Jim Lynch
Director
Montana Department of Transportation

Jim Lynch has directed the Montana Department of Transportation since January 2005. He leads a team of over 2,200 employees who plan, design and maintain 12,950 miles, and 2,100 bridges on Montana's highway system. He also manages state aviation, transit, and rail programs.

Lynch has a wide variety of experience in the construction industry including owning and serving as Chief Executive Officer. Most recently he served as a Public Policy Advisor to an international construction consortium. He holds a degree in management science from Kean University.

Lynch serves as the Governor's Representative for the National Highway Traffic Safety Programs. He also serves on the Governor's American Indian Nations Council, Montana's Information Services Technical Board, and the Rail Service Competition Council. For AASHTO, he serves as Chairman of the Subcommittee on Highway Transport.

In 2005, Lynch led the team that brought the massive *Beartooth Highway Emergency Slide Repair Project* in ahead of schedule and under budget. This is the largest design/build project ever undertaken by the Montana Department of Transportation. It tested high altitude engineering concepts in an extreme environmentally sensitive location. It reopened a major access to Yellowstone National Park. The project received numerous national awards.

He is a champion for highway safety and has led legislative initiatives resulting in enactment of a ban on open containers, and graduated driver's licenses. Under Lynch's leadership Montana's completed its first Comprehensive Highway Traffic Safety Plan.

Lynch has received numerous awards for public service and is especially committed to programs for youth and community safety.

He is an accomplished aircraft pilot, with single, multi-engine, and helicopter ratings.

serving you with pride

Montana Department of Transportation
2701 Prospect Avenue
PO Box 201001
Helena MT 59620-1001

Jim Lynch, Director
Brian Schweitzer, Governor

April 11, 2007

The Honorable Mary Peters, Chairman
National Surface Transportation Policy and Revenue Study Commission
United States Department of Transportation
400 Seventh Street, S.W.
Washington, DC 20590

Subject: Statement for the Hearing April 19

Dear Chairman Peters,

Thank you for the opportunity to submit the attached statement of the Montana Department of Transportation to the National Surface Transportation and Revenue Study Commission.

I will be summarizing this statement as a witness before this Commission at the April 19 hearing in Minneapolis. In addition to Montana's statement, we support the joint statement of the Transportation Departments of Idaho, Montana, North Dakota, South Dakota, and Wyoming which is also attached to our submission.

Montana considers it essential that the Commission's recommendation to Congress recognizes the national interest in strong Federal investment in the highway networks that serve rural states.

Thank you for this opportunity.

Sincerely,

Jim Lynch

Jim Lynch
Director

copies: The Honorable Max Baucus, United States Senate
The Honorable Jon Tester, United States Senate
The Honorable Denny Rehberg, United States House of Representatives
Susan Binder, Office of Legislation and Strategic Planning, FHWA

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Statement of Jim Lynch

Director, Montana Department of Transportation

Before the

National Surface Transportation Policy and Revenue Study Commission

Minneapolis, Minnesota

April 19, 2007

Madam Chair and Commission Members:

I am Jim Lynch, Director of the Montana Department of Transportation (MDT). I greatly appreciate the opportunity to appear before you today. We hope our comments will assist the Commission as it formulates recommendations for federal policies to improve the nation's surface transportation system.

In my statement today I will emphasize the national interest in continued investment in the existing network of federal-aid highways, including highways beyond the Interstate System and in rural areas, and the importance of tying investments to a sound transportation planning process that results in efficient delivery of projects. Throughout my statement I want to highlight rural concerns such as transportation of agricultural goods, tourism, and system connectivity that sometimes are not referenced in national transportation policy discussions.

Before proceeding I want to say that I endorse the testimony submitted yesterday by Secretary Judy Payne of South Dakota and Director Francis Ziegler of North Dakota. Montana works closely and continuously with these and other rural states because of the importance of the federal-aid highway program to our economies and the health of our communities. In addition, I have also attached to my statement a copy of a joint statement by the transportation departments of Idaho, Montana, North Dakota, South Dakota, and Wyoming that makes many of the points included in my statement and additional important points.

<u>Summary Points</u>

I have 5 points that I want to highlight and build upon today:

- There is a long-term national interest in preserving, modernizing, and expanding rural federal-aid highways beyond the Interstate System.
- Economic vitality is supported by a network of efficient highways including those outside of metropolitan centers.

- Highway capacity needs cannot be significantly offset by other modal options.
- The focus of federal highway program investment should return to core highway programs.
- Consultative processes between States and local government partners are working and should be respected at the national level.

Rural and Non-Interstate Highways

While there is broad agreement that there is a strong federal interest in the Interstate System, there is also a clear federal interest in non-Interstate, federal-aid highways, beginning with the non-Interstate National Highway System (NHS) components – those principal arterials that are some of the most important highways in the nation. These roads carry large numbers of trucks and passengers over long distances connecting larger cities and metropolitan areas in combination with the Interstate System. As is the case with Interstate travel, travel on these routes is often across rural areas by people and businesses from metropolitan centers. Truck movements between, say, Chicago and Seattle, benefit people and businesses in Chicago and Seattle. Residents of these cities, as well as the citizens in states between the termini, benefit from having an effective system that crosses great distances. Non-Interstate NHS routes also 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 recreation destinations. Business plans from large retailers do not simply contemplate expansion in cities that are immediately adjacent to the Interstate. Rather, many large retailers use the interconnected highway network to both supply super stores in medium-sized cities and attract customers from distances of hundreds of miles.

