

# TRANSPORTATION INVEST IN OUR FUTURE



## SURFACE TRANSPORTATION POLICY RECOMMENDATIONS

For the National Surface Transportation Policy and Revenue Study Commission



AMERICAN ASSOCIATION OF STATE HIGHWAY AND TRANSPORTATION OFFICIALS

MARCH 2007

# INTRODUCTION



## Setting Bold Goals for America's Future Transportation System

In 1956, America embraced a national vision for transportation by launching the Interstate Highway System—a transportation investment that changed the face of the nation and made it the economic powerhouse of the world.

Since 1950 our population has increased by 130 million, highway travel has increased five-fold, our metropolitan population has increased from 85 million to 225 million, and we have gone from an industrial economy that was largely self-contained to one that is high-tech and service-based in an increasingly competitive global economy.

What will it take to meet America's surface transportation needs for the future? It will require a multi-modal and an intermodal approach of preservation, improved system performance and new capacity in every mode. It will also require solutions addressing land use, energy, global climate change, the environment, and community quality of life.

The top priority in AASHTO's Strategic Plan is to reestablish transportation as a national priority. In addition, AASHTO has identified bold goals critical to the creation of a transportation system that meets America's needs in the 21st century.

- **Increase federal highway funding from \$43 billion to \$73 billion, and transit funding from \$10.3 billion to \$17.3 billion by 2015**—to remedy the erosive impacts of inflation and skyrocketing construction costs and restore the purchasing power of the federal-aid program.
- **Supplement state and local revenues through alternative financing options.** Increase the percentage of highway revenues generated by tolling from 5 percent to 9 percent, triple highway capital investment financed by public-private ventures, and support the development of alternatives to fuel taxes.
- **Double transit ridership over the next 20 years.**
- **Preserve today's 47,000-mile Interstate Highway System, so it lasts for at least the next 50 years.**
- **Add nearly as much capacity to the Interstate Highway System over the next 50 years as was built over the past 50 years.** To accommodate impending growth in population and traffic, add 10,000 miles of new routes on new alignments, adding 20,000 lane-miles to existing Interstates, and upgrading 20,000 miles of NHS routes to



Interstate status. Correct bottlenecks, improve intermodal connections, upgrade interchanges, and create exclusive truck lanes.

- **Reduce annual highway fatalities by 10,000 each decade.**
- **Reduce congestion and energy consumption; improve air quality.**
- **Establish a National Rail Transportation Policy to address passenger and freight needs.**



# Bold Action Needed to Sustain National Competitiveness

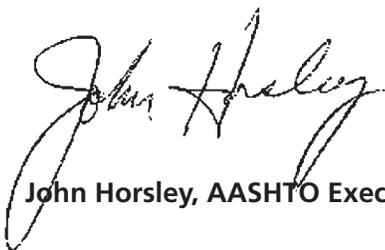
**A**ASHTO is pleased that Congress created the National Surface Transportation Policy and Revenue Study Commission to analyze the Nation's surface transportation needs, develop a conceptual plan showing how they can be met, and develop revenue recommendations for how to fund them. This is the first time in over 25 years that Congress has appointed a Commission to conduct a national policy review with this broad a scope. The charge to the National Transportation Policy Study Commission which reported its findings to Congress in 1979, was very similar to the one this Policy and Revenue Study Commission has today. There is, however, such a striking similarity between the way in which that Commission's report "sounds an alarm," and AASHTO's Board of Directors issued a "Call for Action," in our recommendations to this Commission, that we have presented them face to face on the next two pages. What they called for then was action to "meet the needs of a growing America." What AASHTO calls for today is bold action to "sustain our national competitiveness."

The recommendations made by the 1979 Commission dramatically improved America's transportation system, by calling for sweeping deregulation of aviation, trucking and railroads, and a significant increase in transportation investment. We believe the potential for your Commission is just as great.

We believe the results of your study can help the Congress understand what needs to be done and that your recommendations can outline policies and revenue options for the future that can serve as the framework for the next highway and transit program reauthorization.

We are pleased that Congress specifically asked the Commission to consult with representatives of State Departments of Transportation to ensure that their views are considered. At AASHTO's annual meeting October 30, 2006, in Portland, Oregon, our Board of Directors approved a set of policy recommendations from AASHTO to the Commission. This report conveys those recommendations. It is one of six reports AASHTO plans to convey to the Commission to assist in your deliberations. The others will address: *Future Needs of the U.S. Surface Transportation System; America's Freight Challenge; Revenue Sources to Fund the Needs of the U.S. Surface Transportation System; A Conceptual Plan to Ensure that the Surface Transportation System Will Continue to Serve the Needs of the United States; and A Performance-Based, Results-Driven National Surface Transportation Program.*

As the front-line deliverers of transportation projects and services, State departments of transportation have insight based on experience. These recommendations reflect that unique perspective of a full partner with the federal government in assuring mobility in the 21st Century.



**John Horsley, AASHTO Executive Director**



1979

## National Transportation Policy Study Commission

July 25, 1979

This report sounds an alarm!

The world's best transportation system is in danger. It may not be able to meet the needs of a growing America.

- The present levels of public and private investment will not preserve the existing system.
- The demand for transportation will grow dramatically, outdistancing the rate of population growth by nine times for freight and four times for people.
- The capital investment required to meet the growing demand by the year 2000 exceeds \$4 trillion, over \$1 trillion from the public sector.
- Government over-regulation is inhibiting the return on investment necessary to attract capital for future growth.
- A maze of federal agencies, congressional committees and conflicting policies is driving up costs and retarding innovation.
- Highway fatalities could increase 45 percent, exceeding 66,000 annually by the year 2000.
- A lackluster energy policy, impeding production of oil, coal and other forms of energy, is endangering transportation's ability to keep up with demand.

The NATIONAL TRANSPORTATION POLICY STUDY COMMISSION in its final report to Congress and the President includes over 80 specific recommendations to improve America's transportation system. It is significant that the final report was unanimously adopted by a vote of 18 to 0, although, obviously, not every Commissioner agrees with every recommendation.

The world's best transportation system need not decline. Implementation of the COMMISSION's recommendations will contribute to the revitalization of transportation in America and help provide one of the critical prerequisites for economic growth and prosperity in the future.

America's transportation system must be designed to meet the requirements of the people, not to dictate what those requirements should be. The American people and their leaders in both public and private sectors must squarely face the developing deficiencies in transportation and adopt new policies for the future.



Bud Shuster, M.C.  
Chairman

**2006**

## **AASHTO's Call for Action for the National Surface Transportation Policy and Revenue Study Commission**

- We are a vast nation that has overcome the tyranny of distance through wise investments in transportation that tied our communities together and linked us to the world.
- We have built a modern transportation system that is the foundation for the strongest economy on earth.
- Our nation has benefited from a transportation system that is safe, reliable, efficient, affordable and secure.
- Americans have enjoyed expanded opportunities for jobs, places to live, time with family, education, healthcare, recreation and other services because of a world-class transportation system. Businesses have realized a competitive advantage and productivity growth.
- Our generation inherited the world's best transportation system made possible by the commitment of the last two generations to invest in the country's future. We have spent that inheritance.
- The 21st century is an increasingly competitive world where countries such as China and India have set their sights on overtaking America as the preeminent economic power. Our prosperity and way of life are at stake. America must respond.
- Only immediate bold action to invest in transportation will sustain our national competitiveness and personal opportunities. It is time to marshal the will and the resources needed.

Simply put, we believe the mission of the U.S. Surface Transportation Program is to keep the U.S. competitive in the global economy and meet America's 21st Century mobility needs.

Board of Directors,  
American Association of State Highway  
and Transportation Officials  
October 30, 2006  
Portland, Oregon



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## KEY FINDINGS



- As never before we are engaged in an intensive competition in the global economy, now not only with our traditional trading partners such as Japan and Europe, but also with China and India. Because the economies of these two emerging megastates have been growing at between 8 percent and 10 percent annually, compared to 2.8 percent here in the United States, while we may be ahead for the moment, they are on track to catch up, and possibly overtake us.
- Part of what it will take to sustain our prosperity in the context of this global economy is a modern, efficient transportation system which enables the U.S. to increase productivity growth, create jobs, and compete head-to-head with all comers.
- As early as FY2009, and almost certainly by FY2010, unless additional revenues are provided, the nation will face a federal funding crisis which could require an \$18 billion cut in highway assistance and a \$3 billion cut in transit by 2012.
- Highway Trust Fund revenues grew from \$22.2 billion in 1995 to \$37.9 billion in 2005, a ten-year increase of 70 percent. In 2005, \$24.5 billion in revenues came from gas taxes and \$8.9 billion from diesel taxes. So 88 percent of revenues came from fuel taxes. At current tax rates, Trust Fund revenues are forecast to increase from \$37.9 billion in 2005 to \$46.9 billion by 2015, a ten-year increase of \$9 billion.
- Congress directed the Commission to assess “whether the amount of revenue flowing into the Highway Trust Fund is likely to increase, decrease or remain constant, taking into consideration the impact of possible changes in vehicle choice, fuel use or travel alternatives.” The findings of recent reports show the following:
  - The authoritative 2006 Transportation Research Board (TRB) study, titled *The Fuel Tax and Alternatives for Transportation Funding*, concluded that fuel taxes would continue to be a viable source of support for the Highway Trust Fund, “for at least the next fifteen years.” EPA reported that the fuel economy for the light-duty automotive fleet, which is made up of automobiles, light trucks and sports utility vehicles, has declined 5 percent over the last 19 years from 22.1 miles per gallon in 1987 to 21 miles per

gallon in 2006. A 2003 National Cooperative Highway Research study on alternative fueled vehicles, such as those fueled by hydrogen, electricity and compressed natural gas, forecast that the market share of these vehicles will not exceed .02 percent until after 2020.

- Between 1993, the year in which federal fuel taxes were last adjusted, and 2015, construction costs will have increased by 70 percent. To restore the purchasing power of the highway and transit programs, highway capital investment will have to increase to \$160 billion and transit capital investment to nearly \$40 billion, by 2015. If the federal government sustains its historical share of national investment at 45 percent, federal highway assistance would have to increase to \$73 billion and transit assistance to \$17 billion. For state and local governments to sustain their historical 55 percent share, their highway capital investment would have to increase to \$89 billion and their transit capital investment to \$21 billion.
- This analysis makes two things clear: First, the investment requirements are huge. Second, the only way the Nation can meet them is for all levels of government to continue to fund their share.
- Tolls are currently collected on 4,600 miles of roads in 25 states. There are approximately 25 Interstate toll roads and 65 significant non-Interstate toll roads in operation. Toll-generated revenues increased to \$7.75 billion in 2005, which amounted to 5 percent of total highway revenues that year. Analysts, who have specialized in the potential of tolling, believe that tolling's market share of highway funding could be increased from 5 percent to as much as 7 percent over the next fifteen years if it receives strong policy support from Congress and State Legislatures.

Increasing use of tolling and public-private ventures can help states and local governments to increase their funding efforts and to sustain their historical share of the investment levels needed nationally. However, tolls and public-private ventures in no way offset what will be required for the federal government to sustain its share of the national investment required.

- The tonnage of freight moved in the United States is forecast to double between 2005 and 2035, from 16 billion tons to 31.4 billion tons. It is projected that 80 percent of that freight by tonnage and 94 percent by value will be moved by truck. Trade with Canada is up. Oil imports and expanding trade with Mexico and Latin America have resulted in major increases in trade through Gulf Coast ports and across the U.S.-Mexico border. International container cargo coming primarily from Asia and Europe grew from 8 million units in 1980 to 40 million units by 2000 and is expected to explode to 110 million units by 2020. This is placing enormous pressure on West Coast and East Coast ports and the highway and rail distribution systems in between.
- With growing congestion, an aging infrastructure, and continuing safety and security concerns, our customers demand high-quality roads, put in place as quickly as possible with sensitivity to the environment and at the lowest possible costs. "Business as usual" approaches are not acceptable—construction costs are increasing at alarming rates, and our customers want projects delivered on time and on budget, and want us to "get in, get out, and stay out."

- The national goal must be to deliver transportation projects faster so that our citizens obtain the significant benefits of improved mobility, highway safety, economic vitality, community cohesion, and environmental betterment as quickly as possible. What is needed on a constant basis is for U.S. DOT to commit itself to help states deliver projects as fast as possible, and to enlist other federal agencies in this approach. What is at stake are economic and social objectives for the country just as important as the environmental objectives states are being asked to achieve.



# EXECUTIVE SUMMARY OF AASHTO'S POLICY RECOMMENDATIONS



*In October 2006, the AASHTO Board of Directors adopted a wide-ranging series of recommendations addressing the future of the nation's surface transportation system.*

**To meet the Nation's surface transportation system needs, all levels of government—federal, state, and local—must continue to fund their historical shares of the investment needed.**

## Overview Recommendations

- Surface transportation investment needs to be increased to the levels required to keep the U.S. competitive in the global economy and meet America's 21st Century mobility needs.
- To meet the Nation's surface transportation system needs, all levels of government—federal, state, and local—must continue to fund their historical shares of the investment needed.
- Meeting America's surface transportation needs for the future will require a strategy which goes beyond just "more of the same." It will require a multi-modal approach, which preserves what has been built to date; improves system performance; and adds substantial capacity in highways, transit, freight rail, intercity passenger rail, and better connections to ports, airports, and border crossings.
- Meeting America's surface transportation needs will also require solutions which go beyond transportation improvements and include policies addressing land use, energy, global climate change, the environment, and community quality of life.
- AASHTO believes three prerequisites will be required for surface transportation reauthorization to succeed:
  - Development of a compelling vision of the surface transportation system needed for America's future;

- Development of a reform agenda to restore a sense of purpose for the Federal Transportation Program; and
- Development of bold goals that define a strategy for meeting the country's needs. (These are addressed in the section on the Federal Program.)

## Highway Recommendations

- Near term, 2009–2015:  
Increase federal highway assistance from \$43 billion in 2009 to \$73 billion by 2015 to restore the purchasing power of the program and provide the resources necessary to meet national needs for both system preservation and expansion.
- 2015 and Beyond:  
Further increase funding toward achieving U.S. DOT's "Cost to Improve" Goals.
- Preserve the current 47,000-mile Interstate Highway System so it lasts for at least the next 50 years.
- Enhance system performance. Advanced ITS technologies and better system management techniques need to be utilized to reduce congestion, improve throughput, and increase Interstate Highway System reliability.
- Expand capacity to meet future needs. To keep us competitive in the global economy and meet America's 21st Century mobility needs, we will need to add nearly as much capacity to the Interstate System in Phase II, as we did over the past 50 years in Phase I. The National Defense needs of the transportation system also need to be reassessed.
- U.S. DOT and State DOTs should jointly undertake two comprehensive Interstate Highway System needs assessments during the period from 2010 to 2013: The first should study the costs of rebuilding or replacing the 55,000 bridges on the system, the 15,000 interchanges, and the pavement foundations for the system's 210,000 lane-miles. The second should study long-term, system-wide expansion needs of the network, taking into account the global economy, population and economic growth, safety, and national defense and homeland security needs.
- The Federal-aid program should strengthen its focus on the National Highway System by increasing the proportion of core highway funding dedicated to the NHS to the highest of the six core programs. In cooperation with the Federal government, the NHS should be expanded by a state-determined strategic process designed to meet the nation's growing mobility needs.
- The Federal-aid program should continue to include a network of roads that complements the NHS, and to include a bridge program.
- Restore the percentage of Federal funding for core programs to the level established in the Intermodal Surface Transportation Efficiency Act (ISTEA). Reaffirm the policy that Federal highway and transit funds should be systematically planned and programmed through states and metropolitan planning organizations.
- Further streamline the environmental review and Federal permitting process; eliminate Federal permitting for non-Federally funded projects; provide for Federal approvals and state accountability at the program, not project, level; and liberalize the use of Federal funds in right-of-way acquisition.

## Transit Recommendations

- Increase Federal transit assistance from \$10.3 billion in 2009 to \$17.3 billion by 2015 to restore the purchasing power of the program and provide the resources necessary to meet national needs for both system preservation and expansion.
- By 2030, double transit ridership nationally to meet the needs of those dependent on transit, provide convenient and efficient service which shifts trips from highways to transit, and helps reduce congestion. Preserve the ability to flex highway funding to transit.
- From 2015 and beyond, transit investment should be increased toward the “cost-to-improve” goal estimated by U.S. DOT.
- Improve public transportation services to the elderly and special needs populations through better coordination of programs at the federal level and simplification and integration of service delivery at the state and local levels through the *United We Ride Program*.
- Intermodal Connectivity—Federal policy should foster development of an intermodal passenger system which improves connectivity for customers. This should be done through connected service between transit, airports, ferryboats, intercity passenger rail, intercity passenger bus, taxis, and other services. It should encourage the development of intermodal terminals which should be treated as community centers. And it should seek to improve access to rural communities.
- Federal policies should encourage the integration of transportation and land-use planning and should encourage transit-oriented development.
- Reduce the number of public transit program categories and increase the states’ flexibility in the use of federal resources.

**By 2030, double transit ridership nationally to meet the needs of those dependent on transit, provide convenient and efficient service which shifts trips from highways to transit, and helps reduce congestion.**

## Rail Recommendations

- Establish a National Rail Transportation Policy. Intercity passenger and freight rail are critical components of the nation’s surface transportation system. States are developing intercity passenger rail corridors to ease congestion, improve air quality and provide improved personal mobility options. Freight rail capacity has decreased over the past 20 years while demand for freight capacity in all modes has increased dramatically. Freight shippers in many states have expressed serious concerns about their transportation options that may seriously compromise the system’s ability to support our national economic growth. Current rail capacity is not sufficient to meet passenger or freight needs.
- It is imperative that the Commission develop and recommend a national rail policy that addresses institutional roles, passenger and freight capacity, and new, non-Highway Trust Fund funding and financing options. This policy must be developed in partnership with Federal and state governments and the railroads.

- Existing Federal programs that increase capacity and efficiency in freight-rail transportation, such as the railroad rehabilitation and improvement financing program, should be continued. The current eligibility of freight-rail for receiving funding assistance through the federal highway programs such as Congestion Mitigation and Air Quality (CMAQ) and the highway-rail crossing program should be preserved. Incentives for new investment in freight-rail infrastructure by rail companies, such as investment tax credits, should be created, and Federal funding from revenues outside of the Highway Trust Fund should be provided to states for participation in public-benefit freight rail projects.
- The Federal government, in collaboration with states, the freight-rail industry, and shippers should develop a description of the freight-rail system needed for the 21st Century as a framework for rail policy and investment.
- Provide funding needed for Amtrak to continue operation of current services and not interrupt vital commuter services until a long-term national program for intercity passenger rail service is established.
- Establish a sound passenger rail partnership between the States and the Federal government and then move forward with plans to expand service. States will continue to support existing rail service, as well as take the lead in planning and developing new, expanded and enhanced regional passenger rail corridor services. However, there must be a federal-state funding partnership similar to existing highway, transit and aviation programs.

**It is imperative that the Commission develop and recommend a national rail policy that addresses institutional roles, passenger and freight capacity, and new, non-Highway Trust Fund funding and financing options.**

### **Safety Recommendations**

- Establish a presidential commission to assist in the development of a national strategic highway safety plan designed to drive down fatal and disabling injuries on the nation's highways. Emphasis should be placed upon increased awareness of the seriousness of the problem among national leadership, and a multi-cabinet and multi-agency commitment to action.
- Along with other highway core programs, increase the funding of the FHWA, NHTSA, and FMCSA highway safety funding programs, broaden their eligibility and flexibility, and simplify and consolidate the grant application processes, especially for the NHTSA grant programs.
- Continue the requirement that states have a comprehensive strategic highway safety plan consistent with their long-range transportation planning and short-range programming processes.
- Establish an interagency coordinating committee to recommend model statutes and best practices to the Congress and the States on ways to drive down fatalities through education, more effective state and local laws, and through rigorous enforcement and adjudication of those laws. The U.S. Department of Justice would lead this effort in partnership with NHTSA, FHWA, and FMCSA.

## Revenue Recommendations

- The Commission should urge Congress to provide revenues sufficient to preserve funding of the highway and transit programs at the levels authorized by SAFETEA-LU in order to avert a funding crisis in FY2010, which could require an \$18 billion cut in the highway program and a \$3 billion cut in transit by 2012.
- Congress should provide the revenues necessary by 2015 to restore the purchasing power of the highway and transit programs. There are three alternative scenarios AASHTO would recommend that the Commission consider. Under the scenario which fully restores purchasing power by 2015, highway assistance would increase to \$73 billion and transit to \$17.3 billion.
- Congress should create an impartial board called the Transportation Revenue Advisory Commission (TRAC). Its mission would be to review periodically whether the rates of Federal fuel taxes and other fees supporting the Highway Trust Fund need to be adjusted. Once the Commission's recommendations on rate adjustment are made, after an established review period, the recommendations would take effect unless Congress voted to reject them. The TRAC's technical reviews of the funding levels needed would build on the work of the SAFETEA-LU Commissions.

**The Commission should urge Congress to provide revenues sufficient to preserve funding of the highway and transit programs at the levels authorized by SAFETEA-LU, to avert a funding crisis in FY2010, which could require an \$18 billion cut in the highway program and a \$3 billion cut in transit by 2012.**

- From resources outside the Highway Trust Fund, additional Federal government financing should be provided for freight-related investments, including freight gateways, connectors, corridors, and border crossings. With state involvement, incentives for new investment in freight-rail infrastructure by rail companies through Federal investment tax credits and depreciation adjustments should be developed. Federal funding should be provided to states for participation in public-benefit rail improvements. Revenue measures such as dedicating 5 percent of customs fees to transportation freight projects and providing assistance, financed through tax credit bonds, should be enacted
- Federal policies should enable and encourage the capitalization of highway and transit improvements through innovative finance mechanisms and through public-private ventures supported by tolls and other revenues. Federal limitations on the ability of state and local governments to raise revenues should be removed.
- Congress should take a three-phase approach to increasing revenues to the levels needed. In Phase 1, Congress should take action in FY2009 to preserve highway and transit funding at the full levels authorized by SAFETEA-LU. In Phase 2, Congress should restore the program's purchasing power. In Phase 3, from 2015 and beyond, Congress should increase the program funding toward the "cost-to-improve" goals, estimated in U.S. DOT's *Conditions and Performance Reports*. For the 10 years after 2015, the fuel tax can be adjusted through indexing, periodic increases, or by changing it to a sales tax. From 2025 on, the tax should be supplemented or replaced with a vehicle miles traveled tax.

