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STATEMENT OF WILLIAM T. COLEMAN, JR., SECRETARY  
OF TRANSPORTATION, BEFORE THE TRANSPORTATION  
SUBCOMMITTEE OF THE SENATE PUBLIC WORKS COMMITTEE,  
REGARDING THE ADMINISTRATION'S PROPOSED FEDERAL-AID  
HIGHWAY ACT OF 1975, THURSDAY, JULY 17, 1975.

Mr. Chairman and Members of the Committee:

I am pleased to have this opportunity to appear before you to discuss the Administration's views on the major issues confronting the Nation's highway program. I hope my appearance today marks the beginning of what will be a close and effective working relationship with this Committee. The comprehensive hearings you have scheduled will, I am sure, provide you with a great deal of information on many topics of interest. I would like to focus my attention on the Administration's proposed highway legislation (S.2078) and how it represents a reasonable Federal response to the Nation's transportation problems.

It has now been almost two years since the enactment of the landmark Federal-Aid Highway Act of 1973. The flexible solutions to the Nation's transportation problems which were provided by that important legislation have enabled numerous cities and States to meet more effectively their citizens' needs. That legislation represented an important and timely change in direction in an established program.

The Administration's legislative proposal for 1975 continues to move in this direction. Adoption of the proposal by the Congress would mark another important milestone in the development of a national transportation policy.

Our proposed legislation comes to grips with some of the major questions confronting the program and makes some hard choices. The proposal addresses four issues of overriding importance.

- First, the legislation focuses on the sources of financial support for the highway program and the future of the Highway Trust Fund.
- Second, the bill reexamines the operation of the Interstate program and recommends some major modifications in order to reflect more accurately national priorities.
- Third, the proposal recommends a large-scale consolidation of the existing categorical grant programs as a means of providing State and local officials with increased flexibility.
- Fourth, the bill attempts to provide responsible funding levels, taking into account the relative priority that highway construction should receive in the overall Federal budget.

The bill obviously covers more than these four areas, and after my testimony I will try to answer any questions that you might have. However, given the comprehensive nature of your hearings I will focus my testimony on the major policy implications of our legislative proposal. For each area I hope to describe what we recommend in our proposal, what deficiencies these recommendations are expected to resolve, and why we selected the chosen course of action.

#### Financial Structure/Highway Trust Fund

Our recommendations to revise the financial structure of the program have been seized upon as the most controversial part of our proposal and have been the subject of a great deal of attention from the media. The changes, while important, are not the radical departure they are sometimes described to be by those who would oppose them.

We are recommending that three cents of the Federal excise tax on gasoline be removed from the Trust Fund. Two cents of that amount would be directed to the general fund and the remaining penny would be repealed in any State that increases its tax by at least that amount.

This would retain in the Highway Trust Fund revenues generated by one cent of the tax on gasoline as well as revenues

generated by the existing diesel fuel tax, truck excise taxes, excise taxes on tires and tread rubber, and revenues from the various other taxes which currently go into the Trust Fund. We would then restrict the application of Trust Fund moneys to projects on the Interstate System, and all other Federal highway assistance would come from general funds.

In total, under our proposal there would be as much money available for highway construction as there is under the present program. Our bill would provide an average of \$3.5 billion per year for the construction of the Interstate System, \$1 billion for rural assistance program, \$800 million for the urban assistance program and \$400 million for the safety improvement program. Both the urban and rural programs would make funds available for a full range of public transportation projects.

In addition, slightly more than \$1 billion in new revenues would be available to the States under our tax preemption proposal. States could use these preempted funds for highway construction, but they would have the option of using them for other purposes as well.

Collectively, this makes almost \$7 billion per year available for highway construction for the remainder of the decade, while under the existing program, the highway excise taxes would generate

only an estimated \$6.6 billion per year between now and 1980. In addition to providing a substantial funding level, the States will be able to use more effectively these resources to meet their own needs as a result of the additional flexibility provided by our proposal.

As you know, prior to 1956, Federal assistance for highways came from general funds, and highway excise taxes were just another source of Federal revenue. With the national commitment to construct the Interstate System, the Trust Fund was established. We are still committed to completing the Interstate System and would still finance its construction from the Trust Fund, honoring the mandate of 1956. Further, we contemplate in the future financing from the Trust Fund the rehabilitation and improvement of the System.

For the non-Interstate highway programs, we would use general fund financing. This too seems a logical step as these programs focus heavily upon economic and general community development as well as local transportation needs.

