Testimony of the American Road and Transportation Builders Association

before the

Joint Economic Committee U.S. Congress

"Financing Our Nation's Roads"

May 6, 2003

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Mr. Chairman, Congressman Stark, and Members of the Committee, thank you very much for inviting the American Road and Transportation Builders Association to testify this morning on "Financing Our Nation's Roads".

I am Dr. William Buechner, ARTBA's Vice President for Economics and Research and chief economist. Prior to joining ARTBA in 1996, I served 22 years as a senior economist for the Joint Economic Committee, and I have a doctorate in economics from Harvard University. I am very pleased to be here this morning to present ARTBA's views on this important subject.

ARTBA marked its 100th anniversary last year. Over the past century, its core mission has remained focused on aggressively advocating federal capital investments to meet the public and business community's demand for safe and efficient transportation. The transportation construction industry ARTBA represents generates more than $200 billion annually to the nation's Gross Domestic Product and sustains more than 2.5 million American jobs. ARTBA's more than 5,000 members come from all sectors of the transportation construction industry. Thus, its policy recommendations provide a consensus view.

Importance of Transportation Investment. This committee deals with issues that directly relate to the development and management of material wealth of the federal government and the nation. Few issue areas have a bigger impact on the U.S. economy than transportation investment.

Transportation infrastructure is the catalyst for new development. It provides the platform necessary to perform virtually all of the activities of both government and the private business sector.

Without transportation infrastructure, people cannot get to and from work. Raw materials cannot be sent to manufacturing facilities… products and food stuff cannot be sent to market. The travel and tourism industry that so many of our states depend on would not exist.

Emergency response is a meaningless term without uncongested transportation infrastructure. While usually overlooked in federal budget and policy discussions, transportation investment—or the lack thereof—impacts public health and insurance costs borne by government and society.

Without our complex transportation infrastructure system, our military would still be mustering for an action in Iraq… and literally hundreds of thousands of Americans would have died over the years in hurricanes, floods and other natural disasters.

Clearly, providing and maintaining the nation's transportation infrastructure is—and always has been in most civilized and progressive societies—a core function of government.

We are heartened that the Joint Economic Committee is exploring this issue area with the intention of providing recommendations to the Congress on how to generate additional revenue to meet the very substantial investment shortfall in highway and public transit facilities that the U.S. Department of Transportation outlined in its 2002 report to Congress.

Significant new investment in transportation improvements is critical to job creation and future economic growth in America. We need not only to maintain the transportation infrastructure we have, but also to build more capacity into the system to ensure that the system is not retarding economic growth.

This year, traffic congestion in America will cost our economy nearly $70 billion in lost productivity and wasted motor fuel costs, according to the Texas Transportation Institute. Motor vehicle crashes will cost the American economy $230 billion this year, according to the National Highway Traffic Safety Administration. Poor road conditions or outdated alignments are a factor in a third of those incidents.

That $300 billion drain on the American economy is 10 times what the federal government is investing in capital improvements to the nation's surface transportation system during 2003.

With the federal highway, transit, airport and rail investment programs all due for reauthorization by the Congress this year, a window of opportunity exists to take the bold financial actions that are necessary to ensure the nation has the safe and efficient transportation network we need for the new century.

As detailed in our testimony, the investment shortfall we face will need more than "innovative" financing. There is no "silver bullet." There is no easy answer or way out. The inescapable fact is that it will be necessary to increase federal highway user fee rates to meet the challenge that the federal government itself has quantified.

Public-Private Partnerships and Innovative Financing. While ARTBA's core focus is on the federal programs that finance investment in highways, mass transit, airports, rail and water transportation, we have long been a leader in the area of public-private partnerships and leveraged financing for transportation projects. More than 60 major companies in the industry are represented in our Public-Private Ventures Division, which has developed a set of recommendations for increasing the ability of private companies to

build and operate transportation facilities in the United States. To further this effort, we conduct an annual conference each fall in Washington where hundreds of participants meet to discuss public policy and business opportunities in the public-private partnership area.