## Federal Program Recommendations

**The Federal highway program should continue to be apportioned to the states and delivered through the core programs. The program's funding guarantees and firewalls should be retained. There is a legitimate need to continue some National Programs. However, nationally significant needs should be funded through cooperative multi-state efforts, rather than through Congressional earmarks.**

- To meet the nation's surface transportation system needs, the Federal government needs to play a leadership role in funding and in policy.
- The Federal program's purpose should be to support the national vision and funding for a surface transportation system that improves America's economic competitiveness; strengthens the National Defense; gives the states the opportunity to provide needed mobility; and improves safety, energy efficiency, and environmental compatibility.
- FHWA's role should include advocacy for the nation's highway system, policy, and research leadership in the delivery of the Federal-Aid Highway Program, and stewardship focused equally on state accountability and action by FHWA to facilitate the delivery of service by state governments. FHWA should focus its efforts on *program* delivery, delegate *project* delivery to the states, and treat State DOTs as their governmental partners.
- Federal Program Structure—The Federal highway program should continue to be apportioned to the states and delivered through the core programs: Interstate Maintenance, Bridge, National Highway System, Surface Transportation System, Congestion Mitigation/Air Quality, and Safety. The program's funding guarantees and firewalls should be retained. The percentage of funding apportioned to the states and delivered through the core programs should be restored to the level achieved in ISTEA. There is a legitimate need to continue some National Programs, such as the Federal Lands Program. However, nationally significant needs should be funded through cooperative multi-state efforts, rather than through Congressional earmarks. Program categories for the transit program should be consolidated and flexibility in their use increased.
- State and Local Government Roles—The responsibility for transportation planning and project delivery should remain with State departments of transportation together with metropolitan planning organizations, cities, counties, and transit agencies. Federal highway assistance should be focused on a strategic network of nationally significant highways that meets national goals, including the Interstate System, the National Highway System, and a limited system of arterials and collectors. Federal transit assistance should meet the needs of both urban and rural areas. Federal oversight should be limited to projects receiving direct Federal assistance. Program categories for Federal highway and transit funding should be simplified and made more flexible so that each state and its local governments can use the resources to best meet the needs of their communities.
- There is Federal interest in sustaining the ability of the private-sector truck and freight-rail system to meet national freight needs. Our national competitiveness requires us to ensure the trucking industry has access to a highway system with the safety, capacity, and reliability needed. Other transportation modes, such as rail and river freight comple-

ment the highway network. Federal policies should assist these modes by preserving the current eligibility of freight rail for funding assistance through Federal programs and should expand assistance through concepts such as investment tax credits to facilitate capital improvements. A strong Federal funding role is needed to sustain a national intercity passenger rail system. Limited government assistance may be required to sustain regular intercity bus service in some rural markets.

■ Reform Agenda

- Restore the percentage of the program apportioned to the states and delivered through core highway programs from 83 percent in SAFETEA-LU to 90 percent as was the case in ISTEA.
- Address nationally significant needs through multi-state efforts in coordination with U.S. DOT, using state apportioned Federal funds, matched by state funds, and/or other locally provided funds.
- Minimize administrative cost and delay.
- Simplify program categories and increase flexibility.
- Reduce transit program categories and increase state flexibility in their use.
- Strengthen the focus of the Federal highway program on the National Highway System.

■ Bold Goals for Surface Transportation

- Federal revenues—restore the purchasing power of the program by increasing Federal highway funding from \$43 billion to \$73 billion, and transit funding from \$10.3 billion to \$17.3 billion by 2015.
- Supplement state and local revenues through alternative financing options: tolling, public–private ventures, and alternatives to fuel taxes.
- Double transit ridership over the next 20 years.
- Preserve today’s 47,000-mile Interstate Highway System, so it lasts for at least the next 50 years.
- Add nearly as much capacity to the Interstate Highway System over the next 50 years as was built over the past 50 years.
- Reduce annual highway fatalities by 10,000 each decade.
- Reduce congestion and energy consumption; improve air quality.
- Establish a National Rail Transportation Policy.
- America’s transportation system must provide superior performance to keep us globally competitive.



## CHAPTER 1

# AASHTO's Surface Transportation Policy Recommendations



*The AASHTO Board of Directors began its recommendations to the National Surface Transportation Policy and Revenue Study Commission with a call for action.*

### AASHTO's Call for Action:

- We are a vast nation that has overcome the tyranny of distance through wise investments in transportation that tied our communities together and linked us to the world.
- We have built a modern transportation system that is the foundation for the strongest economy on earth.
- Our nation has benefited from a transportation system that is safe, reliable, efficient, affordable, and secure.
- Americans have enjoyed expanded opportunities for jobs, places to live, time with family, education, healthcare, recreation, and other services because of a world-class transportation system. Businesses have realized a competitive advantage and productivity growth.
- Our generation inherited the world's best transportation system made possible by the commitment of the past two generations to invest in the country's future. We have spent that inheritance.
- The 21st Century is an increasingly competitive world where countries such as China and India have set their sights on overtaking America as the preeminent economic power. Our prosperity and way of life are at stake. America must respond.
- Only immediate bold action to invest in transportation will sustain our national competitiveness and personal opportunities. It is time to marshal the will and the resources needed.

Simply put, we believe the mission of the U.S. Surface Transportation Program is to keep the U.S. competitive in the global economy and meet America’s 21st Century mobility needs.

## Vision, Reform and Bold Goals for the Future

As never before, we are engaged in an intensive competition in the global economy, now not only with our traditional trading partners such as Japan and the European Union, but also with China at 1.3 billion in population and India at over 1 billion in population. Because the economies of these two emerging megastates have been growing between 8 percent and 10 percent annually compared to 2.8 percent here in the United States, while we may be ahead for the moment, they are on track to catch up and possibly overtake us.

Part of what it will take to sustain our prosperity in the context of this global economy is a modern, efficient transportation system which enables the United States to increase productivity growth, create jobs, and compete head-to-head with all comers in our areas of comparative advantage.

As was outlined in AASHTO’s Call for Action, we believe the time has come to increase investment in our Surface Transportation System to the levels needed. This will require marshalling the political will necessary at the Federal, state, and local levels to generate the additional revenues required to make this quantum increase in investment possible. It will also require a strategy which goes well beyond just “more of the same.”

Meeting America’s surface transportation needs for the future will require a multi-modal approach, which preserves what has been built to date, improves system performance, and adds substantial capacity in highways, transit, freight rail, intercity passenger rail, and better connections to ports, airports, and border crossings. It will also require solutions which go beyond transportation improvements and include policies addressing land use, energy, global climate change, the environment, and community quality of life.

AASHTO believes three other elements will be required:

- development of a compelling vision of the surface transportation system needed for America’s future;
- development of a reform agenda to restore a sense of purpose for the Federal transportation program; and
- development of bold goals that define a strategy for meeting the country’s needs.

**Between 1993, the year in which Federal fuel tax rates were last adjusted, and 2015, construction costs will have increased by approximately 70 percent.**

## Overview—Scale of Investment Required

Between 1993, the year in which Federal fuel tax rates were last adjusted, and 2015, construction costs will have increased by approximately 70 percent. We believe the best way to demonstrate the scale of transportation investment required for the future is to estimate

what it would take to restore the purchasing power of the program at the levels authorized by SAFETEA-LU.

Over the past decade the Federal share of highway and transit capital investment has averaged 45 percent of the total. Under SAFETEA-LU Federal highway assistance is scheduled to increase to \$43 billion by 2009, and Federal transit assistance to increase to \$10.3 billion. To restore the purchasing power of these programs by the end of the next reauthorization cycle in 2015, Federal highway assistance needs to be increased to \$73 billion and Federal transit assistance to \$17.3 billion. For state and local governments to continue to fund their 55 percent shares of these programs, their highway investment would have to increase to \$89 billion by 2015 and transit investment to increase to \$21 billion.

**But one thing the scale of this challenge makes clear is that if we are to ramp up investment to the levels needed, all levels of government will have to continue to fund their share.**

AASHTO believes investment at these levels is the minimum necessary to keep us globally competitive and meet national needs. But one thing the scale of this challenge makes clear is that if we are to ramp up investment to the levels needed, all levels of government will have to continue to fund their share. The increase required at the state and local level is so great that it is highly likely that many states will have to supplement what they can fund through tax resources by turning to toll finance and public-private ventures. With supportive Federal and state policies, many believe the percentage of highway investment supported through tolls could increase from 5 percent today to 9 percent in the future. AASHTO supports giving states all the options possible to utilize tolls and public-private venture financing.

## Recommendations

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- Surface transportation investment needs to be increased to the levels required to keep the United States competitive in the global economy and meet America's 21st Century mobility needs.
  - To meet the Nation's surface transportation system needs, all levels of government—federal, state, and local—must continue to fund their historical shares of the investment needed.
  - Meeting America's surface transportation needs for the future will require a strategy which goes beyond just "more of the same." It will require a multi-modal approach, which preserves what has been built to date; improves system performance; and adds substantial capacity in highways, transit, freight-rail, intercity passenger rail, and better connections to ports, airports, and border crossings.
  - Meeting America's surface transportation needs will also require solutions which go beyond transportation improvements and include policies addressing land use, energy, global climate change, the environment, and community quality of life.
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## CHAPTER 2

# Highway Improvements Needed



### Recommendation

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Near terms: 2009–2015

Increase federal highway assistance from \$43 billion in 2009 to \$73 billion by 2015 to restore the purchasing power of the program and provide the resources necessary to meet national needs for both system preservation and expansion.

2015 and Beyond.

Further increase funding toward achieving U.S. DOT's "Cost to Improve" Goals.

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### The Interstate Highway System

AASHTO Vice President Pete Rahn, Director, Missouri DOT



**"If the Interstate System planned in the first half of the 20th Century and built in the second half is considered Phase I, it's time to modernize the system in place and build the additional capacity needed for the 21st Century in Phase II."**

The 47,000-mile Interstate Highway System represents only one percent of total system mileage, but carries 24 percent of all traffic and 41 percent of combination-vehicle truck traffic. However, as the capacity and the performance of the current Interstate Highway System are used up, this will reduce the Interstate's ability to support the increased productivity the United States will need to compete in the global economy.

What AASHTO would like to call Phase I of the Interstate Highway System was built between the late 1950s and the 1980s, and was designed in the pre-World War II period. In the late 1950s, there were 65 million vehicles creating 600 billion vehicle miles of travel. Vehicle ownership had just begun to take off and long-distance trucking was still in its infancy. Fifty years later, there are over 240 million vehicles creating 3 trillion vehicle miles of travel on a highway system that grew by only 15 percent in the 50 years. Forecasts indicate that the U.S. population will grow from 300 million today to 435 million by 2055. Highway travel demand measured through Vehicle Miles Traveled (VMT) may increase from 3 trillion today to as much as 7 trillion by 2055. Truck-borne freight is expected to double by 2035.

As the U.S. economy becomes both more integrated and globalized, there is an ever-increasing economic premium placed on rapid, reliable transportation for goods and passengers. Our ability to compete will require a well-connected, nationwide, high-capacity system capable of high speeds and reliability.

AASHTO believes the Interstate Highway System for the 21st Century can be brought about through four strategic actions in what we call the system's Phase II: preserve the current system, enhance its performance, expand capacity to meet future needs, and reduce demand by increasing the capacity of transit and rail.

## Preservation Is Job One

The Interstate system currently has approximately 210,000 lane-miles of pavement. As these pavement structures reach 40 to 50 years of life, the traditional approach of rehabilitation and resurfacing will no longer be sufficient, and major portions of the Interstate system will need to have their pavements and foundations completely reconstructed. The Interstate system also has more than 55,000 bridges and tens of thousands of other significant structural elements, many of which are reaching 40 to 50 years of age. Bridges and other structures of this age usually require substantial rehabilitation, and, as we look out another 20 to 30 years, they will require complete replacement.

As this reconstruction work goes forward, DOTs will have to minimize disruption to the traveling public. Work-zone delays are estimated to cause 24 percent of non-recurring congestion. As our infrastructure ages and more rehabilitation is needed, we are going to have find better techniques to get the job done. Examples of these techniques include using components prefabricated off-site, longer-lasting materials, work at night, short-term shut-downs to allow intensive work, and incentives to get contractors to finish work faster.

## Recommendation

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Preserve the current 47,000-mile Interstate Highway System so it lasts for at least the next 50 years.

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## Enhancing System Performance

Capacity additions alone will not eliminate congestion or reliability problems. Traffic disruptions—crashes, breakdowns, construction work, weather, and special events—cause

about 50 percent of delays. These disruptions can be addressed through aggressive system operations applications such as incident clearance, snow and ice control, and construction work zone management. Advanced technologies can be used to collect real-time information on road and travel conditions, improve travelers' information, and use ramp metering and lane management to improve traffic flow.

The decade-long effort to develop, demonstrate, and deploy ITS tools, architecture and standards is starting to pay dividends. Electronic toll systems have reduced back-ups at toll booths, and truck electronic pre-clearance systems allow many trucks to bypass inspection stations altogether. 511 travelers' information systems now serve 50 percent of the U.S. market. Automobile manufacturers, technology suppliers and government are collaborating on vehicle-to-vehicle and vehicle-to-system management communications technologies which will save lives and improve performance.

The Interstate System is vulnerable to disruption from natural disasters and security-related incidents. There are several things which need to be done in the future to enable the Interstates to do a better job. Funding assistance from the Department of Homeland Security is needed to protect critical infrastructure from terrorists' attack and to improve surveillance and detection. Inter-agency communications capabilities need to be improved. And a joint program involving police, fire and transportation agencies at the local and state level and justice, homeland security and transportation agencies at the Federal level needs to be developed to improve emergency response capabilities.

## Recommendation

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**Enhance System Performance.** Advanced ITS technologies and better system management techniques need to be utilized to reduce congestion, improve throughput, and increase Interstate Highway System reliability.

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## Substantial Capacity Increase Is Needed

Congestion on many segments of the Interstate System is bad and getting worse. Substantial capacity will have to be added to enable the Interstate System of the future to continue to play its role as a strategic national highway network with the ability to move traffic with acceptable speed and reliability. While much greater state-by-state analysis is needed, recent studies show that there is a need to add as many as 10,000 miles of new routes on new corridors, 20,000 miles of upgrades to National Highway System routes to Interstate standards, and 20,000 new lane-miles on existing Interstate routes. These could include exclusive truck lanes and value-priced lanes. System improvement would also include correcting bottlenecks, upgrading interchanges, and improving intermodal connections.

One of the key missions of the Interstate System when it was created in 1956 was to support National Defense needs. With the end of the Cold War much of the military, which was forward-deployed in places like Germany and Korea, has been repositioned back to the United States. However, the rapid response requirements of the military today are greater than ever before. AASHTO recommends that the Commission call for a joint review by the Department of Defense, U.S. DOT and the states of what the Department of Defense re-

quires in terms of support from highways, trucking, railroads, ports, and airports to meet its deployment and mobility needs and what changes and costs this will entail for the future.

## Recommendation

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**Expand Capacity to Meet Future Needs.** To keep us competitive in the global economy and meet America's 21st Century mobility needs, we will need to add nearly as much capacity to the Interstate System in Phase II, as we did over the past 50 years in Phase I. The National Defense Needs of the System need to be reassessed.

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## Long-Term System Costs Are Underestimated

Today's bi-annual conditions and performance reports do not adequately estimate several future Interstate Highway System needs.

- **Bridges:** The Interstate system has more than 55,000 bridges, many of which are reaching 40 to 50 years of age. Bridges and other structures of this age usually require substantial rehabilitation, and, as we go out another 20 to 30 years, they will require replacement.
- **Pavement:** The Interstates have approximately 210,000 lane-miles of pavement. As these pavement structures reach 40 to 50 years of life, major portions will need to have their foundations completely reconstructed.
- **Interchanges:** The Interstate system has almost 15,000 interchanges, many of which do not meet current operational standards and create bottlenecks or safety problems. Some of the most significant congestion on the system is at major interchanges that were not designed to carry the volumes of traffic that currently use them. Higher projected future traffic volumes will exacerbate these problems.

## Recommendation

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U.S. DOT and State DOTs should jointly undertake two comprehensive Interstate Highway System needs assessments during the period from 2010 to 2013. The first should study the costs of rebuilding or replacing the 55,000 bridges on the system, the 15,000 interchanges, and the pavement foundations for the system's 210,000 lane-miles. The second should study long-term, system-wide expansion needs of the network, taking into account the global economy, population and economic growth, safety, and national defense and homeland security needs. Initial analysis shows the need to nearly double the lane-miles on the existing Interstate System.

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## Needs of the Non-Interstate National Highway System

The non-Interstate National Highway System is comprised of three components: 1) 115,000 miles of rural and urban principal arterials; 2) the Strategic Highway Network

(STRAHNET), highways important to military mobilization; and 3) intermodal connectors, highways that provide access to major passenger and freight facilities. The current NHS, including the Interstates, contains 162,000 miles, and over 1,400 freight and passenger intermodal connectors. The NHS carries 40 percent of all highway traffic and 70 percent of truck combination vehicle traffic.

The non-Interstate NHS, which is only three percent of the total national mileage, is made up of those highways that carry more traffic and freight per mile than any other roads in the country, with exception of the Interstate. These routes are key to an effectively functioning freight supply chain; they link people to airports, ports, and intercity rail and bus facilities; they connect mid-sized cities; and they provide connections to national recreational destinations.

Since the mid 1950s highway travel has increased from 600 billion vehicle miles traveled to 3 trillion. FHWA forecasts that VMT will grow at over 2 percent between 2002 and 2022. At those rates it will exceed 7 trillion by 2055. To keep pace with this growth in traffic demand, funding for the NHS will have to be increased so necessary investments can be made to preserve the system in place and to expand its capacity.

SAFETEA-LU dedicated 83 percent of the Highway program to core programs which were apportioned to the states. This compares to ISTEA which apportioned approximately 90 percent to core programs. Under SAFETEA-LU Interstate Maintenance received 13 percent of total funding, National Highway System 15 percent, Surface Transportation Program 17 percent, Congestion Mitigation/Air Quality 4 percent, Bridge 11 percent, Highway Safety Program 2 percent, plus the Equity Bonus Program at 22 percent. Restoring the proportion of total highway funding for core programs to the 90 percent level established by ISTEA would make it possible to strengthen its focus on the National Highway System Program by increasing its percentage to the highest of the six core programs.

## Recommendation

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The Federal-Aid program should strengthen its focus on the National Highway System by increasing the proportion of core highway funding dedicated to the NHS to the highest of the six core programs. In cooperation with the Federal government, the NHS should be expanded by a state-determined strategic process designed to meet the nation's growing mobility needs.

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## Needs of Other Federal-Aid Eligible Highways and Bridges

Of the Nation's 4 million-mile highway system, an additional 800,000 miles of arterials and collectors not included in the NHS, or 20 percent of the overall highway system, are eligible for Federal aid. This 20 percent carries 40 percent of all traffic. While the principal Federal focus with respect to highways may lie with the NHS, the need for a well-connected highway system is not limited to the Interstate and the remaining non-Interstate NHS routes. The remaining Federal-aid eligible routes are critical components of the system which provide connections between the lower level state and local road networks and the Interstate and other NHS routes. These lower functionally classed roads

are an integral part of the nation’s highway system. Most of them are owned and operated by county and city governments.

Bridges on all classes of roads are critical elements of the transportation system and have a significant impact on the ability of the highway network to function safely, efficiently, and effectively. Given increasing traffic demands and highway structures that are increasing in age, it is vital that inspected bridges be preserved, and reconstructed or replaced so the safety of the public is not compromised and commerce on our nation’s highways will flow unabated.

The nation’s 590,000 bridges carry, on average, nearly 4 billion vehicles per day. There are approximately 21,000 bridges with Average Daily Traffic (ADT) in excess of 40,000 vehicle crossings. Approximately 90 percent of these structures are in urban environments and over 95 percent are located on Interstates or other principal arterials. In 2002, over one-fourth of the nation’s bridges were classified as structurally deficient. Nearly twice as many were functionally obsolete.

### Recommendation

The Federal-aid program should continue to include a network of roads that complements the National Highway System, and include a bridge program.

### Use of the state and MPO planning process to program projects, rather than congressional earmarks

Since the passage of ISTEA, the proportion of federal funding apportioned to the states and distributed through the core highway programs has been reduced. (Table 1.).

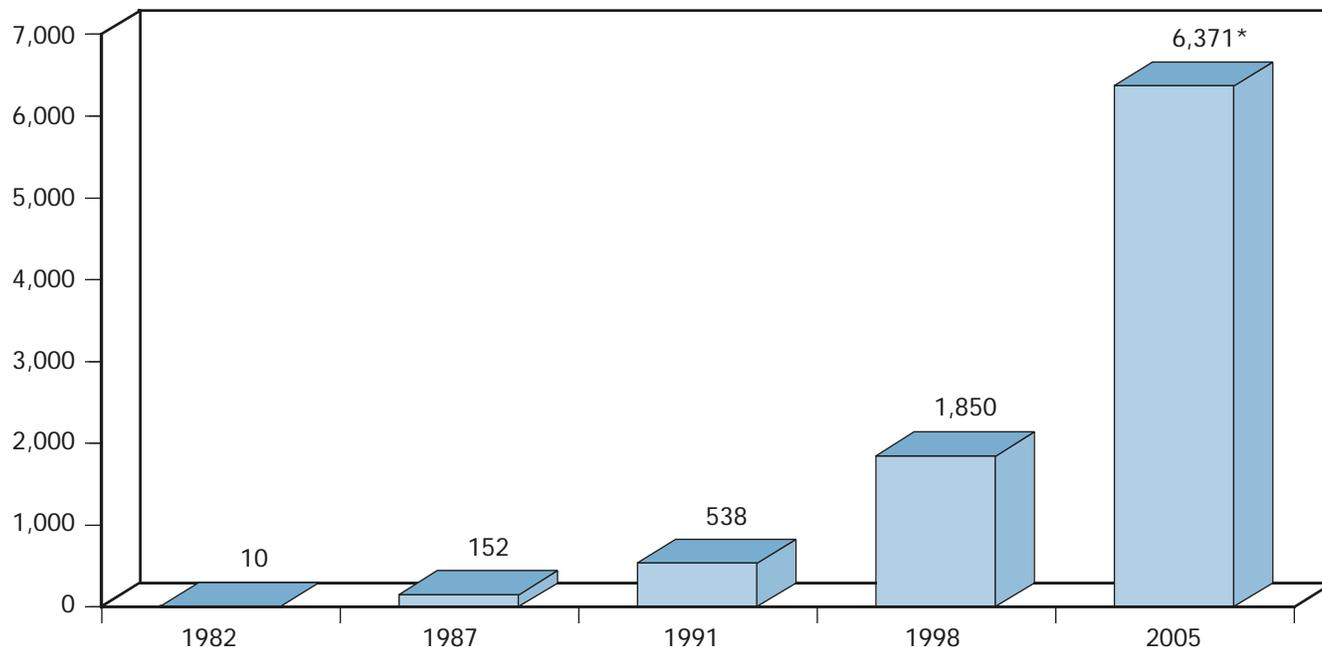
**Table 1. Percentage of Highway Program Available for “Core” Highway Programs\***

Sample Year	Authorizing Act	Percentage in Core Program	Apportionments with Narrow Eligibilities and Restricted Transferability
1990	STURAA	100.00 percent	None
1991	ISTEA	94.70 percent	CMAQ, Rec-Trails, Enhancement set-aside
1998	TEA-21	85.80 percent	CMAQ, Rec-Trails, Appalachian Development Highways, Enhancement set-aside, allocated high-priority projects
2006	SAFETEA-LU	82.58 percent	CMAQ, Rec-Trails, Appalachian Development Highways, Border Infrastructure Program, Safe Routes to School, Transportation Enhancement set-aside, allocated Section 1702 high-priority projects

Source: Highway Statistics Table FA-4, FA-4D for 1990, 1995, and 1998; and U.S. DOT Summary of FY2006 Apportionments for RTA-000-1664A prepared for SAFETEA-LU technical assistance.