Finally, we would turn back one cent of the Federal gasoline tax to the States. This would provide them with an additional source of revenue to use as they wish, totally unencumbered by Federal requirements.

These recommendations are aimed at resolving a number of problems and constitute a strong move toward an improved national transportation policy.

First, we want to reduce the linkage between highway tax revenues and highway program levels. In the past, this linkage has forced the program in some years to funding levels higher than we think desirable. In the future, revenues could just as easily serve as an undesirable ceiling on highway assistance. Program requirements viewed in the context of an overall Federal spending level is the proper and sensible way to set program funding levels.

Second, we want to make it simpler to modify the program in the future if such actions are warranted. Traditionally, it has been difficult to adjust any program financed by earmarked revenue sources to reflect changing circumstances and national priorities.

Third, with respect to the tax turnback, we are trying to increase State revenues without increasing the tax burden on any citizens. We expect that most of the revenues generated by the one cent gas tax would be used for transportation, but believe that such decisions can best be left to the States. Further, these funds would no longer be subject to Federal red tape.

There is a great deal that is attractive about a program where

the user pays for special benefits he receives, although this does not require the establishment of a trust fund. However, one condition for the sensible application of the user tax principle is the ability to identify clearly the beneficiaries of any program and the relative distribution of the benefits among them. In the case of the non-Interstate programs, ascribing benefits of the programs to specific classes of users is particularly difficult in view of the broad community development nature of these programs. For this reason, it is logical that the non-Interstate programs be financed out of general revenues.

We believe that our financial proposal is a balanced reaction to a number of problems, and that it will have a beneficial impact in the future without seriously disrupting the present program.

#### Interstate Program

The second major feature in this bill is the proposed change in the operation of the Interstate Program. With 85 percent of the mileage on the System open to traffic, we believed it prudent to reexamine carefully the operation of the System and to see if it is, in fact, achieving national objectives.

From our examination, it is clear that there are really two types of routes on the System. The first category consists of intercity routes, those which commonly come to mind when people

think about the System. The second category consists of routes that principally serve local or regional needs and are primarily used as commuter roads.

We believe that the completion of the first category of Interstate routes has a much higher priority than the second. To implement this policy, we included in our bill three changes in the operation of the program. First, rather than apportioning authorizations based upon the relative cost of completing all Interstate routes in each State, we would apportion half the money based on the cost of completing routes of national significance and half in the conventional manner. This approach places additional emphasis on meeting the cost of high priority links and results in a different allocation of Interstate funds. Second, having distributed funds based upon this new classification, we would require that the portion of the authorization apportioned to the States based upon the cost of completing high priority routes be used only on those routes. We would, of course, encourage States also to use their remaining funds on those high priority routes, but the States would have the flexibility to use these funds on any Interstate route in the State. Third, we would reinforce the prospect of expediting high priority routes by making lapsed Interstate funds available only for use on high priority routes.



Taken together, the amendments establish a much more precise definition of what we view to be the proper Federal role. Regardless of the ultimate size of the Interstate authorization, we believe it desirable to focus Federal funds on expediting the completion of high priority links.

Before I leave this topic, I'd like to spend a moment to describe just how we have tentatively classified Interstate routes. We first went to the Interstate map and placed all intercity links into the high priority category. When we came to an urban area with a single Interstate route through it, that route also was added to the high priority category. We had to make choices only in those areas where there is more than one route through or around a major urbanized area. When we examined the Interstate links in such an area we selected the routing which was most nearly complete or most likely to be completed.

This preliminary assessment was done by DOT headquarters staff without any State input. Thus to a degree, there may be some cases where the latest status of a route was not known. Further, there was no attempt to accommodate regional desires in this preliminary evaluation. If the Congress adopts our recommendation we will work closely with the States

to classify routes. Regional interests will be accommodated to the extent they do not substantially increase the cost of completing the Interstate routes of national significance.

#### Non-Interstate Program

Our recommendations for the non-Interstate program are aimed at increasing State and local flexibility while at the same time reducing intervention of the Federal government into what are principally State and local decisions. The Administration bill would consolidate most of the existing categorical grant programs into three broad-based programs; a rural transportation assistance program; an urban transportation assistance program; and a highway safety improvement program. Further, the existing certification acceptance process would be expanded to apply to all Federal requirements except those pertaining to civil rights and equal employment opportunity. The current certification acceptance provision is limited to Title 23 procedures. Together, these amendments would provide the States with flexible programs which in many cases could be operated using existing State procedures.