We are very encouraged that this committee is taking a lead role in bringing ideas for additional mechanisms for financing investment in the nation's infrastructure to the Congress.

Let me summarize some of our ideas for increasing the role of the private sector in financing transportation investment.

First, public-private partnerships can supplement the core federal transportation investment programs, but not replace them. The core programs are funded through what in essence are user fees. While not perfect, this method has proven effective in financing transportation projects aimed at meeting general public needs and facilitating economic growth, defense and emergency response activities and environmental objectives for almost half a century. Public-private partnerships are best suited for "mega" projects that, due to expense, could not otherwise be financed in a timely manner through normal user fee revenue streams without either very large increases in those fees or curtailing investment in the overall core maintenance, rehabilitation and new construction programs.

The Transportation Equity Act for the 21st Century (TEA-21) established a handful of financing mechanisms—the Transportation Infrastructure Finance and Innovation Act (TIFIA), State Infrastructure Banks (SIBs), and toll road provisions—that were designed to foster public-private partnerships. After five years experience, the results have been mixed. There have been a number of good projects delivered at substantial cost savings to the public. But these mechanisms have not attracted as much interest and private equity as had been hoped.

There are a number of ways TIFIA, SIBs, and toll funding could be improved to make them more attractive to potential private-sector investors.

TIFIA Program. Under the TIFIA program, which offers federal credit assistance for up to one-third of the cost of transportation projects of national or regional significance, 11 projects have been approved so far worth a total of $15.4 billion. Federal TIFIA loan commitments have totaled $3.6 billion and the projected U.S. budget cost is $190 million. But certain provisions of the program have erected barriers to project submissions.

We would suggest the following changes to the TIFIA program in TEA-21 reauthorization legislation:

- Lower project eligibility to $50 million from the current $100 million;
- Permit intermodal projects;

- Eliminate the "springing lien" provision, under which junior federal debt becomes senior debt under a default, because it raises the perceived risk and cost of private financing and discourages private equity; and
- Require the TIFIA office at FHWA to become more active in encouraging project applications.

State Infrastructure Banks. Currently, 32 states have established State Infrastructure Banks, which provide revolving funds for transportation projects. Currently, SIBs have 310 loans outstanding worth $4.1 billion. Only four of these SIBs, however, are eligible for a TEA-21 pilot program allowing them to use federal highway funds for bank capital.

ARTBA recommends that the pilot program be extended to permit all 50 states to use some federal funds to capitalize the SIB revolving funds.

Toll Roads. For a public private partnership to work as a source of funding for a highway project, there has to be a stream of income from the project back to the private investor.

The traditional option for generating a revenue stream has been tolling, and tolling is gaining acceptance as a source of highway funding. The HOT lane corridor proposal that Bob Poole has developed and the proposal for truck only toll lanes, which ARTBA has endorsed, are two creative variations on the tolling approach that can generate new revenue sources for highway improvements that would provide needed additional capacity and higher levels of safety.

But there are other ways to generate a revenue stream for private investors. For example, development districts can be established where businesses and developers who would benefit from a highway investment would finance it through higher property or sales taxes. Investors could also be compensated with land and development rights near a project, similar to what was done to foster development of land-grant railroads in the 19th century.

Financing the Federal Highway Program. As I said earlier, initiatives such as those discussed earlier in our testimony or suggested by other witnesses this morning are important potential new sources of highway investment, but they are a supplement to and not a substitute for the core investment financed by the federal-aid highway program and the federal mass transit program.

For the past half century, most federal transportation investment has been user-fee financed. Revenues from the federal motor fuels taxes and certain taxes on heavy trucks are credited to the federal Highway Trust Fund. These revenues are supposed to be used to finance capital investments in the nation's core highways and mass transit systems.

Prior to the enactment of TEA-21 in 1998, this relationship was often breached. Congress would provide whatever amount could be carved out of the domestic discretionary budget cap for highways and transit, with no formal link to Highway Trust Fund user fee revenues or the nation's surface transportation investment requirements.