\* Does not include funds above the line earmarks.

**Figure 1. Earmarks in Highway Reauthorization Bills 1982–2005**



Source: Ronald Utt, *A Primer on Lobbyists, Earmarks, and Congressional Reform*. The Heritage Foundation.

\* Includes only earmarks assigned a number in the bill and listed in specific sections of the bill. Including the earmarks in dozens of other provisions would increase the total to about 7,000.

**Transportation planning at the state and metropolitan level is rigorous and inclusive. It would help restore public confidence to know that in the future funds apportioned to the states will be systematically programmed by states and local governments, who are in the best position to determine priorities that give taxpayers the best value for their dollars.**

Congress has also increased the practice of earmarking highway and transit funds in both the authorizing and appropriations committees. Earmarks have increased in terms of dollar amounts, number, and as a percentage of program funds. (Figure 1.)

State transportation agencies have found that these earmarks complicate administration of the federal aid program in several ways:

- Earmarked project funds are often insufficient to complete the project.
- Earmarked projects may be inconsistent with priorities coming from state and MPO transportation planning processes.
- Recipients of earmarks often have erroneous expectations regarding the requirements of the Federal-aid program.
- An earmarked project may require more non-Federal match than a typical project.

Transportation planning at the state and metropolitan level is rigorous and inclusive. It would help restore public confidence to know that in the future funds apportioned to the

states will be systematically programmed by states and local governments, who are in the best position to determine priorities that give taxpayers the best value for their dollars.

There is clear Congressional intent for linkage between transportation plans and project programming. This can be found in 23 U.S.C. Sections 134 and 135, which include specific language requiring consistency between the program of projects and the long-range transportation plans.

When enacted in ISTEA, the transfer of decision-making power over the programming of highway and transit investments to the state and MPO levels through a systematic planning process which actively involved the public, was considered a significant reform. Those reforms should be reaffirmed and more of the program should be distributed through the process conceived in ISTEA. Funds should flow to the states through programs with broad eligibilities, and most project selection should be based on the transportation planning process rather than Congressional earmarking.

## Recommendation

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Restore the percentage of Federal funding for core programs to the level established in ISTEA. Reaffirm the policy that Federal highway and transit funds should be systematically planned and programmed through states and metropolitan planning organizations.

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## Accelerating Project Delivery

With growing congestion, an aging infrastructure, and continuing safety and security concerns, customers demand high-quality roads, put in place as quickly as possible with sensitivity to the environment and at the lowest possible costs. “Business as usual” approaches are not acceptable—construction costs are increasing at alarming rates, and customers want projects delivered on time and on budget, and want agencies to “get in, get out, and stay out.”

The nation as a whole benefits from efficient delivery of highway improvements in lives saved, reduced costs, and economic, environmental, and social benefits realized earlier. The national goal must be to deliver highway projects quicker so that our citizens obtain the significant benefits of improved mobility, highway safety, economic vitality, community cohesion, and environmental betterment as quickly as possible.

State transportation agencies fully support compliance with all environmental review processes and the full mitigation of highway construction impacts. However, sequential reviews and the too often continuously expanding requirements for study of new alternatives

**With growing congestion, an aging infrastructure, and continuing safety and security concerns, customers demand high-quality roads, put in place as quickly as possible with sensitivity to the environment and at the lowest possible costs. “Business as usual” approaches are not acceptable—construction costs are increasing at alarming rates, and customers want projects delivered on time and on budget, and want agencies to “get in, get out, and stay out.”**

create “paralysis by analysis” delays. Efficient delivery of much needed highway construction projects can only be accomplished if all Federal agencies support it as an important national goal.

Greater speed, flexibility, and efficiency are crucial to preservation and modernization of the highway system over the next 50 years. To this end, state innovations in finance and construction, such as public–private partnerships, design-build contracting, and advanced acquisition of right-of-way are critical.

Limiting this work hampers a state’s ability to undertake public–private partnerships and design-build contracts. Also, early right-of-way acquisition enables states to expedite project implementation while also minimizing right-of-way costs in areas where costs are rapidly increasing. These restrictions are also causing the design and construction industry to underutilize the technology tools available to expedite project delivery.

## Recommendation

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Further streamline the environmental review and Federal permitting process; eliminate Federal permitting for non-Federally funded projects; provide for Federal approvals and state accountability at the program, not the project, level; and liberalize the use of Federal funds in right-of-way acquisition.

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## Potential Improvements to Truck Freight Productivity

The volume of freight to be moved on the nation’s highways is expected to double over the next 30 years. In addition to looking for ways to expand highway capacity, government and industry should explore whether there are feasible ways to increase the amount of freight trucks can carry, consistent with maintaining high standards of safety and protecting the long-term viability of bridges and pavements.

## Recommendation

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States, in collaboration with the freight transportation industry and the Federal government, should investigate the feasibility of regional adjustments in truck size and weight in particular corridors that demonstrate important economic benefits and meet safety, pavement/bridge impact, and financing criteria.

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## CHAPTER 3

# Transit Improvements Needed



**T**he nation's public transportation network provides access to jobs and mobility for the young, elderly and disabled, and helps reduce congestion, conserve fuel, enhance the efficiency of highway transportation, reduce air pollution and support security and emergency preparedness activities. An efficient and safe public transportation system is essential to moving people in both urban and rural areas and to the health of the national economy.

Transit ridership reached its peak in the years around World War II, when gasoline rationing and a public focused on the war effort used transit at record-setting levels. In the post-war years, the road system was massively expanded and suburbs were created. Use of public transportation dropped and the use of automobiles and trucking rapidly expanded. According to the American Public Transportation Association (APTA), transit ridership dropped from 23 billion in 1946 to 7.3 billion in 1970. Over the past 35 years, it has rebounded. Transit ridership grew from approximately 7.7 billion in 1995 and is expected to reach 10 billion in 2006.

Transit infrastructure is aging, and improvements are needed to maintain the entire network. According to the latest U.S. DOT *Conditions and Performance Report*, one-third of all bus and one-fifth of all rail maintenance facilities are in poor or substandard condition. Bus fleets and rail cars need to be replaced, and stations, tracks and bus shelters all need to be maintained and refurbished. Because of increased demand, many bus, light rail, subway, and commuter-rail systems need to be modernized and their capacity expanded.

### Recommendation

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Increase Federal transit assistance from \$10.3 billion in 2009 to \$17.3 billion by 2015 in order to restore the purchasing power of the program and provide the resources necessary to meet national needs for both system preservation and expansion.

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**AASHTO believes that in order to reduce highway demand, we should set a policy objective to double transit ridership over the next 20 years. Our hope is that with supportive land use and transit-oriented development, many trips which would otherwise take place by car, can be shifted to transit.**

## **Doubling Transit Capacity**

FHWA forecasts that highway travel will increase at 2.07 percent per year through 2022. If this rate of increase holds for the next 50 years, highway vehicle miles traveled will more than double from 3 trillion today to nearly 7 trillion by 2055. That is more traffic than AASHTO believes the system can accommodate. AASHTO believes that in order to reduce highway demand, we should set a policy objective to double transit ridership over the next 20 years. Our hope is that with supportive land use and transit-oriented development, many trips which would otherwise take place by car can be shifted to transit. One recent study showed that by 2030, about half of the buildings in which Americans live, work, and shop will have been built after 2000. In other words, if about half of what will be the built environment in 2030 does not yet exist, there is an opportunity through policy to shape what is built, and how this affects transportation choices.

AASHTO and APTA recently conducted a joint analysis of alternatives funded through the Transit Cooperative Research Program. That analysis showed that if transit capacity were to double over 20 years, ridership would have to increase by 3.5 percent annually. The capital cost of expanding urban and rural capacity to make this ridership possible would be to increase the “cost-to-improve” estimate from the \$24 billion level set in U.S. DOT’s 2004 *Conditions & Performance Report* to approximately \$45 billion.

There are indicators that there is a potential demand for far more capacity than the system is currently providing. Between 1996 and 2006, more than 460 miles of fixed guideway transit service were added in 26 cities. The current New Starts program includes 36 projects that have moved beyond the initial stages of study. Total funding needed for this part of the New Starts program is \$35 billion. More than 200 additional projects are in earlier stages of study and do not yet have cost estimates available. Other communities are considering expanding service through bus rapid transit.

In rural areas, there are also indications of unmet demand. The Greater Minnesota Transit Improvement Plan identified the need for an 81 percent increase in total rural fleet size. North Carolina recommended a 124 percent increase in its rural public transportation system. Vermont estimated a 100 percent increase in its rural fleet size. And Montana saw the requirement for a 242 percent increase in annual capital expenditures. Our study showed that satisfying this demand would require annual capital investment in rural transit to increase from \$700 million to \$1.2 billion.

## **Recommendation**

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**By 2030, double transit ridership nationally in order to meet the needs of those dependent on transit and to provide convenient and efficient service which shifts trips from highways to transit and helps reduce congestion.**

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## Funding from 2015 and Beyond

To restore the purchasing power of the transit program our analysis shows that the program should increase from \$10.3 billion in 2009 to \$17.3 billion in 2015. Meanwhile U.S. DOT's 2004 *Conditions and Performance Report* transit "cost-to-improve" estimate was \$24 billion annually for the next 20 years. Adjusting this to annual "year of expenditure," estimates shows a transit goal of \$38 billion for 2020 and \$58 billion for 2037. We should attempt to increase transit investment at all levels of government in order to meet the "cost-to-improve" goals.

### Recommendation

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From 2015 and beyond, transit investment should be increased toward the "cost-to-improve" goal estimated by U.S. DOT. Governments at all levels—Federal, state, and local—should continue to fund their historical shares of this increased effort.

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## Coordination and Simplification of Programs for Elderly and Special Needs

A total of sixty-two Federal programs exist for the funding of transportation services for the elderly and special needs populations. Of the 62, 23 are funded by HHS, 15 by the Department of Labor, 8 by the Department of Education, and 6 by U.S. DOT. Federal spending for these programs was at least \$2.4 billion in FY 2001, with HHS responsible for 72 percent. Federal Transit programs prior to SAFETEA-LU included an urbanized area program, a rural program, a disabled and elderly program, Jobs Access and Reverse Commute program and a program for over-the-road bus accessibility. Most programs have state or local matching requirements. The programs in many cases have overlapping and conflicting rules for service providers providing services to these populations in the same geographic areas.

The United We Ride Program was created to try to bring order out of this chaos, improve service to customers and reduce waste. It is making progress, but much more still needs to be done.

### Recommendation

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Improve public transportation services to the elderly and special needs populations through better coordination of programs at the Federal level and through simplification and integration of service delivery at the state and local levels through the United We Ride Program.

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## Intermodal Connectivity and Coordination of Policies

An intermodal transportation system is one that accommodates the flow of people and goods using an integrated system of highways, airports, rail services, intercity bus and transit, ferryboats, taxis, and other modes of access. Intermodalism refers to interconnections

among modes of transportation, use of multiple modes for a single trip, and coordinated transportation policy and decision making. The classic intermodal system for freight is that provided by UPS and Fedex to provide overnight airfreight package pick-up and delivery. We need to apply the same advanced technology and concept of customer service to improve convenience, connectivity, and service to passengers.

## Recommendation

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**Intermodal Connectivity**—Federal policy should foster development of an intermodal passenger system which improves connectivity for customers. This should be done through connected service between transit, airports, ferry-boats, intercity passenger rail, intercity passenger bus, taxis, and other services. It should encourage the development of intermodal terminals which should be treated as community centers. And it should seek especially to improve access to rural communities.

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## Integrated Planning Enhances Quality of Life

An integrated planning approach coordinates the transportation system and proactively addresses transportation's relationship with other human and natural systems that define communities, especially land use. Integrated planning seeks to build alliances among related public and private organizations and is part of a larger strategy to improve air quality, provide access to jobs, stimulate economic growth, and enhance quality of life. Integration of the transportation system with community needs and land-use decisions helps make transportation more accessible and usable. Many states are moving forward to use better integrated planning to reduce congestion. These efforts attempt to directly link transportation with housing and commercial development.

From New Jersey to Washington State, there are several Transit-Oriented Development initiatives underway. These efforts addressed increased transit ridership, reduced use of automobiles, reducing the length of commutes, reductions in energy consumption, conservation of open space, decreased infrastructure costs, and more affordable housing.

## Recommendation

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Federal policies should encourage the integration of transportation and land use planning and should encourage transit-oriented development.

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## Reduce Program Complexity, Increase Flexibility

Nearly every time Congress meets to reauthorize the transit program, there is a proliferation of new categories of transit funding and programs. This needlessly increases the complexity of administering this important service.

### Recommendation

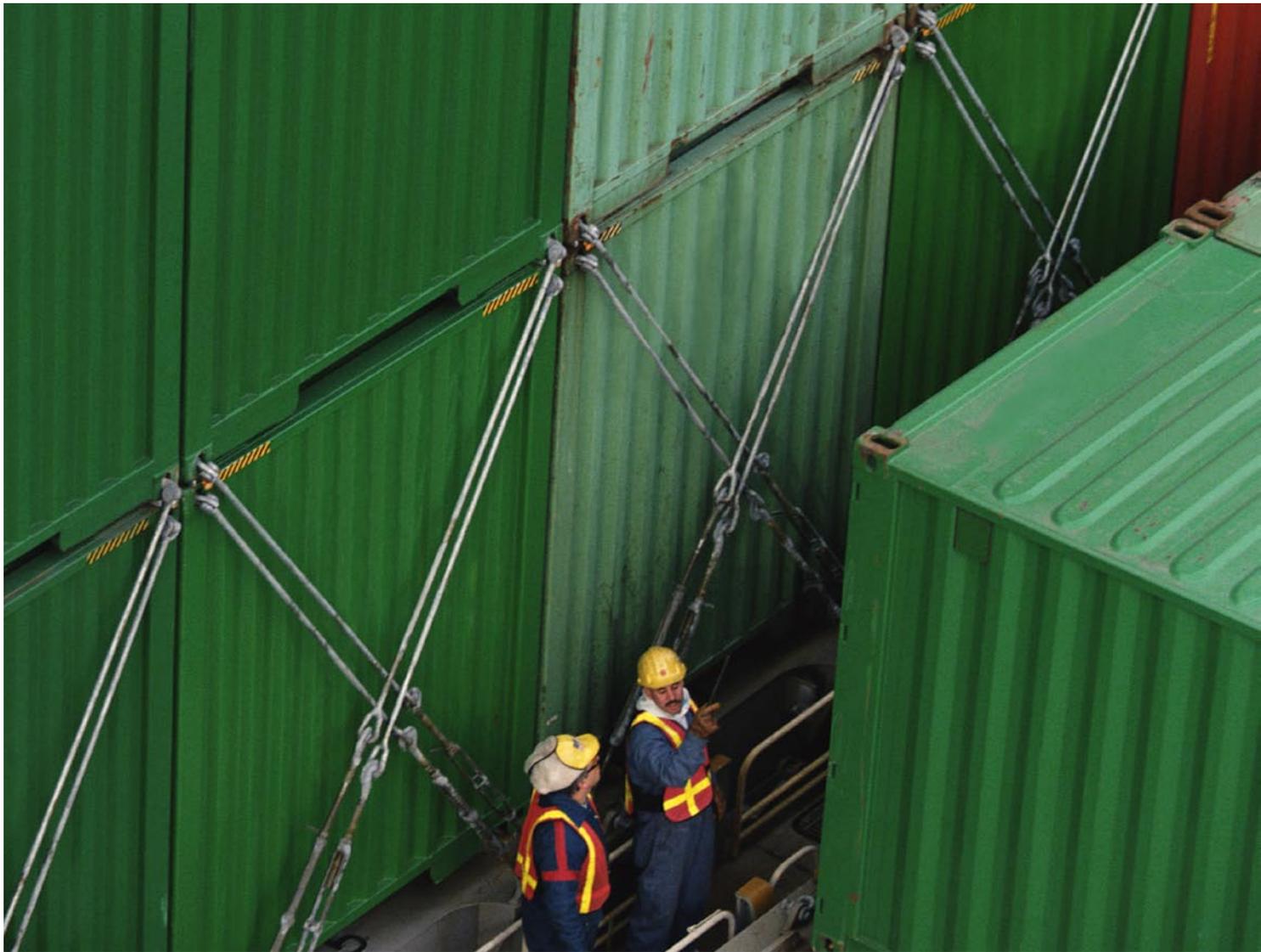
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Reduce the number of public transit program categories and increase the states' flexibility in the use of Federal resources.

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## Transit Systems Vulnerable to Attack, Disasters

The nation's public transportation systems are vulnerable to disruption from natural disasters and security-related incidents. Funding assistance from the Department of Homeland Security is needed to protect critical public transportation infrastructure from terrorists' attack and to improve surveillance and detection. Inter-agency communications capabilities need to be improved. And a joint program involving police, fire and transportation agencies at the local and state level and justice, homeland security and transportation agencies at the Federal level needs to be developed to improve emergency response capabilities.



# CHAPTER 4

## Addressing Rail Needs



### Recommendation

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Establish a National Rail Transportation Policy—Intercity passenger and freight rail are critical components of the nation’s surface transportation system. States are developing intercity passenger rail corridors to ease congestion, improve air quality, and provide improved personal mobility options. Freight-rail capacity has decreased over the past 20 years while demand for freight capacity in all modes has increased dramatically. Freight shippers in many states have expressed serious concerns about their transportation options which may seriously compromise the system’s ability to support our national economic growth. Current rail capacity is not sufficient to meet passenger or freight needs.

It is imperative that the Commission develop and recommend a national rail policy that addresses institutional roles, passenger and freight capacity, and new, non-Highway Trust Fund funding and financing options. This policy must be developed in partnership with Federal and state governments and the railroads.

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### Freight Rail Faces Capacity Shortage

America’s freight rail system carries 14 percent of the nation’s freight by tonnage, 29 percent of ton miles, and 5 percent of value. In 1980, the freight-rail industry faced financial crisis. That year it was deregulated by the Federal Government. Since then the railroads have increased their productivity by cutting track mileage from 380,000 miles to 172,000 miles, cutting back on rolling stock and employees, and consolidating ownership into seven Class I Railroads, and 551 Shortlines. After years of downsizing, the railroads face a capacity shortage because the growth in freight-rail demand has now outstripped what they can carry. This is especially true for rail intermodal freight which is forecast to grow over 200 percent by 2035.

In 2003, AASHTO's *Freight Rail Bottom Line Report* estimated that the level of investment in rail infrastructure required for freight rail to maintain its current market share and handle its "fair share" of growth was approximately \$195 billion over 20 years. The report anticipated that the railroads should be able to provide around 75 percent of the funding required, estimated at \$142 billion, but the remainder (up to \$53 billion, or \$2.65 billion annually) would have to come from public sources, in the form of direct assistance, low-interest loans, tax credits, and other forms of public-sector participation. The report concluded that highway agencies have a direct interest in the railroads receiving the public funding support needed. The report reasoned that if public support enabled railroads to add capacity and shift freight from highways to rail, especially long-haul intermodal freight, this would help reduce highway congestion.

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## Recommendation

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Existing Federal programs that increase capacity and efficiency in freight-rail transportation, such as the railroad rehabilitation and improvement financing program, should be continued. The current eligibility of freight rail for receiving funding assistance through programs such as the Congestion Mitigation and Air Quality Program (CMAQ) and the highway-rail crossing program should be preserved. Incentives for new investment in freight-rail infrastructure by rail companies, such as through investment tax credits, should be created and Federal funding from revenues outside of the Highway Trust Fund should be provided to states for participation in public-benefit freight-rail projects.

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## Planning Railroads for the 21st Century

Much of the current network of railroads was designed and built in the late 19th and early 20th Centuries. The country has changed a great deal since then. A huge amount of growth has taken place in the South and West, NAFTA has stimulated the need for more North–South capacity, trade with Asia is up dramatically, major metropolitan areas have developed which did not exist 50 years ago, and major new distribution centers are being developed. AASHTO believes it would be in the national interest if a trunk rail system for the 21st Century with the efficiency and direct connections needed for the future were planned, designed, and built.

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## Recommendation

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The Federal government, in collaboration with states, the freight-rail industry, and shippers should develop a description of the freight-rail system needed for the 21st Century as a framework for rail policy and investment.

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## Intercity Passenger Rail Improvements

Nearly all intercity passenger rail service is currently provided by Amtrak, which serves 23 million passengers annually, generating annual ticket revenues of about \$1.1 billion. Ser-

**There is a widespread conviction that states must play a leadership role in ensuring that any intercity passenger rail solution that is ultimately adopted will meet the mobility needs of 21st Century passengers and freight shippers, and contribute positively to the economic growth and vitality of this nation. However, a national intercity passenger rail system requires action by the national government. Without the Federal government as a strong investment partner, there is no chance that the nation will have the intercity passenger rail service that is needed.**

vices are provided over a network of approximately 23,000 miles of rail over which about 270 trains operate per day, serving 500 communities in 47 states. Over the past 10 years, Federal assistance for Amtrak has averaged about \$1 billion annually.

Several states have invested in intercity passenger rail corridor service through contracts with Amtrak. Investment in the Chicago–Milwaukee–Minneapolis corridor, as part of the Midwest Regional Rail Initiative may increase ridership from 321,000 in 1996 to 3.2 million in the future. Planned investment in California’s three state-supported corridors will support ridership of 11.6 million in the future, compared with 2.6 million in 1996. For the Northeast Corridor, planned investments will maintain and expand the current annual ridership of 14 million.