There is also a federal interest in a well-connected highway system not limited to the Interstate and the non-Interstate NHS routes. The remaining federal-aid eligible routes are critical components of the system that 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.

The concept of a network that extends beyond the Interstate and other NHS routes to include lower classified roads endures because it ensures that regions can connect to the NHS system without a disproportionate number of expensive high level Interstate or NHS lane miles. States choose to invest roughly the same percentage of federal and state highway funding in these routes as was invested under discrete federal programs for their support that existed pre-ISTEA. This interconnected network of arterials and major collectors spreads travel across the system, provides for at least some system redundancy and ensures connections to the sources of the nation’s wealth – whether it is for the collection of grain, extraction of economic minerals, or access to small business incubators.

The economic case to continue investing beyond the Interstate System is compelling, including investment in rural states.

Agriculture

The only consistent positive contribution to the U.S. trade balance is from agricultural exports.[i] Because so much of the country's agricultural production occurs in the interior, far from the ports, efficient freight transportation on non-Interstate highways is critical to the competitiveness of U.S. agriculture exports in world markets. Over the last two decades roughly 30% of all U.S. crops were exported. U.S. wheat producers exported an average of 51% of their annual production, which accounts for 33% of the total wheat traded in the world. At some time in its journey to market all of this production is transported on non-Interstate highways and often on major collector farm-to-market highways. These highways are not high volume, but they are essential components of the nation's transportation network and turning back the clock to no federal support would increase the cost of delivering U.S agricultural exports and make them less competitive in world markets. Since the federal government removed most shipper rail protections in the 1980 Staggers Act, the highway system is the only alternative to private rail in many areas and is the only thing leveling the export field with other major grain export nations such as Canada, which continues its national-level agricultural rail shipper protections.

Even though there is sentiment that branch rail lines should be available to move agricultural products, the railroads have divested themselves of many of these lines. Between 2002 and 2004, the Surface Transportation Board granted the abandonment of 2,448 miles of rail line. As a result, initial agricultural commodity movements are now predominantly served by trucks on major collector highways. The ongoing loss of branch lines will not reverse itself as Class I rail lines restructure for longer hauls using longer trains and concentrate capital improvements on their main lines. The loss of branch lines puts more emphasis on trucks – longer truck hauls for commodities, greater weights on fragile collector highways, and greater transport costs for producers. The federal-aid system, including both the non-Interstate NHS and non-NHS federal-aid highways, are critical to handling the increased freight demands from trucking. Core federal highway programs should continue to provide eligibility for states, including rural states, to be able to respond to this need.

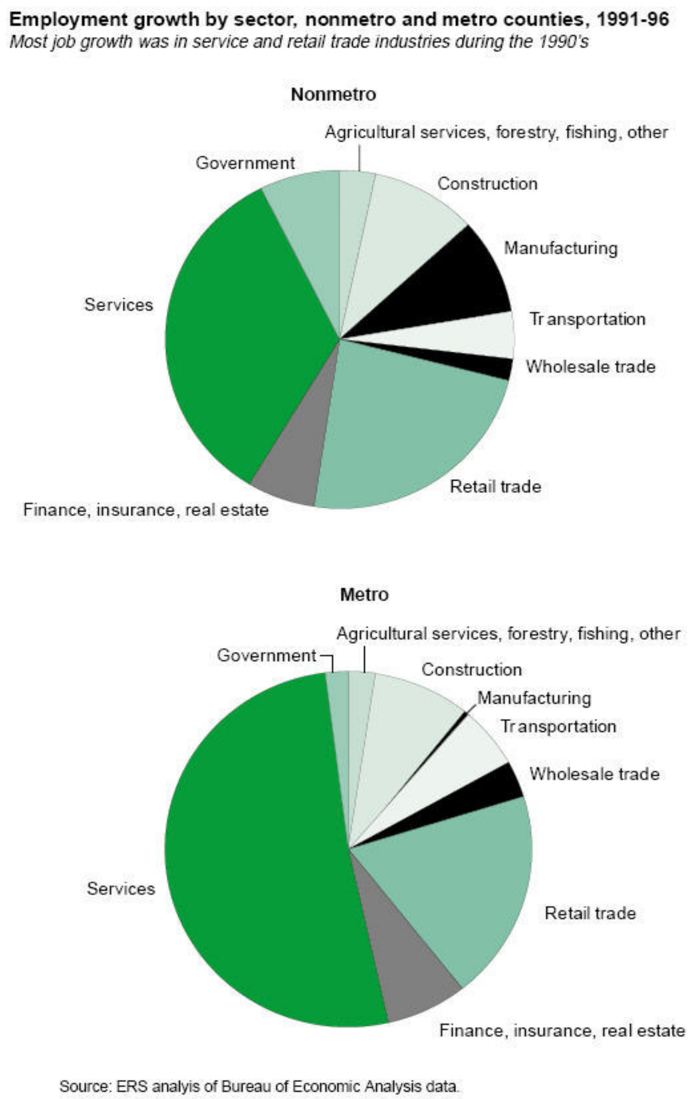
Safety

Non-Interstate arterial and major collector highways need modernization as well as preservation. In Montana (a typical rural state), over 25% of the non-NHS federal-aid miles in the state are built to pre-1955 design standards. Highways constructed to these old design standards include narrow lanes, narrow shoulders, and steep side slopes that make roll-overs a certainty for any vehicle leaving the pavement. When crashes happen in rural areas help is often too far away to prevent fatalities. Congress identified High Risk Rural Roads as a safety emphasis area in SAFETEA-LU and federal funding is needed to modernize these highways and meet this Congressional objective. Rural major collectors represent the greatest number of miles of functionally classified highways eligible for federal-aid program funds. According to a General Accounting Office report[ii], these highways have a fatality rate of 2.81 deaths per 100 million vehicle miles traveled (100 M VMT), versus a fatality rate of .79 per 100 M VMT on urban freeways and expressways. The vision for the future must include increased safety on highways beyond the Interstate and outside of congested corridors, including rural arterials and major collectors.

