

STATEMENT OF SECRETARY OF TRANSPORTATION BROCK ADAMS,
BEFORE THE HOUSE WAYS AND MEANS COMMITTEE CONCERNING
THE ADMINISTRATION'S PROPOSED HIGHWAY AND PUBLIC
TRANSPORTATION LEGISLATION, FEBRUARY 8, 1978.

Mr. Chairman and Members of the Committee:

It is a pleasure to be here this morning to discuss with you the Administration's proposals for the extension of the Highway Trust Fund and the refocusing of Federal assistance programs for highways and public transportation.

The legislation which the President has submitted, and which has been introduced in the House as H.R. 10578, contains authorizations for the various non-Interstate highway programs for a four year period, fiscal years 1979 through 1982. In the case of the Interstate highway program, authorizations are extended for a longer period in order to reflect the long term nature of this program.

H.R. 10578 also extends the Highway Trust Fund for four years. We believe that this method of financing transportation improvements is a valid and efficient one. It provides the assurance of long-term funding that is necessary for proper planning and programming of improvements. And it is consistent with the President's policy that the user should pay for benefits received whenever possible. We strongly recommend continuation of the Highway Trust Fund and of the taxes which support it.

Several of the proposals in our legislation will have an effect on the Highway Trust Fund. I would like to outline the major points of our legislation and indicate those areas to you.

The principal objectives of the legislation are to:

- strengthen and consolidate comprehensive transportation planning;
- simplify funding categories and increase the flexibility of their use;
- accelerate completion of the Interstate System;
- address the transportation needs of rural and small urban areas; and
- provide the same Federal share - 80 percent - for non-Interstate highway and public transportation programs.

Several of the highway categories previously funded from the General Fund, amounting to approximately \$400 million, are proposed to be consolidated with programs presently funded from the Trust Fund or to be funded from the Trust Fund. This change will make it much easier to provide assured funding for these programs. The few categories and the small amount of money involved in this shift will not in any way undermine the overall highway program, which can be funded within the amounts of income projected for the Fund over the next four years.

This projection, which is shown in the table attached to my statement, is based on the full implementation of the Energy Policy Conservation Act fuel economy standards, a two and a half percent increase in the annual rate of vehicle miles travelled and a reduction in gasoline consumption as a result of the President's Energy Plan. It is anticipated that the gas tax portion of the Highway Trust Fund will level off and that the remainder of the taxes will continue to grow at roughly the existing rate. Our projection includes the proposed removal of the intercity bus excise taxes which involves \$29M in FY 1978 and \$25M for each year thereafter.

Our legislative proposals cover seven broad program categories: planning, the Interstate program, the Primary highway program, assistance for large urban areas, assistance for small urban and rural areas, safety and bridges.

Planning

A first and critical step is to bring transportation planning efforts together so that planning focuses not just on highways or on transit systems but on all the transportation modes, how they can best be used together and how transportation can be an agent in meeting other national and local objectives.

In addition to proposing that the same planning requirements govern both our highway and our public transportation programs, and that Statewide as well as urbanized area planning be required, we recommend consolidation of the currently separate FHWA and UMTA planning funds. Monies for this consolidated fund will be provided by a two percent take down from the highway and transit programs.

Interstate

For the Interstate System, our proposals have a number of objectives. The System has been under construction for more than 20 years and 91 percent is now open to traffic, with another 4 percent under construction. Recent estimates indicate that the remaining cost of completion, including full upgrading of existing segments, is about \$34.3 billion - or over 34 percent of the estimated total System cost.

We want to accelerate completion of the System. We want to focus efforts on the construction of essential gaps in the System which impede intercity travel. And we want to be sure that the available funds are used effectively and do not go unused in one State while another State has projects ready to build but has run out of funds.

Our legislation meets these objectives. We alter the Interstate apportionment so that half of the funds will be apportioned on the basis of essential gaps - and must be used for gap projects -

and the other half apportioned on the basis of total System completion. We will permit State's to borrow against their following year's Interstate apportionment if their current funds are obligated. And the basic period of availability of the funds will be shortened from four years to two, with unused funds being reallocated to States which can use them quickly.

Our goal is to complete the Interstate System by 1990, and to be sure that this is achieved, we establish some benchmark dates for decisions on Interstate construction and for construction to begin. By October 1, 1982, Interstate segments must have completed the environmental review process or have been withdrawn. And by October 1, 1986, construction must have started on all unfinished Interstate segments.

While our proposed increase in Interstate authorizations is not as great as that contained in current law, the measures I have outlined will result in a greater amount of the authorized funds being used effectively.

Finally, Mr. Chairman, H.R. 10578 makes some changes in the way Interstate transfers are handled. In order to remove disincentives for Interstate withdrawal requests and the substitution of lesser highway and public transportation projects, we propose that substitute projects receive the same matching share - 90 percent - as would have been received for the Interstate project. Under

current law, there is in effect a penalty attached to such withdrawals since while the same amount of Federal funds is involved, the required local matching share is doubled or tripled. We do not think the level of Federal match should bias local decisions.