Despite important changes under new Amtrak leadership, uncertainty continues to surround its future. Critical rail infrastructure repairs and improvements remain unaddressed. Recent efforts to recalculate Northeast Corridor access fees for commuter lines have deflected those involved from the broader, long-term task. The uncertainty of annual Federal support for Amtrak and the access fee controversy have called into question the Federal commitment to the investment necessary bring the Northeast Corridor up to a state of good repair.

To sustain current intercity passenger rail service, which is now provided by Amtrak, AASHTO has called for the enactment of long-term legislation which provides the financial support to assure that the nation's travelers will have efficient and dependable service, including a stabilization period while longer-term solutions are devised.

AASHTO members also support the expansion of intercity passenger rail service and have identified 21 corridors where this might prove feasible given sufficient financial support. In 2002, AASHTO produced a report entitled *Intercity Passenger Rail Transportation* which estimated the investment needs for those 21 intercity passenger rail corridors including those owned by Amtrak to be \$60 billion over the next 20 years. That would translate into an annual investment of \$3 billion.

There is a widespread conviction that states must play a leadership role in ensuring that any intercity passenger rail solution that is ultimately adopted will meet the mobility needs of 21st Century passengers and freight shippers, and contribute positively to the economic growth and vitality of this nation. However, a national intercity passenger rail system requires action by the national government. Without the Federal government as a strong investment partner, there is no chance that the nation will have the intercity passenger rail service that is needed.

## Recommendation

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- Provide funding needed for Amtrak to continue operation of current services and not interrupt vital commuter services until a long-term national program for intercity passenger rail service is established.
  - Establish a sound passenger rail partnership between the States and the Federal government and then move forward with plans to expand service. States will continue to support existing rail service, as well as take the lead in planning and developing new, expanded, and enhanced regional passenger rail corridor services. However, there must be a Federal–State funding partnership similar to existing highway, transit, and aviation programs.
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## CHAPTER 5

# Transportation Safety Needs



**O**ur nation suffers over 43,000 fatalities each year with over 3 million more sustaining disabling injuries due to roadway crashes. Despite the efforts of transportation agencies to improve facility and vehicle safety and the efforts of safety organizations and law enforcement to improve driver behavior, the absolute number of fatalities and fatality rates continue to climb. The cost to the nation in needless death and injury is so great, we believe the time has come to try to focus national attention on this issue by convening a Presidential Commission.

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### Recommendation

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Establish a Presidential Commission to assist in the development of a national strategic highway safety plan designed to drive down fatal and disabling injuries on the nation's highways. Emphasis should be placed upon increased awareness of the seriousness of the problem among national leadership, and a multi-cabinet and multi-agency commitment to action.

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### Increase Safety Funding and Continue Planning Requirement

SAFETEA-LU increased funding for highways by over 30 percent compared to TEA-21. Within the overall funding increases provided by the legislation, the amounts dedicated to

safety-related programs nearly doubled. However, the amounts dedicated specifically to earmarked projects more than doubled. Due in part to the large growth in funding for these earmarked projects, funding for core programs will grow by very modest amounts. Despite the requirement for states to develop data-driven strategic highway safety plans, limitations on funding still exist that may preclude states from addressing the safety needs identified in the plans. Funding should be flexible enough to address strategies on the priorities as identified in the states' plans, even if they are not on the state's system.

## Recommendation

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- Along with other highway core programs, increase the funding of the FHWA, NHTSA, and FMCSA highway safety funding programs, broaden their eligibility and flexibility, and simplify and consolidate the grant application processes, especially for the NHTSA grant programs.
  - Continue the requirement that states have a comprehensive strategic highway safety plan consistent with their long-range transportation planning and short-range programming processes.
- 



## Coordination with Law Enforcement and Adjudication

Local and state law enforcement agencies are a critical component in reducing fatalities. They experience many challenges in their daily activities that can have an impact on highway safety, from critical law enforcement (work zones, speed enforcement, red light running, and aggressive driving) to exposure when having someone pulled over. They also play a key role in compiling good crash data.

In many courts, traffic penalties are commonly reduced, thus minimizing their deterrent effect. The involvement of law enforcement agencies and the judiciary in the development and implementation of traffic safety plans should be encouraged.

### Recommendation

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Establish an interagency coordinating committee to recommend model statutes and best practices to the Congress and the States on ways to drive down fatalities through education, more effective state and local laws, and through rigorous enforcement and adjudication of those laws. The U.S. Department of Justice would lead this effort in partnership with NHTSA, FHWA, and FMCSA.

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## CHAPTER 6

# Transportation Revenue Needs



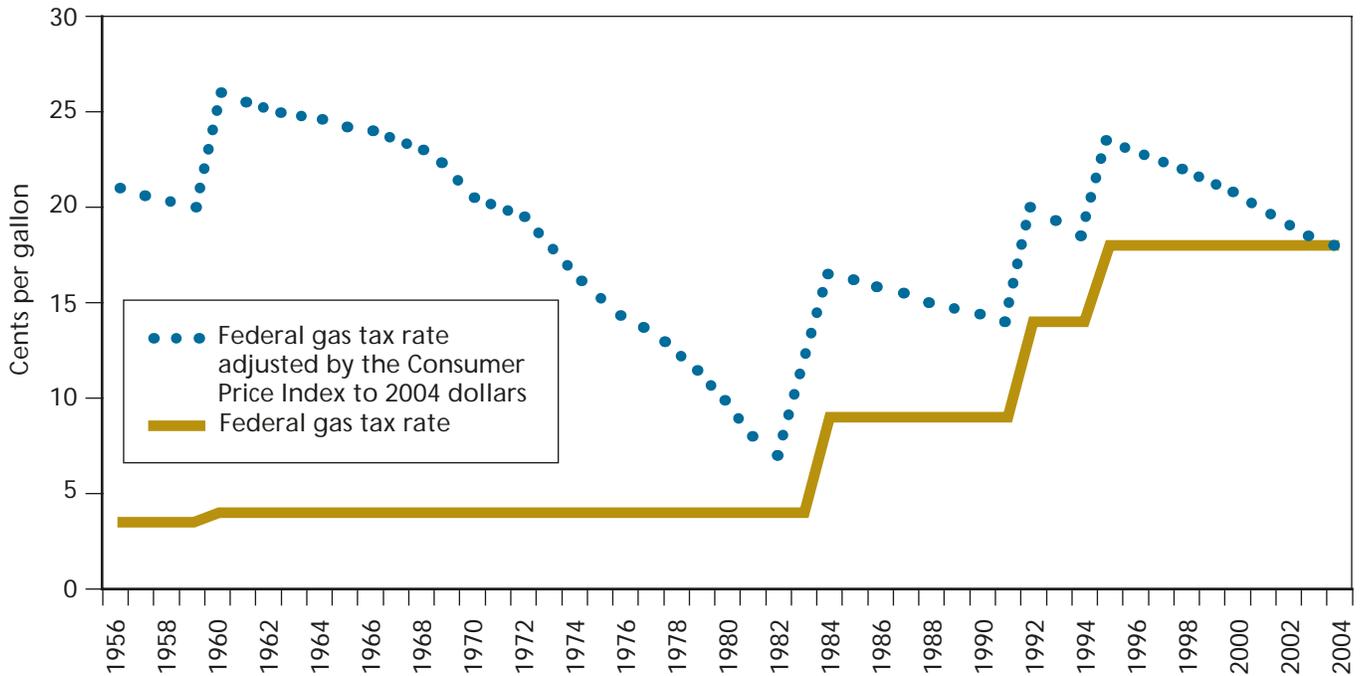
### Current Federal Highway Trust Fund Revenues

One of the questions Congress directed the Commission to assess was what are the current revenues flowing into the Highway Trust Fund. According to the U.S. Treasury, Federal Highway Trust Fund revenues grew from \$22.2 billion in 1995 to \$37.9 billion in 2005, a 10-year increase of 70 percent. In 1998, fuel tax revenues from the 4.3 cent increase passed in 1993 for deficit reduction was recaptured by the Highway Trust Fund. This is one of the factors which explain the significant increase in revenues over this period. In 2005, \$24.5 billion in revenues came from gas taxes and \$8.9 billion from diesel taxes. So 88 percent of revenues came from fuel taxes. The remaining \$4.5 billion came from commercial vehicle taxes and fees, of which the sales tax on trucks, buses, and trailers at \$3 billion generated the largest component. Trust Fund revenues are forecast to increase from \$37.9 billion in 2005 to \$46.9 billion by 2015, a 10-year increase of \$9 billion, or 23 percent, if no changes in rates are made.

**Federal Highway Trust Fund revenues grew from \$22.2 billion in 1995 to \$37.9 billion in 2005, a 10-year increase of 70 percent. In 2005, \$24.5 billion in revenues came from gas taxes and \$8.9 billion from diesel taxes. So 88 percent of revenues came from fuel taxes. Trust Fund revenues are forecast to increase from \$37.9 billion in 2005 to \$46.9 billion by 2015, a 10-year increase of \$9 billion, or 23 percent, if no changes in rates are made.**

The problem facing the program is two-fold. Because fuel tax rates are set as a fixed number of cents per gallon, they lose purchasing power as program costs increase. This has been the pattern for the past 50 years. To deal with this problem Congress has periodically adjusted fuel tax rates (Figure 2). To fund the Interstate Highway System, President Eisenhower signed bills increasing fuel taxes from two to four cents in the late 1950s. Twenty-five years later

**Figure 2. Gas Tax History**  
**Federal Gasoline Tax Rate in Real 2004 Dollars**



increase fuel taxes by 4.3 cents. The last two increases were enacted to help reduce the deficit, but revenues were later recaptured by the Highway Trust Fund. The time is approaching when Congress will have to face the need to adjust the fuel tax rate again to restore the program’s purchasing power.

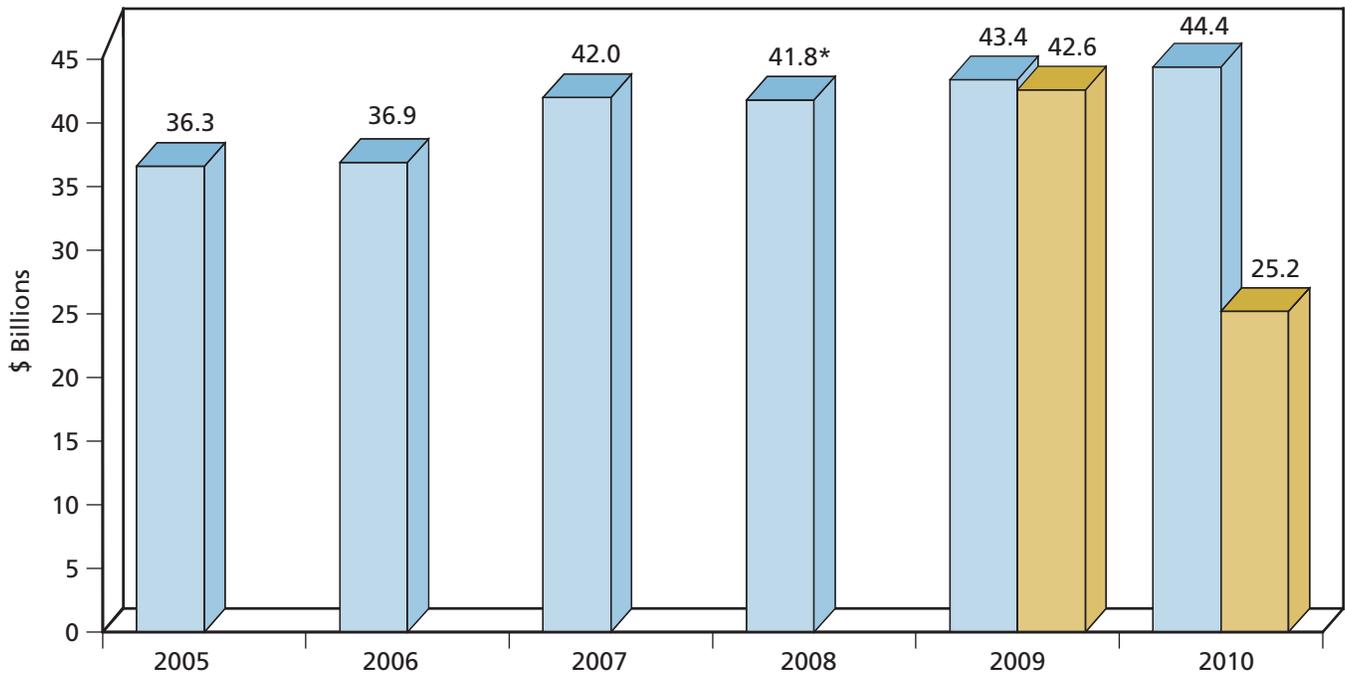
The second challenge poses an even more imminent threat to the programs supported by the Trust Fund. When Congress authorized SAFETEA-LU at \$286.5 billion in 2005, it was expected that revenues flowing into the Highway Trust Fund would be sufficient to support the program through the sixth and final year of the program. To meet the country’s needs, Congress was urged to spend down the resources generated by the Highway Trust Fund to the absolute maximum extent possible. While it was expected that outlays would exceed revenues over the course of the bill by approximately \$5 billion, it was estimated that the program would remain solvent long enough for other measures to generate the revenues necessary to sustain the program at the levels authorized in SAFETEA-LU

### The Highway Program’s Immediate Crisis

It now appears that the tipping point expected to hit in fiscal year 2010 may occur sooner. Based on the information provided in the President’s budget for fiscal year 2008, the highway program faces a funding crisis beginning in fiscal year 2009 and accelerating dramatically in fiscal year 2010. Current Highway Account revenue projections for 2009 show a shortfall of \$200 million in revenue. That shortfall will require an obligation reduction in the highway program of just under \$800 million since it takes a reduction of just under \$4 in obligations to save \$1 in spending. In 2010 the deficit dramatically increases to \$5.7 billion and would require an obligation limit reduction of \$18.2 billion from the 2009 obligation level, a 42 percent reduction.

The following chart (Figure 3) illustrates the impending crisis situation faced by the Highway Account expressed in highway program obligation levels.

**Figure 3. \$18 Billion Cut in Federal Highway Program Obligations If Congress Takes No Corrective Action**



\*Obligation level proposed in the President's 2008 budget request, which includes a suspension of \$631 million in RABA funding.



**The Federal public transportation programs could suffer similar shortfalls and require major program cuts beginning in 2012.**

**Public Transportation Funding Faces a Crisis in the Near Term**

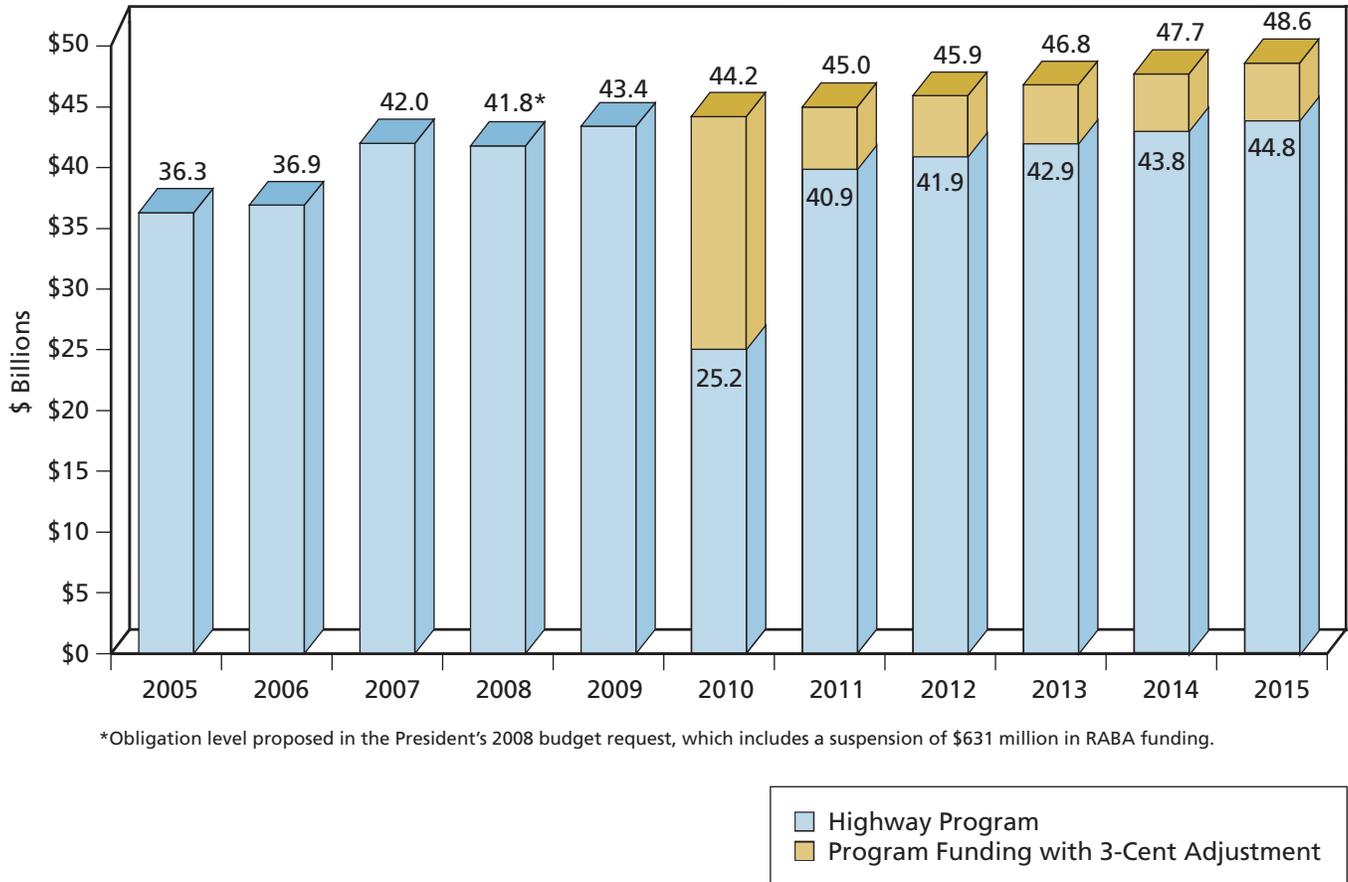
The Federal public transportation programs could suffer similar shortfalls and require major program cuts beginning in 2012 as a result of current-law revenues that are inadequate to cover outlays. A cut of 32 percent from \$10.3 billion in 2009 under SAFETEA-LU down to \$7.0 billion in 2012 is currently estimated.

Figure 4 shows that with a three-cent fuels tax increase the dramatic \$18 billion highway program cut will be averted, and a modest growth in the highway program would be possible.

Significant cutbacks in SAFETEA-LU obligation levels followed by several years of reduced Federal funding are not acceptable approaches to solving the immediate and short-term funding crises that face surface transportation programs.

Therefore, revenues sufficient to preserve full funding of SAFETEA-LU authorizations must be provided promptly. To ensure a minimum acceptable Highway Account

**Figure 4. Federal Highway Program Obligations Possible with 3-Cent Fuels Tax Adjustment**



balance, the infusion of up to \$5 billion would be required in 2010—equivalent to a 3 cent Federal fuels tax increase (assuming the current HTF revenue allocations between the Highway Account and the Mass Transit Account are maintained).

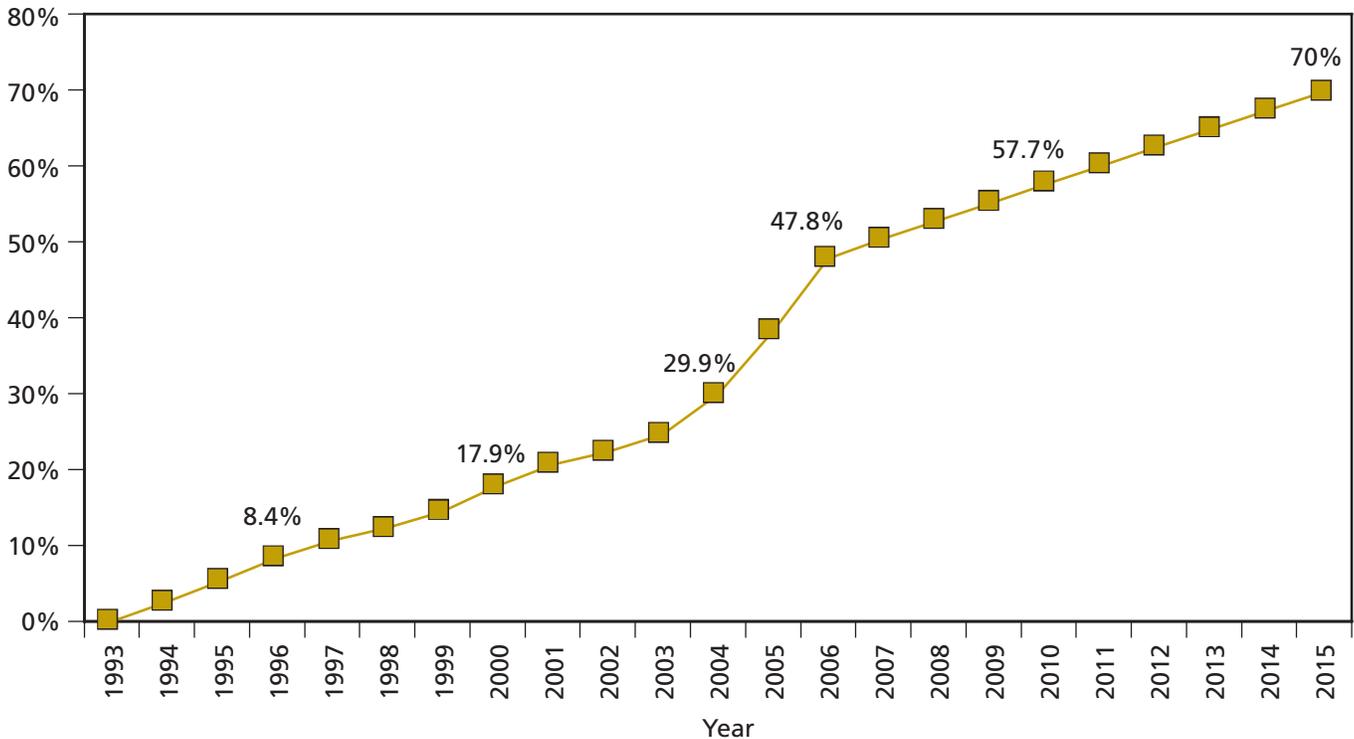
### Recommendation

The Commission should urge Congress to provide revenues sufficient to preserve funding of the highway and transit programs at the levels authorized by SAFETEA-LU—\$43.6 billion for highways and \$10.3 billion for transit.