Economic Productivity Varies by Sector

According to FHWA,[iii] all economic sectors do not equally benefit from highway capital investments. Nadiri, Ishaq, and Mamuneas (1996) find that highway capital's contribution to productivity growth is positive in all the manufacturing industries, but is negative for the fast growing (and disproportionately metropolitan) services industry. This research concludes that, for the services sector in the 1951 to 1989 period, the benefits of highway investments did not outweigh the costs. So, where is manufacturing occurring in the U.S? According to the U.S. Bureau of Economic Analysis (shown in figure 1, below), manufacturing and retail trade are growing faster in non-metro areas, while the fastest growing sector in metropolitan areas is services.

Figure 1.



If manufacturing is growing faster outside of metropolitan areas, then the transportation network of the future cannot simply concentrate on removing existing metropolitan choke points and expanding the Interstate System. It must also provide for access to materials, accessibility to workers who will probably live at locations dispersed from their employment locations, and a means to deliver manufactured goods to retail destinations.

The U.S. economy, including the geographic distribution of the U.S. manufacturing system, has dramatically changed since 1956 when the creators of the Interstate System proposed a system that connected the major metropolitan areas where the vast majority of manufacturing centers were located. The system of the future has to include a network that serves a more dispersed manufacturing base.

Access to Parks

Many of the nation's premier national parks and other outdoor tourist destinations are in rural areas. Yet the citizens of metropolitan areas expect a highway system that provides excellent access to these natural wonders. In 2006 Yellowstone, Glacier, and Grand Teton National Parks hosted 9.661 million visitors. Compare this to the 1.459 million individuals that live in Wyoming and Montana. Clearly, the non-Interstate highways accessing these national parks serve travelers that come from far beyond the borders of the states in which they are located.

Purchasing Power Must be Re-established to Address All Economically Justifiable Needs

The 2004 *Condition and Performance Report* included an estimate of the average annual "maximum economically justifiable economic investment" over the 20-year period 2003 to 2022 for rural highways and bridges classified as non-Interstate arterials or major collectors. The estimated investment, in 2002 dollars, is $26.0 billion per year. While strong economically justifiable investment can be demonstrated for the Interstate and urban highways as well, the investment needs on non-Interstate rural highways is justifiable and must be included in any vision of the nation's future highway system. Of all categories of the federal-aid network, rural arterials and collectors have a higher need for preservation investment than other categories. This network of rural arterial and collector highways is an asset that cannot be allowed to degrade. These roads provide a network that supports the higher functions of inter-regional movements, as the Interstate would degrade from excessive access points and the economy would suffer as transport costs to shippers would increase if these highways are eliminated from the future vision of the nation's highway system.

Highway needs on all parts of the federally eligible network are substantial, yet inflation in highway construction costs has cut into real growth in programs since SAFETEA-LU's enactment and needs to be addressed so the nation remains competitive. During the summer of 2006, program growth in real dollars under SAFETEA-LU was estimated by some at 0.3 percent per year as compared to 6.1 percent in the annual real growth seen under TEA-21. More recent commentary on construction inflation suggests that there may not be any real program growth under SAFETEA-LU compared to TEA-21; possibly, the program has shrunk in real terms. In Montana we saw an increase in costs for awarded bids of 22 per cent from mid 2005 to late 2006.

Moreover, special discretionary programs force funds to be directed to specific projects or elements of the systems. As a result, funding is insufficient for balanced investment in the core highway programs. Clearly, additional resources are needed. Rationalization of the highway network would neither be wise nor warranted. That type of response to this funding challenge would reduce the economic efficiency of the nation's highway network.

Clearly, the long term challenge of making adequate and beneficial surface transportation investments is exacerbated by recent inflation. In addition, recent construction inflation underscores how important it is that the states and transportation community avert any short term reduction in the federal highway and transit programs. As the Commission knows, the Highway Account of the Highway Trust Fund faces a potential shortfall in the near term if nothing is done. We certainly recommend corrective actions that can strengthen the Highway Account without raising taxes. While we are certainly flexible on specifics, steps such as charging the General Fund of the Treasury, not the Highway Account, for certain refunds or credits of fuel taxes can help in this regard. Some other examples are referenced in the attachment to this statement.

<u>Alternative Modes</u>

In 1985, the Bureau of Transportation Statistics reported that 86.5% of Americans used an automobile to get to work and 5.1% used public transit. In 2001, the Bureau of Transportation Statistics reported that 87.8% of Americans used an automobile to get to work and 4.7% used public transit. Any future vision that assumes a large migration to transit by Americans must first construct an idea about the economic and social conditions that would cause this. In fact, if the economy stays relatively healthy and draconian regulations do not emerge, the desired travel mode via personal vehicles will continue. The highway system has not expanded to keep pace with the desires in all areas, rural as well as urban – but it is not realistic to believe highway travel could be substantially replaced by other modes in the next 20 years. In any event, the overall federal surface transportation investment program already provides substantial sums to transit, principally in metropolitan areas. In fact, nationwide, metropolitan centers shift highway program funding to transit on the order of over $1 billion annually. So, while significant highway funding is moved to transit, the continuing demand for highway infrastructure facilities has not been reduced.