TEA-21 addressed half this problem by linking highway program funding directly to Highway Account receipts and using Mass Transit Account receipts to finance 80 percent of federal transit investment. But the annual investment still had no relationship to the nation's surface transportation investment needs. The *2002 Report to Congress on the Conditions and Performance of the Nation's Highways, Bridges and Transit* by the U.S. Department of Transportation states bluntly: "Capital investment by all levels of government between 1997 and 2000 remained below the 'Cost to Maintain' level. Consequently, the overall performance of the system declined."

For TEA-21 reauthorization, ARTBA has for more than two years urged that Congress fund the federal highway and mass transit programs at the level necessary to meet our nation's highway and transit investment requirements. At minimum, this should be the amount required to maintain current physical and performance conditions and, hopefully, begin improving conditions.

Highway and Transit Investment Needs. There are a number of ways to determine highway and transit investment needs, but the only methodology that is actually based on economic principles is the method used by the U.S. Department of Transportation for its biannual *Conditions and Performance Report.*

The U.S. DOT's report is based on a sample of 113,000 highway segments from around the country. For each of these segments, the state DOTs provide details on physical conditions and traffic volume, as well as traffic projections. The U.S. DOT model then projects forward physical and performance conditions and examines up to 28 alternatives for addressing any problems identified. For each alternative improvement, the model computes the sum of the economic benefits, including the impact on travel times, crash costs, and vehicle maintenance costs, and compares the benefits to the cost of the improvement. It then ranks potential projects according to the benefit/cost ratio. Similar models are applied to bridge and transit investment needs.

Based on this model, the *2002 Conditions and Performance Report* found that an annual investment of $82.6 billion in constant 2000 dollars will be required by all levels of government during the 20-year period from 2000 – 2019 just to maintain current physical and performance conditions on the nation's highways and bridges.

When the Transportation and Infrastructure Committee factored in projected inflation of about 2.2 percent per year for the next six years and assumed that the federal government should continue providing the approximately 43 percent share of total public highway capital investment that it has assumed over the past decade, the Committee found that the minimum federal surface transportation investment needed for the next six

years just to maintain current highway and transit conditions totals over $320 billion or an average of almost $54 billion per year. Highway investment by the federal government would have to total more than $270 billion or $45 billion per year, while transit investment would have to total more than $48 billion. To improve highway and transit conditions by making all economically justified investment would require more than $400 billion, or $72 billion per year. A copy of the Committee's findings is attached at the end of my statement.

I should note that these are conservative estimates because they assume a significant slowdown in travel growth over the next two decades. Similar forecasts have been made in the past but have always been wrong.

The following table shows the number of highway miles in each state with pavement surfaces that are rated "unacceptable" by the Federal Highway Administration and need resurfacing or reconstruction. The table also shows the number of bridges in each state that U.S. DOT has determined are either structurally deficient or functionally obsolete. The bottom line is that almost 18 percent of core highway pavements currently need resurfacing or reconstruction, and 27 percent of all bridges need to be replaced. These percentages will continue to grow in the years ahead if Congress funds the highway program in reauthorization below the level needed to maintain current conditions.

Reauthorization Proposals. Three weeks ago, Congress finalized a FY 2004 budget resolution that would provide a total $218 billion for the federal highway program over the next six years and $49 billion for transit. Not only are both figures far short of the minimum investment needed to maintain current conditions, the highway figure is barely sufficient to accommodate projected inflation and it is well below the amount needed to increase the return to donor states to the proposed 95 percent.

The only current reauthorization proposal that will meet the nation's highway and mass transit investment needs for the next six years is the program proposed by the bipartisan leadership of the House Committee on Transportation and Infrastructure.

This proposal would provide $375 billion for the highway, transit and highway safety programs over FY 2004 – 2009. The modal split would likely be approximately $300 billion for highways, about $65 billion for transit and the remainder for the highway safety programs. This investment level would not only maintain current highway and transit conditions, it would begin to make some improvements.

The problem, of course, is that projected revenues into the Highway Trust Fund are not sufficient to finance the level of federal highway and transit investment required to meet the nation's needs. With current revenues, there would be virtually no growth.

