- which carry our largest traffic volumes-- that we have had to take the unusual step on several occasions to provide local funds for state projects. Now that we are facing severe local funding constraints, we can no longer afford to do that when our own roadway system has unfunded road resurfacing requirements in the hundreds of millions of dollars.

And our traffic problems are only going to get worse with the unexpected consequences of BRAC. The impact of federal facility decisions on state and local transportation is significant and expensive, particularly in urban areas, so any program changes being considered by the Committee should be done so carefully. The recent authoritative study by the National Academy of Science verified what we in Montgomery County already know: that the BRAC consolidation of the two hospitals in Bethesda, while meritorious in its intent to establish a world class military medical facility, failed to account for impacts on the local transportation infrastructure. The potential gridlock around the Bethesda facility could be so severe that patients and doctors may be denied timely access to the facility. Yet, Montgomery County and the State of Maryland lack the funds to fully implement projects they have designed to mitigate BRAC-related gridlock. In reauthorizing the federal highway program that includes the Defense Access Roads program, I would urge the Committee to increase the role of federal, state and local transportation agencies, increase funding overall for this program, and allow mass transit improvements to account for DAR-eligible needs in urban areas.

We must streamline the environmental review and approval process for all federally-aided transportation projects. A recent successful example of the streamlining process is in the middle of Montgomery County. The Inter County Connector (ICC) project was planned in the 1950's. Several attempts to obtain federal approval failed in the 1980's and 1990's, but through the Environmental Streamlining Process, in less than 3 years, state and regulatory agencies were able to complete a process that had failed after decades of discussion and millions of dollars in studies. We need more of this collaborative approach which recognizes important environmental protections while permitting the provision of vital transportation projects that ultimately promote significant economic development and job growth.

Our transportation needs are great but current resources are inadequate.

We need to find ways to increase revenue coming into the transportation trust fund and continue funding New Starts. We must look at an increase in the federal gas tax and index it to a reliable indicator. But, if we cannot agree to this, then we should look at other revenue sources, such as a transportation tax surcharge on goods used primarily for transportation-related products, for example a tax on auto and truck batteries, tires and replacement parts. Simply maintaining insufficient current levels of funding will continue our downward trend of failing infrastructure. Our competitiveness in the global marketplace will be reduced when our productivity is hampered by daily intolerable levels of congestion, poorly maintained and unreliable roads, or aging transit systems without the proper funding support to maintain acceptable levels of safety, efficiency and reliability.

We must find ways to make it easier for local governments to obtain federal transportation funds. The Federal Bridge program is an example of a successful federal transportation program that benefit State and local governments. More federal funding should be made available to local jurisdictions following a similar protocol.

As we look toward job growth, it's clear that with most of our local roadway system in place, our economic development is directly tied to improved mass transit to serve both private and public sector employees. To address this, we need to think more about people-moving capacity rather than just vehicle-moving capacity. Today, Metrorail, Metrobus and our local Ride On bus system have combined daily boardings in excess of 225,000-- demands that far exceed our area's roadway capacity. It's important that Congress continue the New Starts Program which gives us the opportunity to compete for federal funds to build the Corridor Cities Transitway, the Purple Line, and to advance a Bus Rapid Transit system.

This concludes my testimony. Thank you very much for the opportunity to describe the transportation challenges that we're facing in Montgomery County, Maryland, and I look forward to following your progress as you work to develop a multi-year transportation reauthorization bill.

Senator BOXER. Thank you so much, Mr. Leggett.

Our next witness is Hon. Bill Kennedy, who is the commissioner of District 3, Yellowstone County, Montana. We welcome you.

STATEMENT OF HON. BILL KENNEDY, COMMISSIONER, DISTRICT 3, YELLOWSTONE COUNTY, MONTANA

Mr. KENNEDY. Thank you.

Madam Chairman, Ranking Member Inhofe and Members of the committee, I want to thank you for inviting me to testify on State and local transportation perspectives. My name is Bill Kennedy, Yellowstone county commissioner in Billings, MT. I serve both urban and rural interests, representing approximately 148,000 people, including Billings. Billings is Montana's largest city with just over 100,000 people, so I have a county that is about 60/40 urban and rural.

I have also served on both Montana Highway Commission, I chaired it for 2 years, and the congressionally authorized Infrastructure Finance Commission, which produced a 2009 report examining funding needs and financing mechanisms.

I am acutely aware of the funding challenges this committee confronts. Still, the American people need, No. 1, mobility; No. 2, safety; and No. 3, smart investment, and especially right now, in my State, it's jobs and jobs and jobs.

But at this point, we lack investor confidence because they don't really see what their investments provide, other than earmarks. States like Montana are growing apprehensive about letting bids for projects due to uncertainty as the projects continue to grow more overdue by the day. I fear we will continue to go through one extension after another, much like the overdue FAA bill which was recently extended for the 18th time. As we have projects come due in Montana, what happens is we do not let those bids for projects until the money is in hand.

Montana desperately needs the Federal Aid Highway Program. Despite being the 15th highest in State fuel taxes, we could never adequately maintain our interstates, arterials and county roads by ourselves because we have one of the lowest population levels and one of the lowest per capita income levels in the Nation.

Meanwhile, we accommodate tens of millions of out-of-State users annually for tourism and also for our freight movement. The Highway Program is also critical to jobs in Montana, where unemployment in the construction sector exceeds over 20 percent.

We need a 21st century road network. Nearly half of Montana's primary and secondary arterials are at the end of their design life and 1 in 13 bridges is structurally deficient, according to a recent study that was published in the Billings Gazette last weekend.

We need to modernize for safety reasons and that is why I stated before, safety is the No. 1 concern. We need a better north-south network to accommodate NAFTA movements because Montana shares a long border with Canada. We have trouble currently trying to get oversized rigs to Canada to the oil sands. If we are going to be energy efficient in this country, we need to make sure that we have the Interstates and the roadways to travel with oversized loads.

We need local buy-in on these projects in order to generate support for this program at the ground level. County commissioners and local government officials all across Montana need to have a say in being able to look at these projects and work hand in hand with MDOT and Federal Highways on these projects to get them going.

We need to continue investments in rural roads. It is very important. Where the fatality rate remains stubbornly high, we need to look at the safety on these rural roads. We need a truly national freight program that recognizes each State's individual needs. Montana is one of those States that a lot of freight is passed through to the West Coast.

I also think we need rural planning and project streamlining. Madam Chairman, you will hear over and over again streamlining of these Federal projects, where smaller projects with limited environmental impact have a simpler path to the project approval and continued county road eligibility.

But mostly what we need, we need action. We need a bill, whether it is a standard 6 years or even a 2-year bill to buy time while we hopefully have a national discussion about what we need as a Nation. What we want and what we need is certainty, and we need this soon. We will fail to see the jobs benefits by 2012 if we don't because obligations naturally take months to finalize. We are standing out there ready for projects to be bid with uncertainty about the money coming in.

I am also vice chair of the Rural Action Caucus for the National Association of Counties. I also have their input on the reauthorization of the Federal Surface Transportation Project, and I would submit those as part of my testimony today.

Senator BOXER. Without objection.

Mr. KENNEDY. So once again, I want to thank you for the opportunity to speak on behalf of my constituents and the State of Montana and for counties across the country.

Thank you.

[The prepared statement of Mr. Kennedy follows:]

Testimony of William Kennedy
County Commissioner
Yellowstone County, Montana
Before the Environment and Public Works Committee
Hearing on "State and Local Transportation Perspectives"
April 6th, 2011

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Madam Chairman, Ranking Member Inhofe, and members of the Committee, thank you for inviting me to testify on state and local transportation perspectives.

I am Bill Kennedy, Yellowstone County Commissioner in Montana. I serve both urban and rural interests, representing approximately 148,000 people, including Billings -- Montana's largest city at just over 100,000 people.

I have also served on both Montana's Highway Commission and the congressionally-authorized Infrastructure Financing Commission, which produced a 2009 report examining funding needs and financing mechanisms.

I am acutely aware of the funding challenges this Committee confronts. Still, the American people need mobility, safety, smart investment -- and especially right now, jobs, jobs, and jobs. But at this point, they lack "investor confidence" because they don't really see what their investments provide -- other than earmarks. And states, like Montana, are growing apprehensive about letting projects, due to uncertainty as the program continues to grow more overdue by the day. I fear we will continue to go through one extension after another, much like the overdue F.A.A. bill, which was recently extended for the 18th time.

Montana desperately needs the federal-aid highway program. Despite being the 15th-highest in state fuel taxes, we could never adequately maintain our interstates, arterials, and county roads by ourselves because we have one of the lowest population levels and one of the lowest per capita income levels in the nation. Meanwhile, we accommodate tens of millions out-of-state users annually for tourism and freight movements. The highway program is also critical to jobs in Montana where unemployment in the construction sector exceeds 20 percent.

We need a 21st Century road network. Nearly half of Montana's primary and secondary arterials are at the end of their design life, and one in 13 bridges is structurally deficient according to a recent survey. We need to modernize for safety reasons.

We need a better north-south network to accommodate NAFTA movements because Montana shares a long border with Canada.

We need local buy-in on projects in order to generate support for this program at the ground level.

We need to continue investments in rural roads where the fatality rate remains stubbornly high.

We need a truly national freight program that recognizes each state's individual needs.

I also think we need rural planning, project streamlining where smaller projects with limited environmental impacts have a simpler path to project approval, and continued county road eligibility.

But, mostly, what we need is action. We need a bill. Whether it is the standard six years or even just a two-year bill to buy time while we hopefully have a national discussion about what we as a nation need and want, what we need is certainty. And, we need it soon, or we will fail to see the jobs benefits by 2012 because obligations naturally take months to finalize.

Once again, I thank the Committee for inviting me to speak on behalf of my constituents and my state this morning.

Sincerely,

Bill Kennedy

Bill Kennedy
Yellowstone County Commissioner

BK/ptb

Senator BOXER. Commissioner, I want to thank you. Both speakers so far have been very clear. I couldn't agree with you more on the need to move and the need for certainty. I understand this. It has been really very difficult to have these extensions and extensions and extensions. I have not been a fan of these extensions. We have had to do them, but we must move forward. I think you are getting that sense of urgency.

I will tell Senator Baucus that you gave very, very clear testimony and I know that he recommended you to speak to us today, as did Senator Cardin, each of the Senators who may not be here because we moved up the time of this hearing. I just want you to know how important your message is.

OOf course, it is with great pride that I introduce our next witness, Cindy McKim, who is director of the California Department of Transportation. I know exactly what she faces on a daily basis and I am just thrilled that you are here and letting us know firsthand.

STATEMENT OF CINDY McKIM, DIRECTOR, CALIFORNIA DEPARTMENT OF TRANSPORTATION

Ms. McKIM. Thank you, Madam Chairman. I am Cindy McKim, director of California's Department of Transportation.

Today, I wanted to provide you with a broad sense of the transportation issues facing our State, the most populous in the Nation and the eighth-largest economy in the world. More than 40 percent of containers moving into and out of America use California's highways, railroads, ports and airports. With 12 percent of the Nation's population, California is responsible for almost 14 percent of the Nation's gross domestic product.

We in California recognize that transportation means business, business means jobs, and jobs propel our economy. We have put our money where our mouths are. Over the past 10 years at the State level in California, we have invested an additional $40 billion over and above the normal transportation dollars available into our transportation system. Our local agencies, several of our counties, have enacted special sales tax measures that provide an additional $4 billion a year for transportation improvements in those counties.

We think that we certainly need to have action, but we also think this is a real opportunity for us to not just repeat the same-old, same-old in the new reauthorization bill, but to look at ways to be able to deliver projects more effectively, to make sure that we are communicating to all of our constituencies and our general public about the importance of transportation, and that we are using those dollars effectively.

In California, we have analyzed the funding needed over the next 10 years to preserve our transportation infrastructure. Just to maintain and rehabilitate our existing highway infrastructure will require an additional $74 billion over and above what we are already providing. For local streets and roads, the shortfall is projected to be about another $78.9 billion. So the needs are certainly outstripping our ability to be able to fund them.

There are some key things that we would like to see in the next transportation authorization. First of all, reauthorization needs to ensure the financial integrity of the Highway and Transit Trust

Funds. The current revenue stream will not provide the revenue or stability needed, especially as new fuels enter the marketplace. The result of starts and stops in funding availability is inefficient project delivery and wasted time and money.

The next authorization will need to stabilize revenues and prepare the way for the transition to new methods of funding the Nation's transportation infrastructure, such as flexibility to use creative financing tools. Second, we need to rebuild and maintain our transportation infrastructure in good state of repair. Conditions on California's surface transportation system are deteriorating, while demand is increasing. We maintain and operate a highway system that was largely built over 50 years ago. Funding policies at the Federal, State and local levels tend to understate the life cycle costs of transportation infrastructure and must be revised.

These combined factors of deteriorating systems, increasing demand and inadequate funding policies adversely affect the operational efficiency of our transportation assets.

Our economic health demands that we establish goods movement as a national economic priority. The efficient movement of goods across State and international boundaries increases the Nation's ability to remain globally competitive and generate jobs. You can help by creating a new Federal program and funding sources dedicated to relieving growing congestion at America's global gateways. This congestion is acting as a trade barrier and creating environmental hot spots.

Our urban areas need enhanced mobility through congestion relief within and in between metropolitan areas. California is home to six of the 25 most congested metropolitan areas in the Nation. These mega-regions represent a large majority of the population affected by travel delay and exposure to air pollutants. We ask that you develop incentives for those regions that are raising their own transportation dollars, perhaps by expanding the TIFIA Loan Program.

The next authorization has the opportunity to streamline project delivery. Lengthy processing times for environmental clearances, Federal permits and reviews add to the cost of projects and delay needed mobility improvements for the traveling public. Given constrained resources, it is all the more critical that these clearances and reviews be kept to the minimum possible consistent with good stewardship of natural resources.

I would like to point out that California was the only State to fully implement the National Environmental Policy Act NEPA delegation pilot program authorized in SAFETEA-LU, which California began using in 2007. Through this program, California has assumed most Federal responsibilities for environmental documents and now completes routine NEPA documents about 14 months earlier than before. Overall project delivery timeframes have improved as well. California recommends that this successful pilot be made permanent.

You can consolidate Federal programs to improve efficiency and provide flexibility. The Administration's surface reauthorization proposal suggests consolidating 55 highway programs into five core programs, along with other program consolidations in other areas. If this includes giving the States flexibility in making funding decisions that are appropriate for them, it is a good start to providing the flexibility we need.

We are looking for a continued, stable and reliable long-term investment strategy from Washington that can support the transportation infrastructure necessary to continue our Nation's economic supremacy. No other action by Congress could serve transportation as well, create so many jobs, or build badly needed infrastructure as effectively as that action.

Thank you.

[The prepared statement of Ms. McKim follows:]

STATE OF CALIFORNIA—BUSINESS, TRANSPORTATION AND HOUSING AGENCY EDMUND G. BROWN Jr., Governor

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Flex your power!
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April 1, 2011

The Honorable Barbara Boxer
Chair, Committee on Environment
and Public Works
United States Senate
112 Hart Senate Office Building
Washington, D.C. 20510

Thank you for inviting me to speak before the hearing of your Committee on Environment and Public Works on April 6, 2011, entitled "State and Local Perspectives on Transportation." As requested, I am providing this written testimony, which will be entered into the record. On April 6, I will verbally summarize my testimony. As Director of the California Department of Transportation, I appreciate the opportunity to testify on behalf of Governor Jerry Brown and the citizens of California.

In February, I spoke at a joint hearing of this Committee and the House Committee on Transportation and Infrastructure. At that hearing, Chairwoman Boxer and Chairman Mica invited us to provide specific recommendations regarding the reauthorization of the Surface Transportation Act, which we did. Today, I want to provide you with a broader sense of the transportation issues facing our state – the most populous in the nation and the eighth largest economy in the world.

Our economy depends heavily upon an efficient, well maintained transportation system. It carries the goods, people and services that, in turn, power California – and America's – prosperity. Transportation's importance to California and to the nation cannot be overstated.

California has invested heavily at the state and local level in our transportation system. Californians have invested billions of dollars to maintain and expand our transportation infrastructure. Over the past decade, more than $40 billion in additional state funds have been authorized for transportation, including state and local roadway improvements and high speed rail.

Statewide, voters approved Propositions 1A and 1B for a combined $30 billion in transportation bonds. Another $1.5 billion in annual revenues derived from the state sales tax on gasoline were dedicated to transportation, beginning in 2003. These actions demonstrate the commitment of the state to improving its transportation infrastructure. California is also using innovative delivery and funding approaches, such as public-private partnerships and design-build, to find more cost-effective ways to deliver transportation improvements.

In addition, at the local level, voters in counties have approved local sales tax measures that together generate over $4 billion annually. These successful measures demonstrated that voters recognize the need for transportation improvements; and - if the measures are tied to specific projects and schedules - are willing to provide revenues for that purpose. Local tax-measure projects can provide many opportunities to leverage federal funds and expedite delivery through an expanded TIFIA program.

Collectively, and with additional funding made possible through ARRA, these efforts are responsible for benefits that ripple throughout the economies of every other state in the nation. More than 40 percent of containers moving into and out of America use California's highways, railroads, ports, and airports. With 12 percent of the nation's population, California is responsible for almost 14 percent of the nation's Gross Domestic Product.

Looking ahead, how can we address the infrastructure needs of California, and the nation? We all know the Highway Trust Fund isn't keeping up with needs. In California, we have analyzed the funding needed over the next 10 years to preserve our transportation

infrastructure. Just to maintain and rehabilitate our existing highway infrastructure will require an additional $74 billion, yet we anticipate there will be just $18 billion available to meet that need. For local streets and roads, the shortfall is projected to be $78.9 billion. And for the same 10-year period, the unmet transit preservation need is $14.4 billion. Clearly, traditional approaches will not be successful in meeting future needs.

Reauthorization needs to ensure the financial integrity of the Highway and Transit Trust Funds. The financial integrity of the transportation trust fund is at a crossroads. Current user fees are not keeping pace with needs or even the authorized levels in current law. The current revenue stream will not provide the revenue or stability needed, especially as new fuels enter the marketplace. The result of starts and stops in funding availability is inefficient project delivery, and wasted time and money. The next authorization will need to **stabilize** revenues and prepare the way for the transition to new methods of funding our nation's transportation infrastructure, such as the flexibility to use creative financing tools.

We need to rebuild and maintain our transportation infrastructure in a good state of repair. Conditions on California's (and the nation's) surface transportation systems are deteriorating while demand is increasing. We maintain and operate a highway system that was largely built over 50 years ago, when the traffic volumes we see today were never imagined. Funding policies at the federal, state, and local levels tend to understate the life-cycle costs of transportation infrastructure and must be revised . These combined factors of deteriorating systems, increasing demand, and inadequate funding policies adversely affect the operational efficiency of our key transportation assets, hindering mobility, commerce, quality of life and the environment.

Our economic health demands that we establish goods movement as a national economic priority. Interstate commerce is the historic cornerstone defining the federal role in transportation. The efficient movement of goods across state and international boundaries increases the nation's ability to remain globally competitive and generate jobs. You can help by creating a new federal program and funding sources dedicated to relieving growing congestion at America's global gateways. This congestion is acting as a trade barrier and creating environmental hot spots.

Our urban areas need enhanced mobility through congestion relief within and between metropolitan areas. California is home to six of the 25 most congested metropolitan areas in the nation. These mega-regions represent a large majority of the population affected by travel delay and exposure to air pollutants. These urban areas are contributing to the funding of transportation through local sales tax measures. We ask that you develop incentives for those regions that are raising their own transportation dollars, perhaps by expanding the TIFIA loan program.

The next authorization has the opportunity to streamline project delivery. Lengthy processing times for environmental clearances, federal permits and reviews add to the cost of projects and delay needed mobility improvements for the traveling public. Given constrained resources, it is all the more critical that these clearances and reviews be kept to the minimum possible, consistent with good stewardship of natural resources.

I'd like to point out that California was the only state to fully implement the National Environmental Policy Act (NEPA) delegation pilot program authorized in SAFETEA-LU, which California began using in

2007. Through this program, Caltrans has assumed most federal responsibilities for environmental documents and now completes routine NEPA documents about 14 months earlier than before. Overall project delivery timeframes have improved as well. California recommends that this successful pilot be made permanent.

You can consolidate federal programs to improve efficiency and provide flexibility. The Administration's surface reauthorization proposal suggests consolidating 55 highway programs into five "core programs," along with other program consolidations in other areas. If this includes giving the states flexibility in making funding decisions that are appropriate for them, it is a good start to providing the flexibility we need.
We are looking for a continued, stable, and reliable long-term investment strategy from Washington that can support the transportation infrastructure necessary to continue our nation's economic supremacy. No other action by Congress could serve transportation as well, create as many jobs, or build badly needed infrastructure as effectively as that action.

We will continue working with our federal partners at FHWA, as well as our local transportation partners, to meet California's transportation needs. These partnerships have been critical to our success.

I'm grateful for the time you are taking to consider California's perspective on the transportation issues we are all facing, and I look forward to working with you in the future. Listed below are specific recommendations regarding the reauthorization of the Surface Transportation Act.

We have prepared specific recommendations in the following areas:

- Ensure the financial integrity of the Highway and Transit Trust Funds.
- Rebuild and maintain our transportation infrastructure.
- Make goods movement a national priority.
- Reduce congestion in metropolitan areas.
- Streamline project delivery and extend California's NEPA delegation.
- Consolidate federal programs.

As you can see from the volume of comments, we take seriously the need for specific recommendations for the next reauthorization. As an example, we consider it essential that the federal delegation of NEPA authority become permanent, or at least be extended. In lieu of proposing additional revenue generating mechanisms such as changes to the gas tax, we have included alternative funding recommendations.

My staff and I are ready to respond to any questions you may have on these recommendations. Please contact Mr. Brad Mettam at the above address, by telephone at (916) 654-2936 or by email at brad.mettam@dot.ca.gov if you or your staff need any additional information.

Sincerely,

CINDY McKIM
Director

Senate E&PW Hearing, April 6, 2011
Caltrans Director McKim, Witness

Recommendations for the Surface Transportation Reauthorization Bill

Caltrans

Ensure the financial integrity of the Highway and Transit Trust Funds

Proposed Change	*Examples of how this would be of use..*
Increase the amount available under the TIFIA program.	The TIFIA program has provided loan guarantees to a limited number of projects, restricted primarily by the cap on the amount available.
Allow privatization of Safety Roadside Rest Areas, Park and Ride lots, and other facilities.	Public-private partnerships are needed to help deliver essential services to the traveling public.
Provide federal authority to impose tolling as a revenue stream.	States need every available revenue source to leverage state and federal funds for capacity increasing projects and other purposes.
Authorize a bond funding program, similar to *Build America Bonds (BABs)*.	BABs provide states with an option to access the corporate taxable bond market, which is broader and deeper than the tax-exempt market.

Rebuild and maintain our transportation infrastructure

Proposed Change	*Examples of how this would be of use..*
Make some or all additional "stimulus" funding "ministerial" rather than "discretionary", eliminating the need to comply with NEPA and other requirements.	This would allow the rapid construction funding of existing state and local projects without having to go through Federal processes. Projects would still have to comply with state and local requirements, and all health and resource protection Federal requirements, such as the Clean Water Act and the Endangered Species Act.

Make goods movement a national priority

Proposed Change	*Examples of how this would be of use..*
Incorporate a measurement of each state's contribution to national goods movement goals as part of the federal distribution formula.	Goods movement on highways in states that act as primary goods movement conduits contributes significantly to the deterioration of the highways and the congestion around ports of entry. These states

	provide a service to the national economy at a cost in facility maintenance, repair, and replacement.
Develop competitive fund for high-priority national goods movement projects.	Existing funding mechanisms need to be revised to reflect the significance of freight movement on a national basis. Project improvements for goods movement have a positive impact on the corridor being improved as well as on a system wide basis. This would provide a mechanism to ensure that freight projects receive a higher priority and funding levels that would enhance the movement of people, goods, information and services. A national formula could be developed for programming projects and receiving resources from multiple funding sources i.e. Priority Index Number and utilize consistent cost/benefit criteria.
Include port planning in the current criteria for existing planning grants to allow for funding of Port-to-Corridor Management Plans (P2CMPs).	The funding of P2CMPs will allow local, state, federal and private sectors to coordinate and develop these plans to identify and fund projects along these P2CMPs to deliver projects, similar to California's CSMPs. In California, the four main P2CMPs are Los Angeles-Long Beach/Inland Empire, Bay Area, San Diego/Border and the Central Valley.