This does not mean that we do not support a federal transit program. We do support Federal public transportation investments, including Amtrak and rural transit. They help ensure that our State and people are connected to the larger transportation system and to their jobs and other important functions. However, we do not believe a huge modal shift should be assumed in the future.

<u>The Focus of Investment Should Return to Core Highway Programs</u>

While the ISTEA-era federal-aid highway bills have long been heralded for their inclusiveness and for movement away from a rote approach to solving transportation problems, these bills also created funding guarantees that are more limiting than core highway program categories and these bills have sequestered increasingly more funding.

In 1990, while 100 percent of the federal-aid highway apportionments went to roads and bridges on federal-aid highways, there was not a rigorous statewide planning process required in the federal-aid highway program. While states certainly engaged in planning before ISTEA, the planning process as a whole has continuously received more emphasis and more groups have received consultative and other rights since the planning provisions of ISTEA were implemented by the mid-1990s. Simultaneous to the increased rigor in the planning process, the percentage of the program that is subject to the decisions resulting from this process has declined.

With ISTEA's enactment, Congress established new programs to fund a broader array of non-highway solutions to meet community-based transportation needs and "enhancements" to mitigate past, present and future community impacts from highway construction, preservation and use. These programs have narrowly defined project eligibility and provide little or no flexibility to transfer funds to other programs. This limits the ability of states to adapt these programs to state (or metropolitan) roadway investment priorities established through the planning process.

The following table, from page 30 of AASHTO's March 2007 report on "Surface Transportation Policy Recommendations", defines a "core" federal-aid highway program as an apportioned program with broad eligibilities that invests in roads and bridges through prioritization processes linked to rigorous statewide and metropolitan transportation planning processes on major collectors and above – planning itself is considered a core program function. It quantifies the reduction in federal-aid highway program funding available for core highway construction programs.

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 %	
1991	ISTEA	94.70 %	CMAQ, Rec-Trails, Enhancement set-aside
1998	TEA-21	85.80 %	CMAQ, Rec-Trails, Appalachian Development Highways, Enhancement set-aside, allocated high priority projects
2006	SAFETEA-LU	82.58 %	CMAQ, Rec-Trails, Appalachian Development Highways, Border Infra-structure Program, Safe Routes to School, Transportation Enhancement set-aside, allocated Section 1702 high priority projects.

**Does not include above the line earmark funds.*

***References: Highway Statistics Table FA-4, FA-4D for 1990, 1995 and 1998; and USDOT Summary of FY 2006 Apportionments for RTA-000-1664A prepared for SAFETEA-LU technical assistance.*

While transferability between core programs has increased over time, narrow programs have very limited, if any transferability. For example:

- In non-attainment or maintenance areas, CMAQ cannot be transferred to general purpose highway and bridge programs or used for general purpose travel lanes even if the lanes improve air quality and mitigate congestion.
- Transportation Enhancement expenditures are restricted to listed eligibilities.
- Safe Routes to School expenditures do not appear to be transferable.
- Section 1702 high priority projects and other earmarks are totally restricted to listed eligibilities (in some cases funds may be loaned temporarily to other Section 1702 projects).

These and other limitations on transferability put additional pressure on the general purpose "core" highway construction program categories to meet the priorities for transportation coming from the federally-mandated statewide and metropolitan planning processes. When these programmatic limitations are combined with the impact of construction inflation, the task of delivering a highway program to meet the needs of a state's citizens and businesses are compounded.

The structure of the future federal-aid highway program should move away from designer programs with narrow eligibility, and make a greater percentage of federal-aid highway funding available for core highway programs.

<u>Positive Working Relationships with Local Officials are Important to State Departments of Transportation</u>

The Montana Department of Transportation values its positive working relationship with our state's local governments. Even with the flexibility provided since ISTEA, states have continued to invest in the major collectors and minor arterials at about the same rate. This is because these roadways are important to the overall connectivity of the country and the movement of goods and services. The structures that define how transportation funding decisions are made vary greatly from state to state. For example, in Montana, when ISTEA eliminated the federal-aid Secondary and Urban programs, we recreated these programs at the state level to provide a guaranteed level of support for Montana's major collectors and minor arterials. Montana values the relationship we have with our local partners and has cooperatively established laws and policies to ensure they have a seat at the decision-making table. The variability of the relationships between the individual states and their respective local governments is vast. The future federal-aid surface transportation program should respect these partnerships and also respect state sovereignty; certainly, more federal requirements as to these relationships are not warranted.

<u>Respect the Role of States</u>

It is essential that the federal-aid highway program of the future is designed and administered consistent with the following precepts.

- Any federal actions that constrain the autonomy of the states should be limited. Federal-aid highway program implementation should not infringe on the rights of

states to determine: projects for federal funding, design of consultative processes, or the allocation of funding to their greatest needs.
- When developing or implementing various national goals, the Federal Highway Administration should give emphasis to the views of the states -- the principal governmental entities that own and operate the most important components of the nation's highway systems.
- The federal-aid highway program must be designed and administered to support the states in achieving their transportation goals.
- Congress and the Administration must recognize the vast state-to-state variability and reject prescriptive one-size-fits-all approaches.
- Federal oversight responsibilities that extend to multiple federal agencies within and outside the US DOT, which are often duplicative, time consuming and costly, must be coordinated and streamlined.
- Opportunities to delegate federal oversight responsibilities must be expanded.