It is clear that a meaningful increase in highway and transit investment will require a substantial infusion of new revenues into the Highway Trust Fund.

Highways Needing Resurfacing or Reconstruction, and Deficient Bridges

State	Miles of Highway Needing Resurfacing or Reconstruction /1					Bridges		
	Interstates and express-ways	Other major roads	Total miles needing resurfacing or reconstr.	Total Federal-aid highway miles	Percent needing resurfacing or reconstr.	Total number of bridges in the state	Structurally deficient or functionally obsolete	Percent deficient or obsolete
Alabama	16	2,814	2,830	23,654	12.0%	15,697	4,887	31.1%
Alaska	101	673	774	2,985	25.9%	1,437	427	29.7%
Arizona	17	591	608	11,105	5.5%	7,055	750	10.6%
Arkansas	532	7,081	7,613	19,973	38.1%	12,438	3,383	27.2%
California	3,814	19,187	23,001	53,725	42.8%	23,754	6,764	28.5%
Colorado	354	1,633	1,987	16,027	12.4%	8,105	1,450	17.9%
Connecticut	289	850	1,139	5,799	19.6%	4,173	1,316	31.5%
Delaware	31	289	320	1,436	22.3%	835	135	16.2%
Dist. of Columbia	85	16	101	452	22.3%	244	166	68.0%
Florida	165	895	1,060	23,846	4.4%	11,376	2,135	18.8%
Georgia	10	20	30	30,044	0.1%	14,456	3,307	22.9%
Hawaii	75	358	433	1,461	29.6%	1,089	522	47.9%
Idaho	90	2,843	2,933	8,862	33.1%	4,090	759	18.6%
Illinois	592	4,083	4,675	33,940	13.8%	25,610	4,648	18.1%
Indiana	233	2,936	3,169	21,701	14.6%	18,087	4,172	23.1%
Iowa	494	1,181	1,675	24,252	6.9%	24,955	7,027	28.2%
Kansas	172	7,566	7,738	21,868	35.4%	25,618	6,376	24.9%
Kentucky	84	849	933	14,489	6.4%	13,461	3,997	29.7%
Louisiana	562	2,545	3,107	14,478	21.5%	13,399	4,487	33.5%
Maine	19	342	361	6,409	5.6%	2,363	845	35.8%
Maryland	298	272	570	4,963	11.5%	4,950	1,433	28.9%
Massachusetts	862	2,729	3,591	10,731	33.5%	4,925	2,505	50.9%
Michigan	1,554	6,251	7,805	32,035	24.4%	10,799	3,318	30.7%
Minnesota	73	2,105	2,178	30,582	7.1%	12,845	1,783	13.9%
Mississippi	211	4,806	5,017	20,775	24.1%	16,809	4,986	29.7%
Missouri	1,092	10,017	11,109	30,011	37.0%	23,495	8,578	36.5%
Montana	78	729	807	12,322	6.5%	4,986	1,092	21.9%
Nebraska	383	1,566	1,949	15,352	12.7%	15,462	4,189	27.1%
Nevada	21	393	414	6,403	6.5%	1,562	223	14.3%
New Hampshire	51	352	403	3,295	12.2%	2,355	792	33.6%
New Jersey	573	1,160	1,733	9,638	18.0%	6,375	2,336	36.6%
New Mexico	198	1,299	1,497	9,779	15.3%	3,800	727	19.1%
New York	1,622	2,175	3,797	25,869	14.7%	17,389	6,501	37.4%
North Carolina	455	2,167	2,622	20,595	12.7%	17,116	5,252	30.7%
North Dakota	59	885	944	13,601	6.9%	4,517	1,119	24.8%
Ohio	421	2,401	2,822	27,965	10.1%	27,988	7,072	25.3%
Oklahoma	489	7,252	7,741	23,533	32.9%	22,989	9,228	40.1%
Oregon	148	1,177	1,325	16,846	7.9%	7,352	1,730	23.5%
Pennsylvania	808	5,621	6,429	27,160	23.7%	22,153	9,407	42.5%
Rhode Island	112	211	323	1,690	19.1%	749	394	52.6%
South Carolina	138	2,577	2,715	17,349	15.6%	9,091	2,079	22.9%
South Dakota	374	2,247	2,621	14,242	18.4%	5,979	1,690	28.3%
Tennessee	104	363	467	16,846	2.8%	19,467	4,606	23.7%
Texas	1,386	12,791	14,177	77,160	18.4%	48,202	10,506	21.8%
Utah	104	849	953	7,566	12.6%	2,781	546	19.6%
Vermont	64	815	879	3,859	22.8%	2,716	959	35.3%
Virginia	298	1,229	1,527	20,989	7.3%	12,932	3,420	26.4%
Washington	107	1,976	2,083	17,780	11.7%	7,624	2,027	26.6%
West Virginia	79	2,970	3,049	10,243	29.8%	6,821	2,646	38.8%
Wisconsin	569	3,400	3,969	27,737	14.3%	13,563	2,601	19.2%
Wyoming	22	135	157	7,421	2.1%	3,077	662	21.5%
U.S. Total	20,488	139,672	160,160	900,843	17.8%	589,111	161,960	27.5%