Reduce congestion in metropolitan areas

Proposed Change	*Examples of how this would be of use..*
Provide incentives for metropolitan congestion pricing.	Encourage the application of congestion pricing in the nation's most congested metropolitan areas by providing funding incentives.
Change 23 USC 135 Section 135(d)(1)(E) to add to this planning factor "the integration of land use and transportation, including consistency with development patterns."	This would allow states and regions more flexibility to support and provide incentives for integrated land use, transportation and housing planning that utilize the latest travel forecast data, along with the latest modeling tools, and that identify alternative/preferred scenarios that reduce congestion within and between metropolitan areas. The State of California has implemented its statewide California Interregional Blueprint, and six of the 25 largest metropolitan areas in the nation have participated in Regional Blueprint Planning efforts that consider land use and transportation while evaluating travel within and between metropolitan areas. These Blueprint programs promote the linking of

	transportation, land use and housing through the development of visions for future growth based on the latest modeling tools that identify alternative/preferred scenarios that reduce congestion within and between metropolitan areas.

Streamline project delivery and extend California's NEPA delegation

Proposed Change	*Examples of how this would be of use..*
Allow states to have permanent NEPA delegation after successful completion of pilot program and include Section 6005 Air Quality Conformity Determinations.	This would allow California, and other states in the future, to assume permanent NEPA delegation. It would permanently remove redundant reviews by both Federal Highways Administration and Caltrans. FHWA retained Air Quality Determinations under SAFETEA-LU Section 6005, but not under Section 6004. Further delegation of Air Quality Conformity determinations streamline approval of documents under Section 6005.
Allow the use of the TEA conformity exemption for historic railroad structures.	The law and EPA's conformity regulations currently exempt most TEA projects from conformity requirements, but explicitly prohibit use of the exemption for TEA projects affecting historic railroad structures. Historic issues with railroad structures should be dealt with through the standard 106 and 4(f) processes, and not through a conformity exemption, unless the project would in fact not be neutral for air quality purposes.
Make TEA more flexible.	Expand the TEA category for wildlife passage to include fish passage.
If a proposed project is included in the air quality conformity determination for a Regional Transportation Plan, no further action should be required to meet the requirements of the Clean Air Act of 1990.	Regional Metropolitan Planning Organizations are required to provide analysis on air quality conformity as part of the approval process for their Regional Transportation Plan. Because air quality conformity is best addressed at regional levels, it is a duplication of effort and ineffective for projects to require additional conformity determinations.
Allow NEPA approval if the final quality conformity determination is made before project construction.	This would allow final design to continue while additional conformity requirements are completed. Since final approval for construction could not occur during a lapse, this change would not result in any actual impacts to air quality conformity.
Remove funding plan barriers to NEPA	Allow projects to continue through NEPA approval

approval.	even if a Long Range Plan is temporarily no longer financially constrained due to the current volatile economic situation. This could be done by allowing NEPA approvals while Long Range Plans are being amended, as long as the project is proposed to remain in the amended Plan. This would avoid the delays in project delivery when world or national economic situations temporarily affect transportation funding.
Allow a state's environmental document to be adopted by the federal lead agency for purposes of NEPA compliance, if a state's environmental review has been completed prior to federalization of a proposed project.	The State of California has implemented legislation that duplicates NEPA and applies even more stringent requirements, i.e. CEQA defines a significant impact as one for which a "fair argument" can be made. Other states have similar state environmental laws. Allowing the federal lead to adopt the "mini-NEPA" document rather than preparing and approving a separate NEPA document would avoid duplication of effort. The adoption could be similar in form to a re-evaluation and would not require public circulation.
New projects located within an area which had previously completed NEPA clearances should be exempt from further NEPA and associated Federal environmental legislation reviews, if no new right-of-way is required for the construction of these projects.	If a state DOT purchased right-of way under federal authorization, new projects located within that right-of-way should not result in additional impacts to the environment. For example, if a DOT purchased a new freeway alignment with a 100 foot median, then decided to widen in the median, it would not be required to mitigate again for "habitat" if endangered species utilized that land in the future. This would include making existing right-of-way exempt from consideration as "habitat" under the Endangered Species Act. Currently, endangered species such as San Joaquin Kit Fox, Desert Tortoise, and Tipton Kangaroo Rats often utilize the medians and shoulders of busy highways as foraging habitat. While this habitat is marginal at best, the law as currently interpreted requires that agencies purchase replacement habitat for these impacts. This modification would hold agencies free from retribution for incidental harm caused by routine maintenance and construction within existing right-of-way.
Allow at-risk detailed design prior to NEPA completion	During the NEPA process, a Preferred Alternative may be identified in the Draft Environmental Impact

	Statement (EIS). Current federal regulations do not allow the use of federal funds to begin "detailed design" prior to the Record of Decision, which results in unnecessary delay in the project delivery process. Section 6002 of SAFETEA-LU, Efficient Environmental Reviews for Project Decision making, provided some relief from these restrictions, but it still limits design to only those elements that relate to environmental issues, environmental mitigation, or environmental permits. Flexibility is needed so that the state DOTs may continue to move forward with the project development process in a timely fashion using both federal and non-federal funding – at their own financial risk – prior to the finalization of the NEPA process.
Allow advanced Right-of-Way acquisition	Advanced Right-of-Way Acquisition is intended to provide for the preservation of corridors for future roadway expansion. Corridor preservation's goal is to minimize development in areas that are likely to be required to meet transportation needs in the future. Current federal environmental restrictions make it extremely difficult to identify and preserve transportation corridors for the future. Corridors must be part of a fiscally-constrained Long-Range Plan in order to use corridor preservation funds. It is often difficult to get FHWA to participate in preparing an environmental document for a project that will be built 15 or 20 years in the future. Most of the right-of-way acquired now is for widening or expansion projects on existing facilities, as opposed to projects on new alignments. In these cases, the decision regarding the location of the transportation improvement has already been made – thus, there is almost zero chance of biasing the NEPA process. Typically that right-of-way acquisitions are "environmentally neutral" events – in other words, no damage is done to the environment as a result of simply purchasing a plot of land.
Eliminate or modify the Efficient Environmental Review Process that was established under Section 6002 of SAFETEA-LU.	SAFETEA-LU created a new Efficient Environmental Review Process (Section 6002). While the intent of the section to promote early coordination was admirable, the procedural requirements of Section 6002 are duplicative of

	already existing environmental processes. This duplication has lead to less efficiency and more confusion during the NEPA process. An alternate approach would be take make the Section 6002 process optional, rather than mandatory. If Section 6002 is kept, a subsection should be added to the process that bars a participating agency from raising substantive issues during the permitting process that it should have be aware and raised during the NEPA process.
Establish a priority for infrastructure projects at federal permitting agencies that includes firm deadlines.	A significant component of the time required to deliver a project is that needed to receive the many federal permits required. This requires a significant investment of resources, and erodes the value of available funds. Federal agencies should be given a firm, limited time to provide permits, and an automatic appeal process for transportation infrastructure projects should be instituted when permit reviews exceed that time that is external to the permitting agency.
Allow program-level reimbursement ability for state's oversight of local agency projects.	The stewardship agreement between FHWA and Caltrans delegates certain oversight responsibilities of the local agencies from FHWA to Caltrans. The Stewardship agreement also states that some of these oversight responsibilities cannot be further delegated to local agencies in California. The oversight of these local agency projects cost over $35 million to California which is not reimbursed by FHWA. This is a cost that California can no longer afford. Since local programs have been identified by FHWA as a "high risk", the expectation on the oversight has only been increasing. FHWA acknowledges, these cost to be eligible for reimbursement provided the cost is charged to individual projects. Since at any given time there are about 5000 locally administered projects, charging Caltrans' oversight to these projects is not feasible. We propose to allow states to collect reimbursements for oversight on a single project designated for oversight cost.
Revise the federal transparency reporting process.	Federal Funding Accountability and Transparency Act's Sub-award Reporting requires the State to report certain data after the end of each month on ALL federally funded projects.

	The California Department of Transportation (Caltrans) has completed three cycles of report. It has been burdensome and confusing at times to comply with this new federal reporting requirement. The data submitted has the potential to be incomplete or incorrect. We feel this reporting requirement can be met more efficiently if the sub-awardee information is included in FHWA's Financial Management Information System transactions. The States will report this data at the time of requesting authorization for projects (not after the authorization). This will ensure 100 percent completeness. The data received by FHWA will be uniform throughout the nation.
Properties under 100 years of age would be exempt from evaluation under section 106 of the Historic Preservation Act.	As America ages and construction techniques improve, a greater number of properties will reach the current age of 50 years without major modifications. Continuation of this standard would significant increase the time and expense for compliance with the Historic Preservation Act. By modifying the evaluation criteria from fifty to 100 years, you would move beyond an individual person's lifetime and into the realm of history. It would save both time and resources.
Eliminate duplicate evaluation of historic properties.	The law as currently written has duplication of effort. Historic properties are evaluated and protected under Section 106 of the Historic Preservation Act and require a redundant evaluation under Section 4(f) of the Department of Transportation Act.
Exempt routine maintenance and restoration projects from Section 106 of the Historic Preservation Act.	Projects which replace existing pavement (overlays, slab replacements) would be exempt from further analysis under Section 106 of the Historic Preservation Act. These projects result in minimal additional disturbance of "native soils." This modification would result in a reduction of time and effort on routine road maintenance.
States need the ability to do programmatic advance mitigation for natural resource impacts based on mutually approved modeling, rather than having to connect mitigation costs to already designated projects in federal plans.	By allowing states to develop and implement a statewide advance mitigation program, states could (a) reduce project delays, (b) reduce mitigation costs and (c) improve mitigation quality. Greater flexibility to do programmatic advance mitigation, rather than project specific, in the next authorization would facilitate this innovation.

Consolidate environmental mitigation negotiations.	Once NEPA is completed and a Biological Opinion issued by US Fish and Wildlife Service, any modifications to Endangered Species listings or refinements to project footprint would not require the issuance of a new Biological Opinion. FHWA or their designee via delegation would provide USFWS with an administrative amendment which would include additional provisions to address any modifications to the project. USFWS would not be required to perform any action, other than acknowledgement of the amendment. Any projects changes which require a supplemental NEPA document would not apply to this provision. US Fish and Wildlife Service negotiates a specific mitigation ratio based upon the quality of impacted habitat. At the time the Biological Opinion is issued, less than 30% of design work is completed. Often minor refinements will result in changes within the area of impacts, i.e. originally it was 5 acres and now it is 6.5 acres. This change in area would require that formal consultation with USFWS be reopened and a formal amendment to the Biological Opinion issued. As the NEPA lead agency, it is appropriate for FHWA or its designee to prepare an administrative amendment which modifies the impact area and increases the mitigation required to reflect the ratios agreed in the original Biological Opinion. This would save time and effort at both agencies and solidify the agreements made during the NEPA process.
Man made water conveyance systems should be exempt from consideration as "waters of the U.S."	Currently canals and ditches can be considered as "waters of the U.S." under section 404 of the Clean Water Act. Moving a concrete lined ditch could trigger the NEPA 404 process and result to greater impacts to historic and natural resource in an attempt to avoid impacts to these features. This change would reduce time and costs associated with project delivery.
Streamline the Federal Transportation Improvement Program (FTIP) Amendment process.	Current regulations require that many relatively minor changes to project cost, scope, or schedule require time consuming and paperwork-intensive amendments. This can occur as a result of relatively minor changes to project limits (as little as over a tenth of a mile), or changes in project cost (as little

	as $5 million, which is a small percentage of a large project). Expanded use of administrative amendments would save significant time and effort.
Change the period of the FTIP from four years to five.	Current regulation requires the FTIP/FSTIP to cover 4 years and be updated at least every four years (most states update every two years, to have a pool of programmed projects to draw on). If the period of the FTIP/FSTIP were increased to 5 years, with an update at least every four years, it would cut in half the workload of Metropolitan Planning Organizations and states for updates.
Adopt provisions that allow projects that are funded through multiple federal programs to use only the rules, restrictions and reporting requirements of the largest contributing program.	Individual project funding packages are sometimes made up of several different sources; each applied to the portion of the project that is appropriate for that source. Each source has its own set of rules, schedules, restrictions and reporting requirements that quickly complicate project delivery.
Provide clarification under Section 4(f) of the Department of Transportation Act that for public properties to be considered as a 4(f) property under recreational use, the primary function of the property must be recreation. This modification would specifically apply to portions of State and National Parks and Forests which are not primarily used for recreational activities.	Currently school playgrounds are often determined to be 4(f) properties because they allow public recreational activities during non-school operation. The use of schools for "recreational" activities is secondary to their primary function, but because of this use impacts to parking lots and other school properties is often deemed a 4(f) impact. In addition to this, our National Parks are served by highway systems. Often minor maintenance work, including rehabilitation can result in 4(f) impacts even when the only impact may be realignment of an existing driveway.
Current environmental policy includes "No net loss to wetlands". Allow for enhancement to existing wetlands to be counted as "mitigation" for impacts to wetlands.	If a project impacts a wetland of marginal quality, current mitigation would include acquisition of "credits" at a bank which has created wetlands by expansion of existing systems, or involve creation/expansion of wetlands at another location. This proposal would expand the potential to include "enhancement" activities to count towards wetland impacts more explicity. If you impacted an acre of wetlands you could restore 5 acres of poor quality to good quality via a management plan. This process would help improve the overall quality of existing wetlands and encourage DOTs to adopt management programs which Army Corps of Engineers could approve to gain "credits" towards future impacts.

Broaden and extend the option to use warranties in highway construction contracts.	Currently, federal regulations allow for warranties to cover specific *products* or *features* of a construction project (such as the pavement), but are not allowed to cover an entire project. Recently, as part of changes made to federal regulations to accommodate design-build contracting, the warranties section of the Code of Federal Regulations was amended to allow "general project" warranties on design-build projects on the National Highway System, which covers all parts of a construction project. In addition, projects developed under a public-private agreement may include warranties that are appropriate for the term of the contract or agreement, which could be many years. These allowances have not been made for traditional design-bid-build projects, which are still restricted, as noted above, to specific products or features. While general project warranties will likely not be used on all traditional design-bid-build projects, their use could encourage innovation in construction processes or the products that are used since the potential for failure would be covered by the warranty. Finally, even the general project warranties allowed for design-build projects are permitted only for short periods of time, or as the regulations state, "generally one or two years." Unfortunately, one to two years is not typically long enough to determine if a roadway or bridge structure has been built correctly. A more appropriate minimum length of time for a warranty would be in the range of 5 to 10 years.
Allow federal funds to be used for mitigation banking/advanced mitigation.	For example, TEA shares could be used to fund advanced mitigation and projects could reimburse those funds when capital funds are available. This change would allow for expedited permitting under existing laws/regulations and would provide immediate relief without requiring any changes to Federal funding levels.
Remove environmental and R/W requirements for any Non-infrastructure Projects	For example, the Safe Routes to School (SRTS) Program consists of infrastructure and non-infrastructure (NI) programs, and both programs are currently delivered using the process for typical construction projects. However, the NI Program is a program that provides for the education,

	encouragement, enforcement, and evaluation of SRTS programs in local communities. These types of activities are non-construction work that should not require NEPA clearance or right of way certification as currently required. Delivery of the NI program can be streamlined by handling it similar to FHWA State Planning and Research, Partnership Planning and FTA State Planning and Research Grants which are discretionary grants awarded through a grant application solicitation process similar to the SRTS-NI Program.
For projects under $3 million, use a one component process for issuing authorization to proceed.	This change would provide authorization for preliminary engineering, right-of-way, and construction in a single action. Because this would only apply to small projects, it would expedite the process and allow the projects to move between phases easily.

Consolidate federal programs

Proposed Change	*Examples of how this would be of use..*
California supports the consolidation of existing Federal Surface Transportation Programs to focus on ten programs as recommended by the National Surface Transportation and Revenue Study Commission (Commission). We also support increased flexibility for project eligibility and funds transferability among the ten programs and across different US DOT administrations using needs-based criteria.	There are currently 108 programs under 5 administrations. The Commission recommended consolidating into ten programs. Additional flexibility is also needed to allow projects under the ten programs be funded to achieve national objectives. The current system, to "flex" funds, between the modal administrations is cumbersome and often results in project delay. This process should be streamlined, so that funds can immediately be used for projects meeting required criteria. More flexibility is also needed to transfer funds among the 10 programs.

Senator BOXER. Thank you so much. You hit on a lot of issues that are going to be central to our rewrite and I am going to question you in-depth about some of them.

So Senator Alexander, you have arrived at the moment that we were going to call on your witness from your State. Would you like to call on your witness and so begin?

Senator ALEXANDER. Thanks, Madam Chairman.

I welcome Paul Degges. We are real proud of the Tennessee Department of Transportation. He is Chief Engineer. He has been there 20 years, been there a little longer. But we have a very professional Department of Transportation and it has been that way through Republican and Democratic Governors. We have kind of alternated back and forth over the years. We found, Madam Chairman, that a good road system is absolutely essential to us in terms of attracting the auto industry so that the hundreds of suppliers who came into our State could make their time of delivery.

So I am very proud to introduce Paul Degges, who is the Chief Engineer of the Tennessee Department of Transportation, and look forward to hearing his recommendations.

Senator BOXER. Proceed, Mr. Degges.

STATEMENT OF PAUL DEGGES, CHIEF ENGINEER, TENNESSEE DEPARTMENT OF TRANSPORTATION

Mr. DEGGES. Thank you, Chairman Boxer and Members of the committee, particularly Senator Alexander. I appreciate this opportunity to testify.

I am Paul Degges. I am the chief engineer for the Tennessee Department of Transportation. Tennessee is a medium-size State, a little over 6 million people. We are about half urban, half rural. We have a lot of transportation needs.

The department strongly encourages a 6-year authorization of the Federal bill. A multi-year authorization will enable Tennessee to pursue long-term planning and programming strategies. Without a multi-year bill, TDOT, along with our 11 metropolitan planning organizations and 12 rural planning organizations, and even long with all of our cities and the 95 counties in Tennessee, it makes it difficult for us to develop long-term strategies for the State.

The department strongly encourages the concept of consolidating some 55 funding silos on the FHWA side of the fence into about five or fewer core programs. But we do believe that the overall funding should be made available to the States in a fashion similar to previous authorization, which distributes funds proportional to the State's population and transportation networks.

We understand that there is a need in some cases for some special Federal aid programs to address regionally significant circumstances, but we don't believe there should just be a lot of set-aside programs that essentially create an Administration earmarking program.

The bill needs to reinforce the concept of a federally assisted and State-administered program, as other panel members have spoke today. Every State has unique needs and a one-size-fits-all solution is certainly not the way to go.

We do need to be able to maintain our flexibility. The needs, as I said, vary from State to State and the consolidation needs to maximize our flexibility so these programs can meet the needs of individual States. The flexibility in the use of Federal aid funds holds true for all sources in the authorization, not only the operations programs of the Federal Highway Administration.

We desire to see more flexibility in our transit programs. Tennessee is one of just a handful of States that have transit opportunity and transit access in all 95 counties in Tennessee, and we would like to see this flexibility extended in our transit programs as well. I know our 5309 Program is a model program where we work together with all transit providers across the State to get a good distribution of those funds.

Our NHTSA program as well, our safety programs on the behavioral side, we would like to maximize our flexibility there. I know on motorcycles, for instance, we are seeing a rise of fatalities on motorcycles and we want to try to expand that flexibility and to try to help things out in that aspect.

The buying power of transportation dollars are continuing to decrease and we have to maintain our aging infrastructure. We need some more flexibility in using Federal aid funds on maintenance activities. In Tennessee, we estimate our highway system alone to be worth about $15.5 billion and it only makes sense that we can expand our Federal investments to realize the maintenance of those systems.

Streamlining project delivery is something that is key to what we do. In Tennessee, the average time from when we start a project to when you are driving on it is about 12 years. The national average I believe is about 13 years. We applaud FHWA Administrator Victor Mendez's Every Day Counts Initiative, which envisions a shortened project delivery time. But even under the Every Day Counts Program, it is unlikely that we are going to reduce time significantly.

Federal constraint in our STIP is a big issue for us. We feel that the interpretation of the current guidelines have devolved into a checkbook accounting. A planning document is supposed to be a high-level view, and when I am ready to go to construction on a project, I don't feel I should have to delay the construction phase to update the planning document.

So we feel that there are some opportunities for some groupings in our STIP-TIP process that will allow us to streamline project delivery.

States need to be afforded the opportunity to maximize the flexibility in today's transportation climate and must be allowed discretion to make choices on the project selection because of unknowns that can occur in the environmental permitting and right-of-way areas that can adversely affect the development schedule of a project. That ultimately will affect our ability to draw down Federal funds available to us.

We don't believe that the STIP should be used as a checkbook accounting of funds available to the department because it is a planning document.

Another impact on project delivery is regulatory impacts. We believe that once a project has made it through the NEPA process and has an approved environmental document, that changes in regulatory guidance and other aspects of environmental rules shouldn't have us to stop and start over on the project to do a redesign to comply with changing rules.

We are also concerned about the condition and the maintenance of our facilities. If I have a bridge over a stream, it is very difficult for us to come in and have to do a total redesign when I just want to maintain the structure. A lot of the Federal rules make it very difficult for us just to maintain our projects.

In closing, the transportation system is the backbone of our economy. It is all about creating jobs and again, I am honored to be asked to come here and talk today, and we continue to look forward to ways to improve our transportation system. A multi-year authorization bill is important and we need your help in getting this important legislation passed.

Thank you.

[The prepared statement of Mr. Degges follows:]

Testimony of
(written)

Paul D. Degges, P.E.

Chief Engineer
Tennessee Department of Transportation

Regarding

State and Local Perspectives on Transportation

Before the

Committee on Environment and Public Works
United States Senate

April 6, 2011

Chairman Boxer and Members of the Committee, thank you for the opportunity to testify in regard to State and Local perspectives on Transportation priorities for the next surface Transportation Authorization. My name is Paul Degges and I am the Chief Engineer of the Tennessee Department of Transportation (TDOT) and am a registered professional engineer.

Tennessee ranks 17th in population in the most recent census with about half the people living in rural areas and half in a metropolitan setting. TDOT is a multi-modal Transportation agency with an annual budget of approximately $1.8 billion and a workforce of just over 4,200 employees. About half our funding consist of federal aid paid by Tennessean's into the Highway Trust Fund.

The department takes pride in our management of the transportation assets in Tennessee and base our management on customer input with data driven performance goals.

I. Need for a Long-Term Transportation Authorization Bill

TDOT strongly supports a six-year authorization of the federal transportation program. A multi-year authorization of the federal transportation program will enable Tennessee to pursue long-term planning and programming strategies. Without a multi-year bill, TDOT, along with Tennessee's 11 Metropolitan Planning Organizations (MPOs), and 12 Rural Planning Organizations (RPOs) cannot effectively develop long term transportation strategies for the state.

II. Program Consolidation

TDOT strongly supports the concept of consolidating some 55 funding silos into 5 or fewer core programs. However, we believe the overall funding should be made available to the states in a fashion similar to previous authorizations which distribute funds proportional to a state's population and transportation network. Tennessee understands the need in some cases for special federal-aid programs to address regionally unique circumstances; however we do not believe the new bill should create federal set-aside programs, essentially creating administration earmarks.

The bill needs to reinforce and expand the concept of a federally assisted state administered program as it currently exists in Title 23 Chapter 1 Section 145 of United States Code.