Statements of Others

Before closing let me also comment on some points that I understand have been made by others in their presentations to this Commission.

Apparently, a number of commenters contemplate a greatly expanded Interstate Highway System, new freight corridors, and/or the elimination of bottlenecks within major metropolitan centers. I note that there should be serious consideration of the following issue: expanding Interstate or principal arterial mileage and eliminating bottlenecks in metropolitan centers is very severely challenged by the entire regulatory and decision-making regime that has emerged since Congress declared the completion of the Interstate System in ISTEA.

Since ISTEA, emphasis has shifted away from investments supporting regional trade and mobility and towards more localized investments. This has resulted from a variety of funding and planning provisions. For example, ISTEA created not only a decision making process in the metropolitan centers that could more easily delay and stop major capacity expansion projects, but it also tied up all transportation decisions with air quality regulations in which it's ever more difficult to meet conformity tests. The metropolitan planning process inside of the nation's largest cities (Transportation Management Areas of greater than 200,000 population) essentially gives every jurisdiction within its boundaries a vote and requires that all major highway construction projects (even those without federal funding) must be contained within transportation plans that demonstrate air quality conformity. If a highway capacity expansion project (even Interstate capacity projects) does not get into the area's transportation plan, then these projects cannot be built. Because of these federal requirements, the delivery of any highway project to address congestion in large cities became significantly more difficult with enactment of ISTEA.

It remains to be seen whether Interstate expansion or bottleneck reduction can be achieved on a major scale in an era where substantive and procedural opportunities to stop and/or delay major highway construction projects abound. We certainly support efforts to expedite project delivery. However, as explained above, we support those efforts for the benefit of increased investment across the country in the whole range of federal-aid highways, not for a relatively few major projects, as the entire system is important in our state.

I also suggest that the nature of the U.S. manufacturing base has changed significantly in the last decade. The U.S. now imports what seems to be a vast majority of all retail manufactured items. The movement of imported goods out of the ports and onto the national network is important, but it also has a direct and positive bearing on the bottom line of those industries that do not manufacture within U.S. borders.
I submit that there are few links in the U.S. transportation network that are so well positioned as port areas to take advantage of tolling situations to address congestion -- applied at either the container or truck-load level and perhaps distributed from the national level based on a performance metric. Tolling certainly is not a viable option in Montana, with our low population and traffic densities, but it can be a niche contributor to addressing transportation investment needs in areas such as ports.

Conclusion
In 1943, President Roosevelt's National Interregional Highway Committee, released *Interregional Highways,* the seminal study that was the creative origin of an interregional or interstate highway system in the future of the nation. This report is credited by many as the most important document in the history of America's highways. In addition to supporting the creation of the Interstate System, the Committee also recognized the importance of other highways by including the following statement in its report:

The Committee believes it would be a mistake to regard the interregional (Interstate) system as an object of exclusive attention, even by the Federal Government, or to concentrate upon it all or a disproportionate part of any effort and funds that may be applied to highway improvements. The Federal Government has substantial interests in many other roads and possibly other city arteries. Its assistance should not be confined to the routes included on the recommended limited (Interstate) system.

This statement is as true in 2007 as it was in 1943.

This concludes my statement. Thanks again for the opportunity to appear today.

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Attachment: Statement of Transportation Departments of Idaho, Montana, North Dakota, South Dakota, and Wyoming

References:

[i] http://www.ers.usda.gov/Data/FATUS/DATA/CYNONAG.XLS

[ii] Jay Etta Hecker, Director of Physical Infrastructure Issues, GAO, Report to Honorable Frank R. Wolf, "Federal Highway Funding by Program and Type of Roadway, With Related Safety Data," July 16, 2001.

[iii] Nadiri, M. Ishaq and Theofanis P. Mamuneas, Contribution of Highway Capital to Industry and National Productivity Growth, 1996, FHWA Office of Policy Development (www.fhwa.gov/reports/growth.pdf).

Statement of the Transportation Departments of

Idaho, Montana, North Dakota, South Dakota, and Wyoming

to the

National Surface Transportation Policy and Revenue Study Commission

April 3, 2007

The Transportation Departments of Idaho, Montana, North Dakota, South Dakota, and Wyoming ('we" or "our" or "us") respectfully submit these comments to assist the Commission as it formulates recommendations for Federal policies to improve the nation's surface transportation system.

Most importantly, we consider it essential that the Commission's report and recommendations expressly recognize that strong Federal investment in surface transportation in rural states, as well as in metropolitan areas, is and will remain important to the national interest.

The nation needs a strong, interconnected highway and surface transportation network to meet the needs of people for mobility and safety and business for competitiveness. Significantly increased Federal investment is essential to maintaining such a network and meeting the transportation needs of rural and metropolitan areas. The need for Federal funding leadership is underscored by recent high levels of transportation construction inflation and the high cost of preserving our aging Interstate and other National Highway System roads.

In the balance of this statement we will elaborate on these key points and make some additional comments.