Sources: Highway - Federal Highway Administration. Highway Statistics 2001, Tables HM63 and HM64.
Bridge - Federal Highway Administration, Office of Bridge Technology. Internet site www.fhwa.gov/bridge/britab.htm
1/ Roads with "Unacceptable" ride quality (IRI over 170) or in "Poor" or "Mediocre" condition (PSR under 2.5)

It costs $100,000 to resurface a highway lane-mile and $1,000,000 to replace a two-lane bridge

Last year, in our "Two Cents Makes Sense" proposal, ARTBA showed how the nation's highway and transit needs could be met with an annual two cent-per-gallon increase in the federal motor fuels user fee over the next six years, even if no other new revenues sources were adopted. An annual rate adjustment of less than two cents per gallon would be sufficient if other revenue enhancements were enacted.

To achieve the same goal, the bipartisan T&I Committee leadership is considering a number of revenue options, including spending down the Highway Trust Fund balance, compensating the Highway Trust Fund for revenues lost to the gasohol tax incentive, reinstating interest on the trust fund balance, and reducing motor fuel tax evasion. These would be helpful but the revenue amounts are small. To bridge the gap, the Committee is also considering a 5.5 cent/gallon adjustment to the motor fuels excise to restore purchasing power lost since the rate was last adjusted in 1993, plus subsequent indexing of the rate to the CPI. ARTBA wholeheartedly supports this approach.

There have been suggestions that, in lieu of an increase in user fees, revenues to increase federal investment in highways and mass transit be raised by issuing bonds – that is, by borrowing the money. Some find this an attractive idea. But before Congress considers such a sweeping change in the financing of surface transportation investment, it should pay attention to the observations presented in an excellent article by Dr. Martin Wachs, Carlson Distinguished Professor of Civil & Environmental Engineering at the University of California, Berkeley, titled "A Dozen Reasons for Raising Gasoline Taxes." Dr. Wachs writes:

"In the end, borrowed money is not really revenue at all, because it must later be repaid using revenues from taxes or user fees. In addition to repaying the borrowed funds, the state must bear the cost of interest, which, if funds are held for 20 or 30 years, often exceeds the value of the principal."

A copy of Dr. Wachs article is attached to my statement.

Consequences of Inadequate Investment. Let me turn to another issue, the economic consequences of failing to meet our highway and transit needs.

Highway and Bridge Conditions. The *2002 Conditions and Performance Report* is very clear about the consequences of failing to increase highway investment—highway conditions will deteriorate substantially. The average quality of highway pavements will deteriorate by 26 percent by 2019 at the current level of highway investment, while the backlog of structurally deficient or functionally obsolete bridges—currently over 160,000 bridges—will likely grow by a similar amount.