We would permit rural funds to be used for highway construction on or off Federal-aid systems, highway public transportation investments, safety improvements, and operating assistance for rural public transportation upon the completion

and evaluation of the present demonstration program. Because of the interest in maintaining a floor for investments on the Federal-aid systems, we would require at least 60 percent of the sums authorized for the rural transportation assistance program to be used for such purposes.

The urban program would make funds available for highway construction on or off Federal-aid Systems, safety improvements, and any transit investment.

The safety program would consolidate the existing safety construction programs and expand them to cover projects on or off Federal-aid systems. It is modeled in large part after the Safer Roads Demonstration Program initiated by this Committee. We anticipate that this consolidation and simplification will expedite progress on these important projects.

In order to further increase the flexibility of the States, up to 40 percent of the urban funds and the rural funds could be transferred from one program to the other. However, we would not permit safety funds to be transferred to any other program.

This general approach is not a new one. The Department has been recommending grant consolidation for several years and, unfortunately, has been confronted with grant proliferation. It cannot be denied that each of the categorical grants is focused on

the achievement of a seemingly worthy objective. But taken together, these categorical restrictions reduce efficiency in the management of the program. Both the Committee and the Department recognize that the States have the experience, the maturity and the ability to sensibly manage the highway program. The Congress has continually emphasized the predominant State role in the program. Yet at the same time the Congress has continued to add categorical grant programs which only limit the flexibility of the States.

It is time for this to change. When the Congress provided temporary 100 percent Federal funding of projects as a means of inducing employment, it also waived the various categorical restrictions that applied to non-Interstate programs. I hope that this is indicative of actions that the Congress is prepared to take in developing legislation this year. We urge the Committee to help make the program more manageable and more responsive to the needs of the States by consolidating the numerous grant programs.

#### Funding Levels

Finally, it is necessary to decide just how much money the Federal government should be spending on highways. Obviously, such a determination cannot be arrived at in a vacuum. One must consider how much can be afforded within the overall Federal budget.

In addition, the outputs of the highway program must be evaluated, the cost of achieving those outputs must be examined; and the priority accorded the various components of the program must be carefully weighed. And in the end, one must make a judgment as to the appropriate Federal role.

When we began work on our legislative proposal, we tried to determine how much the Nation should be spending on highways and how much of that sum the Federal government should be responsible for. We looked at highway output in terms of highway miles constructed, in terms of money spent as a percentage of GNP, and in terms of both of these factors expressed in constant dollars to account for inflation. More importantly we tried to gauge the impact of different spending levels on the level of service provided by the highway system.

From our perspective, we concluded that the highway system is operating reasonably well. With the exception of some major urban routes, capacity is not constrained. We find few, if any, major breakdowns in operation of the system. We further find that the level of service provided by the highway System is not very sensitive to any but the most major changes in spending. Thus, we concluded that in the aggregate, spending for highways is not seriously out of line with requirements.

The proposed legislation that President Ford submitted to the Congress would make almost \$7 billion per year available for highways. This compares favorably with the 1973 Highway Act and is not unreasonable when compared with recent Federal program levels. On the average, slightly more than half of the Federal funding provided would be targeted for the Interstate System, recognizing the primary Federal interest in that program, but also reflecting the recent Federal funding experience for non-Interstate programs.

Finally, I'm sure the question will arise as to when the Interstate System would be completed were the Congress to adopt our proposal. Obviously that is a function of future inflation as well as future funding levels. If we look only at the routes of national significance, the \$17 billion cost of completing those routes included in the 1975 Cost Estimate has probably increased to around \$22-23 billion as a result of price increases. However, we can probably reduce this sum to \$20 billion as a result of the last eighteen months of program activity. In the absence of any price increases, the \$20 billion in construction could be completed early in the 1980's. High inflation could easily extend this into the early 1990's without any allowance for the completion of low priority routes. Thus early completion of the Interstate System is not a probable outcome under any reasonable legislative action on the part of the Congress at this time.

However, one must recognize that we are not starting from scratch. More than 85 percent of the Interstate System is open to traffic. Our proposal is designed to expedite completion of those intercity routes which would substantially add to that total. Thus, postponement of ultimate completion of the System is not so serious a problem as to require substantial increases in program funding or a major increase in Interstate funding at the expense of other activities.

This completes my prepared statement. We have developed a proposal which we believe confronts several major problems. We have made hard choices and on balance believe that we have taken a reasonable approach. In the months ahead I hope to work with you to develop comprehensive highway legislation which meets the Nation's needs.

My colleagues and I are now ready to address any questions you might have.