<u>The Nation Benefits from Federal Transportation Investment In and Across Rural States</u>

There are a number of reasons why it is essential to the nation to maintain and improve a strong highway and surface transportation system in large rural states. Highway transportation between the East and Midwest on the one hand and the West on the other is simply not possible without excellent roads that bridge those vast distances. This connectivity benefits the citizens of our nation's large metro areas because air or rail frequently will not be the best option for moving people or goods across the country from, say, Chicago to Seattle or San Francisco. The many commercial trucks on rural Interstate highways in States like Idaho, Montana, North Dakota, South Dakota and Wyoming demonstrate every day that people in the major metropolitan areas benefit from the nation's investment in arterial highways in rural states. So, there is a NATIONAL interest in facilitating interstate commerce and mobility that requires good highways in and connecting across rural areas.

Similarly, without a strong road network in the rural West, access to many of the Nation's great National Parks and other scenic wonders would be limited. The resident of a major metropolitan area may not need the roads approaching Yellowstone or Grand Teton or Glacier National Parks or the Mount Rushmore National Monument as often as he or she needs roads used in the daily commute. But those citizens want high quality highway access to these national treasures for those special trips that are part of what makes America great. Investment in such highways also helps ensure that American and international tourism dollars are spent in America.

A significant portion of the economy in our region is based on agriculture, energy production, and natural resource extraction. There is a strong national interest in ensuring that agricultural and resource products have the road network that is needed to deliver product to markets, particularly export markets. In addition, the growing ethanol and alternative fuel industry is located in significant part in rural America and not on Interstate highways. It is an important part of the national effort to reduce dependence on foreign oil. Our road network needs to be adequate to serve agriculture, resource and energy industries.

Another consideration is the huge parcels of Federally owned land in the West. Development or use of these lands is either prohibited or limited, and State and local governments can't tax them. Yet, the nation's citizens and businesses want a reasonable opportunity to be able to cross them and have access to them. This is an expensive transportation proposition for sparsely populated states. Significant investment of transportation dollars by the Federal government has been and remains a proper response.

This national road network provides other benefits that may be hard to quantify. For example, without the option of using Interstate and arterial roads across the rural West and Midwest, rates for some air and rail transportation movements could well be higher.

One of the original reasons for the Interstate System was to support prompt movements of military personnel and supplies. A strong system of arterial roads in rural areas, as well as metropolitan areas, continues to support efficient military movement.

In short, the entire nation, including the citizens of metropolitan areas, clearly benefits from transportation investment in rural states in our region. In crafting SAFETEA-LU Congress gave stronger recognition to states with large land areas and low population densities. The Commission's report and recommendations to Congress should expressly recognize and support these important considerations and should support strong Federal investment in highways and surface transportation in rural states.

Tolls Are Not an Answer To Transportation Needs In Rural States

We have observed a lively debate about the role of public private partnerships and tolling in meeting the nation's transportation needs.

We say "observed" because, while public private partnerships and tolling may have a modest role in meeting transportation needs in some areas of the country, we do not have the traffic densities to make tolling even a viable option.

Thus, we share the concern expressed by Chairman Oberstar, as well as others, that public private partnerships and tolling will not maintain or produce an interconnected, integrated or strong national surface transportation system.

We believe that strong Federal funding leadership is essential to maintaining and improving a national highway and surface transportation network that meets the needs of people and business.

Rural States Face Serious Obstacles in Preserving and Improving the National Highway and Surface Transportation Network

Our rural States face a number of serious obstacles in preserving and improving the Federal-aid highway system within our borders. Our states:

- are very rural,
- are large,
- have low population densities, and
- have extensive highway networks.

Taken together, this means that our large road networks have very few people per lane mile to support them. In South Dakota, for example, there are about 19 people per lane mile of Federal-aid highway, in Idaho 60, in North Dakota 16, in Montana 29, and in Wyoming 29. The national average is 128 people per lane mile. This alone indicates that our citizens have limited ability to pay for the national network connectivity that benefits the entire nation.

And there are additional obstacles. Our states:

- have incomes 10 percent or more below the national average, while
- the per capita contribution to the Highway Trust Fund attributable to our states exceeds the national average.

More specifically, the per capita contribution to the Highway Account of the Federal Highway Trust Fund attributed to Idaho is $119, Montana $156, North Dakota $161, South Dakota $150, and Wyoming $312. The national average is $109 per person.

These factors make it very challenging for rural states to provide, maintain, and preserve a modern transportation system that connects to the rest of the nation and to global markets and economic opportunities -- even with the support of Federal funding at today's levels.

So, in the rural States there are long stretches of highway, fewer people to support each lane mile, and lower incomes to support transportation investment. And our citizens must contribute not just towards capital investment, which is partially funded by the Federal program, but also to maintaining Federal-aid highways, which is solely a state expense.

For reasons such as these, we think that there is no question that, to achieve the important benefits of a truly national, interconnected highway and surface transportation system, the Federal highway program must provide substantial funding for the Federal-aid road network in rural states, as well as elsewhere.

Our Needs Are Large and Inflation Has Made it Much Harder to Meet Our Needs

We can assure the Commission that rural states' needs for highway investment and maintenance exceed available combined Federal, State and local resources by a wide margin. Further, this investment gap has grown in recent years due to inflation in transportation construction that has far exceeded increases in the consumer price index.

In addition, as the Interstate System ages, resurfacing will not be enough to maintain its condition and its ability to serve national and regional commerce and mobility. Increasingly, the Interstate System will need to be reconstructed – a very expensive proposition that could well prove to be more expensive than we currently believe. We seriously doubt it will prove to be less expensive than currently estimated.

In short, we have significant and growing unmet needs just to maintain and preserve the system – and we, like other states, want to improve it as well. Public private partnerships and tolling are not really available to help us meet needs. Our states are already making greater than national average contributions to the Highway Trust Fund – with lower than national average per capita incomes.