III. Donor State Issue

Tennessee has been a donor state for many years with fuel taxes paid by Tennessean's leaving the state for projects in other jurisdictions. We understand that there may be a need for donor state situations; however, donee states should be required to meet a maintenance of effort threshold or minimum state commitment of funding before donor states subsidize donee state programs.

IV. Maximize Flexibility

Transportation needs vary from state to state and this program consolidation needs to maximize the flexibility of a state to tailor these funds to projects and programs that meet the needs of individual states.

This flexibility in the use of federal aid funds holds true for all fund sources in the authorization. Not only the infrastructure and operations programs of FHWA and FTA, but also the behavioral side through NHSTA. Tennessee supports consolidation of funding in these programs as well, which would allow a more comprehensive approach to safety.

V. Maintenance Issues and Eligibility

As the buying power of transportation dollars decreases coupled with the increasing need to maintain our aging infrastructure, there is a need to allow more flexibility in the use of Federal funds to perform maintenance activities. Current flexibility in the federal aid program does allow for preservation or preventive maintenance and is defined by FHWA as extending the service life of the transportation facility. All other activities are considered to be routine maintenance and currently remain a State funded responsibility. Routine maintenance is defined by FHWA as "maintenance work that is planned and performed on a routine basis to maintain and preserve the condition of the highway system or to respond to specific conditions and events that restore the highway system to an adequate level of service". As new requirements such as sign sheeting and pavement marking retro-reflectivity standards are enacted and the maintenance of roadside appurtenances such as cable barrier guardrail become more commonplace, additional State funds are necessary to maintain and preserves these investments. Tennessee estimates the investment in our highway system alone to be about $15.5 billion. It only makes sense that the maintenance of this investment be eligible for federal aid.

We believe that additional flexibility is needed in the new authorization regarding Bridge Inspections. This year FHWA, at the OIG's recommendation, has implemented a series of metrics for each state's bridge inspection program review that gives little to no latitude in the inspection cycle. The logical way a Department would address this stiff requirement is to place the bridge on a 23 month cycle for inspection to avoid being penalized. The downside to this logic is with every cycle of inspection, the Department looses a month, thereby reporting the bridge condition more frequently. The recommended approach is to modify 23 CFR 650.311 (a) (Routine Inspection) to say "inspect each bridge at regular intervals not to exceed twenty five months and not less than twenty three months from the established base month" or more simply put all bridges shall be inspected at regular intervals of an average of 24 months and not to exceed 25 months.

VI. Streamline Project Delivery

One of the biggest frustrations Tennessean's have with transportation projects is the time it takes to plan, design, & construct them, which in Tennessee averages 12 years. The department applauds FHWA Administrator Victor Mendez's, Every Day Counts initiative which is envisioned to shorten project delivery time and speed the deployment of new and proven technologies into the marketplace. But under the current rules and regulations, reducing this 12 year timeframe by a significant amount is unlikely.

Fiscal Constraint in the Statewide Transportation Improvement Program (STIP)

Over several years, maintaining the STIP has become a cumbersome process due to the numerous actions required to stay compliant with the interpretation of federal regulations. The STIP process has slowly degraded into a checkbook, when in actuality it is supposed to be a planning document. This trend should be reversed by only requiring the STIP to be fiscally constrained by fiscal year, instead of by fiscal year by fund code, which is the current requirement. The STIP should have greater flexibility to group projects by "Type of Work", especially when projects are environmentally neutral and not regionally significant. The grouping of projects could be enhanced even more by allowing a "Statewide" grouping category, and eliminating the need for each grouping entry to also be included in an MPO Transportation Improvement Program (TIP).

Increasing Flexibility in the STIP Amendment Process

Currently illustrative projects are allowed to be listed in the STIP, but if a decision is made to move an illustrative project into a fiscal year, that project must go through the amendment process, which is time consuming and restricts the flexibility of maximizing available funds, especially at the end of a federal fiscal year. If illustrative projects are processed through an approved public involvement plan, they should be allowed to be used by the states to substitute for other projects that have encountered development issues, without any further administrative action.

Eliminate the STIP process from restricting Environmental Document Approval

The Federal Highway Administration is currently restricted to approving environmental documents only on projects that have the next phase of development listed in the STIP. This regulation should be abolished. States should be allowed to develop environmental documents on projects to establish their validity, then include project phases into the appropriate STIP year as funding projections allow. States must have the flexibility to develop an excess number of projects to be in a position to counteract a wide range of project development issues that are beyond their control, and to be in a position to take advantage of spending programs initiated locally or by Congress, such as the recent stimulus package.

States must be afforded the opportunity to use maximum flexibility in today's transportation climate and must be allowed the discretion to make choices on project selection because of the unknowns that can occur in the environmental, permitting, and right of way arenas that can adversely impact a project development schedule, thus affecting a state's ability to use federal funding to its fullest extent.

The STIP should be used as a planning document to provide the public a general sense of the direction a state is taking to solve transportation issues, not as a checkbook of fund balances.

VII. Regulatory Impacts to Project Delivery

In general, it is our belief that at the project level, when a NEPA document has been approved, new regulatory law, guidance, and endangered species listings should not impact the project development process.

Tennessee Valley Authority (TVA)

Under the TVA Act of 1933 and subsequent TVA policies, the department is regulated by TVA through NEPA and Section 26a of the TVA Act where projects occur in the Tennessee River Watershed. The majority of the state of Tennessee occurs in the Tennessee River watershed and the department experiences significant delays in getting projects under contract due to the regulatory hurdles imposed by TVA. In most cases the regulatory issues that are being addressed have previously been addressed by either FHWA or the Corps of Engineers through an environmental document, or by a Corps of Engineers Section 404 Permit. I have included as part my written testimony a comprehensive response to a recent Executive Order issued by President Obama regarding excessive, inconsistent, and redundant regulation that I believe better describes the impact of TVA regulation on department projects and programs that I believe is pertinent to this discussion.

Restrictive Regulatory Constraints concerning existing Transportation Assets

State and local governments are in need of relief from regulatory restrictions as they impact maintenance, repair, and rehabilitation of existing transportation assets.

Unlike the flexibility available when planning new facilities, agencies wishing to perform maintenance, repair and rehabilitation, must deal with transportation assets, particularly bridges, as they exist in their present location. Transportation agencies face many roadblocks in their desires to perform necessary activities to keep facilities in good condition and to improve safety.

The National Environmental Policy Act (NEPA), the Endangered Species Act, and the International Migratory Bird Treaty have impacted these maintenance types of projects by either delaying their implementation or significantly increasing the project cost.

Some examples of these types of project impacts are;

- The repair and rehabilitation of existing bridges have been denied permits to work in-stream even though the existing supporting substructures are in-stream.
- Some projects with prior permit approvals have been required to be re-designed due to changes in stream quality classifications, new species identification or updated permit agency policies.
- Construction seasons have been dramatically reduced due to permit restrictions in cases that involve endangered, threatened or protected species of bats, birds, fish and mollusks, during mating, nesting, migrating and spawning seasons.
- Construction projects underway have been stopped due to the discovery of some species not previously identified being present or some new species being added to the endangered, threatened or protected species list.
- Flushing of bridges to remove debris and bird droppings has not been allowed even though such matter would otherwise find its way into streams. Lack of permission leads to more rapid deterioration of bridges and endangers the health of bridge inspectors.

The transportation system is the backbone of our economy and the maintenance and repair of this system is the most critical function of transportation agencies across the country. Delays in delivering these types of projects has a significant impact on our budget, the economy, and the traveling public who many time experience the delays when construction is delayed or the project duration is lengthened due to environmental reasons.

Conclusion

I am honored that you have asked for my input in this important piece of legislation. The Tennessee Department of Transportation is a customer focused, data driven agency and we are proud of the transportation network we have created. We will continue to look for ways to improve our transportation system, but as part of a multi-year authorization bill, we need assistance from Congress to help us consolidate funding streams, maximize flexibility in federal programs, streamline project delivery, and reduce regulatory impacts to transportation projects and programs.

STATE OF TENNESSEE
DEPARTMENT OF TRANSPORTATION
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NASHVILLE, TENNESSEE 37243-0349
(615) 741-2848

JOHN C. SCHROER
COMMISSIONER

BILL HASLAM
GOVERNOR

March 24, 2011

Mr. John Horsley
Executive Director
AASHTO
444 North Capitol Street, NW
Suite 249
Washington, DC 20001

Dear Mr. Horsley:

In response to your letter dated February 3, 2011 as it pertains to revising or eliminating federal regulations that affect transportation, the Tennessee Department of Transportation is pleased to submit our recommendations. Ms. Donna Tamburelli will also be provided same via e-mail as requested by March 25, 2011.

We appreciate the opportunity to submit recommendations for regulatory changes that will enable states to do things better, faster and more cost efficient without sacrificing the environmental and other protections that pertain to federal regulations.

If further information is needed, please contact Mr. Joe Carpenter, Chief of Environment and Planning, at 615.741.2848 or by e-mail joe.carpenter@tn.gov.

Sincerely,

John C. Schroer
Commissioner

Attachments

JCS:KJC:MTD

Cc: Senator Lamar Alexander, W/Attach.
Senator Bob Corker, W/Attach.
Congressman Phil Roe, W/Attach.
Congressman John J. Duncan, Jr., W/Attach.
Congressman Chuck Fleischman, W/Attach.
Congressman Scott DesJarlais, W/Attach.
Congressman Jim Cooper, W/Attach.
Congressman Diane Black, W/Attach.
Congressman Marsha Blackburn, W/Attach.
Congressman Stephen Fincher, W/Attach.
Congressman Steve Cohen, W/Attach.
Ms. Donna Tamburelli, W/Attach.
Mr. K. Joe Carpenter, Jr., W/Attach.

AASHTO Review of Federal Regulations
Tennessee Valley Authority and Section 26a Permits

Title of Regulation, Statute or Policy Guidance:

Section 26a of the Tennessee Valley Act, as amended and implemented regulations issued by the Tennessee Valley Authority (TVA).

Citation/Dates of issuance:

TVA Act of 1933
TVA 1999 Shoreline Management Policy
TVA 2006 Land Management Policy
TVA 2007 Strategic Plan
TVA 2008 Environmental Policy

Description of Specific Issues, Problems, Shortcomings:

Regulatory background: Permits for protecting water resources and water quality, and the environment in general, which apply to transportation construction projects proposed by the Tennessee Department of Transportation (TDOT), are issued by Tennessee's state regulatory agency (Tennessee Department of Environment and Conservation or TDEC) under state law and under Section 401 of the federal Clean Water Act; and by the US Army Corps of Engineers' Regulatory Branches in respective district offices under Section 404 of the Clean Water Act. In making permit decisions, the Corps of Engineers prepares environmental documents under the National Environmental Policy Act (NEPA), typically Categorical Exclusions for water quality impacts that qualify for concurrence under their Nationwide Section 404 Permits; and Environmental Assessments / Findings of No Significant Impact (EA/FONSIs) for more significant impacts that do not qualify for coverage under a Nationwide Permit. Coverage under a Nationwide Section 404 Permit typically takes us 30 to 45 days to obtain, while issuance of an Individual Section 404 Permit normally takes from 90 days to six months to obtain. The Corps also regulates navigable waters under Section 10 of the Rivers and Harbors Act.

In addition to these permits, Section 26a of the TVA Act of 1933 charges TVA to regulate navigation, obstructions to water flow and storage, and impacts to TVA lands, within the Tennessee Valley watershed (described by that agency as an 80,000 square mile service area). As it regards to transportation construction projects, TVA has chosen to regulate TDOT under Section 26a with an all-encompassing definition of "obstruction", both above and below their reservoirs, such that virtually every TDOT project with even the slightest impacts to water resources requires a Section 26a Permit. They do this by defining nearly every impact, no matter how minor, as requiring an Individual Section 26a Permit. Each of these Individual 26a Permits has been defined by the TVA as a "major federal action" requiring a full NEPA investigation and issuance of an EA/FONSI prior to issuing the requested permits.

The Corps of Engineers, the appropriate federal regulatory agency for protecting Waters of the United States under the Clean Water Act, has determined that the vast majority of water resource impacts proposed by TDOT qualify for Nationwide Permit coverage. Therefore reserving Individual Permits for significant impacts such as permanent impacts to at least one-half acre or more of streams or wetlands, and then only when the specific water body being impacted has a "significant nexus" to interstate waters. The TVA, in contrast, having defined "obstructions" to water flow so rigidly as to include the lengthening of small culverts on minor streams as "obstructions", insists on issuing time-consuming Individual Section 26a Permits on nearly all TDOT projects. These permits typically take from 90 days when there are no "unusual" circumstances, to six months or more when the TVA staff is concerned about some aspect of the project. Unlike the Corps and the state regulatory agency, TVA has steadfastly refused to promulgate regulations to establish General 26a Permits. The average duration to obtain Section 26a permits in 2009 was 132 days, and the average in 2010 was 137 days.

Problem Statement: Despite TDOT's requests spanning a number of years, TVA has refused to issue regulations implementing General Section 26a Permits for lesser impacts. Approximately a decade ago when we began discussions about their stringent permit requirements, they simply said they did not want to issue General Permits because staff members preferred their use of Individual Permits. Within the last several months TVA staff has changed their opinion to say they cannot establish General Permits without an act of Congress. They say this despite the fact that more than a decade ago they had administratively decided to regulate projects only when the affected watershed encompassed one square mile or more, which they later rescinded to say all water resources must be regulated by TVA regardless of watershed area. In contrast to what TVA now says about Congressional restrictions on TVA's requirements, both of those decisions had been made without any corresponding changes in the TVA Act.

This regulation by the TVA is in most cases, in TDOT's view, redundant to the appropriate Corps of Engineers regulations under the Clean Water Act and NEPA. In addition to regulating the specific water resource impacts proposed in our projects, the Corps incorporates NEPA procedures and documents as part of their permit actions. For federally-funded projects, the Federal Highway Administration (FHWA) also incorporates NEPA requirements into their approval processes. When TVA regulates the same impacts on federally-funded projects, and prepares NEPA documents for their permits, TDOT feels that they are being redundant.

The TVA has identified one person that serves as a single point of contact with TDOT. Unfortunately, this person has no authority to expedite reviews under the 26a Permit processes and only has very limited authority to issue "letters of no objection" for projects with any impacts that would concern TVA. Meetings with our contact person and his superiors have also failed to identify anyone at TVA who has the authority and/or the willingness to address unreasonable reviews or significant delays caused by TVA staff. TDOT submits Section 26a Permit applications to the single point of contact and he distributes them to staff at one of the 12 TVA Land Management Offices, also known as Watershed Teams, with responsibility for certain geographic areas in our state. In addition to the reviews by members of one of the 12 teams, there are also apparently several review points among TVA headquarters staff that have not been clearly identified to TDOT. TDOT staff has been told that 26a Permit applications have to be signed off by persons "at 15 different desks" as one reason why the permits are not issued promptly.

While considering their permit actions, TVA goes far beyond what we believe to be an appropriate level of review. There have been numerous instances in which the State Historic Preservation Office (SHPO), upon receiving reports from TDOT's cultural resource experts, has approved our projects as having no impacts to historic or archaeological resources and no resources on or eligible for the National Register of Historic Places under appropriate federal and state legislation. Though these SHPO approvals are accepted by both the Corps and TDEC, TVA has frequently subsequently insisted on performing their own review and initiating their own correspondence with the SHPO. TVA has also ignored TDOT supplied project approvals relating to threatened and endangered species granted by the US Fish and Wildlife Service (USFWS), TDEC Natural Heritage Section, and the Tennessee Wildlife Resources Agency (TWRA). These approvals are accepted by both TDEC's regulatory section and the Corps of Engineers, but not by TVA. These unnecessary actions by TVA give the impression that they are doing stringent reviews of items to help ensure that their jobs continue to be considered "essential" in TVA organization.

TDOT has no problem with TVA regulating true obstructions to water flow according to hydraulic calculations, obstructions to water storage, or impacts to TVA land as long as the regulation is reasonable, proportional to the proposed impacts, and pursued timely. TDOT has issues with the project delays TVA causes when obstructions from the proposed TDOT projects are minimal and do not impact their land or reservoirs.

In all the years we have been regulated under Section 26a of the TVA Act, there is not a single instance in which the deliberations and delays of TVA have actually benefitted any water or cultural resource or threatened/endangered species in a TDOT project. These resources are all protected under laws and regulations (pertaining to the Corps of Engineers) put in place subsequent to the TVA Act, and more in tune with actual resource concerns and an appropriate regulatory environment. The only effect is that most projects within the Tennessee Valley requiring a 26a Permit usually take two or three times longer to obtain permits than for those projects not located in the Valley.

Examples of unnecessary actions by TVA:

1. In a recent project that had been approved by the USFWS and TWRA as having no threatened or endangered species at or near the project site, the TVA species reviewer insisted that TDOT do an on-site mussel survey for a species having no records at the site any more recent than 30 years ago. This insistence was based only on the reviewer's looking at a photograph of the project site. The TDOT biologist held several conversations and exchanged emails with the TVA species reviewer stating that he had been to the site and the species was not present and potential habitat for the species was extremely limited, but the TVA reviewer insisted on our doing the survey (or saying he would do the survey himself several months later when he had the time), before the Section 26a Permit could be issued. The subsequent mussel survey TDOT conducted confirmed the absence of any mussels in the project area. This TVA requirement delayed construction of the project by several months.

2. On another recent project, TDOT had received clearance from our cultural resource experts, approval from the SHPO, and concurrence from the Corps as having no resources eligible for or on the National Register of Historic Places. The TVA cultural resources reviewer insisted that to receive a 26a Permit, TDOT must study and report to TVA on a concrete wall that was inundated by lake water most of the time. Additionally, the wall was located off existing and proposed right-of-way and thus would not be disturbed by the project. TVA thought it may have been part of an old mill that had been

completely removed (except for the wall) years before. In addition, because the wall was under water most of the time, TVA's requirement delayed the project for nearly a year, for a non-impacted "cultural resource."

3. On a recent project with significant wetland and stream impacts requiring an Individual Section 404 Permit, the TVA decided to adopt the Corps' Environmental Assessment (EA) instead of writing their own. Due to concerns about mitigation of the wetland and stream impacts, it took approximately eight months for the Corps to complete their approval process and prepare their EA. The TVA does not regulate or approve wetland impacts or mitigation, and could have thus written their own EA/FONSI at the beginning of the permit process. Since the TVA waited for the Corps EA, which was concentrating on issues of no importance to TVA, the 26a Permit - which could have been issued five months into the process after the state agency issued its Section 401 Water Quality Certification, has now taken nine months and counting. The TVA has unnecessarily delayed the project for months after the TDEC approval and weeks after the Corps approval were received. To date, we still have yet to receive the 26a Permit, after submitting our permit application more than nine months prior.

Recommendations for Modification, Elimination:

We do not make these recommendations lightly. It is only after years of discussions with TVA personnel, to no avail both at the operational and executive levels that we believe the only recourse is through Congressional or high-level Executive Branch corrections or interventions. We are of the opinion that TVA's insistence that they cannot change their levels and methods of scrutiny and regulation is little more than bureaucratic unwillingness to improve their operations. Since they insist, rightly or wrongly, that Congress must be involved in improving their processes, we make the following recommendations.

The Tennessee Department of Transportation recommends that the Tennessee Valley Authority (TVA) be required, by act of Congress or action of higher levels of the Executive Branch, as appropriate, to:

- Revise their definitions of "obstructions to water flow" to include only those "obstructions" that are real – instances where the hydraulic capacity of the water conveyances on the project would actually be materially reduced as determined by TDOT hydraulic calculations.
- Exempt from regulation using Individual Section 26a Permits any proposed projects that are not physically located on a TVA reservoir or that directly impact TVA fee-owned land.
- Promptly promulgate regulations establishing a General Section 26a Permit category for projects that cause real obstructions to hydraulic capacity but are not located on a TVA reservoir and do not directly impact TVA fee-owned land.
- Promptly issue "letters of no objection" for projects that are not physically located on a TVA reservoir, do not directly impact TVA fee-owned property, and do not materially reduce the hydraulic flow capacity, as determined by TDOT's hydraulic calculations, of the water conveyances on the project.
- Cease regulating projects under requirements of NEPA when NEPA documents are already being processed by the Corps of Engineers and/or Federal Highway Administration, except on reservoirs or TVA-owned land. If TVA is to administer NEPA

requirements at all, TVA should be required to simply and promptly accept the NEPA document prepared by the Corps or approved by the FHWA, whichever is completed first. TVA's NEPA requirements should be defined as requiring an EA/FONSI only on Individual Section 26a Permit actions, with the use of categorical exclusions for all other projects requiring any TVA NEPA process.

- Cease issuing permits under Section 26a in cases where the same water resources are being regulated under the Clean Water Act by the Corps of Engineers, excepting real obstructions to water flow, or impacts located on TVA reservoirs or TVA fee-owned land.
- Set strict timeliness regulations governing their own staff, such that Individual Section 26a Permits cannot take more than 90 days to process in all but the most unusual circumstances.
- Be required to accept the determinations of the State Historic Preservation Office for cultural resources, and the USFWS for threatened or endangered species, without time-consuming TVA reviews and approvals of the reports that lead to those determinations or of the determinations themselves.
- Seriously limit the level and number of TVA staff reviews required during the Individual Section 26a Permit process, significantly reducing the number of locations and number of staff persons responsible for signing off on the permits.

Name of Person Submitting:

Tennessee Department of Transportation
Suzanne B. Herron, Director of Environmental Division

AASHTO Committee of Interest:

Standing Committee on Environment

AASHTO Review of Federal Regulations

Title of Regulation, Statute or Policy Guidance:

Title 23- Highways
Subpart D- general material requirements

Citation/Dates of issuance:

23 CFR635.411/ April 1, 2001

Description of Specific Issues, Problems, Shortcomings:

Section 635.411 material or product selection allows the restriction of a patented or proprietary product to be loosened.

The time necessary to get permission for an item is unaccepted periodically due to project schedules.

Recommendations of Modifications, Elimination:

Allow the Transportation Commissioner, State Engineer, department finance director or their designee in the state to approve the use of a specific material or product. This would allow the approvable to be closer to the point of need and as such approval/ denial could be made from the vantage point of product need instead of procedural action only.

This approval could be connected to a cost per item limit or a limited group of item types or item number groups, etc.

Name of Person Submitting:

Tennessee Department of Transportation
Steve Allen, Director of Project Planning

AASHTO Committee of Interest:

\# 31062

AMERICAN ASSOCIATION OF
STATE HIGHWAY AND
TRANSPORTATION OFFICIALS
AASHTO
THE VOICE OF TRANSPORTATION

SUSAN MARTINOVICH, P.E., PRESIDENT
DIRECTOR, NEVADA DEPARTMENT OF TRANSPORTATION
JOHN HORSLEY, EXECUTIVE DIRECTOR

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February 3, 2011

TN Dept. of Transportation
Commissioner's Office
RECEIVED

FEB 08 2011

John Schroer
Commissioner
Tennessee Department of Transportation
James K. Polk Bldg., Suite 700
Nashville, TN 37243-0339

Dear Mr. Schroer:

Just two weeks ago President Obama issued an executive order calling on all federal agencies to conduct a review of their regulations with the aim of avoiding "excessive, inconsistent, and redundant regulation," and to see if helpful revisions can be made. President Susan Martinovich has directed me to contact each state CEO and each AASHTO committee and subcommittee chair to request their assistance in developing recommendations for revising or eliminating regulations. AASHTO will submit these recommendations to U.S. DOT regarding the department's regulations and to OMB regarding regulations that affect transportation from other federal agencies.

We are looking for regulatory changes that will enable states to do things better, faster, and cheaper, but without sacrificing the environmental and other protections the regulations were intended to provide when originally issued. Both FHWA and U.S. DOT's General Counsel have said that they welcome our input.

We would greatly appreciate the assistance of your staff in identifying regulations that hinder your department's ability to plan, design, deliver, and manage projects – as well as to maintain and operate your state's transportation system in an efficient and effective manner. We would also appreciate your recommendations as to how these regulations can be improved. Examples we have identified that you may want to consider include EPA's potential regulations regarding storm water, CEQ's guidance on Categorical Exclusions, and FHWA's restrictions on State DOT use of proprietary products.