In addition, the Federal share of substitute highway projects will come from the State's Interstate apportionment. Substitute transit projects will continue to be financed from the General Fund. We believe this shift to Trust Fund financing of substitute highway projects is appropriate both because the Trust Fund is the logical source of funding for these projects and because it makes our overall highway program level more predictable and manageable.

RRR

Our proposal continues a separate category of assistance for Interstate resurfacing, restoration and rehabilitation. We must be sure that the Interstate, and the tremendous Federal investment it represents, does not deteriorate. We have adjusted the apportionment ratio to give more funds to those areas where travel and need are the greatest.

The Primary System

The primary system of highways will continue to receive focused Federal assistance. This basic network of main roads is vital for intercity, statewide and regional traffic. We consolidate a number of narrow assistance categories into a unified primary

program, and we increase the flexibility of use of these funds by providing that 50 percent of the funds apportioned for this category, for the urban highway program and for the small urban and rural program can be transferred from their original category to one or both of the others.

We also increase the Federal share for the primary and the other non-Interstate programs to 80 percent. This will not affect the amount of Federal funds available for these programs, but it equalizes the Federal share for highway and transit programs and it should allow a greater level of State funds to be used for maintenance and other road work purposes.

Urban Program

To meet the needs of our larger urban areas - those with a population of 50,000 or more - we propose a revised urban highway formula program. Funds will be apportioned on the basis of urbanized area population and will be available for projects on any road or street not on the primary or Interstate. The option contained in present law to use urban highway funds for public transportation capital projects will be continued.

On the transit side we will also have a formula program for urbanized areas, which would provide assistance for all routine capital activities, as well as operating assistance. Up to 50 percent of the

transit formula funds may be used for highway projects. We will also have a discretionary public transportation assistance program, reserved primarily for major new investments. These programs will be funded from the General Fund.

The compatible and flexible features of our proposed urban highway and public transportation programs are designed to assure that they can be used effectively and efficiently to meet the transportation needs of our large urban areas.

Small Urban and Rural Program

For small urban and rural areas, it is also essential that we have a flexible assistance program that allows State and local officials to determine what transportation solutions best satisfy their needs. We propose a consolidated program with funds to be apportioned to the States by formula. These funds could be used for any highway not on the Interstate or primary system and for public transportation projects, including operating expenses.

The funds for this program will come from the Highway Trust Fund, with the Trust Fund to be reimbursed from the General Fund for any expenditures on public transportation operating costs. This framework will give small urban and rural areas the same flexibility in the use of Trust Fund monies that currently exists in the Federal-aid Urban System program.

I would like to elaborate somewhat on our proposal to allow rural and urban highway funds to be used on roads which are not on a designated Federal-aid highway system. Some have expressed concern that this will drain off Trust Fund monies for unimportant projects.

As a matter of fact, we do not expect this change to result in reduced investments in the Federal-aid systems. The Federal-aid secondary system, which provides essential intra-state access to agriculture and industry, has always had high priority in State and local highway improvement programs. States control only 22 percent of all rural road mileage, and a third of that is on the Primary System which is not affected by our proposed change. State spending on Secondary System highways is often double Federal spending. Similarly the arterial and collector roads that are on the Federal-aid urban system carry the most traffic and have the highest priority for capital improvement funds. The focus on these highway systems is not likely to change. Our proposal will, however, allow off-system needs to be addressed efficiently with Federal assistance rather than being treated as a separate category as under present law.

Safety

Highway safety is an area of constant concern. Our proposal consolidates six existing programs into a single highway safety improvement program, with the funds to be apportioned to the States by formula. This consolidation will allow the States to use these funds effectively to meet their own safety needs.

Bridges

Finally, Mr. Chairman, we need to move forcefully to meet the problems of our nation's bridges. We propose to more than double the Federal funding available for bridges and, in order to improve the cost-effectiveness of our program, to permit bridge rehabilitation as well as replacement. To be sure that bridge needs off the Federal-aid system can be met, up to 30 percent of the funds will be available for those bridges.

Those are the highlights of our proposals. It is a comprehensive package, one developed from a thorough review of our current programs and extensive consultation with the transportation community across the country.

Mr. Chairman, this concludes my prepared statement. I would be pleased to answer any questions you and other members of the Committee may have.

2/7/78

PROJECTED HIGHWAY TRUST FUND REVENUES
(\$ in millions)

Cash on Hand end of FY 1979	
Balance 9/30/77	\$10.2
FY 1978 estimate	7.1 ^{1/}
FY 1979 estimate	7.4 ^{1/}
Interest	1.3
	\$26.0B
Commitments through FY 1979 (Interstate) and FY 1978 (non-Interstate)	\$24.9B
Uncommitted Balance	\$ 1.1B

PROJECTED INCOME FY 1980-83

FY 1980	\$7.1
FY 1981	7.3
FY 1982	7.3
FY 1983	7.4

Total	\$29.1
Interest	2.3
Uncommitted funds	1.1
Close-out funds	.4
Total Revenue	\$32.9

PROPOSED AUTHORIZATIONS FY 1979-83

FY 1979	\$4.3
FY 1980	7.8
FY 1981	8.2
FY 1982	8.2
FY 1983	3.5

Total	\$32.0
Total Revenue	\$32.0

^{1/} FY 1979 Budget estimates.