For all of these reasons, the Commission should recommend actions that will result in the Federal government providing strong, significantly increased funding for highways and other surface transportation investment, particularly including highways in rural states. We see that as essential to meeting the national interest requirement that our nation preserve and maintain, as well as improve, an interconnected national highways and surface transportation system.

Short Term Improvements in Revenue to the Highway Trust Fund Are Very Important

There are many facets to the financing issue. Today, we will stress one that we believe deserves more attention – short term steps that can be taken to shore up the Highway Trust Fund, particularly the Highway Account.

We see positive short term action as vitally important to successful long term action.

We are all familiar with the wise statement that "a journey of a thousand miles begins with a single step." We are certain that the great philosopher, in offering that advice, was not suggesting a first step backward!

So, the transportation community and policy makers should take action to ensure that highway and transit programs supported by the Highway Trust Fund are not cut in the near term from SAFETEA-LU authorized levels due to short term shortages in the Highway Trust Fund. Less investment now would be a step backward and would make it even more difficult to achieve an improved surface transportation system in the long run.

More specifically, we are greatly concerned that, due to Highway Trust Fund receipts lower than estimated at the time SAFETEA-LU was enacted, the highway program could be asked by some to take a cut from SAFETEA-LU levels before the end of FY 2009. Indeed, the Administration has proposed a reduction of $631 million in the highway program for FY 2008 due to concerns that the declining balance in the Highway Account of the Highway Trust Fund cannot support SAFETEA-LU funding levels.

We disagree with that approach and support ways of addressing the shrinking Highway Account balance that would not reduce authorized SAFETEA-LU funding levels.

There are options that can help in the short term, including options that do not require tax increases. For example, the Highway Trust Fund is perhaps the only trust fund in the Federal Government not credited with interest on its balance. That could be corrected, perhaps even retroactively to the beginning of SAFETEA-LU. In addition, for various reasons, some highway users receive back from the Federal Government credits (essentially refunds) equal to the gas taxes they pay. Such refunds should be paid out of the General Fund of the Treasury, not out of the Highway Trust Fund as is the case today. The proceeds of the tax assessed on "gas guzzler" vehicles could be placed in the Highway Trust Fund. There are undoubtedly additional such changes in law that would fairly credit the Highway Trust Fund with funds it does not receive today. Such changes would not increase taxes but would adjust current laws to properly credit the Highway Trust Fund.

Taking such steps would not only help shore up Federal program investment levels through FY 2009, they would add money to the revenue stream that would be considered to be within the revenue "baseline" when legislation for later years is developed. Making such changes now would give the nation a head start on having the Federal revenue that is needed to improve the highway and transit programs in the future.

In addition, the Highway Trust Fund should not be drained by unauthorized expenditures from the fund. We note with disappointment that, as the Highway Account of the Highway Trust Fund is hurtling towards a zero balance, the Administration's budget submission for FY 2008 proposes using the Highway Account to pay for certain NHTSA vehicle research activities that are not authorized to be undertaken with Highway Trust Fund monies. We support funding NHTSA's safety activities at authorized levels, but with authorized sources, not through unauthorized use of approximately $122 million in Highway Account funds per year at a time when the Account's proverbial cupboard is bare. Any such unauthorized outlays from the Highway Account would lower the Account balance and, inevitably, make it harder to make needed highway and transportation infrastructure investments.*

* We support the Administration's announced intention to correct the way the Highway Trust Fund accounts for funds flexed from the highway program to transit projects. The practice has been to remove from the Highway Account an amount equal to the dollar value of the flexed Federal highway funds as soon as a decision is made to flex the funds for a transit project. Now, the Administration would shift such funds from the Highway Account to the Mass Transit Account of the Highway Trust Fund as they are utilized for the project over time. This change is commendable and mitigates, though apparently does not solve, the problem of potentially inadequate revenue in the Highway Account to support SAFETEA-LU funding levels through FY 2009.

We believe that the problem of potentially inadequate funding in the Highway Account to get through SAFETEA-LU should be solved in a way other than by reducing authorized SAFETEA-LU investment levels for highways or transit. That can and should be done.

Some Comments on the Structure of the Federal Program

Before closing, we offer some comments on the structure of a future Federal surface transportation program.

The Highway Program Should Continue to Be a Federally Assisted State Program and Should Direct an Increased Percentage of Program Funds to the States. The future Federal highway program should continue to distribute the vast majority of funds to the states. States would continue to select projects and deliver the program. This is a partnership that has worked well. In the future, the percentage of overall Federal highway program funds that is apportioned to the states should be increased, and the percentage of overall program funding directed to Federal "off the top" programs or projects should be reduced.

The Highway Program Should Continue to Provide Funding for Interstates, the NHS, other Arterials, and Major Collector Routes. Under this long-standing approach, approximately 24 percent of the Nation's over 4 million miles of public roads are Federal-aid eligible. This strikes a good balance, focusing the Federal program on the more important roads, but not on so few roads that connectivity is weak. While we believe that the importance of investment in the Interstate and other NHS routes is beyond doubt, we want to emphasize that non-NHS Federal-aid roads are also an important part of the network of federal-aid routes. These roads make up approximately 20 percent of total road miles in the nation and carry over 40 percent of the traffic nationwide. These routes provide an important link between the NHS and local roads and streets and ensure that regions can connect to the NHS system without a disproportionate number of expensive Interstate or NHS lane miles.