Please submit your recommendations regarding regulations that should be changed and how they should be changed, using the attached template, to Donna Tamburelli at donnat@aashto.org by March 25. This will allow us to consolidate the recommendations we receive from all states and committees into a combined AASHTO set of recommendations by the end of the first week of April.

Susan sees this as a great opportunity to ask for changes that could prove helpful in accelerating project delivery, reducing state costs, and improving the responsiveness of states to the citizens we serve. We strongly agree with her.

We greatly appreciate your assistance.

Sincerely,

John Horsley
Executive Director

RECEIVED
FEB 08 2011
CONSTITUENT SERVICES

Attachment

AASHTO Review of Federal Regulations

Title of Regulation, Statute or Policy Guidance:

Citation/Dates of issuance:

Description of Specific Issues, Problems, Shortcomings:

Recommendations for Modification, Elimination:

Name of Person Submitting:

AASHTO Committee Of Interest:

Senator BOXER. Thank you so very much.

Our next witness is from the Regional Plan Association. Mr. Wright, would you explain to us before your time begins who you actually represent, which States? We welcome you.

Mr. WRIGHT. Thank you. Regional Plan Association is a civic non-profit group based in New York City, New Jersey and Connecticut.

STATEMENT OF THOMAS K. WRIGHT, EXECUTIVE DIRECTOR, REGIONAL PLAN ASSOCIATION

Mr. WRIGHT. Good morning and thank you for the opportunity to submit testimony to the Senate Committee on Environment and Public Works. Thanks in particular to Senator Lautenberg, who I interned for 23 years ago, to return here today.

My name is Tom Wright. I am executive director of Regional Plan Association. We are America's oldest independent regional planning research and advocacy group. Since 1922, Regional Plan Association has prepared long-range plans and policies to guide the growth and development of the New York-New Jersey-Connecticut metropolitan region.

Looking forward from 2000 to 2050, the Census Bureau forecasts that America will grow by 158 million people, reaching a total population of 439 million. That is more than the 120 million people that America added from 1950 to 2000 during the rapid growth years following World War II and during which time America built the entire Interstate highway system.

Most of the growth in this country will take place in mega-regions, the large networks of metropolitan regions such as the Northeast, Southern California, the Texas triangle, and the Arizona sun corridor. Mega-regions are the new competitive units in the global economy. They are competing with a similarly sized global integration zones of Europe and Southeast Asia, where tens of billions of dollars in investments have been made in high-speed rail and goods movement systems to support the highly mobile work force of the global economy.

Nationally, we should be developing intercity rail corridors of up to 500 miles in length to promote alternatives to air and road travel. While we support the creation of new high-speed rail corridors, it is important to note that simply providing frequent, reliable higher-speed service of 100 miles per hour in dense corridors would result in major increases in ridership.

For instance, the Northeast Corridor moves approximately three-quarters of a million people per day to their jobs. These movements are critical to the Northeast's $2.6 trillion economy, which accounts for roughly one-fifth of the U.S. GDP. Imagine if 750,000 additional daily passengers were suddenly added to I–95 and the Northeast's major airports. Our transportation network would come to a standstill.

Within metropolitan regions, we must continue to invest in our public transportation systems as economic development tools. Our metropolitan regions can accommodate the projected increases in population if we focus density in development near transit. There are 900 stations in the New York region. All should and could be focal points for development and smart growth.

The New York-New Jersey-Connecticut metro region boasts the highest use of public transit anywhere in the country, and yet our systems are struggling because of a history of taking on debt to cover operating costs and a lack of funding for capital improvements to expand our capacity. As everyone is aware, last fall Governor Christie in New Jersey canceled the access to the region's core project, citing concerns over potential cost overruns.

ARC would have been New Jersey and New York's biggest investment in transit ever. It would have doubled the number of trains that can travel every morning into the economic engine of the region from west of the Hudson River.

The 1996, 2002 and 2003 New Jersey Transit significantly improved train service with Midtown Direct, the Montclair Connection and the Secaucus Junction. Each of these projects shaved up to 20 minutes in travel times to midtown Manhattan and created a jump in ridership. Collectively, these projects increased the number of New Jerseyans living within a 70-minute commute of midtown Manhattan, from around 1.6 million to about 2 million people.

Not surprisingly, the number of riders taking New Jersey Transit trains into New York has quadrupled from about 10 million a year to over 40 million a year over the past three decades. These projects also increased property values of homes within 2 miles of train stations. Based on a regression analysis of 45,000 home sales, RPA has calculated that every minute saved from a transit trip to midtown Manhattan adds almost $3,000 to the value of a home within a half-mile of a train station.

Building a new tunnel under the Hudson River would double the number of New Jerseyans living within a 50-minute commute to midtown Manhattan, from about 750,000 to 1.5 million. On average, stations would see a travel time improvement of 10 minutes and homes within a half-mile of those stations would gain $29,000 in value. Cumulatively, homes within 2 miles of a train station would gain about $18 billion in additional value, representing an additional $375 million a year in property tax revenues for the municipalities affected.

These findings are consistent with other national studies which have identified a strong link between transit service and economic benefits. Houses immediately adjacent to San Francisco's BART sold for nearly 38 percent more than identical houses in areas not served by BART. Residential rents decreased by 2.4 percent for every one-tenth of a mile further from Washington, DC. Metro stations.

As politically difficult as it may be, we must find a way to pay for these investments. New capacity is a prerequisite for economic growth in metropolitan regions where we face limited roadway, transit and airport capacity.

We urge the committee to consider a range of options to generate more funding for transportation investments, such as raising and indexing the gasoline tax to inflation, implementing user fees such as VMT charges, and supporting public-private partnerships.

Second, we strongly support proposals for a national infrastructure bank, which would provide loans and grants for priority infrastructure projects evaluated on a competitive basis. New Federal financing tools could help leverage local revenue streams that voters have approved through local ballot initiatives to support specific packages of transportation improvements.

In closing, there is no more suitable role for the Federal Government than to support the Nation's future growth with long-term investments in infrastructure that promote economic prosperity, a healthy environment, and the freedom of movement across our landscape. These opportunities are most vital in the Nation's metropolitan areas, where economic activity and people are concentrated.

Thank you for the opportunity to share this research with you this morning.

[The prepared statement of Mr. Wright follows:]

Written Testimony to the Senate Committee on Environment and Public Works
Thomas K. Wright, Executive Director, Regional Plan Association

April 6, 2011

Thank you for the opportunity to submit testimony to the Senate Committee on Environment and Public Works. I am executive director of Regional Plan Association (RPA), America's oldest independent regional research and advocacy group. Since 1922, RPA has prepared long range plans and policies to guide the growth and development of the New York- New Jersey-Connecticut metropolitan region. We enjoy broad support from the region's and nation's business, philanthropic, civic, and planning communities.

In 1996 RPA released its Third Regional Plan, "A Region at Risk," which recommended several major infrastructure and community development investments for the tri-state metropolitan region. We identified 11 regional downtowns where the majority of population and employment growth in the region should be focused; 11 regional reserves that defined the open space, watersheds and landscapes, and three major transit investments to build capacity in our transit network. These infrastructure projects became the Second Avenue Subway, East Side Access, and Access to the Region's Core. To pay for these major investments, we proposed a series of new revenue sources, including charging drivers who enter the region's Central Business District.

RPA, through its national infrastructure planning and policy program, America 2050, also provides leadership on national infrastructure, sustainability, and competitiveness concerns. RPA believes that a set of investments in high-speed intercity passenger rail, regional rail, and local transit are needed in our nation's most populous metropolitan regions and megaregions to provide capacity for economic growth and to provide Americans with more transportation choices that do not rely on the import of foreign oil. From 2000 to 2050, the U.S. Census Bureau forecasts that America will grow by 158 million people, reaching a total population of 439 million. That's more than the 120 million people that America added from 1950 to 2000, during the rapid growth years following World War II and in which time America built the entire Interstate Highway System. But America has outgrown the Interstate system and can no longer support the costs of automobile-dependent growth patterns on households, the environment, and the global implications of our dependence on foreign oil.

RPA's analysis of land use trends indicates that most of the growth in this country will take place in metropolitan areas, and specifically, in ten or more "megaregions" -- large networks of urbanized areas like the Northeast Megaregion, which stretches from Boston to Washington, D.C. We consider these megaregions – places such as Southern California, the Texas Triangle and the Arizona Sun Corridor – the new competitive units in the global economy. They are competing with the similarly-sized "global integration zones" of Europe and Southeast Asia, where tens of billions of dollars in investments have been made in high-speed rail and goods movement systems to support the highly-mobile workforce of the global economy.

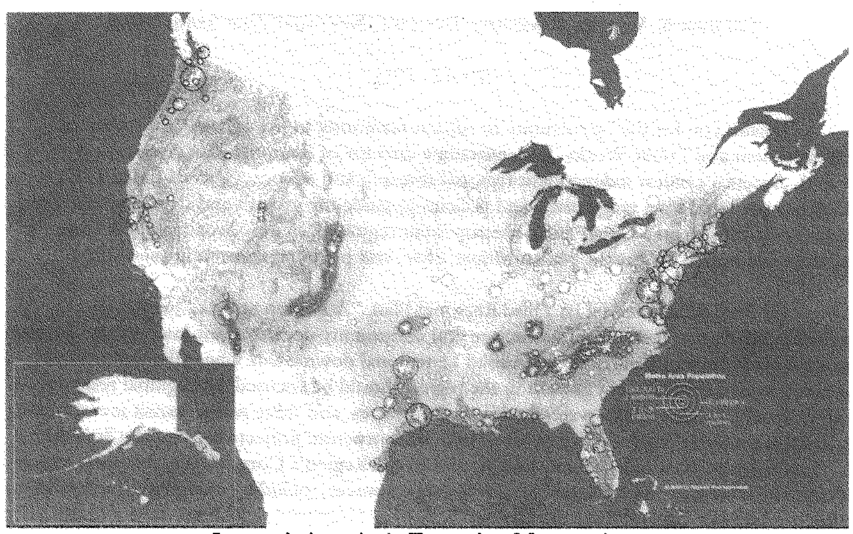


Image 1: America's Emerging Megaregions

If America is to compete internationally, accommodate rapid population growth, and preserve the quality of life and environment in its metropolitan regions, it must make dramatic investments in its metropolitan and megaregional infrastructure systems. Much in the manner of the Interstate Highway Act of the last century, our surface transportation policy must provide a bold framework for another half century of growth and development in America. In doing so it will need to accommodate population growth, move goods, and transition to alternative energy sources and alternative transportation options that can be supported by increased density.

Nationally, we should be investing in and developing intercity rail corridors of up to 500 miles in length to promote attractive alternatives to air and road travel. Funding for intercity rail should not go through a separate authorization and appropriations process, but should be integrated in the surface transportation bill to facilitate greater coordination among modes and more options for intercity travel. While we support the creation of new, high-speed rail corridors on separate rights-of-way, it is important to note that simply providing frequent, reliable, "higher" speed service of 110 mph in dense corridors would result in major increases in ridership.

For instance, the Northeast Corridor moves approximately three-quarters of a million people per day to their jobs or among the major downtown business hubs of the Corridor. These movements are critical to the Northeast's $2.6 trillion economy, which accounts for roughly one-fifth of the U.S. GDP. Imagine if 750,000 additional daily passengers were suddenly added to Interstate-95 and the Northeast's major airports (already the most congested in the nation). Our transportation networks would come to a standstill, as they regularly do already, because of their inadequate capacity and failure to meet existing demand.

Within metropolitan regions, we must continue to invest in our public transportation systems as economic development tools. Our metropolitan regions can accommodate the projected increases in population in this country if we focus density near transit to support healthy lifestyles and a healthy environment. There are 900 transit stations in the New York region; all should and could be focal points for development and smart growth.

The New York/New Jersey/Connecticut metropolitan region boasts the highest use of public transit anywhere in the country (68% of the region uses public transit compared to 9% in the rest of the country). And yet our systems are struggling because of a history of taking on debt to cover operating costs and a lack of funding for capital improvements to expand capacity in the region. While both East Side Access and the Second Avenue Subway are currently under construction, the MTA's current 5-year capital plan is only partially funded. And as everyone is aware, last fall Governor Christie in New Jersey cancelled the ARC project, citing concerns over potential cost overruns. ARC would have been New Jersey and New York's biggest investment in transit ever. It involved the construction of a second commuter rail tunnel that would have connected NJ TRANSIT's existing rail network with a new terminal station at 34th Street in Manhattan. ARC would have doubled the number of trains that can travel every morning into the economic engine of the region from west of the Hudson River. For several train lines that currently terminate in Hoboken or Newark, ARC would have provided new, direct service to Midtown. For those lines that already terminate at Penn Station-NY, ARC would have significantly increased the frequency and reliability of service.

While the cost of these projects is very high, we also know that these investments will have extraordinary economic benefits. So last year we undertook a research project to calculate just one of the economic benefits – the effect of transit on nearby housing values -- that previous transit investments in New Jersey have generated and estimate what future investments could produce. The purpose of this analysis was to assess how this increased access to Midtown would increase the attractiveness of transit-accessible housing, as reflected in home values near train stations.

In 1996, 2002 and 2003, NJ TRANSIT significantly improved train service with Midtown Direct, the Montclair Connection, and the Secaucus Junction. Each of these projects shaved up to 20 minutes in travel time to Midtown Manhattan (up to 40 minutes roundtrip). And each of these projects created a jump in ridership on those lines, as illustrated below:

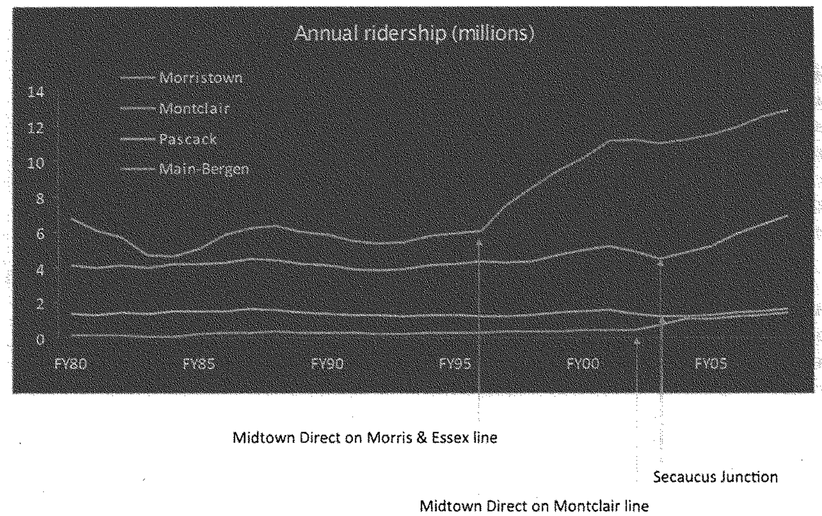


Image 2: Annual Ridership on NTRANSIT Corridors

Collectively, these projects increased the number of New Jerseyans living within a 70-minute commute of Midtown Manhattan from around 1.6 million to about 2 million. Not surprisingly, the number of riders taking NJ TRANSIT trains into New York has quadrupled (from 10 million to over 40 million a year) over the past three decades.

Based on the increased ridership, RPA set out to determine whether property values in these communities increased as a result of these transit investments. We relied on a multiple regression analysis of 45,000 home sales (sampled before and after NJ TRANSIT's three projects were built, and within two miles of the train stations) in order to identify the specific value of improved transit service. RPA calculated that every minute saved from a transit trip to Midtown Manhattan generated the following increase in property values for homes around train stations:

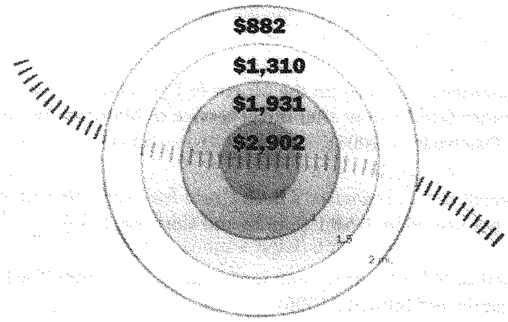


Image 3: The Value of a Minute of Travel Time Savings to Midtown Manhattan

Based on this relationship, RPA determined that the average increase in home sale prices that can be attributed to reduced travel times to Midtown Manhattan is $23,000 for all homes within two miles of stations, or 5% of the median property value in the area. Homes within walking distance of the station (one half-mile) saw a larger increase, gaining $34,000 in value, or 7.5% of the median sales value. (These results assume an average travel improvement of 12 minutes, and a median home value of $451,000.) Cumulatively, the increase in value for all these homes was estimated to be $11.1 billion. At 2009 property tax levels, that represents an additional $250 million a year in property tax revenue for all municipalities affected.

Once we had calculated the benefits from three previous investments, RPA set out to estimate the potential benefit of building a new transit link under the Hudson River. For over a decade, planners in New York and New Jersey have focused on the need to reduce delays and congestion on the single biggest choke-point in the Northeast Corridor – the Hudson River. A new tunnel under the River would double the capacity of the system, providing faster rides and fewer delays for riders throughout the entire Northeast Corridor, but especially for the 75,000 riders taking NJ TRANSIT to New York Penn Station every day.

RPA calculated the time savings which a new tunnel under the Hudson River would provide to NJ TRANSIT riders, and then calculated the economic development benefits to homes around each and every train station in the NJ TRANSIT system. On average, stations could see a travel improvement of 10 minutes, and homes could increase in value by $19,000 if they were located within 2 miles of stations. On average, homes within one half-mile of those stations would gain $29,000 in value.

Cumulatively, this means that homes near a train station would gain $17.9 billion from a new transit tunnel under the Hudson River. At 2009 property tax levels, that represents an additional $374 million a year in property tax revenue for all municipalities affected.

These findings are very consistent with other national studies, which have identified a strong link between transit service and economic benefits. Similar research by RPA and other groups has shown:

- Homes within walking distance of stations on the Morris & Essex line increased in value by $90,000 more than homes farther away after direct service to Midtown Manhattan was inaugurated in 1996 (Michaelson, 2004).

- Houses immediately adjacent to San Francisco's BART sold for nearly 38% more than identical houses in areas not served by BART (Landis and Cervero, 1995).

- Residential rents decreased by 2.4% for every one-tenth mile further from Washington DC Metro stations (Benjamin and Sirmans, 1996).

- Single-family houses in communities served by Boston's commuter rail were worth 6.7% more than similar homes in other communities (Armstrong, 1994).

- In Chicago, the prices of single-family houses located within 1,000 feet of stations were 20% higher than comparable houses located a mile away (Gruen, 1997).

- Median home prices in the Philadelphia region were 10% higher in census tracts served by PATCO rail line, and 4% higher in tracts served by SEPTA rail line (Voith, 1991).

This research has several major implications for the work of this Committee.

- ***Higher property values are a reflection of a more efficient economy and improved access to jobs.*** More efficient commuter travel means that employers have access to a larger workforce, and that workers have access to more jobs. Improving New Jersey and New York State residents' access to Manhattan from west of the Hudson River is particularly important since average wages in the region's economic hub are 60% higher. Reduced commuting times also mean more hours in the day that can be spent either for work or leisure.

- ***Better train service increases local and state tax bases, and will reduce pressure to increase tax rates.*** As transit increases the value of land and built properties near stations, and as new residents and new businesses move into the transit-served communities, so will municipal and state tax bases. This new property, income and sales tax revenue could help to improve municipal and state services and reduce pressure to increase tax rates.

- ***The economic development and quality-of-life-improving potential of improved transit can best be harnessed by building new, transit-oriented, mixed-use, economically diverse development around train stations.*** That the greatest gains in value happened closest to stations is an indication that the most effective way to harness the economic benefits of transit is to build densely around stations. New districts of housing, office and retail that are tightly knit around stations would revitalize downtowns, boost local economies, increase tax revenues, and generally have a larger positive economic impact with smaller traffic and infrastructure costs.

- ***Transit agencies and municipalities should work together to optimize benefits for the most residents possible.*** The additional capacity that an investment provides can be distributed throughout the rail network in an infinite number of ways, as service plans are defined in the future. Decisions about how to allocate additional service to particular lines and stations should be based on existing and future ridership and on other efficiency considerations, and not on political factors. The transit agencies should reward municipalities that attract new dense development around station with better service.

As politically difficult as it may be, we must find a way to pay for these investments. New capacity it is a prerequisite for economic growth in metropolitan regions where economic growth is meeting the artificial constraints of limited roadway, transit, and airport capacity.

We urge the committee to consider a range of options to generate more funding for transportation investments, such as raising and indexing the gasoline tax to inflation; implementing user-fees such as VMT charges; and supporting public-private partnerships. Secondly, we strongly support proposals for a National Infrastructure Bank, which would provide loans and grants for priority infrastructure projects, evaluated on a competitive basis on the project merits. New federal financing tools could help leverage local revenue streams that voters have approved through local ballot initiatives to support specific packages of transportation improvements.

There is no more suitable role for the federal government than to chart the direction of the nation's future growth with long-term investments in infrastructure that will promote economic prosperity, a healthy environment and the freedom of movement across the nation's rich landscape. These opportunities are most possible in the nation's metropolitan areas where economic activity and people are concentrated and where more tools, resources, and policies are needed to direct investments to these areas.

Thank you for the opportunity to share this research with you this morning.

NJ CT NY
Regional Plan Association

May 17, 2011

Questions from Senator Thomas R. Carper
Responses by Thomas Wright, Executive Director, Regional Plan Association twright@rpa.org

Question:
Traditionally, passenger rail has not been included in the transportation bill. Passenger rail has been addressed through authorizations and appropriations for Amtrak. The Administration has proposed the creation of a Transportation Trust Fund, which will provide eligibility for additional transportation modes than are currently eligible under the existing Highway Trust Fund. What are your recommendations for incorporating passenger rail into the Transportation Bill?

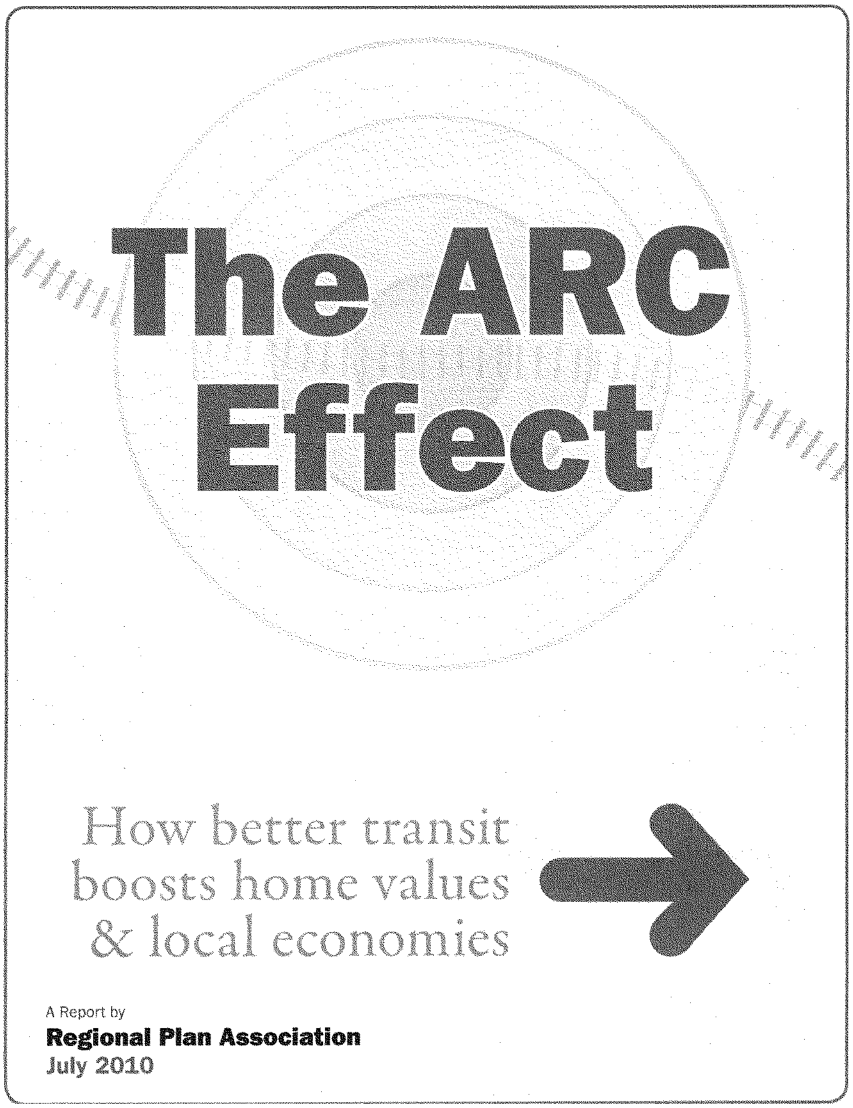
Answer:
Regional Plan Association strongly supports the inclusion of passenger rail in the surface transportation bill, providing eligibility for passenger rail under the Transportation Trust Fund. Indeed, until passenger rail can rely on dedicated funding, as transit and highway modes do, the program will always suffer from the uncertainty of annual Congressional appropriations.