### Restoring the Purchasing Power of Federal Assistance

AASHTO estimates that between 1993, the year in which Federal fuel taxes were last adjusted, and 2015, construction costs will have increased by approximately 70 percent. (Figure 5.) To restore the purchasing power of the program, Federal highway funding will have to be increased from \$43 billion in 2009 to \$73 billion by 2015. Over the past 15 years the Federal share of highway capital spending has been 45 percent, and the state and local

**Figure 5. Percentage Increases in Construction Costs 1993–2015**



Note: Projected change from 2007 to 2015 based on the Consumer Price Index. Data for 2004 to 2006 based on the Producer Price Index for highway construction.

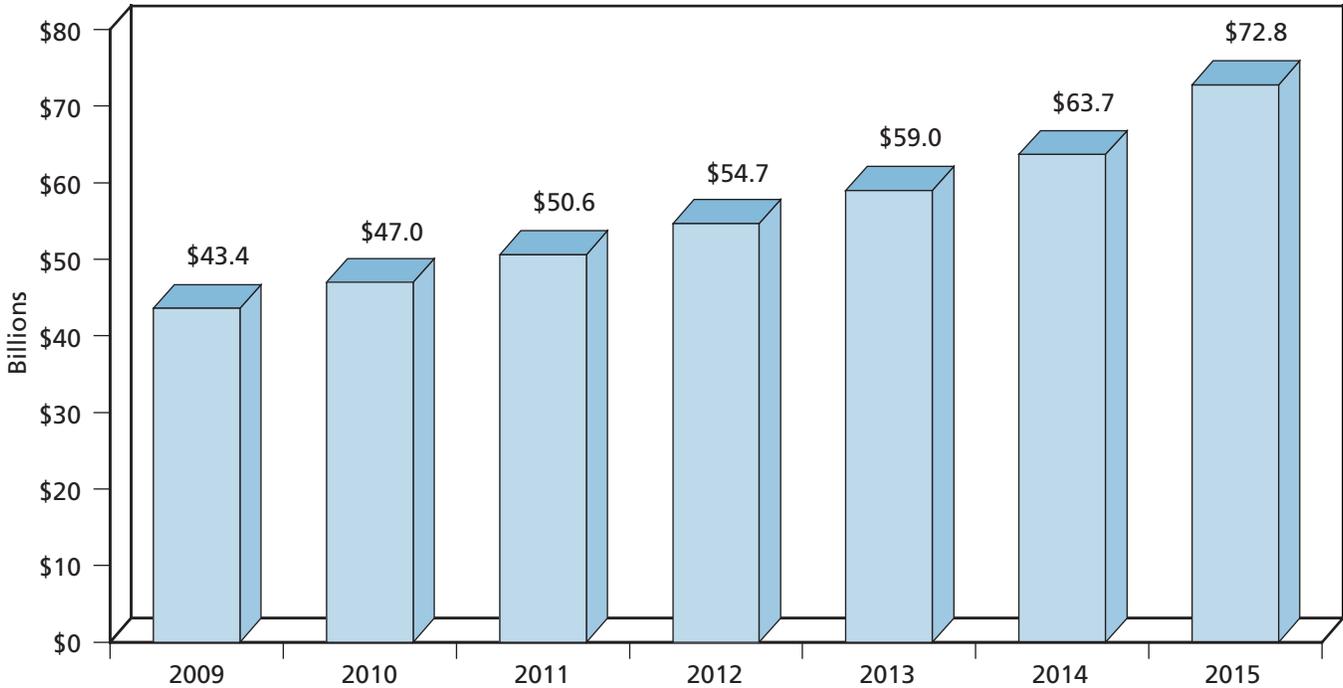
share 55 percent. To sustain their share at 55 percent of the total in 2015, state and local governments would have to increase their investment to \$89 billion.

To put into perspective whether such an increase is possible, consider the history of the past two decades. In 1981, highway capital investment was \$19.7 billion, \$11.5 billion Federal and \$8.2 billion state and local. By 2005, it had increased to \$75 billion, up 280 percent; \$33 billion Federal, up 187 percent; and \$42 billion, state and local, up 412 percent. If state and local investment increases at the same annual rate for the 10 years between 2005 and 2015, as it did for the 24 years between 1981 and 2005, it will increase to \$89 billion. To restore the system’s purchasing power overall, the Federal government will also have to fund its share of the increase needed.

### **Adjusting Federal Fuel Tax Rates to Restore Program Purchasing Power**

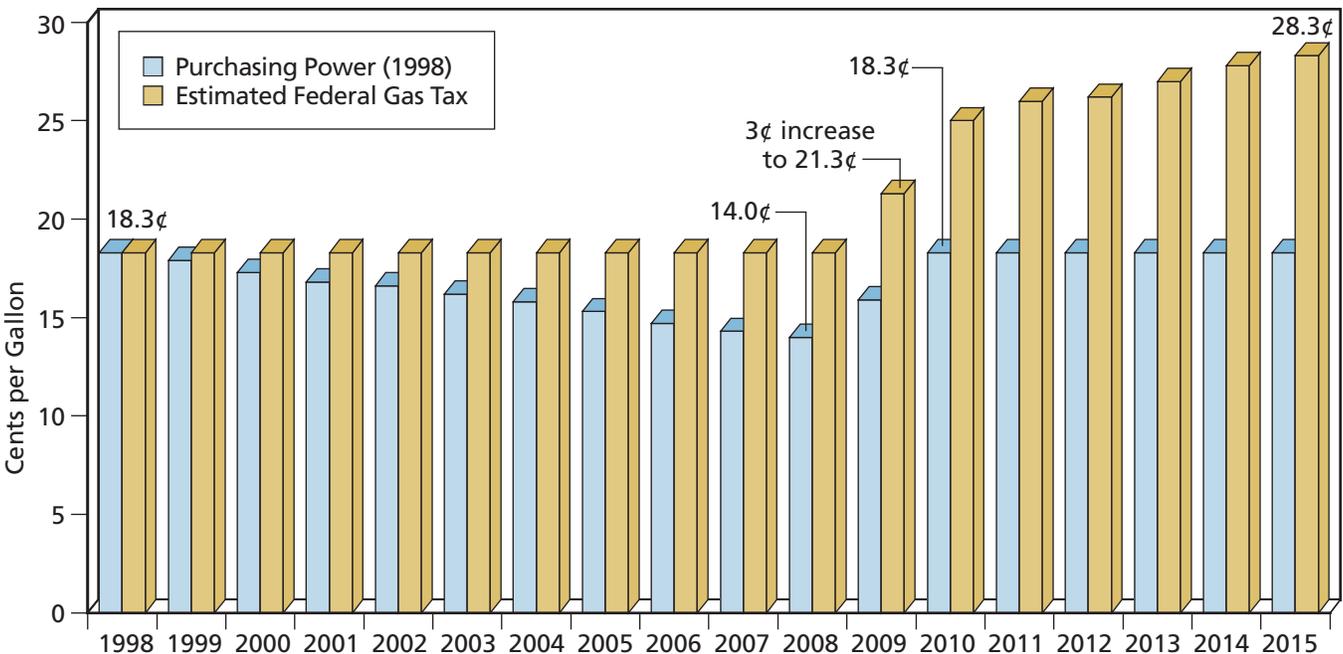
The Federal gas tax rates have remained static since 1993 when the rate was increased to 18.3 cents with 4.3 cents dedicated to the General Fund. The Highway Trust Fund did not receive any investment benefit until 1998. AASHTO’s estimate of what it would take to restore the program’s purchasing power is calculated to coincide with the recapture of the 4.3 cents revenue in 1998 under TEA-21 (Figure 6). Inflation has and will continue to dramatically decrease the purchasing power of current revenues due to a lack of rate adjustments.

**Figure 6. Federal Highway Program Funding Needed to Restore Program Purchasing Power**



Because of the rising costs of construction, the value of the 18.3 cents Federal gas tax rate will decline 55 percent or to 8.3 cents between 1998 the end of 2015 if corrective action is not taken to preserve Federal capital investment. (Figure 7.) The rate will have to increase by 3 cents or its equivalent in 2009 to sustain the program at the level guaranteed in SAFETEA-LU. Between 2010 and 2015, it would have to increase by another 7 cents to restore the program’s purchasing power.

**Figure 7. Federal Fuel Tax Rate Adjustments to Restore Purchasing Power**



Note: The inflation effects are based on the Consumer Price Index actual rates from 1998 through 2006 and estimated from 2007 through 2015.

To restore the purchasing power of the transit program, Federal funding will have to be increased from \$10.3 billion in 2009 to \$17.3 billion in 2015. To sustain their share at 55 percent of total spending in 2015, state and local governments would have to increase their investment to \$21.1 billion.

## Recommendation

Congress should provide the revenues necessary by 2015 to restore the purchasing power of the highway and transit programs. There are three alternative scenarios AASHTO would recommend that the Commission consider.

## Summary of Alternative Scenarios for Restoring Purchasing Power

**Table 2. Scenario Summary**

Highway Program				
Scenario	Average Annual Program Spending Growth	Additional Highway Trust Fund Revenues Required*	Additional General Fund Revenues Required**	Funding Level Achieved by 2015
Scenario 1	6.3 percent	\$13.1 billion/yr	N/A	\$62.6 billion
Scenario 2	8.0 percent	\$7.7–23.4 billion/yr	N/A	\$68.8 billion
Scenario 3	9.0 percent	\$16.3 billion/yr	N/A	\$72.7 billion
Public Transportation Program				
Scenario 1	6.3 percent	\$2.3 billion/yr	\$6.8 billion in 2014–5	\$14.9 billion
Scenario 2	8.0 percent	\$1.3–4.1 billion/yr	\$7.3 billion in 2013–5	\$16.4 billion
Scenario 3	9.0 percent	\$2.8 billion/yr	\$6.0 billion in 2014–5	\$17.3 billion

\* Includes the 2009 3-cent revenue increase, assumes continuation of current revenue allocations between HA and MTA.

\*\*Assumes the maintenance of a minimal MTA balance of at least \$2.0 billion through 2015—this requires significant growth in General Fund contributions for transit (above the current annual \$2 billion level) and results in an increase in the General Fund share of total transit funding well beyond the current share of approximately 20 percent.

### Scenario 1: Modest Restoration of Purchasing Power

Scenario 1 proposes to identify revenues sufficient to support a modestly higher level of capital investment during 2010–2015 for both highways and transit, based on average annual program growth during SAFETEA-LU. This scenario requires additional Highway Trust Fund annual revenues of about \$15 billion—equivalent to a five-cent Federal fuels tax increase in 2010 (on top of the 2009 revenue increase of 3 cents). In addition, in order for transit spending to keep pace with highway program growth, this scenario requires additional General Fund contributions for public transportation programs of about \$7 billion during 2014–2015 to ensure Mass Transit Account solvency through 2015. By 2015, the investment generated by this scenario closes about 21 percent of the current \$27 billion highway annual funding gap and about 38 percent of the current \$7 billion transit annual funding gap.<sup>2</sup>

<sup>2</sup>Funding gap closure estimates for the three scenarios reflect the percentage reduction in the annual funding gap between 2007 and 2015. The 2007 gap (\$27 billion for highways and \$7 billion transit) is defined as the difference between 2007 SAFETEA-LU spending levels (\$41.7 billion for highways (not including NHTSA and FMCSA) and \$8.9 billion for transit) and the federal capital spending share of estimated needs to “improve” the system in 2007 (\$68.9 billion for highways and \$15.8 billion for transit).

## Scenario 2: Gradual Restoration of Purchasing Power

Scenario 2 assumes revenues equivalent to a Federal fuels tax increase of 11 cents phased in (at about 1.8 cents per year) from 2010–2015. This results in additional Highway Trust Fund revenues of about \$9 billion in 2010 for both highways and transit, increasing to over \$27 billion by 2015 (on top of the 2009 revenue increase of 3 cents). Under this scenario, the enhanced investment closes about 44 percent of the current \$27 billion highway annual funding gap and about 59 percent of the current \$7 billion transit annual funding gap by 2015.

## Scenario 3: Immediate Restoration of Purchasing Power

Scenario 3 assumes the identification of another \$19 billion per year for the Highway Trust Fund for both highways and transit—equivalent to an increase in the Federal fuels tax of 7 cents in 2010 (on top of the 2009 revenue increase of 3 cents). This infusion fully restores the purchasing power of the Federal fuels taxes immediately at the 1993 levels. This more aggressive scenario enables about 59 percent of the current \$27 billion highway annual funding gap and about 73 percent of the current \$7 billion transit annual funding gap to be closed by 2015.

## Adjusting the Fuel Tax—A Mechanism to Help Accomplish What Is Needed

While the need for adjusting Federal fuel taxes to restore the program's purchasing power is technically quite clear, the political challenge remains. We should also bear in mind that the past two times federal fuel tax rates were adjusted, it was done for deficit reduction rather than explicitly to increase transportation funding or restore the program's purchasing power.

There is a mechanism which seems to work well in the field of military base closing which might be a model for what is needed for the Highway Trust Fund. There is another used to set postal rates which might also apply. The Base Realignment and Closure Commission is convened periodically to review the needs of the Department of Defense and to recommend base closures where facilities are no longer needed. An appeal period is provided. However, once the final list is submitted to Congress it is considered on an up or down vote. No amendments are allowed.

AASHTO believes Congress should create an impartial board called the Transportation Revenue Advisory Commission (TRAC). Its mission would be to periodically review whether the rates of Federal fuel taxes and other fees supporting the Highway Trust Fund were set at levels sufficient to sustain the program at the levels needed. Once the Commission's recommendation is made, after an established review period, the recommendation would take effect unless Congress voted during the review period to reject it. The TRAC's technical reviews of the funding levels needed would build on the work of the SAFETEA-LU Commissions.

## Recommendation

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Congress should create an impartial board called the Transportation Revenue Advisory Commission (TRAC). Its mission would be to review periodically whether the rates of Federal fuel taxes and other fees supporting the Highway Trust Fund need to be adjusted to levels sufficient to sustain the program at the dollar levels needed. Once the Commission's recommendation on rate adjustment is made, after an established review period, the recommendation would take effect unless Congress voted during the review period to reject it. The TRAC's technical reviews of the funding levels needed would build on the work of the SAFETEA-LU Commissions.

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**The nation benefits from free trade, but the burden of meeting the demand is borne by the states and localities at gateways and on trade corridors**

### **The Freight Challenge—Funding from Outside the Highway Trust Fund**

The past several decades have witnessed dramatic growth in freight demand, driven by economic expansion, global trade, and revolutionary changes in business logistics. Today, the nation is entering the early stages of a freight transportation capacity crisis.

The tonnage of freight moved in the United States is forecast to double between 2005 and 2035, from 16 billion tons to 31.4 billion tons. Trade with Canada is up. Oil imports and expanding trade with Mexico and Latin America have resulted in major increases in trade through Gulf Coast ports and across the U.S.–Mexico border. International container cargo coming primarily from Asia and Europe grew from 8 million units in 1980 to 40 million units by 2000 and is expected to explode to 110 million units by 2020. This is placing enormous pressure on West Coast and East Coast ports and the highway and rail distribution systems in between.

State and local transportation officials are confronted with the challenge of providing infrastructure to address large and shifting traffic increases generated by ports, inland terminals, and mega-distribution centers.

The nation benefits from free trade, but the burden of meeting the demand is borne by the states and localities at gateways and on trade corridors. The nation needs freight railroads to make the capacity improvements required so they can continue to carry their current market share of the increase in freight expected. AASHTO's studies show that freight rail will be unable to do so without public funding in the range of \$2.65 billion annually for the next 20 years.

The effects of growing demand and limited capacity are felt as congestion, upward pressure on freight transportation prices, and less reliable trip times as freight carriers struggle to meet delivery windows. Over time these costs add up to a higher cost of doing business, a higher cost of living for consumers, and a less productive and competitive economy.

Since 80 percent of freight in the United States is carried by truck, improving our highways should be the highest priority. The states, the Federal government and the private sector should collaborate to reaffirm the importance of investing in highway trucking capacity. States should be provided the authority and resources necessary to provide truck-only lanes or truck-only-toll lanes where demand warrants. States should create and the Federal government should support multi-state/regional institutions to coordinate, manage, and guarantee the performance of economically important highway freight corridors which cross more than one state. Finally, the Federal government should support efforts by states to focus highway programs on significant supply-chain bottlenecks at interchanges, gateways, intermodal connectors, and international borders.

However, whether the problem is the need for better intermodal connections to ports, airports, or railroads, or the expansion of railroad capacity itself, the scale of investment needed is beyond that which can be met from the Highway Trust Fund. The United States needs to find ways to significantly increase freight-related investment using new sources of revenue.

Dedicating 5 percent of customs fees to port intermodal connections via rail and highways would bring in \$2 billion per year by 2015. Another idea being explored in California is the imposition of container fees of \$30 to \$50 per container, which would be placed in a trust fund dedicated to freight-related improvements nationwide, if done nationally. It is estimated that this could generate in the range of \$1 billion per year. The Association of American Railroads is urging Federal investment tax credits for rail improvements which improve capacity. In 2005, Senators Jim Talent (R-MO), Ron Wyden (D-OR), Norm Coleman (R-MN), and Jon Corzine (D-NJ) introduced a “Build America Bonds” program which would have made \$50 billion in tax credit bonds available through a transportation finance corporation. AASHTO had developed and supported a very similar concept.

## Recommendation

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From resources outside the Highway Trust Fund, additional federal government financing should be provided for freight-related investments, including freight gateways, connectors, corridors and border crossings. With state involvement, incentives for new investment in freight-rail infrastructure by rail companies through Federal investment tax credits and depreciation adjustments should be developed. Federal funding should be provided to states for participation in public-benefit rail improvements. Revenue measures such as dedicating 5 percent of customs fees to transportation freight projects and providing assistance financed through tax credit bonds should be enacted.

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## All levels of Government Must Maintain Their Shares of the Increased Investment Required

Over the past 10 to 15 years the Federal share of highway and transit capital investment has averaged around 45 percent. For the immediate period ahead when the policy objective is to restore the purchasing power of the program, AASHTO’s estimate is

that Federal highway assistance will have to increase from \$43 billion to \$73 billion and federal transit assistance to increase from \$10.3 billion to \$17.3 billion. If state and local governments are to generate their corresponding 55 percent shares, their highway capital investment would have to increase to \$89 billion and their transit investment increase to \$21 billion. Compared with the increase in highway and transit capital investment state and local governments were able to achieve over the past 25 years, this is a challenge of similar proportions. But no matter how you look at it, the increases are enormous.

Because preservation will use up nearly all of the revenues that can be generated at the state and local levels by traditional forms of taxation, to add the capacity which will also be needed in the years ahead, states and local governments are going to have to look for alternative sources of revenue.

## **Tolls and Public–Private Ventures as a Supplement to Traditional Sources of Revenue**

**Analysts who have specialized in the potential of tolling, believe that tolling’s market share of highway funding could be increased from 5 percent to as much as 7 percent over the next 15 years if it receives strong policy support from Congress and State Legislatures.**

Tolls are currently collected on 4,600 miles of roads in 25 states. There are approximately 25 Interstate toll roads and 65 significant non-Interstate toll roads in operation. Toll-generated revenues increased to \$7.7 billion in 2005. In 2005, that represented 5 percent of total highway revenues.

Over the past 10 years the rate of toll road development, measured in centerline miles, has increased significantly. This is especially true in the creation of new roads. Thirty percent to 40 percent of the approximately 150 miles per year of new expressways built in this period have been financed through tolling. Because so much of tax-generated revenue will be required to fund the backlog of highway preservation needs over the next 20 years, the percentage of new road capacity funded through tolls is likely to increase.

The pattern observed over the past 15 years is that toll-generated revenues nationally have been increasing, but at approximately the same rate as the overall increase in funding for highways by Federal, state, and local governments. Since 1991, highway capital investment overall has nearly doubled. So even though tolling has increased, the percentage of revenues generated by tolls has remained at between 4 percent and 5 percent of the total.

Recently interest in tolling has been further sparked by three developments. First, public–private ventures, such as Chicago receiving \$1.8 billion for a 99-year concession on its Skyway, and Indiana receiving \$3.85 billion for a 75-year concession on the Indiana Tollway, have generated intense interest. These projects involve equity provided by foreign and American investors, in return for a long-term return on investment provided through tolls.

The second development has been the growing popularity of HOT lanes, High Occupancy Toll lanes. This concept was pioneered in the variably priced demonstration project on Interstate 15 in San Diego, California, in the 1990s when drivers of single-occupant vehicles were

allowed to pay a toll and use an eight-mile stretch of an HOV lane. San Diego County now plans to expand this initial eight-mile segment to a hundred-mile system that will not only pay for the new lane capacity, but generate funding for transit as well. Several HOT-lane projects have been built or are about to be built in Texas, Virginia, Minnesota, and elsewhere.

The third development is open access toll roads for which stopping at toll booths has been totally eliminated. Electronic tolling, such as EZPass, has already reduced the inconvenience of paying tolls for drivers whose cars are equipped with transponders, and no longer have to stop to pay at a collection point. Toronto's new 407 ETR, Electronic Toll Road, has totally eliminated toll booths. The use of all-electronic tolling could increase convenience to customers, reduce traffic slowdowns, and increase the attractiveness of using toll facilities.

Analysts who have specialized in the potential of tolling, believe that tolling's market share of highway funding could be increased from 5 percent to as much as 7 percent over the next 15 years if it receives strong policy support from Congress and State Legislatures. They have observed that, "if major growth states like Florida, California, and Texas, continue on their aggressive path of developing most new upper-level centerline miles as toll roads, toll revenues could gradually contribute a greater share and increase toward the \$10 billion level. Significant increases in toll funding longer term will depend on liberalization of tolling on the Interstate, and other states adopting a similar tolls-for-major-capacity-expansion-policy." Opposition from some trucking and automobile user groups remains a challenge, however. AASHTO has taken the position that every state should be given all options possible in the areas of tolling and public-private ventures so those states can determine for themselves what is in the best interests of their citizens. AASHTO has also embraced a bold goal of increasing toll-supported projects to 9 percent of the total nationally, beyond the level some experts believe is feasible.

## Recommendation

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Federal policies should enable and encourage the capitalization of highway and transit improvements through innovative finance mechanisms and through public-private ventures supported by tolls and other revenues. Federal limitations on the ability of state and local governments to raise revenues should be removed.

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## Erosion of Fuel Taxes Because of Increasing Fuel Efficiency and Alternative Fuels: A Potential Mid-Term Problem

Another key revenue question Congress directed the Commission to assess, which is especially important for the next 15 to 25 years, was "whether the amount of revenue flowing into the Highway Trust Fund is likely to increase, decrease, or remain constant, taking into consideration the impact of possible changes in vehicle choice, fuel use, or travel alternatives." The Commission was asked to build on related analysis such as the recent TRB study on alternatives to the fuel tax to support highway program financing.

