

Mr. Chairman and Members of the Committee, my name is Jeff Morales, and I am the Director of the California Department of Transportation. I am here today to testify on behalf of the American Association of State Highway and Transportation Officials (AASHTO) in my role as chairman of the AASHTO Standing Committee on Public Transportation. We thank you for your leadership in holding this hearing to address key transit issues to be considered in the reauthorization of the Transportation Equity Act for the 21st Century (TEA-21).

Let me begin my remarks by saying that there are a number of key transit provisions in the TEA-21 legislation that should be continued in the reauthorization legislation. With regard to transit issues, while we believe that while some of the TEA-21 provisions may need some fine tuning, and annual funding levels need to be significantly increased, for the most part the transit program provisions of TEA-21 should be continued. We have divided our testimony into three major areas, including:

- AASHTO's reaction to the Administration's reauthorization proposal titled *The Safe, Accountable, Flexible and Efficient Transportation Equity Act of 2003 (SAFETEA)*,
- AASHTO recommendations for rural transit in the TEA-21 Reauthorization legislation, and
- Transit bonding proposal

AASHTO's reaction to the Administration's SAFETEA proposal

Major Investments and Program Financing - AASHTO members are disappointed that the Administration's proposed funding levels for highways and transit fall substantially short of the documented need for investment in highways and transit. The Administration proposes \$201 billion for highways and \$46 billion for transit, in spite of the significant highway and transit needs identified by the U.S. Department of Transportation in its report titled *Status of the Nation's Highways, Bridges, and Transit: 2002 Conditions and Performance Report*. Under SAFETEA, transit funding growth would be limited over the reauthorization period, starting at \$7.2 billion in FY 2004 and rising to only \$8.1 billion in FY 2009. In fact, the level in constant dollars would be \$1.1 billion below the transit funding level for FY 2003.

AASHTO's reauthorization policies call for a total program level of \$300 billion over six years, including \$245 billion for highways and \$55 billion for transit. Under the AASHTO proposal, the transit program would be funded at \$7.5 billion in FY 2004, increasing to a minimum level of \$11 billion in FY 2009. Further, AASHTO supports the higher APTA-proposed funding level that would rise to \$14 billion in FY 2009,

provided that such an increase would not come from sources upon which highways depend.

In addition, AASHTO is very concerned that the SAFETEA proposal, while “guaranteeing” funds from the Mass Transit Account of the Highway Trust Fund, contains no similar guarantee for the General Fund component of transit funding. One of the key provisions of the TEA-21 legislation is the guarantee that it provides for both Highway Trust Fund and General Fund monies. The framers of the TEA-21 legislation recognized that the States and transit agencies need a stable and predictable source of transit funds in order to plan, program and construct major transit projects. AASHTO believes that it is critical that both Highway Trust Fund and General Funds for transit are guaranteed in the TEA-21 reauthorization legislation.

AASHTO is further concerned that the SAFETEA proposal **calls for a reduction of the federal funding share for New Starts projects from 80 percent to 50 percent.** AASHTO believes that in order for State and local officials to make balanced decisions between highway and transit projects, the federal share of 80 percent should be retained for both highway and transit projects. Otherwise, the decision-making process can become skewed toward projects with a higher federal match rate, particularly when State and local governments are experiencing tight budgets.

The SAFETEA proposal would shift the FTA program funding structure so that the New Starts program would be receive approximately 80 percent of its funding through the General Fund while other major FTA programs would be funded through the Mass Transit Account of the Highway Trust Fund. This approach is being taken in order to deal with the issue of the solvency of the Mass Transit Account of the Highway Trust Fund. Since SAFETEA does not propose a guarantee for General Funds, a major component of the FTA program, New Starts, would be vulnerable to significant funding reductions during the annual appropriations process. The New Starts program is a key part of the FTA program, and needs to be funded in a way that State and local governments are assured of a stable and reliable source of federal funding as they embark upon these more expensive projects. As part of this proposal, Bus discretionary funding would be eliminated and the Rail Modernization program would be shifted to the formula program.