Ideally, a blend of revenue sources could combine to provide dedicated funding for passenger rail. For instance, the combination of a penny on the gas tax (generating approximately $1.2 billion annually), a $1 surcharge on passenger rail tickets ($28.7 million), and a 1% surcharge on oil imports ($4.3 billion) could combine to produce approximately $5.5 billion a year. This would be a great start for steady funding with which to grow a national passenger rail program.

Question:
Our transportation system – including highways, transit, and aviation – are experiencing incredible strain. Road congestion wastes almost 4 billion gallons of fuel per year – that is equal to 130 days of flow in the Alaska Pipeline. In many regions, such as the Northeast, it will be very difficult to add additional highway and aviation capacity. How important is high speed rail to provide greater mobility for Americans?

Answer:
One of the greatest potential benefits of high-speed rail is to provide capacity for economic growth in regions that are currently reaching capacity on their roads, runways, and rails, such as the Northeast Megaregion, California, and the Chicago hub network. Simply put, we cannot build enough roads or airports to accommodate the growth in travel that our Megaregions will experience in the next 40 years. High-speed rail provides capacity for new intercity trips in a more land efficient fashion than highways. For example, the right-of-way width of a typical high-speed rail line is about 82 feet, approximately one-third the width of a comparable, three lane highway (246 feet). This difference in land use amounts to a savings of 24.3 acres per mile of high-speed rail, or almost 11,000 acres for the 450-mile Boston to Washington corridor.

High speed rail also provides secondary benefits that new highways and airport runways do not such as connecting city centers to each other; promoting urban regeneration and infill development; reducing motor fuel use and having the potential to be powered by clean, renewable energy; and strengthening the labor markets and agglomeration economies of metropolitan areas.



The ARC Effect

How better transit boosts home values & local economies

A Report by
Regional Plan Association
July 2010

NJ TRANSIT'S PAST PROJECTS HAVE BOOSTED LOCAL ECONOMIES, AND **ARC** WILL TOO

Acknowledgements

This report was written by Juliette Michaelson, Senior Planner, with Senior Fellow Jeff Zupan, Research Associate Andrew Turco, and Associate Planner GIS Frank Hebbert.

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Executive Summary

A statistical analysis of the effect of three recent improvements to NJ TRANSIT's rail system on home values predicts that ARC – a new commuter rail tunnel to Midtown Manhattan – could add a cumulative $18 billion to home values within two miles of NJ TRANSIT and Metro-North Port Jervis and Pascack Valley train stations. This, of course, is just one of ARC's several long-term economic benefits, which also include an overall increase in the region's economy, new jobs on both sides of the Hudson, higher personal incomes, higher commercial property values, and reductions in driving and air pollution.

Hedonic price modeling of 45,000 home sales within two miles of train stations shows that three improvements to the NJ TRANSIT rail system – Midtown Direct Service on the Morris & Essex Line, the Montclair Connection for the Montclair-Boonton Line and Secaucus Junction for the Pascack Valley and Main/Bergen/Port Jervis Lines – increased the value of nearby homes by an average of nearly $23,000 per home (in 2009 dollars). Homes within walking distance of train stations gained the most value – up to $34,000. Value appreciations were less significant farther from stations.

Cumulatively, these three projects boosted home values by $11 billion. This represents $250 million a year in new property tax revenue for municipalities.

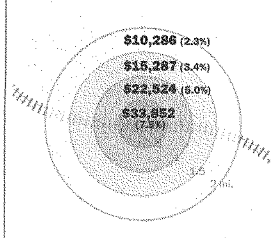
- A detailed comparison of the trip time reductions provided by these three projects with the trip time reductions expected from ARC reveals that **ARC could raise home values by an average of $19,000 per home**, and up to $29,000 for homes within one-half mile of stations.

- **Cumulatively, ARC could boost home values by $18 billion**, and generate $375 million a year in new property tax revenue for municipalities. This is significant as growing tax bases relieve pressure for municipalities to increase tax rates.

- **The number of residents west of the Hudson River with a train commute to Midtown of under 50 minutes will double after ARC**, thanks to faster commuting times. The number of people within 70 minutes of Midtown will increase by 25%. This extraordinary improvement in access will have significant positive economic impacts for families and municipalities across New Jersey and New York, as wages are 60% higher in Manhattan than west of the Hudson.

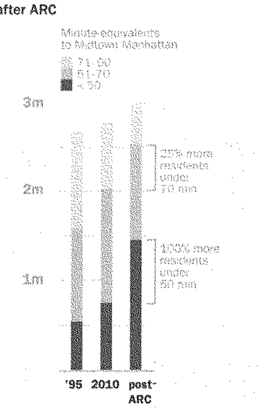
- **The economic development and quality-of-life-improving potential of better transit can best be harnessed by building new, transit-oriented, mixed-use, economically diverse development around train stations.** NJ TRANSIT, Metro-North, municipalities, and the state of New York and New Jersey should work together to optimize ARC's benefits for the most residents possible.

Homes near train stations significantly gained in value after Midtown Direct, Montclair Connection and Secaucus Junction – an average of $23,000 per home, with the highest gains closest to the stations



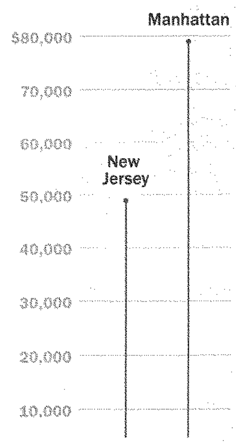
Median sale price (FY09 dollars): $451,000
Average trip-time improvement: 12 minutes
Price increase over 9 years

Thanks to faster commute time, the number of New Jersey and New York residents with a train commute to Midtown of under 50 minutes will double after ARC



See box on page 6 for a definition of minute-equivalents

The median wage earned in Manhattan is 60% higher than in New Jersey
(Source: Bureau of Labor Statistics, 2009)



The ARC Effect: How better transit boosts home values and local economies

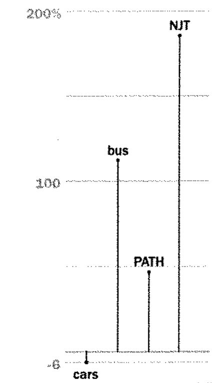
Introduction

ARC is New Jersey and New York's biggest investment in transit ever. It involves the construction of a second commuter rail tunnel that will connect NJ TRANSIT's existing rail network and Metro-North's Port Jervis and Pascack Valley service with a new terminal station at 34th Street in Manhattan. ARC will double the number of trains that can travel every morning into the economic engine of the region from west of the Hudson River. For several train lines that currently terminate in Hoboken or Newark, ARC will provide new, direct service to Midtown. For those lines that already terminate at Penn Station-NY, ARC will significantly increase the frequency and reliability of service.

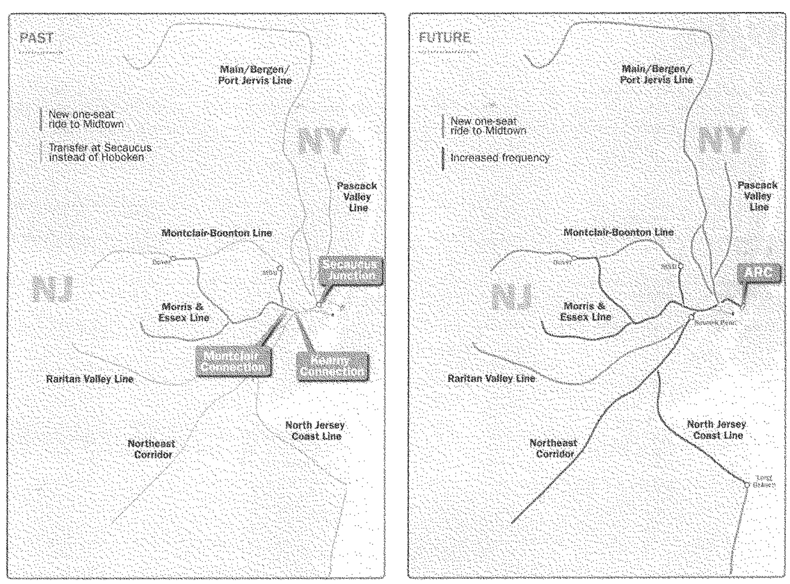
The purpose of this analysis is to assess how this increased access to Midtown will increase the attractiveness of transit-accessible housing, as reflected in home values near train stations.

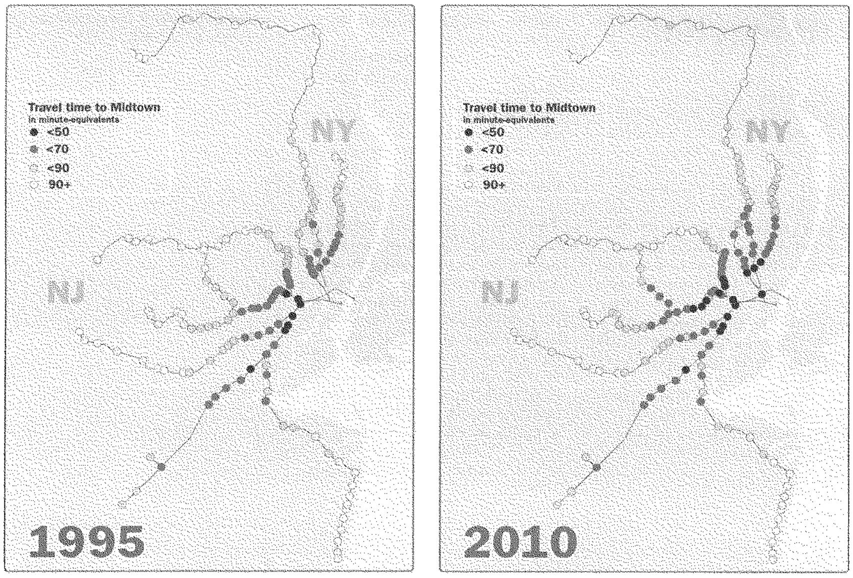
This prospective analysis is based on past experience. In 1996, 2002 and 2003, NJ TRANSIT significantly improved train service with Midtown Direct Service on the Morris & Essex Line, the Montclair Connection for the Montclair-Boonton Line, and Secaucus Junction for the Pascack Valley and Main/Bergen/Port Jervis Lines. Each of these projects shaved up to 20 minutes in travel time to Midtown Manhattan (up to 40 minutes roundtrip). Anecdotally, there is little doubt that most of the communities along these four train lines experienced increases in home values due to the improved service. This statistical analysis attempts to measure quantitatively the relationship between home values and improved train service, all things being equal, as reflected in 45,000 home sales, before and after the projects were built, within two miles of the train stations.

Increase in Hudson River crossings, by mode since 1980



How past and future capital projects have improved, and will further improve, rail access to Manhattan from west of the Hudson.

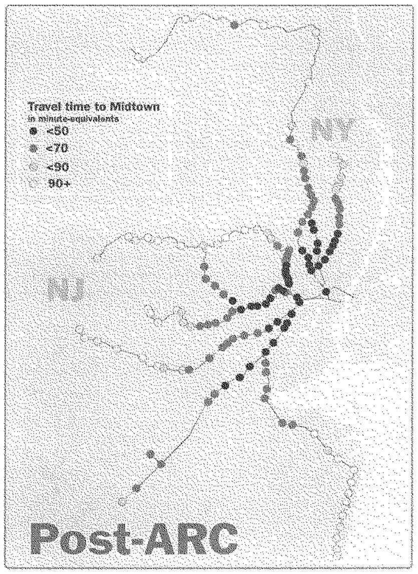




A reasonable commute of 50 or 70 minute-equivalents gets passengers much farther into New Jersey and New York now than before Midtown Direct, Montclair Connection and Secaucus Junction. The improvements will be even more dramatic after ARC. (All travel times calculated for the morning peak two-hour period. See box on page 6 for an explanation of minute-equivalents.)

	Improvement	Lines affected	Travel Improvement: Travel time	Frequency	Transfers
	Midtown Direct	Morris & Essex	Reduction in travel time due to a) loss of transfer and b) loss of wait time for second train	Same frequency but half the trains now go to Penn Station-NY instead of Hoboken	One-seat ride instead of transfer to PATH at Hoboken
	Montclair Connection	Montclair-Boonton (MSU and east)	Reduction in travel time due to a) loss of transfer and b) loss of wait time for second train	Increased frequency but half the trains now go to Penn Station-NY instead of Hoboken	One-seat ride instead of transfer to PATH at Hoboken
	Secaucus Junction	Main/Bergen/Port Jervis; Pascack Valley	Reduction in travel time due to faster service to Penn Station-NY on NJT via Secaucus than on PATH via Hoboken	Same frequency	One transfer still required – now at Secaucus instead of Hoboken
Future	**ARC**	Northeast Corridor; Morris & Essex (MSU and east); Montclair-Boonton; North Jersey Coast	Slight improvement in travel time due to increased system reliability	Increased frequency	Same one-seat ride
	ARC	Main/Bergen/Port Jervis; Pascack Valley; Raritan Valley	Reduction in travel time due to a) loss of transfer and b) loss of wait time for second train	Increased frequency but some trains will go to Penn Station-NY instead of Hoboken or Newark	One-seat ride instead of transfer to NJT at Secaucus or Newark, or to PATH at Hoboken
	ARC	Montclair-Boonton past MSU; North Jersey Coast past Long Branch; Morristown past Dover	Reduction in travel time due to a) loss of transfer and b) loss of wait time for second train	Increased frequency but some trains will go to Penn Station-NY instead of Hoboken or Newark	One-seat ride instead of same-platform transfer to electrified line

Note: The improvements described above are overall improvements that apply to entire lines. Specific stations are subject to specific service schedules.



What similar research has shown:

- Homes within walking distance of stations on the Morris & Essex line increased in value by $90,000 more than homes farther away after direct service to Midtown Manhattan was inaugurated in 1996 (Michaelson, 2004).
- Houses immediately adjacent to San Francisco's BART sold for nearly 38% more than identical houses in areas not served by BART (Landis and Cervero, 1995).
- Residential rents decreased by 2.4% for every one-tenth mile further from Washington DC Metro stations (Benjamin and Sirmans, 1996).
- Single-family houses in communities served by Boston's commuter rail were worth 6.7% more than similar homes in other communities (Armstrong, 1994).
- In Chicago, the prices of single-family houses located within 1,000 feet of stations were 20% higher than comparable houses located a mile away (Gruen, 1997).
- Median home prices in the Philadelphia region were 10% higher in census tracts served by PATCO rail line, and 4% higher in tracts served by SEPTA rail line (Voith, 1991).
- For a complete literature review, please refer to Appendix A.

Methodology & Findings

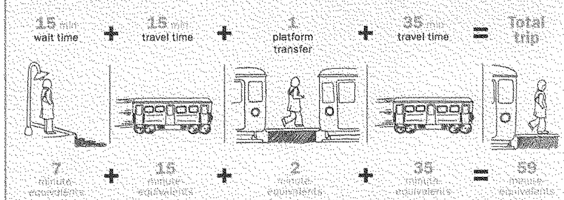
This study relied on a multiple regression analysis of home sales before and after NJ TRANSIT's three projects were inaugurated in order to identify the value of improved transit service among several property characteristics. Once this value was estimated, it was applied to properties that will, in the future, benefit from ARC. The study examined and answered these three questions:

- How did travel improvements from the three built projects affect home values, on average?
- What was the cumulative gain in value from these three projects, and how did these gains translate into property tax revenues for municipalities?
- What might be the effect of ARC on home values and municipal property tax revenues in New Jersey and New York?

What is a minute-equivalent?

In order to compare the different trips that NJ TRANSIT and Metro-North commuters make every day, the value of certain commute factors, such as train transfers and service frequency, was translated into a common currency, called minute-equivalents. The model assigns a "value," in minute-equivalents, to the burden of having to change trains or having to wait for a train in the morning peak, so that this burden can be compared with the actual time spent traveling on a train. This methodology was developed by NJ TRANSIT and has been used in several of their past modeling exercises.

For instance, the value of avoiding a transfer is estimated to be worth 5.3 minute-equivalents; unless the transfer is simply across the platform, in which case it is 2 minute-equivalents. A similar minute-equivalent estimate was included to reflect the frequency of service in the morning peak period. (For a detail description of this methodology, please refer to Appendix B.)



How did travel improvements from NJ TRANSIT's three built projects affect home values, on average?

This study relied on a multiple regression analysis of home sales within two miles of stations (by road) and 70 minute-equivalent train commutes (see box on page 6 for definition) to Midtown after the improvements, sold between 3.5 years before the improvement and 5.5 years after the travel improvement occurred, as recorded by the New Jersey Multiple Listing Service and the Garden State Multiple Listing Service. The regression included a total of 45,000 sales, and each was assigned to its closest train station and that station's travel improvement.

Multiple regression analysis is based on the premise that the price of a house represents the value of a set of characteristics, such as number of bedrooms, quality of the school district and access to transit. Since these characteristics can be produced in various combinations, the value of each independent characteristic can be estimated. In this study, the characteristic of interest is trip-time improvement at the property's assigned station. In other words, of all the characteristics that make up the value of a home, what was the value of a commute to Manhattan made shorter by Midtown Direct, Montclair Connection or Secaucus Junction?

The model used in this study includes the sale price of the property in 2009 dollars as the dependent variable, as well as the following explanatory variables:

→ Property characteristics:
- Number of bedrooms
- Number of full bathrooms
- Number of fireplaces
- Garage capacity
- Whether the home was of a desirable architectural style (Victorian, Colonial or Tudor)

→ Community characteristics:
- Quality of the school district, i.e. the share of students who are proficient in math and language, per Department of Education statistics
- Density of the road network around the station

→ Transit access characteristics:
- Distance from the nearest train station by road
- Whether bus service was competitive to Midtown Manhattan with rail at time of sale
- The travel time improvement to Midtown Manhattan after Midtown Direct, Montclair Connection and Secaucus Junction, in minute-equivalents, a composite variable that includes scheduled travel times to either Penn Station-NY or the 33rd Street PATH station, a penalty for train transfers, and a penalty for infrequent service (see box for a full description of minute-equivalents)

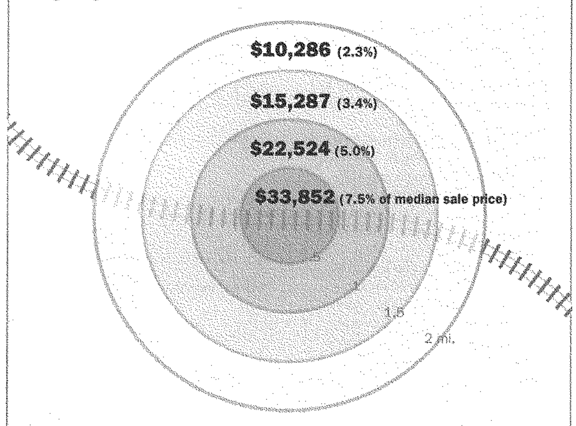
→ Economic characteristics:
- Year of sale, a variable that accounts for overall changes in the real estate market

(For more specifics about the methodology or the variables, please refer to Appendix B.)

Accounting for all of the above characteristics, the average increase in home sale prices that can be attributed to reduced travel times to Midtown is $23,000 for all homes within two miles of stations, or 5% of the median property value in the area. Homes within walking distance of the station (one half-mile) gained $34,000 in value, or 7.5% of the median sales value. (These results assume an average travel improvement of 12 minute-equivalents, and a median home value of $451,000.)

Distance from the station	Average increase in home values per minute reduction in trip times
0 to 2 miles	**$1,959**
0 to 0.5 miles	$2,902
0.5 to 1 mile	$1,931
1 to 1.5 miles	$1,310
1.5 to 2 miles	$882

Homes near train stations significantly gained in value after Midtown Direct, Montclair Connection and Secaucus Junction – an average of $23,000 per home, with the highest gains closest to the stations



Median sale price (FY09 dollars): $451,000
Average trip-time improvement: 12 minutes
Price increase over 9 years

What was the cumulative gain in value from these three projects, and how did these gains translate in property tax revenues for municipalities?

Average gains in property values for each station area were estimated based on each station's service improvement from the three projects. These average gains were then multiplied by the number of homes within each half-mile distance band of each station. Cumulatively, the value of all homes within two miles of all train stations that benefited from the projects is estimated to be $11.1 billion (graduating the gains for stations farther than 70 minute-equivalents from Midtown after the improvements).

At 2009 property tax levels, that represents an additional $250 million a year in property tax revenue for all municipalities affected, in both New Jersey and New York.

Time savings generated by Midtown Direct, Montclair Connection and Secaucus Junction (in minute-equivalents)	PV	M/B/PJ	Mo-Bo to MSU	Mo-Bo past MSU	M&E to Dover	M&E past Dover	RV	NEC	NJCL to Long Branch	NJCL past Long Branch
Improvement in scheduled trip times	10	10	12	9	12	9	0	0	0	0
Faster travel time to 33rd Street/PSNY on NJT than on PATH	8	8	8	4	8	8				
Transfer at Secaucus instead of Hoboken (walk time)	2	2								
No more transfer at Hoboken (walk time, wait time)			4	4	4	4				
New transfer from diesel line to electrified line (walk time, wait time)				-3		-3				
Improvement in transfer penalty	0	0	5.3	3.3	5.3	3.3	0	0	0	0
Improvement in frequency penalty	varies by station									

What might be the effect of ARC on home values and municipal property tax revenues?

Average gains in property values for each station area were estimated based on each station's estimated future service improvement from ARC. (These gains were graduated for stations that were located more than 70 minute-equivalents from Midtown after ARC.) These estimated gains in property values were then multiplied by the number of homes within each half-mile distance band of each station.

Cumulatively, all homes within two miles of train stations along all lines that will benefit from ARC could gain $17.9 billion in value. At 2009 property tax levels, that represents an additional $374 million a year in property tax revenue for all municipalities affected.

The average time savings from ARC was calculated to be nearly 10 minutes, representing an average per-home increase of $19,000 for homes within 2 miles of stations less than 70 minutes away from Midtown. Homes within one half-mile of those stations could gain $29,000 in value.

Anticipated time savings generated by ARC (in minute-equivalents)	PV	M/B/PJ	Mo-Bo to MSU	Mo-Bo past MSU	M&E to Dover	M&E past Dover	RV	NEC	NJCL to Long Branch	NJCL past Long Branch
Improvement in scheduled trip times	6	6	8	11	8	11	11	8	8	11
Faster travel time crossing the Hudson (less congestion, fewer trains stopping at Secaucus)			6	6	6	6	6	6	6	6
No more transfer at Secaucus (walk time, wait time)	4	4								
No more transfer at Newark (walk time, wait time)							3			
No more transfer from diesel line (walk time, wait time)				3		3				3
Crowding relief at PSNY/34th St terminal (over no-build condition)	2	2	2	2	2	2	2	2	2	2
Improvement in transfer penalty	5.3	5.3	0	2	0	2	5.3	0	0	2
Improvement in frequency penalty	varies by station									

Implications of these findings

Investing in transit pays off.