Prior to the Commission being created there was speculation that the fuel efficiency of the vehicles on America's highways was increasing so fast and the use of alternative fuel advancing at such a rate that the fuel tax is a source we can no longer rely on to support the Highway Trust Fund. A review of current studies shows that that speculation is *not* sup-

ported by the facts and that *fuel taxes will be a viable source of transportation funding for at least one and perhaps two decades or more into the future.*

**A review of current studies shows that that speculation is not supported by the facts and that fuel taxes will be a viable source of transportation funding for at least one and perhaps two decades or more into the future.**

The 2006 TRB Study titled, *The Fuel Tax and Alternatives for Transportation Funding*, concluded that fuel taxes would continue to be a viable source of support for the Highway Trust Fund, “for at least the next 15 years.” The Environmental Protection Agency in its July, 2006 Report, *Light-Duty Automotive Technology and Fuel Economy Trends: 1975 Through 2006*, showed that the fuel economy measured in average miles per gallon for the light-duty automotive fleet, which is made up of automobiles, light trucks and sports utility vehicles, actually has declined 5 percent over the past 19 years from 22.1 mpg in 1987 to 21.0 mpg in 2006. The President’s 2007 proposal to increase Corporate Average Fuel Economy (CAFE) standards 4 percent annually through 2017 should begin to increase fleet efficiency.

U.S. DOT in its latest *Conditions and Performance Report* in early 2006, estimated that highway vehicle miles traveled would increase 2.07 percent annually through 2022. A 2003 National Cooperative Highway Research Study on alternative fueled vehicles, such as those fueled by hydrogen, electricity, and compressed natural gas (CNG), forecast that the market share of these vehicles is not expected to exceed 0.02 percent until 2020. In 2005, the Congressional Budget Office projected a 3.3 percent annual increase in Federal gas revenues from 2005 to 2015.

What these studies show is that fleet fuel efficiency has gone down not up. If anything it is flat. Highway travel is expected to grow at over 2 percent for the next 16 years. Hybrid sales hit just over 1 percent of total automobile sales for the first time this year. Vehicles fueled by hydrogen, electricity, and CNG will not be a real factor until well after 2020. The Federal Agencies we rely on to forecast revenues expect fuel tax revenues to grow by 2 to 3 percent annually for the next 10 years. Ten and fifteen years further into the future in the 2030 to 2035 time frame, fuel efficiency or alternate fuels may begin to erode fuel tax generated revenues, but for the near term this does not appear to be a real problem.

## Revenues for 2020 and Beyond

AASHTO recommends a four-phase approach to increasing revenues to the levels needed. In Phase 1, Congress should take action in FY2009 to preserve highway funding at the levels authorized by SAFETEA-LU, and avoid cutting the program \$11 billion from \$43 billion to \$32 billion. In Phase 2, Congress should restore the program’s purchasing power by increasing highway assistance from \$43 billion to \$73 billion between 2010 and 2015, and transit assistance from \$10.3 billion to \$17.3 billion. In Phase 3, from 2015 to 2025, Congress should increase the program toward meeting the “cost-to-improve” goals, estimated in U.S. DOT’s *Conditions and Performance Report*, but adjusted to year of expenditure dollars by AASHTO using the Consumer Price Index (CPI). For example, U.S. DOT estimated a

“cost-to-improve” annual highway capital investment level of \$118.9 billion in 2002 dollars. Adjusted using the CPI to 2020 the “cost-to-improve” figure would be \$189 billion. In Phase 4, Congress should use a vehicle miles traveled tax to supplement or replace fuel taxes.

To restore the purchasing power of the highway program by increasing it from \$43 billion to \$73 billion would require an increase in the Federal fuel tax rate of approximately 10 cents. To move from that point upward toward the cost to improve goal, could be achieved in several ways. We have established that fuel taxes will continue to be a viable source of revenues to at least 2020, and perhaps to 2030. For the 15 year period between 2015 and 2030, the options include simply raising fuel tax rates periodically, indexing the fuel tax to a measure such as the Consumer Price Index, so it rides up with inflation, or changing the form of the tax from one based on fixed cents per gallon to a sales tax on gasoline. Table 3 is a matrix which outlines the revenue generating potential of several alternatives.

For the period of 2030 and beyond, increasing fleet fuel efficiency and the increasing use of alternative fuels may render the fuel tax less effective as the core support for the Highway Trust Fund. By 2020, enough research should have been conducted on a vehicle miles traveled tax to determine how it can best be configured to supplement or replace the cents per gallon fuels tax.

## Recommendation

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Congress should take a four-phase approach to increasing revenues to the levels needed. In Phase 1, Congress should take action in FY2009 to preserve highway funding at the full level authorized by SAFETEA-LU. In Phase 2, Congress should restore the program’s purchasing power. In Phase 3, from 2015 to 2025, Congress should increase the program toward meeting the “cost-to-improve” goals, estimated in U.S. DOT’s *Conditions and Performance Report*. The fuel tax can be adjusted through indexing, periodic increases, or by changing it to a sales tax. In Phase 4, from 2025 on, Federal fuel taxes should be supplemented or replaced with a vehicle miles traveled tax.

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## Revenue Options

The following revenue mechanisms represent ways in which the Federal government could generate revenue to meet the program funding levels proffered in the scenarios described in this report (Table 3).

**Table 3. Options to Generate Federal Transportation Revenue**

Revenue Mechanism	Description	Revenue Generation 2010	Revenue Generation 2015
<b>Current Federal Revenue Sources</b>			
Federal Gasoline and Gasohol Tax	18.40 cents/gal, with 15.44 cents going to the Highway Account, 2.86 cents going to the Transit Account, and 0.10 cent going to the Leaking Underground Storage Tank Trust Fund	\$26.9 billion (\$22.7 billion Highway Account/ \$4.2 billion Transit Account)	\$28.0 billion (\$23.6 billion Highway Account/ \$4.4 billion Transit Account)
Federal Diesel Tax	24.40 cents/gal, with 21.44 cents going to the Highway Account, 2.86 cents going to the Transit Account, and 0.10 cent going to the Leaking Underground Storage Tank Trust Fund	\$10.1 billion (\$8.9 billion Highway Account/ \$1.2 billion Transit Account)	\$10.8 billion (\$9.5 billion Highway Account/ \$1.3 billion Transit Account)
Federal Vehicle Taxes	Includes a tax based on tire weight, a retail tax on trucks weighing more than 33,000 pounds, and a heavy vehicle use tax	\$7.2 billion	\$10.1 billion
General Fund	Appropriations of General Fund dollars for public transportation purposes (assumes it grows with inflation)	\$1.9 billion	\$2.2 billion
<b>Potential Federal Revenue Options</b>			
Federal Fuels Tax Increase	Across the board increase in cents/gallon tax on gasoline, diesel, gasohol, and specialty fuels	1 cent/gal = \$1.9 billion	1 cent/gal = \$2.0 billion
Index Federal Fuels Taxes	Annually adjust cents/gallon fuels tax rates by an inflation index such as the CPI (approximately 0.49 cent/gallon each year)	\$0.9 billion	\$6.2 billion
Index Federal Fuels Taxes (retroactive to 1993)	Increase fuels tax rates in cents/gallon to capture loss in buying power since 1993 due to inflation	10 cent/gal = \$19.0 billion (If implemented in 2010)	14 cent/gal = \$28.0 billion (If implemented in 2015)
Sales Tax on Motor Fuels	Percentage charged on sales revenues for gasoline, diesel, gasohol, and specialty fuels	1 percent = \$3.5 billion to \$5.5 billion (depends on how tax is imposed)	1 percent = \$3.9 billion to \$6.0 billion
End Revenue Loss from HTF Exemptions	Eliminate or finance from the General Fund Federal fuels tax exemptions for state, municipal, and certain agricultural vehicles	\$1.2 billion	\$1.3 billion
Recapture Interest on HTF Balances	Reinstates interest earnings on HTF balances (assumes minimum combined \$10 billion balance and 5 percent interest rate)	\$0.5 billion	\$0.5 billion
<b>Alternative Longer-Term Federal Revenue Options*</b>			
Sales Tax on Motor Fuels	Percentage charged on sales revenues for gasoline, diesel, gasohol, and specialty fuels	1 percent = \$3.5 billion to \$5.5 billion (depends on how tax is imposed)	1 percent = \$3.9 billion to \$6.0 billion
Customs Duties	Allocates a percent of current U.S. Customs duties for port, transportation, and intermodal freight investments	5 percent = \$1.6 billion	5 percent = \$2.0 billion
Vehicle Miles Traveled—User Fee	1 cent per mile traveled on Interstate, other NHS, and Federal-Aid highways	1 cent/mile = \$25.7 billion	1 cent/mile = \$28.3 billion
Vehicle Miles Traveled—User Fee	1 cent per mile traveled on Federal-Aid and Non-Federal (local) highways	1 cent/mile = \$30.2 billion	1 cent/mile = \$33.4 billion

\*Longer-term options reflect new funding sources or major changes in the use of current federal revenue mechanisms and further work is required to develop these concepts into viable options.



## CHAPTER 7

# Recommendations for the Federal Program



**Between 1993 and 2015, construction costs have increased 70 percent. In order to restore the purchasing power of the program so the improvements the country needs can be funded, highway capital investment will have to increase to \$162 billion and transit capital investment to \$38 billion by 2015.**

### Need for a Strong Federal Leadership Role in Funding and Policy

**T**he American people depend on Federal, state, and local governments and the private sector to deliver a transportation system that will keep us competitive in the World economy and meet our mobility needs. To do so, investment at all levels needs to be increased.

Between 1993 and 2015, construction costs have increased 70 percent. In order to restore the purchasing power of the program so the improvements the country needs can be funded, highway capital investment will have to increase to \$162 billion and transit capital investment to \$38 billion by 2015. If the Federal government sustains its historical share of national investment at 45 percent, Federal highway assistance would increase to \$73 billion by 2015, and federal transit investment to \$17.3 billion. For state and local governments to sustain their historical 55 percent share, their highway capital investment would have to increase to \$89 billion and their transit capital investment to \$21 billion.

That analysis makes two things clear. First, the investment requirements are huge. Second, the only way the nation can meet them is for all levels of government to continue to fund their share. If any one of the three fail to do so, it is highly unlikely that any of them could sustain their own share as well as pick up the difference for another level of government who decided, for whatever reasons, that funding their previous share was too difficult.

So, the first imperative is that the Federal government continue to play a strong leadership role in funding.

The investment requirements are huge. The only way the nation can meet them is for all levels of government to continue to fund their share. If any one of the three fail to do so, it is highly unlikely than any of them could sustain their own share as well as pick up the difference for another level of government who decided, for whatever reasons, that funding their previous share was too difficult.

The U.S. Department of Transportation and its agencies should play a national policy leadership role in identifying national needs and how to meet them, and to address priority concerns such as the development of a national freight policy, and strategies to reduce traffic fatalities. The development of those policies should be done in consultation with State departments of transportation, and program implementation be done in a partnership with the state and local governments. But what is also becoming clear is that the need for the Federal government to play a strong leadership role in policy has never been greater.

Safety and freight are two areas where this is true. There are certainly more.

**Safety**—Each year 43,000 citizens are killed on highways in traffic crashes and 3 million are seriously injured. The Federal government needs to play a strong leadership role in improving the safety of automobiles, motorcycles, commercial trucks, buses, trains, and the protection of their occupants. In cooperation with state and local governments, action is needed to improve the safety of facilities, and strengthen laws to improve driver behavior.

**Freight**—The volume of domestic freight is expected to double in the next 30 years and the volume of international freight entering U.S. ports may quadruple or more. Better coordination is needed of policies, plans and strategies on how to address this amongst all players—federal, state and local governments; carriers including trucking, rail, barges and ships; shippers; and communities. Without adequate leadership from the Federal level it is doubtful the nation can respond in time.

In some cases, what may be needed is deregulation so the Federal government gets out of the way. In other cases what may be needed are new rules, such as the Federal government requirement for seat belts and air bags. In some cases, the Federal government needs to bring sectors together to better integrate services, such as the encouragement of long-haul intermodal rail service. In other cases, in partnership with a regional cluster of states, the Federal government may play a helpful coordinative role in planning a multi-state, truck-only toll facility.

The second imperative is that the Federal government needs to play a strong leadership role in policy.

## Recommendation

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To meet the nation's surface transportation system needs, the Federal government needs to play a leadership role in funding and in policy.

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## Federal Program Plays an Essential Role

In a later report, AASHTO plans to outline a Vision and a Conceptual Plan for the surface transportation system the country will need. For the moment, this outline summarizes what the Federal program needs to address.

AASHTO believes Federal policy leadership and Federal funding support are needed to:

1. Connect the Nation to the global economy through a unified system of highways, railroads, waterways, ports, and border crossings; and sustain the growth of jobs and productivity in the U.S. economy by improving transportation system capacity and performance.
2. Provide a strategic transportation network which makes rapid military deployment possible; provide emergency response to natural disasters; and prepare for, prevent if possible, and respond to terrorist attacks.
3. Improve highway and public transportation capacity and performance to provide individuals with the mobility required to access jobs, education, health care, recreation and other services.
4. Assure safe vehicle design and operation; improve the safety of transportation facilities; and bring about safer driver behavior through education and enforcement of laws on seatbelt use, drunk driving, and speeding.
5. Improve energy efficiency by reducing traffic congestion, air pollution, and dependence on foreign oil.
6. Develop the system in a manner that is compatible with the natural environment, and enhances community health and quality of life.

## Recommendation

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The Federal program's purpose should be to support the national vision and funding for a surface transportation system that improves America's economic competitiveness; strengthens the National Defense; gives the states the opportunity to provide needed mobility; and improves safety, energy efficiency, and environmental compatibility.

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## The Federal Highway Administration's (FHWA's) Role and Relationship with State DOTs

The Federal-Aid Highway Program is, and should continue to be, a *state administered, Federally assisted system*. Together, FHWA, the States and their local governments have built the finest system of highways in the world. The partnership between the State DOTs and FHWA is one of the most effective in government. Because AASHTO works so closely with FHWA we have outlined some recommendations on how we believe our partnership could work even more effectively in the future. At this point, we have not done the same for the Office of the Secretary or other modal administrations. If requested by the Commission, we would be happy to do so.

State DOTs need FHWA to be a strong and unequivocal advocate for the capacity, preservation and operational needs of the nation's highway system. It needs to play a policy leadership role in the areas of safety, security, congestion, finance, project delivery, environmental stewardship, freight, intermodal connections, and operations.

It needs to provide strong technical leadership on research, deployment of advanced technologies, design standards, and quality assurance programs in consultation with AASHTO, delivery of the Federal Lands Highways Program, and administration of the Highway Trust Fund. Its role of stewardship should be focused equally on State DOT accountability for Federal funds and compliance with federal laws; and FHWA's own deliverables, such as liaison with other Federal agencies to expedite project approvals, and facilitating the delivery of service by states and local governments.

FHWA and U.S. DOT, more broadly, need to take a fresh look at how they can administer the Federal-Aid Highway Program in ways that facilitate the delivery of service on a timely basis. Today the average time to complete a National Environmental Policy Act (NEPA) record of decision on a major highway project is six years, and to complete construction of the facility is nine years or more. States lose credibility with the public and fail to meet national needs through such a protracted process. Achieving compliance with the complex array of Federal laws is daunting. An unswerving commitment from our federal partner is needed to expedite this process. The Secretary's "Highways for Life Initiative," and the President's Executive Order on Environmental Streamlining are examples of strong leadership that U.S. DOT has provided in the recent past. They are commended for what has been achieved. What is needed now is still more.

**What is needed on a constant basis is for U.S. DOT to commit itself to help states deliver projects as fast as possible, and to enlist other Federal agencies in this approach. What is at stake are economic and social objectives for the country just as important as the environmental objectives states are being asked to achieve.**

What is needed on a constant basis is for U.S. DOT to commit itself to help states deliver projects as fast as possible, and to enlist other Federal agencies in this approach. What is at stake are economic and social objectives for the country just as important as the environmental objectives states are being asked to achieve. It is essential to work together to achieve all of these, but on an expeditious basis which delivers transportation improvements when communities need them.

One facet of the relationship which would help achieve these common objectives is for FHWA to deal with State DOTs as their governmental partners rather than treat them as stakeholders. Ours is a Federally assisted, state-administered program that works best when we proceed as partners. Similarly, there is general consensus that the role of FHWA oversight will be more effective if it focuses on program delivery, and delegates project delivery to the states.

Funding projects needed by states and localities through Federal assistance is crucial. Forty-five percent of highway capital investment nationally comes from Federal assistance. Funding a project with Federal resources is also enormously complex, time-consuming

and costly. In order to maximize the delivery of service to communities, only those projects that receive direct Federal aid should be subject to Federal rules, procedures, and oversight. Projects funded through non-Federal resources should be administered under state laws.

Recommended roles for the Federal Highway Administration:

1. Advocacy for the capacity, maintenance, and operational needs of our nation’s highway system;
2. Policy leadership on safety, security, congestion, finance, project delivery, environmental stewardship, freight, intermodal connections, and operations.
3. Technical Leadership on research, deployment of advanced technologies, design standards and quality assurance programs in consultation with AASHTO, delivery of the Federal Lands Highways Program, and administration of the Highway Trust Fund.
4. Stewardship focused equally on State DOT accountability for Federal funds and compliance with Federal laws; and FHWA’s own deliverables, such as liaison with other Federal agencies to expedite project approvals, and facilitating the delivery of service by states and local governments.

Recommended relationship with State DOTs:

5. Limits to Federal Role—Except as explicitly required by Congress, federal requirements and Federal oversight should be limited to projects receiving direct federal aid.
6. States are governmental partners not just stakeholders. States should be treated as the partners, on whom the Federal government depends to own, plan, design, build, operate and maintain the Federal-aid highway system.
7. Programmatic—FHWA should focus its efforts on program delivery and delegate project delivery to the states.

## Recommendations

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- FHWA’s role should include advocacy for the nation’s highway system, policy, and research leadership in the delivery of the Federal-Aid Highway Program, and stewardship focused equally on state accountability and action by FHWA to facilitate the delivery of service by state governments. FHWA should focus its efforts on *program* delivery, delegate *project* delivery to the states, and treat State DOTs as their governmental partners.
- Federal Program Structure—The Federal highway program should continue to be apportioned to the states and delivered through the core programs: Interstate Maintenance, Bridge, National Highway System, Surface Transportation System, Congestion Mitigation/Air Quality, and Safety. The program’s funding guarantees and firewalls should be retained. The percentage of funding apportioned to the states and delivered through the core programs should be restored to the level achieved in ISTEA. There is a legitimate need to continue some National Programs, such as the Federal Lands Program. However, nationally significant needs should be funded through cooperative multi-state efforts,

rather than through Congressional earmarks. Program categories for the transit program should be consolidated and flexibility in their use increased.

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## Planning and Project Delivery Are a State and Local Roles

The American people depend on Federal, state, and local governments and the private sector to deliver a transportation system that will keep us competitive in the World economy and meet our mobility needs.

Federal assistance represents approximately 45 percent of capital investment and 22 percent of highway investment overall. Approximately 45 percent of transit capital investment is provided through Federal assistance. It represents about 18 percent of overall transit spending. Federal assistance is crucial to both highways and transit. Its use is also enormously complex and time-consuming. To be most effective, Federal aid should be focused on a strategic network of highways that help meet national goals, with the balance funded and administered by states and local governments under state law. Consistent with meeting national goals, each state and its local governments should have the discretion to determine where best to invest that state's share of federal assistance on the portion of the network deemed federally eligible. Federal transit oversight should similarly be limited to expenditures directly involving federal dollars.

In 1991, Congress delegated the responsibility for transportation planning and project programming to State departments of transportation and to metropolitan planning organizations. Congress determined that states and local governments were in the best position to assess local needs and to set priorities for investment. The responsibility for planning and investment programming should continue to be assigned at the state and local government levels.

To provide effective access to the World economy, there are corridors of national significance that cross state lines. The need for and alignment of these corridors should be assessed through a Federal–state partnership. In consultation with the Federal government, planning, funding, and implementation should be accomplished by the State DOTs affected through multistate compacts, such as those of the I-95 Corridor Coalition which includes the states from Maine to Florida served by Interstate 95.

## Recommendation

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**State and Local Government Roles**—The responsibility for transportation planning and project delivery should remain with State departments of transportation together with metropolitan planning organizations, cities, counties, and transit agencies. Federal highway assistance should be focused on a strategic network of nationally significant highways that meet national goals, including the Interstate System, the National Highway System, and a limited system of arterials and collectors. Federal transit assistance should meet the needs of both urban and rural areas. Federal oversight should be limited to projects receiving direct Federal assistance. Program categories for Federal highway and transit funding should be simplified and made more flexible so that each state and its local governments can use the resources to best meet the needs of their communities.

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## Private Sector Partnership Role

Much of the service provided on the surface transportation system is provided by the private sector. This includes the trucking industry, the motor coach industry, taxis, and other providers on the highways. And it includes the freight rail and intercity passenger rail. Financing and facility management are sometimes provided privately.

An effective partnership is required between the private sector and government to meet the country's needs.

## Recommendation

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There is a Federal interest in sustaining the ability of the private-sector truck and rail freight system to meet national freight needs. Our national competitiveness requires us to ensure the trucking industry has access to a highway system with the safety, capacity, and reliability needed. Other transportation modes, such as rail and river freight complement the highway network. Federal policies should assist these modes by preserving the current eligibility of freight rail for funding assistance through Federal programs and should expand assistance through concepts such as investment tax credits to facilitate capital improvements. A strong Federal funding role is needed to sustain a national intercity passenger rail system. Limited government assistance may be required to sustain regular intercity bus service in some rural markets.

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## Steps to a Successful Reauthorization

AASHTO believes that three steps need to be taken for the reauthorization of the next highway and transit program to succeed: first, development of a compelling vision of the surface transportation system needed for America's future; second, development of a "reform agenda" to restore a sense of purpose for the Federal transportation program; and, third, development of bold goals that define the country's transportation needs.

### ■ Vision

AASHTO, together with a broad cross-section of the transportation industry, is developing plans for a national conference to be held in May 2007, the purpose of which is to develop consensus around a national vision for the surface transportation system. Based on what develops through that conference and the work of nine policy working groups preparing input for it, AASHTO plans to prepare a report for the Commission entitled, *A Conceptual Plan to Ensure That the Surface Transportation System Will Continue to Serve the Needs of the United States*. We hope to complete that report mid-year.

## ■ Reform Agenda

AASHTO believes a “reform agenda” is needed to restore a sense of purpose for the federal transportation program.