AASHTO agrees that solvency of the Mass Transit Account can be addressed without such major changes to the FTA programs. AASHTO staff is available to work with your staff to offer recommendations in this area.

Program and Requirements Streamlining

Existing transit legislation provides that an independent pre-award review and a post-delivery review must be conducted when an FTA grantee purchases transit rolling stock. This has been a costly and burdensome requirement for many smaller transit systems. AASHTO supports the provision in SAFETEA that eliminates the requirements for private non-profit organizations and grantees serving areas fewer than one million people

to have to certify on Buy America requirements. All manufacturers and suppliers would continue to have to certify compliance with Buy America during the bidding process, and they would remain bound by their original certification.

Planning - AASHTO supports the SAFETEA proposal that would give standing in NEPA to studies developed as part of the planning process. The results of studies developed as part of the planning process that may have standing in the NEPA process include purpose and need; the alternatives selected for evaluation in an environmental assessment or impact statement; and an assessment of environmental impacts related to development growth, including direct and cumulative effects, that is consistent with local land-use, growth management, or development plans.

This provision is designed to expedite the planning and development of transportation improvements presuming that studies developed as part of the planning process establish the basis for an environmental assessment or impact statement. AASHTO has been working with U.S. DOT and Congressional committees for the past several years to get a number of improvements to the project development process and to reduce the time needed to deliver a project.

Innovative Finance – In the area of innovative finance, the administration’s bill would continue the Transportation Infrastructure Finance and Innovation Act (TIFIA) program. Under this proposal, the threshold for requesting credit support is reduced from \$100 million to \$50 million. AASHTO recommends that this threshold be reduced to \$25 million. However, we believe that the Administration is taking an important step in the right direction.

SAFETEA would continue the State Infrastructure Bank (SIB) pilot program, although it would be restricted to five states. Currently six states are participating in a pilot, and officials indicate that those states would have to again compete for participation with other states who may now be interested. AASHTO has recommended that the SIB program be expanded to all 50 states.

AASHTO Rural Transit proposals for TEA-21 Reauthorization

Every state has some level of public transportation service to its rural areas. Approximately 1,260 organizations provide public transportation in rural areas, and 3,660 organizations provide public transportation services to the elderly and people with disabilities. Approximately 55 percent of the existing bus and van fleet serving rural America has already exceeded the federally rated service life. Within the next reauthorization period, almost all of the nation’s rural transit vehicles will need to be replaced. About 9,200 vehicles per year will need replacement on an ongoing basis.

AASHTO, in its “Bottom Line” report, documented the need to double Rural transit assistance. This report stated that \$191 million will be needed to replace or rehabilitate existing public transit vehicles, and \$194 million will be needed to replace or rehabilitate specialized rural transit vehicles.

We believe that it is critical to strive to meet current and future transit needs in rural America, particularly as the nation's elderly population increases in the coming years with the aging of the Baby Boomer generation. Citizens in rural areas will need access to shopping, medical and other activities, particularly when they are no longer able to operate an automobile.

AASHTO supports the SAFETEA proposal to increase funding for Rural Transportation (FTA Section 5311 program).

Transit bonding proposal

AASHTO is aware of a concept being considered in the Senate Finance Committee to move most funding under the Mass Transit Account of the Highway Trust Fund to the Highway Account, and then fund transit for the most part through a bonding program.

As indicated earlier, AASHTO believes that the current funding structure under TEA-21, in which Highway Trust Fund revenues are split with 80 percent credited to the Highway Account and 20 percent credited to the Mass Transit Account is working well and should be retained. The federal transit program needs a stable source of guaranteed funds from the Mass Transit Account of the Highway Trust Fund and the General Fund in order for decision-makers to commit to expensive transit solutions. The current arrangement under TEA-21 provides a stable, more predictable environment for planning, programming and constructing these key transit projects.

MR. CHAIRMAN, the State transportation officials across the country and the AASHTO staff are available to work with you, the Members of your Committee and your staff in the vital work of reauthorizing the nation's highway and transit legislation for the coming six years. Thank you again for holding this important hearing.