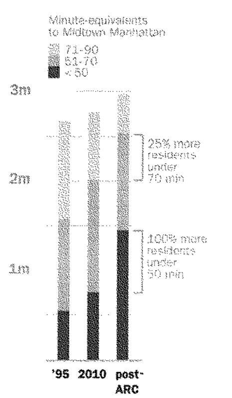
Construction costs for Midtown Direct, Montclair Connection and Secaucus Junction neared $900 million, and they added more than $11 billion to home values within two miles of stations (both values in 2009 dollars) – an exceptional bang for the buck. ARC will cost $9 billion and add nearly $18 billion in value to those homes. This ratio, while not as high, is still a substantial gain, and an increase in home values is only one of several long-term economic benefits of ARC, which also include new jobs on both sides of the Hudson, higher personal incomes, higher commercial property values, and reductions in driving, congestion and air pollution.

The past three projects were NJ TRANSIT's lowest-hanging fruit at the time; today, ARC is NJ TRANSIT and Metro-North's lowest-hanging fruit. Other improvement projects (extending service to Midtown East, providing service on discontinued lines, and other projects) cannot be pursued until ARC is implemented.

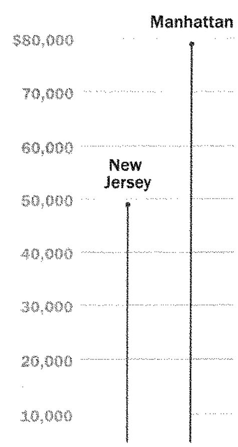
Higher property values are a reflection of a more efficient economy and improved access to jobs.

More efficient commuter travel means that employers have access to a larger workforce, and that workers have access to more jobs. Improving New Jersey and New York State residents' access to Manhattan from west of the Hudson River is particularly important since average wages in the region's economic hub are 60% higher. Reduced commuting times also mean more hours in the day that can be spent either for work or leisure.

The number of New Jersey and New York residents near stations that are within a reasonable commute to Midtown by train is increasing steadily



The median wage earned in Manhattan is 60% higher than in New Jersey
(Source: Bureau of Labor Statistics, 2009)



Better train service increases local and state tax bases, and will reduce pressure to increase tax rates.

As transit increases the value of land and built properties near stations, and as new residents and new businesses move into the transit-served communities, so will municipal and state tax bases. This new property, income and sales tax revenue could help to improve municipal and state services, and reduce pressure to increase tax rates.

The economic development and quality-of-life-improving potential of improved transit can best be harnessed by building new, transit-oriented, mixed-use, economically diverse development around train stations.

That the greatest gains in value happened closest to stations is an indication that the most effective way to harness the economic benefits of transit is to build densely around stations. New districts of housing, office and retail that are tightly knit around stations would revitalize downtowns, boost local economies, increase tax revenues, and generally have a larger positive economic impact with smaller traffic and infrastructure costs.

NJ TRANSIT, Metro-North and municipalities should work together to optimize ARC's benefits for the most residents possible.

The additional trans-Hudson capacity that ARC provides can be distributed throughout the rail network in an infinite number of ways, as service plans are defined in the future. Decisions about how to allocate additional service to particular lines and stations should be based on existing and future ridership and on other efficiency considerations, and not on political factors. The transit agencies should reward municipalities that attract new dense development around station with better service.

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Regional Plan Association is America's oldest and most distinguished independent urban research and advocacy group. RPA prepares long range plans and policies to guide the growth and development of the New York- New Jersey-Connecticut metropolitan region. RPA also provides leadership on national infrastructure, sustainability, and competitiveness concerns. RPA enjoys broad support from the region's and nation's business, philanthropic, civic, and planning communities.

RPA's current work is aimed largely at implementing the ideas put forth in the Third Regional Plan, with efforts focused in five project areas: community design, open space, transportation, workforce and the economy, and housing.

For more information about Regional Plan Association, please visit our website, www.rpa.org.

Senator BOXER. Thank you very much.

Senator Lautenberg, you did very well with your intern.

[Laughter.]

Senator BOXER. You taught him well.

Senator LAUTENBERG. As I listened to his presentation, nothing made my heart beat faster because of the need and availability of what happens when we find that we offer rail service. I think that, Tom, if I may, he worked for me and he got me where I am.

[Laughter.]

Senator LAUTENBERG. Anyway, but the increasing value of homes and business along the way. We have a line that goes from Trenton down to Camden, and it didn't take long after that line was completed for businesses to start moving into the area. We have things called transit villages that immediately seemed to sell and sell well.

So I thank you, Mr. Wright, for your service and the Regional Plan Association is one of the most important transportation agencies in the country.

I thank you, Madam Chairman, for holding this hearing.

Senator BOXER. Thank you so much, Senator.

Senator Boozman, would you like to introduce the witness from your home State?

Senator BOOZMAN. Yes, ma'am, very much. We are really pleased to have Mr. Mike Malone with us. Mike is a native of Arkansas and is the executive director of the Northwest Arkansas Council. The hallmark of the Northwest Arkansas region, which is the fastest-growing area of the State is their ability to work together, build consensus. In doing so, have really been able to put together coalitions that have done remarkable work in getting projects that are so important for the area and State done.

Mr. Malone truly understands the challenges of private transportation and all the challenges that that represents in getting the infrastructure put in place. Mike is also in a unique position. He worked for the House Appropriations Committee for several years and was one of their most respected members on both sides of the aisle because of his ability in building consensus and having tremendous grasp of knowledge in different areas.

So I think he really does have a unique perspective, not only of the challenges at the private level, but also the challenges here that we face in trying to provide funding and be as helpful as we can.

So it is a real pleasure to have you with us today, Mike.

Mr. MALONE. Thank you.

Senator BOXER. Thank you.

Please proceed, Mr. Malone.

STATEMENT OF MIKE MALONE, EXECUTIVE DIRECTOR, NORTHWEST ARKANSAS COUNCIL

Mr. MALONE. Thank you, Madam Chair, Senator Boozman, Members of the committee. Thank you very much for the invitation and the nice introduction. I appreciate that.

I also as a former staffer want to offer thanks to your staff for being so hospitable to us. They were great to work with as well.

Senator BOXER. Thank you.

Mr. MALONE. Northwest Arkansas has a very exciting story to tell and I am very pleased to be able to offer it to you today. Much like Mr. Wright described, my organization that I work for is an independent advocacy group that works at the regional scale. A smaller region than the New York-New Jersey-Connecticut region, but an important contributor to the Nation's economy. Infrastructure challenges certainly are of concern in our area and we appreciate the opportunity to contribute here.

The rapid growth in our area over the last two decades, we are one of the fastest-growing regions in percentage terms in the United States, and the rapid growth has put severe strains on our transportation infrastructure. We are concerned that without critical infrastructure improvements, our economic success will be halted or even reversed.

We have been blessed with some very entrepreneurial business leaders and elected officials: Senator Boozman, Senator Pryor; in years past, Congressman John Paul Hammerschmidt. Our region is home to business leaders with the names Walton, Tyson and Hunt, J.B. Hunt Transport. Those companies have grown into national and international leaders in their field and contributed greatly to the United States economy, and much of that growth has occurred despite having some of the infrastructure advantages of other regions.

Through the leadership of our officials, we do have one four-lane interstate that connects our region to the Nation's interstate system, but we are one of only a handful of the 350 metropolitan regions around the country that is connected to just a single other MSA by an interstate. There are very few regions in the country that are just connected to one other MSA, so we are at a disadvantage there.

The State of Arkansas is a small, somewhat rural State and also is facing some of the revenue challenges much like Tennessee and other mid-size and smaller States are facing as well. Projects costs have increased in Arkansas and we are facing project delays and revenue concerns, and not able to deliver the projects at the rate that we would like to see.

We are losing ground on key regional projects and we are afraid that we are going to lose our competitive edge as a region and certainly as a State.

Like Director McKim said, Arkansas is also putting its money where our message is. Our region has invested in infrastructure at a rate far beyond that of other regions in the State of Arkansas. Our local communities have taxed themselves to the tune of almost $300 million for the last decade or so to invest in projects, many of which had historically been State and Federal-funded projects. So we are doing all we can as a region. We have done a lot and think we are doing as much as we can as a region.

Our State also is looking at raising some additional revenues above and beyond the traditional revenues that have flowed for transportation. Our State legislature just referred out two tax questions to voters that will be on the ballot probably sometime in 2012 to ask voters if they want to raise the diesel tax by a nickel in the State of Arkansas, and if they want to raise the State sales tax. Both would generate funds to invest in transportation infrastructure in Arkansas.

Even with these efforts at the local level, even with opportunities at the statewide level, those revenues are not sufficient to meet the statewide transportation needs in Arkansas.

So we come to you today, and I think you have heard it from all the panelists. We urge you to quickly move forward on passing a robust, multi-year authorization bill. It would give regions, State Highway Departments, metropolitan areas, communities the certainty that they need to move forward. We are trying to do what we can both at the State and local levels, but it is very difficult to do it without that certainty or that vision of what the future looks like at the Federal level.

We also as a region would like to ask for programs that can help us substantially complete high-priority projects, high-priority corridors, some of which were named in ISTEA, and have been high-priority corridors for almost 20 years, coming on 20 years in fact this year.

We have a key high priority corridor that cuts through the heart of Northwest Arkansas. It is a future I–49. Just in our general area, there are 3 million Americans that would directly benefit from the completion of portions of I–49 through the middle part of America. Eventually when it is entirely complete, it will connect New Orleans to Winnipeg, Canada. It will be an international corridor for trade and commercial activities and greatly increase access and the economic competitiveness of the middle part of the United States.

We also, and I think my colleague, Mr. Wright, and I would share the view that regions are key economic building blocks for our Nation's future. So as you develop programs in the next reauthorization legislation, we urge you to think at the regional scale. Business and industry certainly don't see the political boundaries and the geographic boundaries that a lot of us live in and are concerned about. They need the assets and the strengths of an entire region regardless of what those boundaries are, to be able to support them and their growth and their activities.

Finally, as you set program thresholds, we would like to ask that you remember that small and mid-size regions are very nimble and very competitive. As I mentioned a couple of times before, Northwest Arkansas had the greatest growth as a region in population terms of any region in the middle part of the United States. We have had more new residents move in over the last decade than moved into Kansas City or Minneapolis in actual population terms.

So we are growing. We are growing at a faster rate, but if thresholds are set on Federal programs and they are set too high to only touch major metropolitan areas, that leaves dynamic regions like Northwest Arkansas and Little Rock and other areas that have had a very successful economic run, out of some of the investments and opportunities that you will be providing.

With that, Madam Chair, I conclude my remarks and thank you.

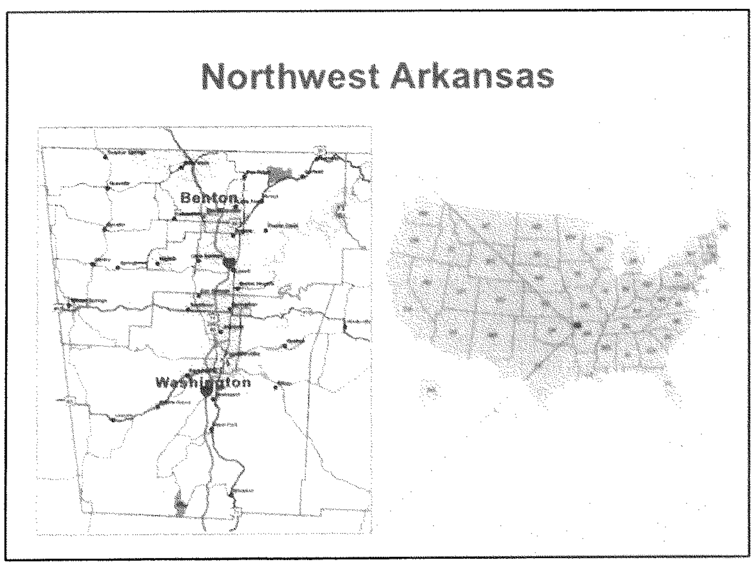
[The prepared statement of Mr. Malone follows:]

Statement of Mike Malone
President and CEO, Northwest Arkansas Council
Hearing on National, State and Local Transportation Priorities for the Next Surface Transportation Authorization
U.S. Senate Committee on Environment and Public Works

April 6, 2011

Chairman Boxer, Ranking Member Inhofe, and Members of the Committee, thank you for the invitation to appear before you today to hear the key transportation issues facing the Northwest Arkansas region.

Northwest Arkansas has an exciting story to tell – we've been one of the ten fastest growing regions in the United States over the past two decades and our economic success has created jobs and contributed greatly to the nation's economy over the past two decades. And yet, this rapid growth has put severe strains on our transportation infrastructure and we're concerned that without critical infrastructure improvements, our economic success will be halted or even reversed.



Our region of nearly one-half million residents is presently served by a single north-south, four-lane interstate (Interstate 540) that is congested and highly prone to service disruptions. Additionally, we have several projects of regional significance that have been in the planning stages for more than twenty years and it is unclear when, or even if, funding will be available to finally start construction on any of them.

Right now we are facing a decrease in fuel tax revenues at the exact same time that costs and needs have exploded. Projects in Northwest Arkansas and throughout the State of Arkansas are facing costly delays and revenues are not increasing at a rate sufficient to keep up with inflation.

In essence, we are losing ground on many of the key regional projects that are necessary to ensure continued economic competitiveness. Federal budget issues threaten to further reduce the amount of funding available for highway construction unless Congress takes mitigating action soon. This is the "perfect storm" that we're facing in Northwest Arkansas.

We certainly understand that solutions will have to come from all levels of government and we have taken several steps as a region to try to address infrastructure needs. Our cities and counties have raised more than $300 million through new infrastructure taxes and our local governments banded together to form a Regional Mobility Authority to prioritize regional transportation needs.

The State of Arkansas is also actively working to identify new resources as well. Among all states, Arkansas has the 12th most lane miles in our state highway system but we're ranked 42nd in per capita Federal highway funding. Over the past year a Blue Ribbon Committee of stakeholders studied the highway needs in Arkansas and issued a series of recommendations -- some of which are starting to be implemented. Next year, two revenue questions will go to Arkansas voters to give them the chance to decide whether they want to increase the statewide sales tax and the diesel tax rates for improved highway infrastructure.

Despite these efforts at the state and local levels, without a clear infrastructure investment strategy at the Federal level, Arkansas could be planning and working in a vacuum. Therefore, we urge you to move forward quickly to enact a multi-year surface transportation reauthorization. A Federal reauthorization bill would give state highway departments and regions like Northwest Arkansas the information, and hopefully a key part of the resources, necessary to successfully address the looming infrastructure challenges. We understand that you face key financing questions as you develop a multi-year bill.

We also encourage you to establish a program through which High Priority Corridors can finally be completed. I'm disappointed to report that Northwest Arkansas still is home to two of the key, unfinished segments of ISTEA-designated High Priority Corridor #1 that will be the future Interstate 49 when complete. Obviously this corridor was of important national significance when it was identified as High Priority Corridor #1 in 1991 and, with the growth in our region and the economic hardships in mid-America, it has become even more important to millions of Americans in the middle-part of the United States.

Additionally, when a reauthorization bill is written, we are hopeful that you will support programs that invest in regional solutions to our nation's transportation needs. Regional solutions to transportation bottlenecks improve the entire highway system. We hope you find ways to strengthen and give more tools to organizations like Metropolitan Planning Organizations and Regional Mobility Authorities in the multi-year reauthorization legislation.

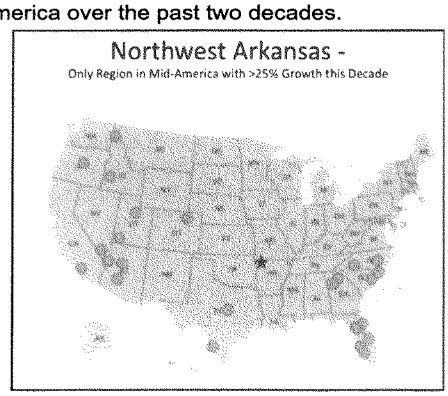
As you establish thresholds for program eligibility, we ask you to remember small- to mid-sized regions like Northwest Arkansas are making a significant positive impact on our nation's economy and should be given resources to continue the momentum. Because we are still a somewhat rural state, no region in Arkansas will qualify for certain Federal programs if the population threshold is set too high. It would be unfortunate not to give our dynamic and fast-growing regions – that happen to be performing very well economically -- as many tools as possible for addressing infrastructure needs.

And, although it is not a reauthorization issue, per se, it is very timely to ask you to reject the House of Representatives' budget proposal that would rescind the previously-awarded TIGER II grants. Northwest Arkansas was a fortunate recipient of a $15 million TIGER II grant to support the construction of a multi-use, off-road trail network to link the larger cities in our region. A great deal of work is already underway among regional partners and private firms based on the grant award notice and it would be unproductive to rescind funding that has catalyzed these efforts before construction ever gets started.

Northwest Arkansas; the Fastest Growing MSA in mid-America

Due to the success and growth of a number of large industries including Walmart, Tyson Foods and J.B. Hunt Transport, Northwest Arkansas has been one of the fastest growing regions in America over the past two decades.

During the 1990's, the Fayetteville-Springdale-Rogers Metropolitan Statistical Area (MSA) was the 6th fastest growing region in the United States and when MSA population figures are calculated following the 2010 census, we anticipate being one of the ten fastest growing regions over the past decade as well.



The Fayetteville-Springdale-Rogers MSA is the only region in the Midwest with greater than 25% population growth during the past decade.

Facing Growth Related Infrastructure Strains

But all this growth comes at a price. Today Northwest Arkansas is home to nearly one-in-six Arkansans and this region's explosive growth over the last two decades has created costly infrastructure strains.

We are confident that the infrastructure needs we are facing in Northwest Arkansas will not be addressed with the limited sources of funding that are currently available today.

As a region of nearly 500,000 residents, a single four-lane interstate corridor is not sufficient to meet the mobility needs of this rapidly growing area. Open slightly over ten years, Interstate 540 is one of the heaviest traveled highways in Arkansas. By lane miles, only I-630 and I-30 in the Little Rock area have higher traffic counts than I-540.

Furthermore, our region lacks basic interstate connectivity to the north and no east-west interstate-quality corridors whatsoever. Currently commercial vehicles can only travel south out of the region if they want to avoid traffic lights and local traffic.

Congestion and gridlock are costing millions in wasted time and fuel charges for our residents, in addition to damaging our environment. For residents who get paid hourly, traffic delays reduce their earning potential and if the traffic makes them late to work, their job becomes at risk. Delays certainly mean less time that people can spend with their families.

In short, traffic congestion affects all of us and it is threatening to affect the excellent quality of life we enjoy in Northwest Arkansas. And, this congestion is only going to get worse as we continue to grow if we don't figure out how to get some of the needed regional transportation projects moving forward.

Projects of Regional Significance

No matter how one looks at it, transportation improvements are based on well-planned and thought out projects. It is unfortunate that these projects have been labeled "earmarks" versus the investments that they truly are. The Northwest Arkansas Council continues to advocate in support of several highway projects of regional significance.

The highway projects of greatest regional significance for Northwest Arkansas are the I-49/Bella Vista Bypass, the U.S. 412 Bypass, the Western Beltway, and

Interstate 540 upgrades. Additionally, the Razorback Greenway, a 40-mile multi-use trail is also an important regional surface transportation initiative.

- **I-49/Bella Vista Bypass** – The Bella Vista Bypass is an approximately 20-mile segment that is a key, unfinished link in the future Interstate 49 corridor that will eventually connect New Orleans to Winnipeg. This is one of two unfinished segments of the ISTEA-designed High Priority Corridor #1 that is in our region.

  More than 3.3 million Americans live in Metropolitan Statistical Areas (MSA) along the future I-49 corridor between Ft. Smith and Kansas City. The business sectors in northern and western Arkansas and southern and western Missouri are already closely linked and this highway connection will further strengthen these important relationships. Intermodal port facilities in Fort Smith and Kansas City, Tyson Foods, Wal-Mart, and many of the nation's largest trucking firms need north-south interstate access in this corridor.

  Extensive delays occur daily along this unfinished segment of the future I-49 resulting in added costs for individual commuters and diversions of truck traffic to nearby two-lane north-south highways.

  I-49 will carry commercial and local north-south traffic throughout mid-America. It will help Missouri and Arkansas businesses be more successful and improve quality of life for thousands of families.

  In 2010, a TIGER I grant was awarded for $10 million and the Arkansas Highway Department anticipates breaking ground on a segment of independent utility along the Bella Vista Bypass alignment in April of this year. Although work will commence, they do not have funding identified to complete the entire Bella Vista Bypass project at this time.

- **U.S. 412 Bypass** – The U.S. 412 Bypass, also known as the Springdale Northern Bypass, is part of ISTEA-designated High Priority Corridor #8 and it has been in preliminary development for more than fifteen years.

  The bypass would provide an east-west highway alternative through the heart of Northwest Arkansas. The sharp turns and multiple traffic lights along the current highway create congestion and delays for anyone attempting to cross the region.

  This $400 million-plus project already has environmental clearance and the route has approval by the Federal Highway Administration (FHWA). The state committed $26 million for designing the corridor and acquiring right of way from I-540 to the west.

Limited funding is under consideration for the next Statewide Transportation Improvement Program three-year funding allocation plan, but it is far from the $400 million-plus needed to complete the project. Significant additional federal, state and/or local resources are needed to fund the 412 Bypass.

- **<u>Western Beltway</u>** – The Metropolitan Planning Organization has recommended the Western Beltway concept as an alternate north-south route to I-540. With significant growth in the western parts of Washington and Benton counties, it is important to work quickly to preserve the corridors for this project before the cost of land gets too expensive.

  We are grateful to have received Federal project funding to initiate a Feasibility Study of the Western Beltway concept.

- **<u>I-540 Upgrades</u>** – I-540, Northwest Arkansas' only interstate corridor, is highly congested and even minor disruptions in traffic flow can snarl traffic for miles throughout our region.

  In 2005, the Arkansas State Highway and Transportation Department completed a planning study that determined the improvements needed along the 31-mile portion of I-540 between Bella Vista and Fayetteville. The findings show a need for interchange improvements totaling $180 million and widening needs (to six-lanes and even eight-lanes in certain segments) of approximately $200 million. The total upgrades recommended would cost $380 million.

- **<u>"Razorback" Greenway Trail Project</u>** - The 40-mile Razorback Greenway is a multi-use trail project that would link the six major municipalities of northwest Arkansas, the University of Arkansas, Northwest Arkansas Community College, hospitals, shopping centers, and the headquarters of major employers.

  This $30 million-plus project received a $15 million TIGER II grant in October of 2010. The Federal investment will leverage another $15 million of private funding from within the region. It is the perfect example of how public agencies and private sector interests can work together to make a difference.

  However, there is presently great concern over the House of Representatives' budget proposal that would rescind all unobligated TIGER II funds -- including the $15 million committed to the Razorback Greenway. A large amount of planning and preliminary work has occurred already based on the TIGER II award announcement. Withdrawing previously pledged funding could put the private sector funds at risk and would certainly delay this project for many, many years.

These projects of regional significance are all quite costly and they will require the infusion of new sources of funding from the Federal, state and regional levels.

Taking Initiative at the State and Regional Level

State and local officials have taken a number of steps in the past few years to try to address infrastructure funding needs.

At the state level, a Blue Ribbon Committee on Highway Finance spent more than a year studying and formulating recommendations for addressing the statewide highway-funding shortfalls. They made a series of recommendations and several of their recommendations are actively under consideration in the Arkansas Legislature.

Next year, a five-cent diesel tax increase and a half-penny statewide sales tax increase will both be referred to voters. If one or both of these measures are approved, the proceeds of the funds will be dedicated to highway construction. Combined, they would generate about $3 billion in new construction activity over a ten-year period.

At the regional level, since 2002, voters in Northwest Arkansas have approved over $300 million in bonds for street and highway construction. Our cities have provided or pledged over $60 million for partnerships with the Arkansas Highway and Transportation Department to accelerate construction of much needed state highway projects.