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### Reform Agenda:

1. **Restore the percentage of the program apportioned to the states and delivered through core highway programs from 83 percent in SAFETEA-LU to 90 percent as was the case in ISTEA.**

Apportioning Federal assistance to the states to be delivered through core programs is a sound approach and should be retained. It will help restore public confidence to know that the funds apportioned to the states and distributed through these programs are systematically programmed by states and local governments, who are in the best position to determine priorities that give taxpayers the best value for their dollars.

2. **Address nationally significant needs through multi-state efforts in coordination with U.S. DOT, using state-apportioned Federal funds, matched by state funds, and/or other locally provided funds.**

Increasing apportioned funds to states and then having them join with adjacent states to cooperatively plan and build needed projects which benefit multi-state areas, is a more effective approach than Congressional earmarks or nationally allocated funds.

3. **Minimize administrative cost and delay.**

Reduce the time required for project review and approval of Federally funded projects. State DOTs are already responding to community and environmental concerns through more flexible designs, environmental stewardship, and context sensitive solutions, making it appropriate that regulatory relief be provided.

4. **Simplify program categories and increase flexibility.**

States and localities can get more value for the Federal dollar and produce improvements faster if the complexity of Federal highway and transit programs is reduced, and if state governments are given more flexibility in how to put those dollars to work.

5. **Consolidate public transit program categories.**

Reduce the number of public transit program categories and increase the states' flexibility in the use of Federal resources.

6. **Focus on the National Highway System.**

The Federal-aid program should strengthen its focus on the National Highway System by increasing the proportion of core highway funding dedicated to the NHS to the highest of the six core programs. In cooperation with the Federal government, the NHS should be expanded by a state-determined strategic process designed to meet the nation's growing mobility needs.

## ■ Bold Goals

AASHTO believes bold goals are needed to define the country's transportation needs.

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### Bold Goals Needed to Define Future of Surface Transportation

1. **Federal Revenues**—Restore the purchasing power of the program by increasing Federal highway funding from \$43 billion to \$73 billion, and transit funding from \$10.3 billion to \$17.3 billion by 2015.
2. **Supplement State and Local Revenues Through Alternative Financing Options**—Over the next 10 years, increase the percentage of highway revenues generated by tolling from 5 percent to 9 percent, triple the amount of highway capital investment financed by public private ventures, and support the development of potential alternative revenue sources to fuel taxes.
3. **Double Transit Ridership Over the Next 20 years.**
4. **Preserve Today's 47,000-Mile Interstate Highway System, So It Lasts for at Least the Next 50 years.**
5. **Add Nearly as Much Capacity to the Interstate Highway System Over the Next 50 Years as Was Built Over the Last 50 Years**—To accommodate impending growth in population and traffic over the next 30 years and to sustain our economic competitiveness, initiate the next phase of the Interstate System (sometimes referred to as "Corridors of Commerce"), adding 10,000 miles of new routes on new alignments, adding 20,000 lane miles to existing Interstates, and upgrading 20,000 miles of NHS routes to Interstate status. Correct bottlenecks, improve intermodal connections, upgrade interchanges, and create exclusive truck lanes.
6. **Reduce Annual Highway Fatalities by 10,000 Each Decade**—This can be achieved through safer vehicles, safer roadways, improved occupant protection, stronger state laws, stronger enforcement, advanced technology, and faster assistance to crash victims.
7. **Reduce Congestion and Energy Consumption; Improve Air Quality**—The strategy to minimize congestion, energy consumption, and improve air quality should include measures that enable states to: a) double transit ridership and significantly increase intercity passenger rail service; b) improve system performance through technology and better management of operations; c) manage demand through better linkage of transportation and land use; and d) construct new facilities to address growing traffic and promote efficient movement of vehicles.
8. **Establish a National Rail Transportation Policy**—Intercity passenger and freight rail are critical components of the nation's surface transportation system. States are developing intercity passenger rail corridors to ease congestion, improve air quality and provide improved personal mobility options. Freight-rail capacity has decreased over the past 20 years while

demand for freight capacity, in all modes has increased dramatically. Freight shippers in many states have expressed serious concerns about their transportation options which may seriously compromise the system's ability to support our national economic growth. Current rail capacity is not sufficient to meet passenger or freight needs.

It is imperative that the commission develop a national rail policy that addresses institutional roles, passenger and freight capacity and new, non-Highway Trust Fund funding and financing options. This policy must be developed in partnership with Federal and state governments and the railroads.

- 9. Performance**—The American transportation system must provide superior performance to keep us globally competitive. Constantly changing demands are being placed on the system. Ultimately, evaluation of success must be in terms of what the system can deliver in condition, safety, and performance.
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## Conclusion

Many have observed that the last time America had a national vision for transportation was when the Interstate System was launched in 1956. What the country's national leadership asked for then was a national system of direct, high-speed highways that would link principal metropolitan areas, agriculture and industrial centers, serve national defense, and connect with Canada and Mexico. The system was designed to reach all sections of the country and provide a network that would attract and serve greater traffic volumes than any previous system. It has meant far more to our economy and way of life than its designers could have imagined. While that vision served the country well for the period from the 1950s to the 1990s, circumstances have changed so dramatically it is no longer adequate for what is needed in the 21st Century.

Since 1950, our population has increased by 130 million, highway travel has increased five-fold, our metropolitan population has increased from 85 million to 225 million, and we have gone from an industrial economy that was largely self-contained, to one that is high-tech and service-based in an increasingly competitive global economy.

What it will take to meet America's surface transportation needs for the future will require a different approach than was taken in the past. It will require a multi-modal and an intermodal approach, which includes the need to preserve what has been built to date; the need to improve system performance; and the need to add substantial new capacity in highways, transit, freight rail, intercity passenger rail, and better connections to ports, airports, and border crossings. It will also require solutions which go beyond transportation improvements alone and include policies addressing land use, energy, global climate change, the environment, and community quality of life.



# APPENDIX

## Text of Recommended Actions Adopted by the AASHTO Board of Directors October, 2007

For submission to the National Surface Transportation Policy and Revenue Study Commission



### Development of AASHTO's Recommendations

Congress created the National Surface Transportation Policy and Revenue Study Commission to analyze the Nation's surface transportation needs, develop a conceptual plan showing how they can be met, and develop revenue recommendations for how to fund them. Congress specifically asked the Commission to consult with representatives of State Departments of Transportation to ensure that their views are considered.

AASHTO established nine task forces to address a wide range of transportation issues and produce recommendations for consideration by the Board of Directors. On October 30, 2006, the AASHTO Board of Directors, meeting in Portland, Oregon, approved the following recommendations for transmittal to the Commission.

### I. Interstate Highway System Recommended Actions

#### I-1. Future Interstate Vision

The U.S. Congress should adopt a national Vision for the continued expansion, maintenance, and operation of an effective and efficient Interstate Highway System. The recommended Vision is:

“An Interstate Highway System, funded at an appropriate level, maintained and preserved in accordance with sound asset management principles, efficiently operated using the latest available technology, and expanded, that will:

- Enhance the United States' competitiveness in a global economy,
- Meet the growing interstate travel demand of an increasing population and expanding economy,
- Provide personal mobility and safety,

- Ensure that the system continues to provide access and connectivity to all areas of the country, and
- Support national defense and homeland security.”

### **I-2. Secure Substantial Funding Increases**

The Congress should substantially increase future federal-aid funding for Interstate System preservation, operations and expansion needs as part of a substantially increased Federal-Aid Program. The increase must be substantial because the needs for system preservation, operations and expansion will require major outlays. Funding mechanisms need to be developed that enable States and other project sponsors to invest in these necessary but costly projects. Congress should encourage innovative financing mechanisms and public–private partnerships to leverage federal funding for improvements to the system.

### **I-3. Ensure Cost-Effective Preservation of the Nation’s Assets**

Focus attention on preserving the trillion-dollar investment that has been made over the past 50 years on the roads and bridges that make up the Interstate Highway System. U.S. DOT and State DOTs should jointly undertake a comprehensive study of the needs and investment requirements of the Interstate system bridges and structures. Many of the 55,000 bridges on the system and the 210,000 lane-miles of pavement in the system are reaching 40–50 years of age. They may be at a stage where total replacement or more than routine reconstruction is required. These costs are not taken into effect in today’s bi-annual U.S. DOT conditions and performance reports. U.S. DOT and State DOTs should support research to advance an asset management approach to system preservation.

### **I-4. Reduce Congestion and Improve Safety Through Real-Time Operation and Management**

Optimize the performance of the Interstate System through active management, operation, and enforcement, as well as through improved traveler information and other customer services. Provide tools for State DOTs to support the effective operation and management of the transportation system. Support the deployment of Intelligent Transportation Systems (ITS) on the Interstate System to improve safety and performance. Provide flexibility to the States to improve Interstate highway operations through innovative approaches, including the use of managed lanes and pricing (e.g., High-Occupancy Vehicle (HOV) lanes, High-Occupancy Toll (HOT) lanes, and exclusive truck lanes. Support the Vehicle/Infrastructure Integration (VII) research program in partnership with the auto industry to improve safety and operations. If agreement to deploy is jointly decided by the public/private partners after research and pilot tests have been performed, then funding for deployment, including private-sector funding, will be sought.

### **I-5. Improve Emergency Response and Evacuations**

Continue to utilize the Interstate System for emergency response and evacuations. State DOTs in consultation with U.S. DOT and the Department of Homeland Security should establish guidance for the enhancement of security and emergency response capabilities on segments of the Interstate System. Establish a joint program between the Department of Justice, U.S. DOT, State DOTs, police and fire agencies to improve incident management and emergency operations at the metropolitan region and state levels. Provide DHS funding for the development and deployment of appropriate physical countermeasures on critical Interstate facilities.

## **I-6. Accommodate Continued Growth Through a State-Determined Federally Aided Strategic Expansion Program**

Meet the demand for the international, inter-regional, and interstate movement of people and goods. Accomplish this through a state-determined strategic expansion of the Interstate System in conjunction with complementary upgrades to other connecting and local networks, including enhancements to the multi-modal system. Recommendations I-3 to I-5, even if fully implemented, are not sufficient to meet the future transportation needs of this nation. It is also important to implement recommendation 6 to support the nation's continued progress.

The U.S. DOT and State DOTs should conduct a comprehensive, long-term study of system-wide expansion needs for the Interstate highway network, taking into account the global economy, population and economic growth, safety, and national defense and homeland security needs. A joint analysis of the improvements required on the 15,000 interchanges on the Interstate System should also be conducted. While such studies would be conducted by the U.S. DOT and the State DOTs, actual decisions on corridors and locations and interchange improvements would be developed through appropriate state and local decision-making processes.

Until such time as a comprehensive study of expansion needs is undertaken, estimates of the magnitude of expansion needs are somewhat speculative. However, based on recent studies and a survey of State DOTs, if adequate funding were made available, over the next 50 years states could add as many as 10,000 miles of new routes in new corridors, 20,000 miles of upgrades to National Highway System routes to Interstate standards, and 20,000 new lane-miles on existing Interstate routes, including exclusive truck lanes and value-priced lanes. As part of the study effort, the U.S. DOT and the states need to identify needs and funding strategies for state-determined strategic system expansion to accommodate growth in long-range interstate traffic, and to connect emerging metropolitan areas to the Interstate.

## **I-7. Minimize Disruption During Construction and Maintenance**

Support programs designed to develop and implement strategies for quicker and better repair and replacement of highway infrastructure (“get in, get out, stay out”) while maintaining needed capacity and safety during construction and maintenance activities. Fund the development of tools to help minimize the impacts of construction on the traveling public. Fund research for advanced materials which last longer and for more flexible Federal approaches which can enable states to lower life-cycle costs. Support improvements to work zone safety. Provide flexible Federal rules that enable innovations in performance and contracting measures that will deliver enhanced quality and longer lasting projects.

## **I-8. Enhance Efficient Freight Movement**

Implementing the previous seven recommendations will improve the nation's highway infrastructure to enhance truck freight movement by adding appropriate capacity to existing freight corridors, adding new routes to serve emerging trade patterns, and implementing technologies and operating strategies on the Interstate System to improve productivity, including consideration of bottleneck relief, exclusive truck lanes, and making substantial improvements to connectors from the Interstate System to ports, rail terminals, waterways, airports, distribution centers, and pipelines. In addition, it is important to increase funding to states so that states will be able to invest in projects of regional and national significance that will improve the nation's economic productivity and international competitiveness using the state and metropolitan planning and development processes to determine which specific freight improvements should be deployed. The U.S. DOT and Department

of Homeland Security should coordinate and expand technological measures and provide funding to support efficient interstate truck movements, such as electronic information exchange, commercial vehicle information systems and networks (CVISN), and improved border crossing operations. U.S. DOT and State DOTs should support research to determine the needed capacity of highways and rail as part of the nation's intermodal freight system, including an assessment of the adequacy of intermodal connections to water ports and airports and potential technological improvements. They should also support productivity improvements in all modes including consideration of truck size and weight changes that are compatible with infrastructure preservation and safety on the Interstate System.

#### **I-9. Meet Military Needs**

In 1956, the U.S. Congress addressed our national defense transportation needs through the creation of the Interstate and Defense Highway System. As we look forward to the next 50 years, Congress must continue to be concerned with our nation's security. Measures must be taken to assess the adequacy of the Interstate System and the National Highway System to meet the domestic surface transportation needs of the modern military, including improved transport and rapid deployment capabilities. The assessment should be adequately funded and conducted by the appropriate unit of the Department of Defense (SDDCTEA) and completed by 2008.

## **II. Non-Interstate Highway System Recommended Actions**

#### **II-1. Highway Needs and the Federal-Aid Highway Program Focus**

Reaffirm the need to increase investment in preserving, modernizing, expanding and operating the NHS and non-NHS federal-aid highway system routes in order to ensure the continued mobility, reliability, safety, security and performance for an efficiently and effectively functioning total network.

#### **II-2. Roles and Responsibilities**

Design and administer the federal-aid highway program recognizing the states as owners and partners – not as stakeholders – and respect the rights of states to determine projects for federal funding; to design consultative processes, and to allocate funding to their greatest needs.

#### **II-3. Funding**

Increase federal-aid highway funding, restore the percentage of federal funding for core highway programs to the level established in ISTEA, consolidate highway funding categories, maximize funding flexibility, place greater federal emphasis on the NHS by increasing the federal share and the percentage of federal program funding, require any earmarked projects to be derived from state and/or metropolitan long-range transportation plans and capital improvement programs, and provide general funds to address security and emergency response needs.

#### **II-4. Efficiency and Acceleration of Project Delivery**

Further streamline the environmental process; reduce or eliminate federal permitting for non-federally funded projects and reduce the regulatory burden associated with federally funded projects; provide for federal approvals and state accountability at the program, not the project, level, consistent with the statewide transportation planning process; support and encourage the use of new technologies, advanced materials and design, contracting and

construction methods; and liberalize the use of federal funds to allow parallel development of design, right-of-way acquisition and environmental processing.

#### **II-5. Advanced Technology and Emergency Management**

Accelerate system-wide deployment of best available technology on new highway facilities and retrofitting the current system; and support the development of uniform protocols to advance interoperability and technical, operational and institutional capabilities for all-hazard emergency management while providing states adequate time and funding to transition to technological advances.

### **III. Transit, Intercity Passenger Rail and Bus Services Recommended Actions**

**Long-Term Vision: There will be an integrated transportation system that is responsive to market demand for travel. There will be sufficient financial resources to enable transportation investments to achieve freight and passenger mobility objectives irrespective of mode.**

#### **III-1. Increase funding and funding flexibility for transit, passenger rail, ferry, and intercity bus services**

Efficient, safe, environmentally sound and adequately funded public transportation is essential to supporting mobility alternatives for people in both urban and rural areas.

#### **III-2. Improve mobility options for the general public, the aging and special needs populations in rural and urban areas**

Remove barriers and mandate coordination at the federal level for all agencies involved in funding of transportation services to support and enhance the mobility of the general public and the aging and special needs populations to ensure that adequate and affordable mobility options are provided to meet the increasing demand.

#### **III-3. Data sharing/coordination between service providers and emergency responders**

Ensure that agencies developing security and emergency response plans seek and include the involvement of public transit, intercity bus, intercity rail and ferry providers; and provide adequate funding from General Funds from the Department of Homeland Security to support preparation and response activities for emergency situations and to enhance security measures.

#### **III-4. Intermodalism—funding and linkages**

Federal policy and funding should encourage development of integrated passenger transportation systems, including rural and intercity systems, that are coordinated, connected and enhance personal mobility.

#### **III-5. System Delivery, maintenance, and expansion**

Invest resources to maintain and improve transit, rail, and ferry asset condition and operating performance. Support the development of mobility options that address multiple travel needs.

When states and localities invest in service, they will participate in decision making for planning, programming, and operations in order to meet comprehensive surface transportation needs.

Improve, simplify and expedite project delivery.

### **III-6. Integrated Planning**

As transit plays an increasingly important role in our nation and as energy sources become scarce, more options are needed to better address mobility, accessibility and economic efficiencies.

### **III-7. Addressing needs of Intercity Passenger Rail**

As critical elements of both rural and urban transportation networks, intercity passenger rail must be provided a sustainable and permanent funding stream, that is supported by federal and state, and private-sector resources.

### **III-8. Addressing needs of Intercity Bus**

National policies and funding programs should create synergies among public transportation modes and providers and should increase their focus on the role of intercity bus as part of an integrated transportation system.

## **IV. Safety Recommended Actions**

### **IV-1. National Agenda for Highway Safety**

Establish a Presidential Commission to assist in the development of a national strategic highway safety plan designed to drive down fatal and disabling injuries on the nation's highways. Emphasis should be placed upon increased awareness of the seriousness of the problem among national leadership, and a multi-cabinet and multi-agency commitment to action.

### **IV-2. Highway Safety Funding**

Along with other highway core programs, increase the funding, broaden the eligibility and flexibility of the FHWA, NHTSA, and FMCSA highway safety funding programs, and simplify and consolidate the grant application processes, especially for the NHTSA grant programs. Reform the prescriptiveness of several of the safety programs, for example the Safe Route to Schools Program. Ensure that highway safety funding is used for safety purposes and that the spending is performance-driven to address the states' needs identified in their Strategic Highway Safety Plans (SHSP). Increase federal surface transportation program apportionments, enabling states to improve road conditions, which will improve safety and save lives.

### **IV-3. Strategic Highway Safety Plan Continuation**

Continue the requirement that states develop and implement a comprehensive strategic highway safety plan consistent with their long-range transportation planning and short-range programming processes.

### **IV-4. Federal, State and Local Laws and Ordinances, Enforcement, and Adjudication**

Establish an interagency coordinating committee to recommend model statutes and best practices to the Congress and the States on ways to drive down fatalities through education, more effective state and local laws, and through rigorous enforcement and adjudication of those laws. The U.S. Department of Justice would lead this effort in partnership with NHTSA, FHWA and FMCSA.

#### **IV-5. Provide Performance Based Incentives for State Results Including Enactment of New Laws**

Develop incentives that reward states for their positive actions including the possible enactment of State laws that have been proven to be effective in reducing fatalities and disabling injuries.

#### **IV-6. Data Collection and Data Sharing**

Support the development of a national data warehouse, and encourage individual statewide data sources that address and encompass the issues of collection, quality, management and linkage.

#### **IV-7. Safety Improvements in Vehicles**

Incorporate technical safety improvements in vehicles more expeditiously through federal incentives, and regulatory, research and development initiatives.

#### **IV-8. Safety Research Development and Technology**

Enhance the level of funding for safety research development and technology, and expand the coordination between research entities.

### **V. Multimodal Freight Systems Recommended Actions**

#### **V-1. Federal Assistance for Freight Improvements**

U.S. DOT should work closely with the states and the private sector to implement the freight provisions contained in SAFETEA-LU. In collaboration with states and the private sector, the federal government should develop a foundation of data and analysis that maps and quantifies global and domestic supply chain patterns and how they affect demands on the transportation system. This should be used to support more informed public and private decisions about investment in freight transportation. The federal government should provide support to multi-state/regional investment banks to finance improvements to regionally and nationally significant freight projects, where costs are in a single state, but benefits accrue to several states. From resources outside the Highway Trust Fund, additional federal government financing should be provided for the “national benefits” share of freight-related investments, including in freight gateways, connectors, corridors and border crossings.

#### **V-2. Highway Freight Improvements**

The federal government should increase apportioned funds to states for investment in highway system capacity to support economic growth and international competitiveness. It should encourage the private sector to invest in operational and capacity improvements that can relieve freight bottlenecks and improve the flow of goods and services. The federal government should also provide support for state efforts to relieve critical freight chokepoints through investment in projects such as truck lanes and intermodal connectors. States, in collaboration with the freight transportation industry and the federal government, should investigate the feasibility of regional adjustments in truck size and weight in particular corridors that demonstrate important economic benefits and meet safety, pavement/bridge impact and financing criteria.

#### **V-3. Rail Freight Improvements**

Existing federal programs that increase capacity and efficiency in freight rail transportation, such as the railroad rehabilitation and improvement financing program and the highway-rail crossing program, should be continued. Incentives for new investment in freight-

rail infrastructure by rail companies should be created and federal funding from revenues outside of the highway trust fund should be provided to states for participation in public-benefit freight-rail projects. The federal government, in collaboration with states and the freight-rail industry, and business shippers should develop a description of the freight-rail system needed for the 21st century as a framework for rail policy and investment.

#### **V-4. Water Freight Movement: Ports and Waterways**

Resources available through the Inland Waterways Trust Fund and the Harbor Maintenance Trust Fund should be used for their legislated purposes. The federal government should provide additional resources and support state initiatives to integrate planning and investment for water transportation with surface transportation, to address the landside demands generated by ports and the underutilized potential of the inland waterway system to relieve congestion on the roads.

## **VI. Revenue and Finance Recommended Actions**

*This recommendation was based upon information available in October, 2006. References in the body of the full report have been updated to reflect the information made available in the President's budget proposal for FY2008.*

#### **VI-1. Preserve SAFETEA-LU Funding**

The highway program's funding faces an immediate crisis. Current revenue at the Federal level is estimated to be inadequate to provide for SAFETEA-LU obligations through 2009. It is estimated that a dramatic 25 percent reduction in SAFETEA-LU highway program funding levels (obligations), from \$43.6 billion to \$32.4 billion (\$11.2 billion), may be necessary in fiscal year 2009 due to HTF Highway Account shortfalls if no additional revenue is provided.