In addition, there has been increased attention in recent years, including in SAFETEA-LU, to the national interest in improving safety on rural roads. More than two-thirds of all roads in the U.S. are located in or near areas with populations of less than 5,000. In 2002, 60 percent of highway fatalities occurred on rural roads and, of those fatalities, 41 percent occurred on two-lane roads. The most important of these roads are eligible for federal funding. It will be important to continue to provide funding to address deficiencies on these routes.

Further, over the last two or three decades tens of thousands of rural rail branch lines have been abandoned. Over that time Class I railroads have shed over 100,000 routes miles. While some of those former Class I miles are still operated by smaller railroads, the reduced reach of the rail network means that many areas, particularly rural areas, must rely more heavily on trucks and the road network for important commerce needs.

For these and other reasons, now is not a time to reduce the extent of the road network that is eligible for Federal funding.

While Maintaining Eligibility for Arterials and Major Collectors, we would Increase the Percentage of overall Program Funding dedicated to the Interstates. With the high costs of reconstructing Interstate routes looming, and given the importance of these routes to interstate commerce, we are comfortable with the notion that a higher percentage of apportioned funds should be for these highways , provided that the overall percentage of the program that is apportioned to States increases, as we recommend, or at least does not decline. We would also increase the basic Federal share of non-Interstate NHS projects to 85 percent, to reinforce the importance of the NHS. Further, any increase in the proportion of funds dedicated to the Interstates should not be at the expense of other traditional programs with broad eligibility, such as NHS or bridge or STP. We see providing added funding emphasis to the Interstate System as the right way to respond to calls by some for more emphasis on roads that are important to freight. The Interstates are critically important to freight. Creating a new road system, with new rules, or pitting states against each other in a new competition to be part of some new Federal system does not strike us as constructive.

Preserve Highway Trust Fund Dollars for Transportation Investment. As we all know, since September 11, 2001 there has been, correctly, an increased focus in this country on transportation security, including funding to improve security. Fortunately, such funding has been from the General Fund of the Treasury, not the Highway Trust Fund. This approach should continue. Frankly, to help ensure that Highway Trust Fund dollars produce as much direct transportation benefit as possible, we would explore shifting some functions, such as FHWA Administrative costs, to the General Fund of the Treasury, so that more of the currently scarce funds in the Highway Trust Fund would be available for actual program investment.

Continue Federal Lands Programs. Distinct from apportionments to States, the Federal highway program has long included separate funding for Indian Reservation Roads and highways on Federal lands and in national parks. These are lands with no private ownership (except perhaps small inholdings) and states have limited if any ability to tax them or benefit from economic development of them. While there are national parks, other public lands, and tribal territories throughout the country, it is fair to say that the Federal public lands highway programs probably never would have been developed but for the large Federal and tribal land areas in the West. The need for these Federal Lands highway programs continues and the Commission should recognize that in its work product.

Reduce Regulatory and Program Burdens. The Federal highway and transit programs are not simple. An enormous amount of planning is required in order to deliver actual projects and programs. We are confident that the overall program can be made more flexible and that project delivery time can be reduced. We suggest that the Commission support reasonable suggestions that it receives to expedite project delivery processes and reduce program overhead. For example, we read that a witness at one of the Commission's earlier hearings criticized current regulatory practice regarding "fiscal constraint" as unduly burdensome. The original concept of fiscal constraint being an element in the development of transportation improvement plans was a straightforward one - that states and metropolitan planning organizations should not plan to build a list of projects when there is not enough money available to support those projects. A fiscal constraint concept could have been implemented by requiring a simple certification by a state or MPO. Instead, ensuring that a STIP or TIP is fiscally constrained has evolved into a complex and sometimes frustrating system that involves USDOT approval of requests to update transportation improvement plans to reflect modestly changed circumstances. It is not needed. We can't spend what we don't have. We don't need extensive regulations to confirm that.

That's just one small example of a way the program could be simplified.

Similarly, we do not support the creation of additional program categories or new program requirements that would limit how a state can use funds within any category. Right now we suspect that any major type of transportation investment that a state wants to make is eligible for investment. A new special program is not required for states to be able to respond to needs for investment in corridors that are considered important. More funding is needed, but not new program structures. Additional program flexibility could be helpful, such as increased ability to flex funds between categories.

We are not saying that the program is not well run -- either by USDOT or by States or transit agencies – but we believe that the effort should be made to reduce regulatory burdens and make it easier to deliver the program benefits to people and business.

Public Transportation. Public transportation also plays a role in the surface transportation network in rural states. Public transportation is not only for large metropolitan areas. For example, the northern tier Amtrak service, the "Empire Builder," provides an important option for long distance travel to some of our nation's isolated communities. The Federal transit program includes a program of apportionments for rural transit. Transit service is an important, sometimes vitally important link for citizens in small towns to get to the hospital or clinic as well as to work or other destinations. In some rural areas we are experiencing an increase in the age of the population and public transit can be important to aging populations. In short, Federal public transportation programs must continue to include funding for rural states and not focus entirely on metropolitan areas.

Conclusion

For all of the reasons presented, we consider it essential that the Commission expressly recognize in its recommendations and report to Congress that significantly increased Federal investment in highways and surface transportation in rural states, as well as in metropolitan areas, is and will remain important to the national interest.

The transportation departments of Idaho, Montana, North Dakota, South Dakota, and Wyoming thank the Commission for its consideration of these comments and respectfully request favorable action on the above comments and recommendations.

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