City Councils and County officials in Northwest Arkansas also approved the establishment of the first Regional Mobility Authority (RMA) in the State of Arkansas to further explore ways in which Northwest Arkansas can finance highway projects that were traditionally funded solely through state and Federal gas tax revenues.

RMA's are regional governmental agencies that can be formed among contiguous counties to build, operate, maintain, expand or fund transportation projects. RMA's are not intended to be a substitute for current State and Federal highway funding. By state law, any significant, locally-generated sources of funding for RMA projects must be approved by voters.

As you consider establishment of an Infrastructure Bank, you may want to think about the ability to provide Federal investment up front to projects where localities have dedicated local funding over a period of time.

Conclusion

In closing, I would like to thank Chairman Boxer, Ranking Member Inhofe and the other members of this Committee for the opportunity to testify on reauthorization-related issues.

We appreciate the opportunity to share the perspective we have from a fast-growing region in a somewhat-rural state.

We are hopeful that reauthorization will be finished this year to bring much more certainty and clarity to the transportation funding discussions that are also underway in statehouses and city halls across our nation.

To briefly recap our recommendations, we suggest:

- an intense focus on completing unfinished segments of national High Priority Corridors such as the future-Interstate 49 (High Priority Corridor #1) and U.S. 412 (High Priority Corridor #8) which both run through Northwest Arkansas;
- investing in regional programs for transportation infrastructure solutions;
- ensuring that fast-growing small- and mid-sized metropolitan areas will be eligible to participate in Federal transportation programs; and,
- although it is not a reauthorization issue, rejecting the House of Representatives' proposal to rescind unobligated TIGER II funds.

Thank you again for the opportunity to offer testimony. I wish you well in your important endeavors.

Mike Malone serves as the President and CEO of the Northwest Arkansas Council. The Northwest Arkansas Council is a private non-profit that was founded more than twenty years ago to identify regional challenges and serve as a catalyst for solutions. The organization was founded by visionary business and civic leaders including Sam and Alice Walton, Don and John Tyson and J.B. Hunt who saw a need for stronger regional collaboration in Northwest Arkansas. For more than twenty years, the organization has worked and advocated for a number of infrastructure projects in Northwest Arkansas.

Senator BOXER. Thank you all, and thanks to Senators here who reached out and brought you forward.

As we work together on a bill, we have Senators Inhofe, myself as the Chair and Ranking Member, and then we have Senator Baucus and Senator Vitter as the Chair of the Subcommittee. Our goal is to get a draft that we can share with Members on both sides so that we can move forward.

Now, every one of you wants a robust bill, and I agree. You want certainty, and everything you said, I couldn't agree with more. Only one of you suggested a way to fund the Highway Trust Fund. Kudos to Mr. Wright. This is the worst question anyone can ask, because we know that these are tough times and new revenues are hard to come by.

I would like you to comment on three things, and just very quickly because I just need to know where you stand. On the idea of indexing the gas tax to inflation, tell us whether you support that, whether you think that is doable.

Second, it is alarming to me that the House Members, not all of them, certainly not all of them, have proposed and they already passed legislation that says the Highway Trust Fund can be used for other things. Do you feel we should protect the Highway Trust Fund?

Third is, and Cindy McKim knows this very well, but this notion of leveraging the local dollars. You all come from very dynamic regions and a lot of your local people are saying, OK, we will step out. We will pay a little more sales tax. Maybe we will do a toll road. We will get you revenues, but it has got to be used for these specific projects.

What I am very interested in doing, and Senator Inhofe seems to really like this idea, and Congressman Mica over on the House side does, is the notion of using TIFIA because it is a current program to fast-forward these projects. Let's just say in the Little Rock area they pass a measure to build 10 different roads. If the Feds come in at the beginning of this and fast-forward the money, there is no risk at all because those dollars will come back. So we are looking at ways of reforming TIFIA to make it pay for more than just 30 percent of the total, maybe 50 percent of the total.

By the way, I say to my friends here, it is unbelievable. Through the TIGER II grants, we gave Los Angeles, and I know there are other grants, but I am only familiar with this one, a half-billion dollar check to fast-forward one of the projects that the voters agree to. The cost to the Federal Government, the score was $20 million for that. So it is amazing what we can do here if we are smart.

So to sum up my question, how do you feel about this notion of leveraging? How do you feel about indexing? I would like to just go down through the panel, start with Mr. Leggett.

Mr. LEGGETT. I strongly believe that we should. I think that we are kidding ourselves if we believe that additional revenues are not needed.

Senator BOXER. How about raiding the trust fund?

Mr. LEGGETT. I think we should keep that separate and apart from general renenues. Violating the trust fund itself I think would be counterproductive.

Senator BOXER. OK.

Mr. LEGGETT. We have a real strong need here.

Senator BOXER. OK, I am moving quickly.

Mr. Kennedy.

Mr. KENNEDY. As we discussed in the National Infrastructure Financing Commission, we had a whole section on indexing. We do support that and I know the National Association of Counties supports that also.

As for TIFIA, for the most part, smaller, more rural States, we just don't qualify for a TIFIA loan. They are large, one-project. In the State of Montana, we have such a vast amount of acreage in Montana that you do not have a large enough project to qualify. So for rural States, rural counties, it would be very difficult.

Senator BOXER. That is why we are reforming it. We will have a whole section just dedicated to rural because we know that we need to take care of rural, and it would be a grant program, not a loan program for the rural.

Mr. KENNEDY. OK, but it would need some work.

Senator BOXER. Well, we will work with you. Would you stand by and work with us, because we are changing TIFIA so that our rural people can get grants because you are exactly right, they don't have the same muscle as a larger region.

Mr. KENNEDY. Madam Chairman, I would do that. I am very intrigued by the infrastructure bank. We had a lot of discussion over it over the last couple of years on the infrastructure bank.

Senator BOXER. Senator Baucus is pursuing that, along with Senator Kerry and Senator Hutchison. So it has bipartisan support.

Mr. KENNEDY. If we have some flexibility, especially for the rural areas, of being able to tie into it.

Senator BOXER. I have to move down.

Mr. KENNEDY. Thank you.

Senator BOXER. Ms. McKim, because I am running out of time.

Ms. MCKIM. Thank you, Madam Chairman. With regard to indexing, I think we would be in support of that. I would point out that the last increment of a State gasoline excise tax did include an indexing provision, so I think that there is room for that.

With regard to protecting the Trust Fund, absolutely. What we have learned in California is that the voters expect that funds that they provide specifically for transportation should be spent on transportation.

Finally, we absolutely support all kinds of creative financing techniques and the opportunity to leverage both local and State dollars against the TIFIA program or the infrastructure bank or anything else you can come up with would be really appreciated.

Senator BOXER. Good. We are working it.

Yes, Mr. Degges.

Mr. DEGGES. Tennessee supports indexing. It certainly would be a good tool to continue the investment we make in transportation. Certainly protecting the Highway Trust Fund and Transportation Trust Fund is a very important aspect.

As far as leveraging dollars, we certainly support that. The TIFIA program as it currently exists probably doesn't help Tennessee a whole lot. When Senator Alexander was Governor, he kind of started the State of Tennessee down a pay-as-you-go path. We have no debt in our transportation system in Tennessee. We don't want to borrow money. We do work with local governments and sometimes they will borrow money, and we leverage local, State, Federal and private dollars in delivering transportation projects. But I don't think we really want to borrow any more money, frankly, or borrow any money.

Senator BOXER. So you don't go to banks to help you? You don't go to the voters and pass bonds for anything?

Mr. DEGGES. The Tennessee Department of Transportation has zero debt. We use bond authority and work with our cash-flow, but we are a pay-as-you-go State.

Senator BOXER. I don't understand that. You use bond authority. What do you mean by that? Don't you borrow with the bond authority that you have?

Mr. DEGGES. I do not pay any interest.

Senator BOXER. I didn't ask that. With TIFIA, you don't pay interest either.

Mr. DEGGES. OK. Again, don't get me wrong. Innovative financing is something we would support, but we do not borrow money. I use basically the advance construction technique that in Federal programs I have a corollary in State programs, where we don't borrow money. If I have $2 billion worth of stuff under contract today, I have $2 billion to pay for it. I use that cash on hand and get bond authority on it, and let other projects. So I spend the same dollar twice, but I have to watch it every day to make sure the check doesn't come due.

Senator BOXER. OK. Well, we will talk later because I want to know how I can spend every dollar twice.

[Laughter.]

Senator BOXER. It is a little over my pay grade, but I am going to tell my husband to talk to you.

[Laughter.]

Senator BOXER. Mr. Wright?

Mr. WRIGHT. You know where I stand on indexing the gas tax. We strongly support that, and of course protecting the Highway Trust Fund.

I would say on the leveraging, TIFIA, TIGER, those tools have been extraordinarily important in our region. In particular, fast-forwarding projects can bring down the cost of the construction of those projects, especially in the economic environment we have right now. We can build some of these projects for less money if we had the funding up front to do them more rapidly, and we would see the benefits accrue faster, too.

We look at the L.A. 3010 proposal as just inspirational in the kind of thinking that we need.

Senator BOXER. OK.

Mr. Malone?

Mr. MALONE. We also certainly would support indexing. Without indexing, the purchasing power of the gas tax diminishes every day. With inflationary pressures increasing, that will be more so in the future. Also we would absolutely like to see firewalls around the Trust Fund.

Then along with some of the more rural or semi-rural States, there are concerns around financing mechanisms unless there are some grant components to them.

Senator BOXER. Oh, yes.

Mr. MALONE. Then I would also add our region, I think, would be very receptive to the idea of tolling for some new capacity as well. There are no toll roads in the State of Arkansas. We have we think some traffic count so it would make some of the projects toll-feasible. But none of the projects certainly would be 100 percent toll-feasible.

We would still need other sources of revenue as well, but I think that is something our region would be comfortable with. It has been floated as options to advance some of these projects, and the public and the community seems very receptive. They just want the projects.

Senator BOXER. I agree. I see a big change there.

So just so everyone knows, my situation is that I have to go down toward the White House. There is a meeting about military families and Senator Burr and I are the Chairs of the bipartisan Military Family Caucus. So in short order, I will be leaving and Senator Sanders said he could stay for the whole time and would take over the Chair.

So when I leave, it is nothing you said because, frankly, I like everything you said.

Actually, Senator Boozman is acting as Chair, so I will call on you and you can decide whether you want to go first, or Senator Alexander. It is up to you.

Senator BOOZMAN. Why don't I yield to Senator Alexander.

Senator ALEXANDER. Thank you, Senator Boozman. That is very courteous of you.

I would like to go back to something, to the exchange the Chairman and Mr. Degges were having before I get to a question about maintenance, because it goes directly to the question of funding. Our State has no road debt, none. The reason is that when we want to build a road, we raise the money and pay for it.

We are one of the poorer States. We have been getting richer, but the result of that is the following. Most States pay most of their gas tax money on interest on bonds. We spend all of our gas tax money on roads.

So three times during the 8 years I was Governor, we saw an economic need to have a better road system. The auto industry was moving to the Southeast and the suppliers were saying we need to make just-in-time deliveries and we are going to base our location decision upon whether you have a good four-lane highway system.

So we had three big road programs. I haven't mentioned the word tax yet. I have said road programs. So we agree three times on the road program we wanted, and then we asked how shall we pay for it. We considered: Shall we borrow the money? Or shall we simply raise the gas tax and pay for it? What we did was double the gas tax in order to pay for it.

The result has been we now have one-third of our manufacturing jobs are auto jobs. The decision to do it was broadly supported. We had 80 or 90 legislators out of 99 support it. Nobody got in political trouble over it. The only ones who got in political trouble were the ones who voted against it because of the help it would be to our State.

So what I am going to be looking for, Madam Chairman, is a Federal road program that fits the Federal dollars we have, which means it is going to have to have a clear Federal priority as we do it.

I can understand very well the need or the argument for a tunnel under the Hudson River, but I am thinking: Well, if you want a tunnel under the Hudson River, why, build it, just like we did. I mean, we built 100 miles of Interstate-quality highways in Tennessee, 90 percent State and 10 percent Federal. Usually, it is 90 percent Federal and 10 percent State. We just built them.

So we had a road to Oak Ridge National Laboratory. We had a road around where the auto industry would eventually locate. So if you live in an area where you have so much of the economic wealth, New York, Connecticut and New Jersey, where building a tunnel will add to the value of the homes and the businesses, then you have a perfect argument to go out to the people and say let's build a tunnel if that is what you want to do.

But I don't think it is a good idea to come down to Tennessee and say we want people in a State where you are not as wealthy to send money to New York to build a tunnel, just as we didn't come to you to say send us money to build a road to Oak Ridge.

So I think a lot of that argument is going to be, we won't need to have it because we are not going to have the money at the Federal level. We are going to have to focus on clear Federal priorities, and that is going to eliminate a lot of Federal dollars for what are, in my opinion, regional or local priorities because it is just as easy to raise the gas tax in Tennessee a penny as it is to raise the gas tax in the United States a penny. The money in Tennessee or Arkansas or New Jersey, wherever it goes, stays home. You can spend it. It doesn't have the Federal rules to the great extent that many of you have talked about here today.

So that is a little bit of an editorial about how I am going to be looking at financing of a transportation program.

Now, Mr. Degges, I want to give you a chance a little bit. If you were to list two or three things that we could do, and I appreciate the fact that there is a bipartisan spirit on this committee to do these kinds of things. Two or three things we could do to make it easier for you to spend Federal dollars more efficiently, what would those two or three things be?

Mr. DEGGES. First of all, Senator, I do appreciate your leadership in transportation. Certainly, the 1986 road program that was kind of your baby is something that is a legacy for Tennesseans.

As far as a couple or two or three things, historically in transportation it was pave it black and don't look back. You built it and moved on. Operations and maintenance was not something that was looked at. Maintenance and operations are a huge issue right now, so certainly we are able to use Federal funds for a lot of our operational costs, but when it goes down to maintenance, preventive maintenance certainly is eligible for Federal aid, but a lot of our routine maintenance costs are not eligible for Federal aid.

We believe if we have made this huge investment with Federal aid dollars in our transportation system that is only makes sense to have an expanded role of Federal aid dollars in the maintenance of facilities.

Another thing to look at is also in the STIP-TIP process. You heard me mention a little bit earlier that certainly we need a long-range or a multi-year bill to be able to plan our activities, but it is very difficult for us when we are trying to get down to delivering a project, a lot of things change during the development process of a project. Particularly toward the end of a fiscal year, it is very difficult to go through a 90-day process to update your TIP or STIP so you can implement something that was planned. So that is certainly a big issue.

Then the real issue on the multi-year bill is it is kind of a jigsaw puzzle. If I have just 1 year's worth of funding, I am going to do small projects. It is like one piece of the jigsaw puzzle. It is very critical to have that piece in the puzzle, but if I have a multi-year bill, I can put groupings of pieces together and if I am a business owner and want to expand my business, if I am just seeing an intersection project and TDOT can't say, well, you know, I am going to be able to widen that job next year. Here is the date I am letting it and here is the day I am going to have it open to traffic.

By not being able to give that type of information to not just contractors in the highway industry, but to business owners, people that are creating jobs out there. They are reluctant to make those investments in Tennessee because they don't know when things are going to be happening on the ground.

Senator SANDERS [presiding]. Senator Lautenberg?

Senator LAUTENBERG Yes, thanks, Mr. Chairman.

The theme that runs through here is consistent with what the results are that we see across the country, where investments in transportation pay off handsomely.

A couple of questions that through the discourse that we have had here. I am going to submit my opening statement for the record, Mr. Chairman, and get on with a couple of questions that were raised in our discussion here.

Senator Alexander, the distinguished Senator from the State of Tennessee, and a thoughtful person, asked a fairly simple question: Why don't we just build our transportation needs? Well, our Governor decided, even though we had $6 billion of help from outside sources; $6 billion from the Port Authority, which is the bi-State agency, and the Department of Transportation, to help us build a tunnel across the river, and the Governor decided that we couldn't afford it. We even worked out the possibilities of covering overages away from New Jersey. With all of that, we had a cancellation of the project. The Governor decided we couldn't afford it.

My view is very frankly, we are not going to take up a political difference here, is that we can't not afford it. We have to do these things in the best interests of our State and our region.

So we are now embarked on a new project called the Gateway Tunnel, and it has popular support. The problem is that things that are long term like building a tunnel, 5, 6, 7, 8 years, sometimes make it hard for the constituents to understand why we are spending all that money, but that is what leadership is about.

I would ask you this, on the indexing, whoever would like to answer this, who decides on when the index kicks in and how the price of gasoline gets to where it is? If Exxon wants to increase the gas price, what they are doing is taking charge for our constituents' expenses and there has got to be something in it. Any of you who can explain it to me now, I would appreciate it. What controls do we have on the fundamental price?

The indexing sounds so logical, but what do you do about the basic price?

Mr. Wright?

Mr. WRIGHT. Sure, thank you, Senator. A very simple way to deal with it would simply be instead of charging a certain number of cents on a gallon, to add on a sales tax which would over time be able to increase as the price of gas went up. That is a kind of call it a hold harmless or the kind of easiest way to try and do it.

Beyond that, I think it would really depend on trying to identify again what are the national priorities in terms of the scale of investment in transportation that the Nation needs, and trying to figure out some match between those. We have gotten so far off, order of magnitude off the kind of scale of investment that we require, and the resources that are necessary, that we have got to try and revisit that issue.

Senator LAUTENBERG. What we are seeing very frankly is a short-sighted approach. New Jersey is proudly one of the highest income States in the country, but also it is the most crowded. We are the most densely populated State in the country, with something around 9 million people. If one wants an exercise to use time, just go out and try to get someplace on the turnpike. Then you can spend a lot of thoughtful time reviewing, contemplating what life would be like if it wasn't there.

We are traffic jam, bumper to bumper. We cannot quite get the support that we need. There is no free lunch and I am not for raising taxes. I am not for raising tolls. But I am for getting the ability to make life better. The one thing we can do is build the facility that will automatically attract investment and funding.

So Mr. Chairman, this is an excellent hearing. We have terrific witnesses here, and I ask unanimous consent that questions be able to be submitted for the record, including my whole statement.

Mr. SANDERS. Without objection.

[The prepared statement of Senator Lautenberg follows on page 100.]

Senator SANDERS. Senator Boozman.

Senator BOOZMAN. Thank you, Mr. Chairman.

I also would ask unanimous consent that my statement go into the record.

Senator SANDERS. Without objection.

[The prepared statement of Senator Boozman follows on page 101.]

Senator BOOZMAN. One of the things that I think has frustrated all of us, in fact in the last big highway reauthorization, we had a study done about how we could be more efficient, what we needed to get done. One of the things that they highlighted was the fact that I think they said 10 years was the average length of time that it took to get a project done.

Certainly, we talk about indexing and things. The inflation that takes place in trying to get these projects up and going, and most of that time is spent with the permitting processes and things like that as opposed to the actual construction.

Do you all have any recommendations about how we can get projects completed more quickly? Any duplicative process that you see that we might, again, not doing away with in the sense of making it more of an environmental problem or whatever, but duplicative processes so that we could actually get these things done and significantly save money?

Just jump in there.

Mr. LEGGETT. As I indicated a little bit earlier, we used the environmental streamlining process for a project in Montgomery County, Maryland which is called the Inter County Connector. It was actually started, at least in concept, in 1950. Just a couple of weeks ago we had a ribbon-cutting ceremony on one leg of it. It is almost 60 years old at this point.

Part of the challenge in the 1980s, 1990s and all the way up until this time had been the inability to have all of the Federal agencies coordinated, especially those dealing with some of the environmental aspects of this project.

We were able in the last 3 years, through a streamlined process to have all of those agencies work together, meeting regularly almost on a monthly basis, to work through much of the problems and difficulties that we have had for many years.

So streamlining that process, while at the same time maintaining environmental integrity, I think would be a key to what we see here. That means lots of money, time, and frustration could be avoided. As Mr. Paul Degges just indicated a moment ago, increasing the level of predictability. If you don't have predictability on projects, you are not likely to have the other assets to come into play in a timely fashion. So having the flexibility to resolve some of these challenges earlier I think will save a great deal of what we see happening today.

Mr. KENNEDY. Senator, we had a project started in 2004. The planning started in 2006. Last week, last Friday we met with EPA, Corps of Engineers, Fish, Wildlife and Parks, the whole group. This is now 2011. We are now on the second set of the EIS.

What the frustration is is we need the parties to come together. They need to look at the project at the very beginning. They need to look at see what the problems may be, outline them, and then start working on those problems as quickly as possible. Then come back and streamline their process, instead of coming in at the end of the project and delaying it a year or two.

No one is trying to circumvent NEPA or, in the State of Montana, MEPA. But our biggest problem is the delays that take place, and one agency can delay it a year or 2 years.

The other problem that I do have, Senator, is on the EIS, it seems to go on forever and ever and ever. What happens in that process is we spend a good share of the project studying and doing the environmental assessment. By the time it comes back to the project, we have to look for the dollars to actually do the project.

Ms. MCKIM. Senator, thank you for that question. CalTrans submitted a list of very specific kinds of improvements, things that could be incorporated in the Reauthorization Act that we think would streamline the process.

For example, making permanent the NEPA delegation. California was the only State that took up the opportunity to engage in that pilot project. We have seen a reduction, a speeding-up of the process of on average about 14 months through that delegation process. So that was I think a great idea and something that I think deserves further review.

In my written testimony, there are many other examples of kinds of improvements that could be made. It is not a comprehensive list, but it can kind of give you an indication of the real opportunity that is out there. I think that this is an opportunity for all of us to look at some of the processes, encourage that cooperation.

One of the things that we have done in California is require the permitting agencies at the State level to respond within a set period of time so that you don't keep getting pushed on and pushed on and pushed on. So I think that that may be an opportunity if we could get that same kind of time-certain review incorporated for Federal agencies as well.

Thank you.

Senator BOOZMAN. Thank you.

Senator SANDERS. Do you want another minute? Is that all right? All right, just maybe another minute.

Senator BOOZMAN. Yes, it's an interesting question.

Senator SANDERS. If people could briefly respond and then we will go to Senator Cardin.

Mr. DEGGES. Well, certainly streamlining is, some of the things that we have discussed, particularly in the STIP-TIP process, is important, would allow us a lot of help on the front end.

One of the issues that we face in Tennessee has to do with I will have an approved environmental document, and then when I get down to my permitting phase, things will change. I have a project today that I was going to let the contract in May, have an approved environmental document. I am getting everything ready to go to contract, and now I am being told by the Fish and Wildlife Service I have to look for lactating Indiana gray bats. It is a Federal endangered species.

Well, I can't do that study until June, so it will be August or September before I have anything. I have lost the construction season. I think the NEPA document should have addressed that information and that we should not be in the position we are in right now in the process.

Mr. WRIGHT. I will just quickly also stress there is great frustration with the process and the length of time it takes to get things going. In some ways, I think that the disconnect between the planning and the financing is part of the problem here. We start to do these reviews not really knowing if the project is going to have funding available for it or not at the end of the day. So there is no sense of prioritization.

Also on a regional level, it takes an enormous amount of coordination. Right now, there are studies to think of a new tunnel under the Hudson River. There is the NextGen high-speed rail study. There is the Gateway study. There is a study to look at the No. 7 subway extending under the Hudson River.

There are a series of different things, and they are not being coordinated. The MPO process is supposed to be providing a kind of regional coordination, and whether it is strengthening, consolidating others, that process is not delivering the kinds of certainty and priority on a regional basis that we really need. I think that leads to more layers of complication and additional years, if not decades, of delay.

Mr. MALONE. I would also associate myself with the comments around environmental streamlining. But we have projects that have been identified as high priority corridors in 1991. The environmental clearances have been granted. It is simply funding constraints, lack of funding that are holding our key infrastructure projects back throughout the State of Arkansas, but certainly in Northwest Arkansas.

So funding certainty, multi-year commitments.

Senator BOOZMAN. Thank you, Mr. Chairman and Senator Cardin for your indulgence.

Senator SANDERS. Senator Cardin.