Safety. Safety conditions will also deteriorate. The National Highway Traffic Safety Administration projects that traffic fatalities will increase from 42,000 per year currently to more than 50,000 per year by the end of the decade without further increases

in highway safety investment. Increasing the use of safety belts and reducing the incidence of drunk driving will help reduce fatalities, but highway conditions are implicated in one-third of all highway fatalities each year, which can only be cut by investing in highway improvements.

According to a recent report from the National Highway Traffic Safety Administration, highway crashes cost $230 billion each year, including hospital costs, lost productivity and wages, legal costs, property damage and a host of related costs. One-third of this is $75 to $80 billion, or more than double the annual federal investment in highway improvements. Highway crashes are one of the most serious public health issues in the United States. Highway crashes are the number one killer of young people under the age of 25. Congress should not ignore the safety consequences of highway investment when setting funding levels in TEA-21 reauthorization.

Congestion and Mobility. Finally, at the current level of highway investment, congestion will inevitably get worse. The U.S. DOT report calculates that failure to increase highway investment will reduce average highway speeds by 2 miles per hour by 2019, raise the amount of travel under congested conditions from 33 percent today to 36.4 percent and increase annual delay from 31 hours per capita to 36 hours.

Congestion is already having a serious economic impact. According to the Texas Transportation Institute's *2002 Urban Mobility Report*, traffic congestion in the nation's 75 largest cities costs an annual average of $67.5 billion, including the cost of 3.6 billion hours of delay and 5.7 billion gallons of wasted fuel.

A recent study by ARTBA based on data from the Census Bureau's latest *Commodity Flow Survey* showed that more than three-quarters of the value of all freight traffic in the U.S. is transported by truck. During the 1980s and 1990s, many U.S. businesses adopted the "just-in-time" delivery system, which freed up billions of dollars of warehouse and inventory funds for more productive investments. Congestion threatens to undo these gains to the detriment of our economic growth.

And there is growing evidence that congestion is impairing small business growth. Many small businesses in urban areas have cut growth plans because they can't work around the congestion, while management time is being absorbed by logistical problems at the cost of growth. Tax cuts will not stimulate growth in areas where highway congestion is the limiting factor.

There are social and health consequences to congestion as well, including the impact on family life, the amount and quality of time parents get to spend with their children, and the impact on health of the stress of driving under congested conditions.

The proposal by the bipartisan leadership of the House Transportation and Infrastructure Committee will address these problems. It will also have a powerful stimulative impact on the economy. A study of the Committee proposal by Global Insight, Inc. (formerly DRI-WEFA) found that the highway and transit investment and

fuel tax increase would together generate $290 billion of Gross Domestic Product over the next six years, for a return of more than $2.80 of additional output for every federal dollar invested. It would generate a net gain of over $800 per household of disposable income after paying the increased motor fuels tax, as well as more than $100 billion of federal income and payroll tax revenues.

Conclusion. With an ever-growing U.S. population and, hopefully, an ever-growing U.S. economy to sustain and improve American quality of life, saying as we enter the 21st Century that "our priority now should be just maintaining the transportation infrastructure that we already have" or "we can't afford to invest more in new transportation capital assets" is like saying "America can't afford to defend itself anymore—the planes and tanks we used in World Wars I and II can serve all our needs if just maintain them."

Those people are wrong. Transportation investments, like defense investments, are what ensure America will be strong now… and in the future. It's an investment for our children and grandchildren.

In summary, Mr. Chairman, there are many ways in which the private sector can help finance investment in transportation infrastructure, and ARTBA has been a leader in supporting public-private partnerships. The federal responsibility for supporting investment in highways and transit, however, cannot be ignored. A minimum federal investment of at least $270 billion will be needed during the next six years just to maintain current conditions on our nation's highways. An additional federal investment of about $50 billion is necessary to maintain the nation's mass transit systems. The bipartisan leadership of the House Committee on Transportation and Infrastructure has developed a bold proposal to meet those goals. We urge the Congress to enact that plan. We also encourage the Congress to include the TIFIA, SIB, and toll road revisions we propose in the TEA-21 reauthorization legislation.

That concludes my remarks. Again, ARTBA appreciates your invitation to testify this morning. I would be happy to answer any questions.