Revenues sufficient to preserve full funding of SAFETEA-LU authorizations must be provided promptly. In order to ensure a minimum acceptable Highway Account balance (i.e., enough to cover outlays and support SAFETEA-LU program growth levels), this essential fix requires the infusion of up to \$5 billion in 2009 – equivalent to a three (3) cent Federal fuels tax increase in 2009 (assuming the current HTF revenue allocations between the Highway Account and the Mass Transit Account are maintained).

#### **VI-2. Funding and Financing Principles**

Adopt a series of funding and financing principles that will assure the stability and appropriate growth in the surface transportation programs. These principles are set forth in the section entitled "Funding and Financing Principles" of this summary.

#### **VI-3. Funding and Financing Policy Considerations**

The following funding and finance considerations are recommended by AASHTO for adoption: inflation neutrality, broader base, user-pay correlation, collection ease and efficiency, and external impacts as described in the section entitled "Funding and Financing Policy Considerations" of this summary.

#### **VI-4. Funding Scenarios**

Address underinvestment in the next authorization period by restoring purchasing power lost since 1993 and targeting program levels to move toward meeting the needs in the highway and public transportation programs.

## Scenario Summary

Highway Program				
Scenario	Average Annual Program Spending Growth	Additional Highway Trust Fund Revenues Required*	Additional General Fund Revenues Required**	Funding Level Achieved by 2015
Scenario 1	6.3 percent	\$13.1 billion/yr	N/A	\$62.6 billion
Scenario 2	8.0 percent	\$7.7–23.4 billion/yr	N/A	\$68.8 billion
Scenario 3	9.0 percent	\$16.3 billion/yr	N/A	\$72.7 billion
Public Transportation Program				
Scenario 1	6.3 percent	\$2.3 billion/yr	\$6.8 billion in 2014–5	\$14.9 billion
Scenario 2	8.0 percent	\$1.3–4.1 billion/yr	\$7.3 billion in 2013–5	\$16.4 billion
Scenario 3	9.0 percent	\$2.8 billion/yr	\$6.0 billion in 2014–5	\$17.3 billion

\* Includes the 2009 3-cent revenue increase, assumes continuation of current revenue allocations between HA and MTA.

\*\*Assumes the maintenance of a minimal MTA balance of at least \$2.0 billion through 2015—this requires significant growth in General Fund contributions for transit (above the current annual \$2 billion level) and results in an increase in the General Fund share of total transit funding well beyond the current share of approximately 20 percent.

### Scenario 1: Modest Restoration of Purchasing Power

Scenario 1 proposes to identify revenues sufficient to support a modestly higher level of capital investment during 2010–2015 for both highways and transit, based on average annual program growth during SAFETEA-LU. Under this scenario, the surface transportation programs can grow at 6.3 percent a year (approximately the SAFETEA-LU average annual growth rate of 3.8 percent in addition to inflation).

This scenario requires additional HTF annual revenues of about \$15 billion – equivalent to a five (5) cent Federal fuels tax increase in 2010 (on top of the 2009 revenue increase of 3 cents). In addition, in order for transit spending to keep pace with highway program growth, this scenario requires additional General Fund contributions for public transportation programs of about \$7 billion during 2014–15 to ensure MTA solvency through 2015. By 2015, the investment generated by this scenario closes about 21 percent of the current \$27 billion highway annual funding gap and about 38 percent of the current \$7 billion transit annual funding gap.

### Scenario 2: Gradual Restoration of Purchasing Power

Scenario 2 assumes revenues equivalent to a Federal fuels tax increase of 11 cents phased in (at about 1.8 cents per year) from 2010–2015. This results in additional HTF revenues of about \$9 billion in 2010 for both highways and transit, increasing to over \$27 billion by 2015 (on top of the 2009 revenue increase of 3 cents). It supports 8 percent annual growth in surface transportation programs in that time period (again assuming increased GF contributions for public transportation) while gradually returning the purchasing power of the Federal fuels taxes to their 1993 levels by 2015. Under this scenario, the enhanced investment closes about 44 percent of the current \$27 billion highway annual funding gap and about 59 percent of the current \$7 billion transit annual funding gap by 2015.

### Scenario 3: Immediate Restoration of Purchasing Power

Scenario 3 assumes the identification of another \$19 billion per year for the HTF for both highways and transit—equivalent to an increase in the Federal fuels tax of seven (7) cents in 2010 (on top of the 2009 revenue increase of 3 cents). This infusion fully restores the purchasing power of the Federal fuels taxes immediately at the 1993 levels. With this ad-

ditional revenue, the surface transportation programs can grow at 9 percent per year (again assuming increased GF contributions for public transportation). This more aggressive scenario enables about 59 percent of the current \$27 billion highway annual funding gap and about 73 percent of the current \$7 billion transit annual funding gap to be closed by 2015.

The following table identifies potential revenue mechanisms and their revenue generating capacity that could be employed, either individually or in combination, to provide the additional funding associated with these scenarios.

## Revenue Options

Revenue Mechanism	Description	Revenue Generation 2010	Revenue Generation 2015
<b>Current Federal Revenue Sources</b>			
Federal Gasoline and Gasohol Tax	18.40 cents/gal, with 15.44 cents going to the Highway Account, 2.86 cents going to the Transit Account, and 0.10 cent going to the Leaking Underground Storage Tank Trust Fund	\$26.9 billion (\$22.7 billion Highway Account/ \$4.2 billion Transit Account)	\$28.0 billion (\$23.6 billion Highway Account/ \$4.4 billion Transit Account)
Federal Diesel Tax	24.40 cents/gal, with 21.44 cents going to the Highway Account, 2.86 cents going to the Transit Account, and 0.10 cent going to the Leaking Underground Storage Tank Trust Fund	\$10.1 billion (\$8.9 billion Highway Account/ \$1.2 billion Transit Account)	\$10.8 billion (\$9.5 billion Highway Account/ \$1.3 billion Transit Account)
Federal Vehicle Taxes	Includes a tax based on tire weight, a retail tax on trucks weighing more than 33,000 pounds, and a heavy vehicle use tax	\$7.2 billion	\$10.1 billion
General Fund	Appropriations of General Fund dollars for public transportation purposes (assumes it grows with inflation)	\$1.9 billion	\$2.2 billion
<b>Potential Federal Revenue Options</b>			
Federal Fuels Tax Increase	Across the board increase in cents/gallon tax on gasoline, diesel, gasohol, and specialty fuels	1 cent/gal = \$1.9 billion	1 cent/gal = \$2.0 billion
Index Federal Fuels Taxes	Annually adjust cents/gallon fuels tax rates by an inflation index such as the CPI (approximately 0.49 cent/gallon each year)	\$0.9 billion	\$6.2 billion
Index Federal Fuels Taxes (retroactive to 1993)	Increase fuels tax rates in cents/gallon to capture loss in buying power since 1993 due to inflation	10 cent/gal = \$19.0 billion (If implemented in 2010)	14 cent/gal = \$28.0 billion (If implemented in 2015)
Sales Tax on Motor Fuels	Percentage charged on sales revenues for gasoline, diesel, gasohol, and specialty fuels	1 percent = \$3.5 billion to \$5.5 billion (depends on how tax is imposed)	1 percent = \$3.9 billion to \$6.0 billion
End Revenue Loss from HTF Exemptions	Eliminate or finance from the General Fund Federal fuels tax exemptions for state, municipal, and certain agricultural vehicles	\$1.2 billion	\$1.3 billion
Recapture Interest on HTF Balances	Reinstates interest earnings on HTF balances (assumes minimum combined \$10 billion balance and 5 percent interest rate)	\$0.5 billion	\$0.5 billion

Note: Funding gap closure estimates for the three scenarios reflect the percentage reduction in the annual funding gap between 2007 and 2015. The 2007 gap (\$27B for highways and \$7B transit) is defined as the difference between 2007 SAFTEA-LU spending levels (\$41.7B for highways(not including NHTSA and FMCSA) and \$8.9B for transit) and the federal capital spending share of estimated needs to "improve" the system in 2007 (\$68.9B for highways and \$15.8B for transit).

## VI-5. Continue to Examine and Refine Longer-Term Revenue Options

Alternative Longer-Term Federal Revenue Options*			
Sales Tax on Motor Fuels	Percentage charged on sales revenues for gasoline, diesel, gasohol, and specialty fuels	1 percent = \$3.5 billion to \$5.5 billion (depends on how tax is imposed)	1 percent = \$3.9 billion to \$6.0 billion
Customs Duties	Allocates a percent of current U.S. Customs duties for port, transportation, and intermodal freight investments	5 percent = \$1.6 billion	5 percent = \$2.0 billion
Vehicle Miles Traveled—User Fee	1 cent per mile traveled on Interstate, other NHS, and Federal-Aid highways	1 cent/mile = \$25.7 billion	1 cent/mile = \$28.3 billion
Vehicle Miles Traveled—User Fee	1 cent per mile traveled on Federal-Aid and Non-Federal (local) highways	1 cent/mile = \$30.2 billion	1 cent/mile = \$33.4 billion

\*Longer-term options reflect new funding sources or major changes in the use of current federal revenue mechanisms and further work is required to develop these concepts into viable options.

## VI-6. Transportation Revenue Advisory Commission

Assure an objective review and implementation of revenue options. The current political climate makes it difficult to contemplate any tax increases at the Federal government level without an impartial method to evaluate costs and benefits of such action. An action to accomplish a permanent national commission called the Transportation Revenue Advisory Commission (TRAC) should be created as soon as practicable.

Under this concept, the TRAC would submit user fee recommendations to Congress and recommendations would automatically go into effect unless Congress voted to reject them. The TRAC approach would build on the work of the SAFETEA-LU commissions.

## Funding and Financing Principles

- **Federal Investment Level.** Maintain at least the current Federal share (45 percent) of total capital investment in the highway and public transportation portions of the national surface transportation system. At the same time, state and local governments must at least maintain their current transportation investment levels (33 percent and 21 percent, respectively).
- **Highways.** Reaffirm and increase Federal, state, and local investment in preserving, modernizing, expanding, and operating the National Highway System (NHS) and non-NHS Federal-aid highway system routes in order to insure the continued mobility, reliability, safety, security, and performance for an efficiently and effectively functioning total network.
- **Public Transportation.** Reaffirm and increase Federal, state, and local investment in preserving, modernizing, expanding, and operating integrated public transportation systems, including rural and intercity systems, that are coordinated, connected, and enhance personal mobility.
- **Budgetary Firewalls.** Continue to protect the Federal highway and transit programs with budget firewalls.

- **Intercity Passenger Transportation.** Federal policy should establish a national intercity passenger rail and bus system (similar to the NHS), funded from the General Fund (or another new dedicated funding source), to preserve high priority travel corridors and travel connectors.
- **Freight Transportation.** The Federal government should be responsible for the “national” benefits share of investment resulting from trade agreements, international ports, border crossings, major national freight gateways, and substantial security requirements mandated for freight facilities.
- **Safety Funding.** Ensure that highway safety funding is used for safety purposes and that the spending is based on data driven, state-developed Strategic Highway Safety Plans. In addition, broaden the flexibility of highway safety funding programs and simplify the grant application processes.
- **Security.** Provide funding from the Transportation Security Administration and/or other General Fund sources for all modes of transportation to support the role of state DOTs, public transportation agencies, and other transportation entities in emergency and security preparedness and response activities.
- **Emergency Relief.** Continue to fund highway Emergency Relief program costs above \$100 million per year from the General Fund. This ensures that Federal financial support to address emergency highway needs will not threaten the financial viability of the Highway Account of the HTF and funding for the Federal-aid highway program.
- **Environmental Stewardship.** Federal policy should recognize the environmental benefits that can come from increased investment in all surface modes.
- **Funding Flexibility.** For all modes, maximize funding flexibility by providing broad funding eligibility, expanding transferability among funding categories, and consolidating programs. In addition, the Federal government should reduce the constraints of “modal silos” when considering development of policies and funding approaches.
- **Funding Earmarks and Allocations.** Limit funding levels for earmarks to no more than the 1991 ISTEA levels (5 percent of the total program) and reduce set asides for narrowly defined programs. Require earmarked projects to be derived from long-range transportation plans and capital improvement programs.
- **Innovative Financing and Management.** Encourage state flexibility in financing and highway management mechanisms, including public–private partnerships and use of managed lanes and pricing.
- **Program Efficiency.** Further streamline the environmental process, reduce the regulatory burden associated with federally funded projects, and mandate coordination by all Federal agencies involved in transportation projects.
- **Project Delivery.** Support and encourage the use of new technologies, advanced materials and design, and alternative contracting/construction methods. Reduce barriers and liberalize the use of Federal funds to facilitate more efficient project development and implementation.

## Funding and Financing Policy Considerations

AASHTO supports assuring dedicated, stable, and predictable revenue streams for surface transportation and endorses increased investment at all levels of government to meet the nation’s surface transportation needs. The development and selection of proposed Federal funding options should recognize issues presented by the political climate and consider the following funding principles:

- **Inflation Neutrality**—Revenue sources should either be inflation neutral (revenues naturally rise in rough proportion to transportation construction cost inflation) or include methods such as indexing revenues to the Producer Price Index (PPI), the FHWA Construction Cost Index, or another appropriate inflation index to correct for losses in purchasing power due to inflation.
- **Broader Base**—Revenue sources should be explored that expand and diversify the scope of HTF funding sources; Federal limitations on the ability of state and local governments to raise revenues should be removed.
- **User-Pay Correlation**—Approaches should avoid diluting the strong user-pay philosophy of current HTF revenue sources, which provides a strong argument against diversion of HTF resources to non-transportation purposes.
- **Administrative Ease and Efficiency**—Approaches should generate a significant magnitude of funding (i.e., they are worth the effort) and avoid creating overly burdensome or inefficient collection requirements.
- **External Impacts**—The effects of revenue approaches on the transportation system, the economy, individual industries, the environment, energy policy, and social equity should be as positive as possible.

AASHTO supports the notion that transportation needs can only be met through a combination of increased transportation funding and improved program delivery. Specifically, additional revenues must be complemented by efforts to reduce “the cost side of the equation” through aggressive application of the following management principles:

- **Administrative Efficiency**—The Federal government, State DOTs, and other transportation providers must continue to streamline project delivery processes to save time, avoid waste, and stretch limited resources.
- **Appropriate Project Scoping**—Agencies must expand their efforts to avoid “gold plating” and address needs through viable alternatives that cost less.

## Federal Program Recommended Actions

**Prerequisites to Reauthorization.** Three steps need to be taken for the reauthorization of the next highway and transit program to succeed: first, development of a compelling vision of the surface transportation system needed for America’s future; second, development of a “reform agenda” to restore a sense of purpose for the federal transportation program; and, third, development of bold goals that define the country’s transportation needs.

### **VII-1. A Call for Action**

- We are a vast nation that has overcome the tyranny of distance through wise investments in transportation that tied our communities together and linked us to the world.
- We have built a modern transportation system that is the foundation for the strongest economy on earth.
- Our nation has benefited from a transportation system that is safe, reliable, efficient, affordable and secure.
- Americans have enjoyed expanded opportunities for jobs, places to live, time with family, education, healthcare, recreation and other services because of a world-class transportation system. Businesses have realized a competitive advantage and productivity growth.
- Our generation inherited the world's best transportation system made possible by the commitment of the last two generations to invest in the country's future. We have spent that inheritance.
- The 21st century is an increasingly competitive world where countries such as China and India have set their sights on overtaking America as the preeminent economic power. Our prosperity and way of life are at stake. America must respond.
- Only immediate bold action to invest in transportation will sustain our national competitiveness and personal opportunities. It is time to marshal the will and the resources needed.

### **VII-2. Federal Purpose**

“Support the National Vision and funding for a national surface transportation system that improves America's economic competitiveness; strengthens the National Defense; gives the states the opportunity to provide needed mobility and improves safety, energy efficiency and environmental compatibility.”

### **VII-3. Reform Agenda**

- 1. Increase Percentage of Funding Delivered Through Core Highway Programs**—Apportioning federal assistance to the states to be delivered through core programs is a sound approach and should be retained. It will help restore public confidence to know that the funds apportioned to the states and distributed through these programs are systematically programmed by states and local governments, who are in the best position to determine priorities that give taxpayers the best value for their dollars.
- 2. Nationally Significant Needs**—Increase apportioned funds to states, so that nationally significant needs in a state or in multi-state areas are addressed through cooperative efforts using state apportioned federal funds or an additional source of federal funds. Do not fund projects of “national significance” through congressional earmarks or nationally allocated funds from the Highway Trust Fund.
- 3. Minimize Administrative Cost and Delay**—Reduce the time required for project review and approval of federally funded projects. State DOTs are already responding to community and environmental concerns through more flexible designs, environmental stewardship, and context sensitive solutions, making it appropriate that regulatory relief be provided.

4. **Simplify Program Categories and Increase Flexibility**—States and localities can get more value for the federal dollar and produce improvements faster if the complexity of federal highway and transit programs is reduced, and if state governments are given more flexibility in how to put those dollars to work.
5. **Public Transit Programs**—Reduce the number of public transit program categories and increase the states’ flexibility in the use of federal resources.

#### VII-4. Bold Goals

1. **Performance**—The American transportation system must provide superior performance to keep us globally competitive. Constantly changing demands are being placed on this system. Ultimately, evaluation of success must be in terms of what the system can deliver in condition, safety, and performance.
2. **Federal Revenues**—Restore the purchasing power of federal user fees to levels that enable the federal government to sustain its historical share of needed funding of highway and transit programs, through a National Commission with the authority to adjust revenue to meet program needs, subject to Congressional disapproval.
3. **Supplement State and Local Revenues Through Alternative Financing Options**—In order to make broader use of tolling and public–private ventures, eliminate federal restrictions and give states the option to adopt supportive policies. Over the next ten years, this could double the percentage of highway revenues generated by tolling from 4.5 percent to 9 percent and triple the amount of highway capital investment financed by public–private ventures from under \$2 billion to \$6 billion, annually. Support the development of potential alternative revenue sources to fuel taxes.
4. **Safety**—Reduce annual highway fatalities by 10,000 each decade through safer vehicles, advanced technology, improved occupant protection, safer roadways, and driver behavior modification, and by supporting state initiatives that may include stronger state laws, stronger enforcement, and faster assistance to crash victims.
5. **Reduce Congestion and Energy Consumption; Improve Air Quality**—The strategy to minimize congestion, energy consumption and improve air quality should include measures that enable states to: a) double transit and substantially increase intercity rail passenger ridership; b) improve system performance through technology and better management of operations; c) manage demand; and d) construct new facilities to address growing traffic and promote efficient movement of vehicles.
6. **Preserving What We Have Built**—Preserve and improve the system built over the last 50 years so it meets America’s needs for the next 50 years.
7. **Initiate the Next Phase of the Interstate Highway System**—To accommodate impending growth in population and traffic over the next thirty years and to sustain our economic competitiveness, significantly expand the capacity of today’s Interstate Highway System by initiating the next phase of the Interstate System (sometimes referred to as the “Corridors of Commerce”), adding new routes on new alignments, adding lane-miles on existing corridors, correcting bottlenecks, improving intermodal connections, upgrading interchanges, creating exclusive truck lanes, provide for maintaining the system and improving performance.
8. **National Highway System (NHS)**—Increase the proportion of core federal program funding dedicated to the NHS.

- 9. Establish a National Rail Transportation Policy**—Intercity passenger and freight rail are critical components of the nation’s surface transportation system. States are developing intercity passenger rail corridors to ease congestion, improve air quality and provide improved personal mobility options. Freight-rail capacity has decreased over the past 20 years while demand for freight capacity in all modes has increased dramatically. Freight shippers in many states have expressed serious concerns about their transportation options which may seriously compromise the system’s ability to support our national economic growth. Current rail capacity is not sufficient to meet passenger or freight needs.

It is imperative that the commission develop a national rail policy that addresses institutional roles, passenger and freight capacity and new, non-Highway Trust Fund funding and financing options. This policy must be developed in partnership with federal and state governments and the railroads.

#### **VII-5. Need for Federal Policy and Funding Role**

To meet the Nation’s surface transportation system needs, the federal government must continue to play a leadership role in developing national policies and fund its historical share of the needed highway and transit improvements. In highways, this is achieved through a federally assisted, state administered system. In transit, it is achieved through federal assistance directly to state and local agencies.

#### **VII-6. FHWA Role and Relationship with State DOTs**

FHWA’s role should include advocacy for the nation’s highway system, policy and research leadership in the delivery of the Federal-Aid Highway Program, and stewardship focused equally on state accountability and action by FHWA to facilitate the delivery of service by state governments. FHWA should focus its efforts on program delivery, delegate project delivery to the states, and treat state DOTs as their governmental partners.

#### **VII-7. Government Responsibilities—Federal, State, and Local**

To meet national needs, funding of highways and transit must be increased. All levels of government – federal, state and local – should continue to fund their historical share of the needed funding level. The responsibility for transportation planning and project delivery should remain with state departments of transportation and local governments in cooperation with local planning organizations. Federal highway assistance should be focused on a strategic network of nationally significant highways that meet national goals, including the Interstate System, the National Highway System, and a limited system of arterials and collectors. Federal transit assistance should meet the needs of both urban and rural areas. Limit federal oversight to projects receiving direct federal assistance. Program categories for federal highway and transit funding should be made more flexible so that each state and its local governments can use the resources to best meet the needs of their communities.

#### **VII-8. Private Sector**

Federal policies should enable and encourage the capitalization of highway and transit improvements through public–private ventures supported by tolls and other revenues. There is a federal interest in sustaining the ability of the private-sector truck and rail freight system to meet national freight needs. Our national competitiveness requires us to ensure the trucking industry has access to a highway system with the safety, capacity, and reliability needed. Other transportation modes, such as rail and river freight complement the highway network.

Federal policies should assist these modes by preserving the current eligibility of freight rail for funding assistance through federal programs and should expand assistance through concepts such as investment tax credits to facilitate capital improvements. A strong federal funding role is needed to sustain a national intercity passenger rail system. Limited government assistance may be required to sustain regular intercity bus service in some rural markets.

#### **VII-9. Program Structure**

The federal highway program should continue to be apportioned to the states and then distributed predominantly through core programs: Interstate Maintenance, Bridge, National Highway System, Surface Transportation Program, Congestion Mitigation/Air Quality, and Safety. The percentage of funding delivered through core Highway Programs should be restored to the level established in ISTEA. The programs' funding guarantees and firewalls should be retained. There is a legitimate need to continue some National Programs, such as the Federal Lands Program. However, the program of nationally significant needs should be funded through cooperative state efforts, using funds apportioned to the states, rather than through Congressional earmarks. Program categories for the transit program should be consolidated and flexibility in their use increased.



**AMERICAN ASSOCIATION OF STATE HIGHWAY AND TRANSPORTATION OFFICIALS**

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ISBN: 978-1-56051-364-3  
Publication Code: TIF2-1