Senator CARDIN. Thank you, Mr. Chairman. I thought the series of questions and responses were extremely helpful, and I want to thank all of our witnesses. I think we are all in agreement that we need a multi-year, predictable funding source. This is critically important for the infrastructure needs, for job growth, for our economy.

Mr. Chairman, I would ask consent to put my opening statement also in the record, and my introduction of my county executive, Ike Leggett of Montgomery County. I had a glowing introduction for you, Mr. County Exec, but let me just tell my colleagues that County Exec Leggett, of course, is the county executive of Montgomery County, which is larger than several of our States and has a school district that is one of the largest in the country.

But for particular importance to this committee is that Montgomery County is host to numerous Federal agencies, including NIH and NIST and FDA and Nuclear Regulatory Commission, and Naval Bethesda and the list goes on and on and on.

Transportation is critically important to get people to those facilities. I can tell you, having been caught up in some of the traffic problems, County Exec Leggett has a huge challenge.

[The prepared statement of Senator Cardin follows:]

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

Good morning Madame Chairman, Ranking Member Inhofe, members of the committee and our panel of witnesses. I want to especially welcome Montgomery County Executive Ike Leggett to this morning's hearing, whom I will introduce to the committee before he delivers his testimony.

States, counties and municipalities are at the frontlines of building and maintaining the Nation's vast network of roads, transit systems, rail lines and highways that we rely on every day. These are no simple tasks that are complicated for every month that a new surface transportation authorization is not enacted.

While it is important that Congress address the Federal budget, it is also important that we keep sight of how these decisions may affect our counterparts at the State and local level. Be it cuts in education funding in the long-term FY11 CR, or the scope and size of the next surface transportation authorization bill, these budget decisions have tremendous consequences for State and local governments and may create substantial challenges on their ability to effectively serve our citizens.

In the context of the transportation bill, this is about state, county and municipal transportation departments hiring and contracting engineering and construction workers and reestablishing these important jobs in our State and local economies.

The latest statistics from the labor department are promising as national unemployment levels continue to decline, [1] a sign that our economy is on the path toward a full scale recovery. However, unemployment in the construction trades remains comparatively high. [2] Passing a full reauthorization of the transportation bill will add even more jobs to our economy, increase payrolls and create more wage earners which increases tax revenues and will affectively cut the deficit.

Our states and counties are ready and waiting for Congress to act. I am excited about Maryland's transportation priorities and the models for transportation planning and development that are being executed at the county and city levels that compliment the State's initiatives.

Maryland's top three transportation priorities are three public transit projects:

The Purple Line: is an East-West transit link connecting several Greater Washington communities in Prince George's and Montgomery Counties that will help alleviate traffic congestion on the Beltway and other suburban arterial highways like Route 193, East-West Highway and New Hampshire Avenue. The Purple line will also provide a suburban connection between four of the six Maryland branches of the MetroRail system.

The Baltimore Red Line: an East-West transit line running through the heart of downtown Baltimore from the city's Eastern and Western borders with Baltimore County. The Baltimore Red Line will serve more than a dozen communities in need of better transportation options.

Corridor Cities Transitway: Is a perfect example of a transit system designed to extend efficient transit service linking the rural and bedroom communities Western Montgomery and Frederick Counties to economic centers at the core of Montgomery as well as Metro's Red line.

These are projects that improve the livability of communities that comprise Maryland's largest and growing population centers.

Under the leadership of County Executive Isiah Leggett, Montgomery County has been a leader in the development of Smart Growth and transit oriented development in the State. The success of the revitalized Downtown Silver Spring, the vibrant retail and entertainment venues in Bethesda, the multi-billion dollar commercial center of Rockville, the I–270 technology corridor can all be attributed to the skillful design of the county's multi-modal transportation system that emphasizes the development of livable communities.

Maryland's other transportation priority is to invest in the State's existing infrastructure. In a lot of ways the capacity of Maryland's highway system is maxed out. Maryland has come to the realization that the best way to improve the efficiency and reduce traffic congestion is not by adding more travel lanes, but to use what limited resources it has to maintain a state-of-good repair on the existing system and provide transportation alternatives that will get more cars off of the road.

This has not always been the approach the State has taken to prioritizing its transportation funds. There were times when capacity expansion was believed to be the answer to improving travel times and reducing congestion. [3]

However, using capacity expansion as a means of addressing congestion has often proven to be:

Short-sighted in its utility: Because motorists' demand for space on the road consistently outpaces DOTs' ability to keep up with growth;

Expensive in the long-term: The initial capital expense of new construction is very costly, but also because every new lane mile constructed makes for more lane miles that need to be maintained over time; and is

Unsustainable: Both in terms of financial resources and space for expansion.

The funding used in the Highway Trust Fund for Transit and Transportation Enhancement Projects like bike/ped trails are often the most effective means of saving highway users time and money, particularly in urban and suburban regions of the country.

Sacrificing these programs as a means of stretching our highway dollars would only:

Increase traffic congestion: Eliminating funding for all viable transportation options means everyone must rely on their individual cars and be stuck in traffic to-

[1] Department of Labor: March 2011 nonfarm payroll employment increased by 216,000, and the unemployment rate decreased to 8.8 percent (April 1, 2011).

[2] According to the end of month labor statistics report for March, unemployment in the Construction sector is at 20.3 percent down slightly from 20.7 percent in February. For the last 12 months unemployment in the construction trades has remained right around 20 percent.

[3] The Ehrlich administration's preference for the $2.6 Billion ICC over the Purple Line is an example.

gether on the same roads that our freight haulers use to deliver products to market. This harms business logistics and worker productivity;

Increase wear and tear on the roads: Less transit and transportation options means more cars putting a great level of stress and wear on our roads and bridges. This creates a no win situation for State and local DOTs. If they increase capacity to deal with increased traffic the backlog of maintenance needs just gets longer. If they focus on maintenance of good repair congestion needs are not adequately met. This is where transit and other forms of transportation would normally fit in.

Increase air pollution: Transit is a proven effective means of helping achieve attainment with the Clean Air Act. However, a national transportation plan that is overly car-centric generates more harmful tailpipe emissions.

Increased energy consumption of foreign oil: No amount of domestic oil drilling could keep up with an exceedingly car dependent society.

Stranding non-drivers: Eliminating Federal funding for transit disproportionately harms people, who either by choice or inability, do not drive. Adequate transportation is vital to our daily lives, and is something many motorists take for granted. Eliminating Federal funding for transit and alternative transportation will have a ripple effect through our economy, public health, and basic quality of life.

Sound management of our nation's transportation portfolio follows the same guidelines that apply to sound financial planning:

Diversify your investment portfolio: In rail, highways, bridges and transit:

Maintain your investments and don't spend beyond means: We must take care of existing infrastructure assets so that they are useful and valuable for years beyond the initial capital expenditure. We should seek the most cost effective approaches to transportation design and not over build our transportation systems.

Maryland's consolidated transportation plan takes a comprehensive approach to developing the state's transportation system and not developing the modes separate from each other. This interconnected approach helps improve efficiencies across the board.

While investments in transportation infrastructure are required for the U.S. to remain competitive in our global economy, the Federal Government's role extends beyond these investments to Federal transportation and energy policy.

Our nation receives extraordinary public benefit from mass transportation systems. These systems take thousands of cars off our congested highways. Transit takes tons of pollutants out of the air we breathe and moves people efficiently into and out of our most important commercial centers.

I look forward to hearing from our witnesses.

Senator CARDIN. I want to ask a question as it relates to a concern I have that as we go to the surface reauthorization bill, this surface transportation reauthorization, there are some on this committee that would like to narrow the discretion to our local officials as to how those funds can be used.

It is interesting in Maryland, our three top transportation projects are all transit projects, including for the people of Montgomery County, Maryland, the purple line, which is critically important to get people across county, as well as the Corridor Cities Transitway which will be critically important to expand our high-tech opportunities in the State of Maryland.

All of these projects will help not only get people to where they need to be. It will not only help us as far as our energy policy by using less energy for transportation. It will save us money in unnecessary roads or maintenance that we need in order to keep our road systems capable for the increased traffic that would otherwise be needed.

So my question to you, and I will start with County Exec Leggett, as we look at ways to reauthorize the surface transportation, how important is it to give you the necessary discretion to determine what modes of transportation are right for your community? Or should the Federal Government be prescriptive in order to be able to get more roads done in this country by narrowing your discretion?

Mr. LEGGETT. We need greater discretion and more flexibility. There is some uniqueness that you have heard and seen here. For example, what may be more unique about Montana may be different from Montgomery County. While a planning process, for example, will take advantage of smart growth to build around the Metro or the Metrobus systems, having a system or process that narrows the flexibility I think would be unfair to the various jurisdictions that we see, with particular needs in each and every jurisdiction around the country.

So having more flexibility would allow us to do better planning, build more predictability, and take advantage of some of the assets in which we have already invested. So I am clearly in favor of a greater level of flexibility at the local and State levels to give us the advantages of taking in stock those kinds of assets that we already have in place.

Senator CARDIN. I want to let the others answer, but I want one more question for County Exec Leggett. So let me raise some controversial issues, not with me, but with some Members of the committee.

There has been transportation money used for bike paths and green space between communities, so actually people can walk, rather than taking an automobile. It is such a small amount of the total dollars that are available. Is that discretion also important for the type of smart growth that you are talking about in Montgomery County?

Mr. LEGGETT. It certainly is. Clearly when you talk about bike paths, for example, when we look at the Walter Reed National Military Medical Center in Bethesda. One of the key goals for us is to get people out of their cars, to take advantage of the bike and walking paths that we can build there for people to use.

It depends to some degree on how far you go when you start looking at some of the aspects of green space and other things. There may be some levels at which you have some limitations. But when you look at clear transportation, the ability to bike or walk will enhance traffic mobility because actually you are taking trips off the road. The more that we do that, the greater the transportation convenience for everybody else on the roads.

Senator CARDIN. Thank you.

Mr. Kennedy.

Mr. KENNEDY. Senator, the flexibility is very important. As I had stated before about investor confidence, investor confidence, they want to see what you are actually investing in. If we put the money in the surface transportation bill and the projects don't get funded or we see them on the books forever and ever, and the average is 10 to 12 years to get a project off the ground, what happens is that investor confidence goes down.

I think we need the flexibility at the local level. We need to look at the MPOs. We need to look at the RPOs. In the State of Montana, we have two MPOs and the rural areas have no planning organizations that are stated. We need some flexibility for local governments, counties to be able to work with the State of Montana.

In the State of Montana, what we did with our secondary road project was we set up in regions, and we were able to work with the MDOT and make some recommendations. We set priorities in those regions. We didn't have enough money to do one project in a county, so what we were able to do is pool our moneys together and be able to do a priority for every county.

Senator CARDIN. Thank you.

Thank you, Mr. Chairman.

Senator CARDIN. Thank you.

This has been really a very excellent hearing. Let me close it out by asking a couple of questions to our panelists. Let me start off with the folks from the rural areas. Maybe just start with Mr. Kennedy.

In the State of Vermont, we don't have a major subway system. We are not building a multi-billion dollar bridge. We have different problems than our urban neighbors do.

What are some of the specific challenges that rural communities face in terms of transportation and Federal Government transportation policies?

Mr. KENNEDY. Senator, one of the biggest problems that do have is when your average daily travel per roadway is very small, but you have rural safety issues on those same roads, and the road doesn't qualify or the flexibility or not having the local match. That is what happens in a lot of our rural counties across the State of Montana.

What we need is to be able to work with our State Highway Department, the flexibility at the Federal level. We can build a road at the county level in a third of the time it takes to build a Federal road. So as we look at our roadways and safety dollars coming down to help us, that flexibility to be able to give confidence in the local government to put into those roads. Rural safety on rural roads is a No. 1 issue.

Senator SANDERS. OK, thank you.

Mr. Degges.

Mr. DEGGES. In Tennessee, our population is about half urban, and urban is a relative thing. It is not New York City-urban, but metropolitan planning organizations and half-rural. In the cities in Tennessee, people say solve that congestion, but get your barrels out of the road. In the rural areas, it is about access and jobs. They want those construction barrels.

So what I can tell you about the rural areas of Tennessee is they are starving for access, and certainly access for transportation facilities is important. I do a lot of industrial recruiting in the State of Tennessee.

Senator SANDERS. Starving for access means what? More roads?

Mr. DEGGES. Not necessarily. Roads, certainly. We provide public transportation in all 95 counties in Tennessee, so the entire State is accessible with public transit.

Senator SANDERS. Is the public transportation reasonable?

Mr. DEGGES. Well, it is not a train. It is rubber tire. It is vans.

Senator SANDERS. Can people get to work on a daily basis?

Mr. DEGGES. Yes, but the predominant form of transportation in rural areas is vehicle, a single-person vehicle.

But certainly that access is what I hear over and over. When I am trying to help recruit industry to Tennessee, they want to be within 5 miles of a freeway. They want to be able to have access. So that is a critical piece of how we can create jobs.

I want people in rural areas to have jobs in their communities. I don't want them to drive to Nashville, Memphis and Knoxville every day. That compounds my problem as a transportation official.

Senator SANDERS. Mr. Malone.

Mr. MALONE. Yes, sir. Arkansas I would say is very similar in that about half our population is in more urban areas, and Northwest Arkansas is certainly in that category. We have some highway needs around moving people within the region. But then Arkansas has also got a great number of communities, some that are cities of over 10,000 that have very, very limited highway access.

Our State Highway Department has a program that they hope to be able to address if statewide funding measures are adopted, to guarantee a four-lane connection to all cities over a certain size, primarily for economic development and economic growth opportunities.

Arkansas is seeing some shift from the more rural areas to our cities, our more urban areas, and I expect that trend to continue over the next decade as well. But we need to invest in the rural and remote areas to make sure that they are able to remain stable and contributing to the economy.

Senator SANDERS. Mr. Leggett.

Mr. LEGGETT. We are somewhat unique in Montgomery County. Despite the fact that we have a very large urban area that we have talked about a little bit earlier, with a large Metro connection, Montgomery County has over 100,000 acres of farmland. From this distance right here, 35 to 40 minutes away, I could take you into some of the more rural areas that are comparable to those seen in this entire country. They face the same difficulty that you heard before, access, safety, maintenance. Because in many ways the safety is involved with not only maintaining roads to the standards that we want, but for farm vehicles and other items that are within the same right-of-way.

Senator SANDERS. Let me ask this, and I know California has rural areas so it is not all L.A. and San Francisco. Are we up to snuff in terms of rural bus service? I think in Vermont we have a number of bus companies. It is not a strong presence. If you had to get to work every day, you probably wouldn't rely on that. Can we do better? Is that an opportunity? Are we investing enough? Is there potential there?

Who wants to comment? Yes, Mr. Malone.

Mr. MALONE. Sir, I would submit that in Arkansas, we don't do enough in our suburban and urban areas either, but certainly in the rural areas it is very, very limited. Access is not there for many people.

Senator SANDERS. So if I am a senior citizen living in a rural area and I have to get to the local hospital or doctor for a visit, is it often difficult for me to do that?

Mr. MALONE. Yes, sir. There are some systems and support for aging and folks that have very limited opportunities. Some of the job access reverse commute funds support that in different ways, but it is not what it should be to serve the rural community certainly.

Senator SANDERS. Any other comments? Mr. Leggett then Mr. Kennedy.

Mr. LEGGETT. It is a real problem, Senator, because as you note, in the rural areas, there are fewer people. There are greater distances. When you look at the lane miles and the amount that it takes to run an effective, timely and convenient bus system in those areas, it is real, real difficult.

We have tried to augment that with MetroAccess, whereby we have scheduled pickups of people in areas that we know are populated with elderly residents having mobility problems, but certainly we have not had enough in terms of the reliability and the frequency of buses in rural areas.

Senator SANDERS. If we had the resources, do you think that is something that is useful to explore?

Mr. LEGGETT. Certainly, yes, sir.

Senator SANDERS. Mr. Kennedy.

Mr. KENNEDY. In the rural areas, especially, we work with the Council on Aging in our county, and we work with the Transit Department to get bus and van services. But really, most of those programs, we may get the vehicle, but we run it on bake sales and fundraisers and things like that to get the system going.

Most doctors' appointments don't work with the schedule that the van or the bus service has and that becomes a real problem. Even in towns where we do have a fairly good, in Billings, transit system, it is the amount of funding that comes into it, and actually the number of people that use the system, to offset what the cost is. We have to subsidize quite a bit for the transit program.

So the flexibility in a rural area is a tough one. One of the other pieces is in the rural area, we try to get the city to be able to offer us busing service outside the city of Billings, but because of the rules and the regulations, it had to be classified as a rural area and we had to go a longer distance to make sure it qualified for rural area. Because of those rules and regs, it made it impossible and too costly for us.

So some flexibility in there to be able to offer some busing service outside of the metropolitan area would really help us.

Senator SANDERS. In Vermont, a lot of transportation in the more rural areas is done by folks who volunteer, but who are given gas money. I suspect this is not unique. One of the problems is the price of gas has gone up. Many people can't afford to take people to the doctor. Is that an issue in other States as well?

Cindy?

Ms. MCKIM. Certainly, the issue of rural transportation is a real concern for us. We kind of have a two-edged sword in California. As some of the counties that have been fortunate to pass sales tax measures to improve transportation, you end up with a system of haves and have nots. I think in some respects, California is kind of a microcosm of the Federal Government there in the State. Our rural areas tend to be very remote. It is very costly to provide any kind of a scheduled service. I think that we do need more flexibility to be able to try to serve those special needs communities.

Senator SANDERS. Senator Boozman, did you have any last thought or question?

Senator BOOZMAN. I would agree with you that as so much of this stuff, Meals on Wheels and you name it, as gas increases, it makes it that much more difficult. There is a lot of volunteering.

Then, too, you also have a lot of people that would normally not consider public transportation that are starting to consider it.

But I appreciate the panel. It was very informative. You are the people that need to be setting our policy in a sense. You are out there in the trenches trying to get things done.

The comment you made, Mr. Kennedy, about a little bit more flexibility as we try and do these things. The other comments about trying to shorten these things, getting our agencies not sacrificing any environmental quality issues or whatever, but just working together to try and reduce times. I think all of that stuff is very, very valuable.

So thank you for taking the time to be here with us today.

Senator SANDERS. Thank you all. It has been an excellent panel. We appreciate your being here and the work you are doing.

Thank you.

[Whereupon, at 10:53 a.m. the committee was adjourned.]

[Additional statements submitted for the record follow:]

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

I appreciate the opportunity to hear from State and local leaders about their transportation priorities. This next highway bill will be my 4th authorization, and I know first-hand that experiences of those outside of Washington have a role in guiding the policymaking process.

Today, the challenges in continuing to provide a safe and free-flowing transportation network have never been greater. I am sure our witnesses will agree that our nation's transportation needs outpace our current spending levels.

The link between a robust economy and strong transportation infrastructure is undeniable; yet when it comes to other spending priorities at all levels of government, transportation is often neglected. Complicating matters is that the Highway Trust Fund cannot afford current spending levels. As I have often said, since the Highway Trust Fund has historically maintained high balances, it has become a favorite funding source for all surface transportation activities, including recreational trails, bike paths, ferry boats, and fixing city streets.

These new responsibilities were added while maintaining essentially the same revenue sources—a user fee on motor fuel. Simply put, there are not sufficient resources to properly address the core responsibilities of the program, let alone the extra programs we have added over the decades. If we are serious about a long term re-authorization, we are going to have to re-prioritize the activities the Federal highway program currently supports.

According to the Administration, our nation's backlog of deferred road and bridge maintenance is $600 billion and growing. Typically, spending on roads and bridges at all levels of government is around $80 billion a year, of which the Federal Government makes up 40 percent. Clearly, with limited Highway Trust Fund resources, the Federal highway program is only part of the solution.

If we are going to adequately address the maintenance backlog, growing congestion and the expansive increase in truck freight, public jurisdictions at all levels must take responsibility. This means that not only do we need to get the most for our Federal highway dollar, but we need to encourage State and local governments and the private sector to invest as much as possible in roads and bridges. I look forward to hearing from our witness on how they believe the highway program can accomplish this.

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

Madame Chairman,

There is no doubt that America's economic success depends on our ability to move people and goods.

If we don't continue investing in our country's transportation infrastructure—especially our roads and rails—we risk reversing the progress we've started to make in getting Americans back to work.

This means more than just filling potholes and fixing broken traffic lights—it means unclogging our congested highways, expanding our transit systems and building a world-class high-speed rail system.

Transportation is especially important to the economic health of my State of New Jersey, which is situated at the crossroads of some of the most traveled paths for moving people and goods in our country.

That is why I'm working with Amtrak to build the Gateway Tunnel under the Hudson River.

This innovative project will expand high-speed rail in the vital Northeast Corridor and shorten travel times for New Jersey commuters.

It will also ease congestion throughout the New Jersey-New York area, spark job creation and boost property values.

I want to welcome Tom Wright of the Regional Plan Association—one of our state's key transportation advocates.

Mr. Wright's group has done extensive research on the critical value of transit and rail projects, and I am eager to hear his views on the Gateway Tunnel proposal.

These are the types of transportation investments we need to drive the economy.

Incredibly, House Republicans are willing to slam the brakes on America's progress by slashing investment in transportation.

This short-sighted approach ignores some of the greatest public-works achievements in our country's history—like the George Washington Bridge, which was built during the Great Depression.

Make no mistake: If we don't prioritize transportation investments in the United States, our cities and communities will fall behind.

Transportation is too important to our future to allow reckless cuts to stall our economic recovery.

So I want to thank the witnesses for coming today—I look forward to hearing your views on how we can work together to create a transportation system that will carry us into the future. Thank you.

STATEMENT OF HON. JOHN BOOZMAN, U.S. SENATOR FROM THE STATE OF ARKANSAS

Madam Chairman, I would like to thank our witnesses for appearing here today. I look forward to listening to your thoughts on the next highway bill. As everyone here knows, our nation's transportation system is in extreme need of investment.

We cannot afford to let current projects go unfinished, yet we face a major obstacle of how to fund these initiatives. In my home State of Arkansas, Interstate 49, which runs from Canada down to the Port of New Orleans, remains unfinished. This alone leaves numerous companies without a direct North-South surface transportation route in the very center of our country. In addition, Arkansas is home to several large trucking companies who, along with their clients, are directly, and negatively, impacted by the lack of forward progress on a transportation bill. My State is in a unique position, both geographically and in terms of the businesses which reside there. Thousands of jobs are on the line, the ability of our people to travel hangs in the balance, and our national security is at risk if our infrastructure begins to fail. We must find a way to move forward with a sorely need Highway Reauthorization, and it is my hope that you all will provide us with new and innovative ideas to strike a balance between the need for funding and the work that must be completed. I hope each of you will share with us what works . . . and, what doesn't. We need to know what we can do here, to make things more efficient for you when you all do your jobs.

After serving 9 years on the House Transportation and Infrastructure Committee, I am now very pleased to have been offered the opportunity to sit on this committee. Again, I appreciate the witnesses appearing here today, and I look forward to hearing their testimony.

STATEMENT OF HON. TOM CARPER, U.S. SENATOR FROM THE STATE OF DELAWARE

I would like to welcome our witnesses to this important hearing on "State and Local Perspectives on Transportation." It is vital that your perspectives be part of the debate on reauthorization of the transportation bill.

The Federal transportation program cannot be successful without our State and local partners. These partners are responsible for the construction and maintenance of our Nation's transportation infrastructure. It is significant that these partners—from diverse geographic locations—are united in their call for a robust transportation bill.

A few weeks ago the head of the AFL-CIO, Richard Trumka, and the head of the Chamber of Commerce, testified before this committee in support of a robust bill with a gas tax increase. It is notable that so many Federal, State, and local partners believe that increased investment in transportation is essential for our future prosperity. As we work to reauthorize the transportation bill, there are certainly ways that we can improve existing transportation spending. We can consolidate duplicative programs and accelerate project delivery in order to get more bang for the buck. However, we cannot cut our way to a 21st Century transportation systems. Additional investment is absolutely necessary.

I look forward to working with my colleagues to achieve a transportation bill that is wiser about spending existing resources and delivers the funding we need.

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