Committee on Transportation and Infrastructure – Majority Summary*
U.S. Department of Transportation's
2002 Report to the U.S. Congress on the Nation's Highway and Transit System
Performance Levels, Physical Conditions and Annual Investment Requirements

The U.S. highway and bridge network and transit systems are the nation's economic lifeline. The mobility these systems facilitate impact American quality of life daily. It is for these reasons—and others, like emergency response and evacuation—that this critical network must be vigilantly repaired, maintained and expanded to meet the needs of a growing U.S. population and economy.

The U.S. Department of Transportation (USDOT) is required by law to prepare a biennial report for Congress on the needs of the Nation's highway and transit systems and the financial investments necessary to meet them. The most recent report was published in 2002[1]. It is based on Year 2000 data collected from state and local transportation departments and agencies. The report offers a sobering assessment for those concerned about highway-related public health issues, homeland security and American productivity: **"Capital investment by all levels of government between 1997 and 2000 remained below the 'Cost to Maintain' level. Consequently, the overall performance of the system declined."**

Data in the report also show:

- **The number of Americans killed annually in motor vehicle crashes remained virtually unchanged from 1997-2000, at just under 42,000**—the equivalent of a commercial airliner crashing and killing 225 passengers almost every other day. Motor vehicle crashes now **cost the American economy $230 billion a year** in lost productivity, medical expenses and property damage.
- **Traffic congestion affects 33 percent of all travel on America's major roadways and currently costs the U.S. economy $67.5 billion annually in lost productivity and wasted motor fuel**. The average "rush hour" grew more than 18 minutes between 1997 and 2000, robbing time from working Americans and increasing transportation costs for U.S. business, contributing to reduced profits and higher consumer prices.
- **More than 160,000 miles of highway** on the federal-aid system (18%) are in "poor" or "mediocre" condition and need repair, replacement or resurfacing. **162,000 U.S. bridges** (29%) are either "structurally deficient" or "functionally obsolete." (See attached for state data.)
- **Transit infrastructure and rail rolling stock** are also losing ground: 36 percent of the Nation's urban rail vehicles and maintenance facilities and 29 percent of the Nation's bus fleet and maintenance facilities are in substandard or poor condition.

US DOT's report states that just maintaining the Year 2000 highway and transit performance levels and physical conditions noted above would require a 20-year financial investment of $90.7 billion per year by all levels of government—federal, state and local. Making all economically justified improvements to the system, the agency reported, would require a 20-year combined investment of $127.5 billion per year. These figures, however, understate the magnitude of the problem.

To determine the "real world" investment requirement necessary over the anticipated six-year TEA-21 reauthorization period, the Committee on Transportation & Infrastructure asked the USDOT to recalculate the needs estimates applying three critical assumptions that were not factored into the original presentation to Congress. They are: (1) the projections for annual inflation assumed in the President's FY 2004 budget request to Congress; (2) adding an additional percent to the total to reflect the average historic federal cost to administer the program; and (3) assume that the federal share of total government investment through FY 2010 would remain at the average federal share over the past decade. Recalculating with these assumptions produced the following results:

Annual Federal Share of Total Investment Requirement Needed…	Highways/Transit
To Maintain Year 2000 System Performance & Physical Conditions	$53.6 billion
To Begin Making Significant Improvement to the System	$71.9 billion

These adjusted numbers underscore the $375 billion, six-year TEA-21 reauthorization highway and mass transit program investment that has been proposed by the T&I Committee.

Total investment, by ALL levels of government, on highway system improvements during 2000 was only $64.6 billion—almost 18 percent less than the "cost to maintain" investment requirement and 65 percent less than the investment necessary to make significant safety, mobility and physical improvements. The investment in mass transit was just over $6 billion. The U.S. Department of Transportation has quantified a serious—and growing—investment shortfall in the nation's vital surface transportation network.

* Prepared by T&I Majority Staff
[1] 2002 Status of the Nation's Highways, Bridges and Transit: Conditions & Performance Report to Congress. U.S. Dept. of Transportation. December 2002.