

TESTIMONY OF

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BEFORE THE

SUBCOMMITTEE ON TRANSPORTATION AND HOUSING AND URBAN

DEVELOPMENT, AND RELATED AGENCIES

OF THE

SENATE COMMITTEE ON APPROPRIATIONS

ON THE STATUS OF THE HIGHWAY TRUST FUND AND ITS IMPACT

ON PUBLIC TRANSPORTATION

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SUBMITTED BY

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APTA is a nonprofit international association of over 1,500 public and private member organizations including transit systems and commuter rail operators; planning, design, construction and finance firms; product and service providers; academic institutions; transit associations and state departments of transportation. APTA members serve the public interest by providing safe, efficient and economical transit services and products. Over ninety percent of persons using public transportation in the United States and Canada are served by APTA members.

INTRODUCTION

Chairman Murray, Ranking Member Bond and members of the subcommittee, I thank you for the opportunity to testify today on behalf of the American Public Transportation Association (APTA), to provide the perspective of the public transportation industry on the status of the highway trust fund. My name is Bill Millar, and I am the President of APTA.

ABOUT APTA

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THE STATUS OF THE HIGHWAY TRUST FUND

Madam Chairman, the Highway Trust Fund was created by Congress in 1956 to provide a dedicated revenue source for the federal government to build the interstate highway system. In 1982 Congress enacted legislation that was signed into law by President Reagan that created the mass transit account of the highway trust fund, which provides a dedicated source of revenue for public transportation. Funded primarily by the motor fuels user fee, the trust fund has provided a steady stream of revenue to fund critical capital surface transportation projects in America for more than five decades.

The federal gas tax is currently set at 18.4 cents per gallon, and of that, 2.86 cents is dedicated to the mass transit account. The mass transit account of the highway trust fund has served as a dependable funding source for the federal transit program for over 25 years. Revenues generated from the highway user fee have allowed for a steady growth in federal capital investment in public transportation. Currently, approximately 80 percent of the federal dollars invested in public transportation come directly from the trust fund. This reliable funding mechanism has provided predictable and guaranteed investment in transit, allowing for not only large scale capital transit projects throughout the country, but also important smaller scale transit investments.

Unfortunately, the future of the highway trust fund is in jeopardy. Receipts from the highway user fee are not generating sufficient revenue to sustain the current level of federal investment in the surface transportation program. While Congress has periodically approved modest increases for federal investment in surface transportation, it has not approved an increase in the user fee since 1993. Recent Congressional Budget Office projections show that by the end of Fiscal Year (FY) 2009, without intervening action by Congress, the highway account of the trust fund will no longer be solvent. Those same projections show that the mass transit account will be insolvent by FY 2012. Without sufficient revenues in the trust fund, Congress will not be

able to continue to sustain current levels of federal investment in surface transportation, and insolvency will make future growth in the federal program impossible. This is bad news at a time where increased investment in our nation's transportation infrastructure is critical. One only needs to look at the collapse of the 1-35 bridge in Minnesota to realize the importance of maintaining and growing federal investment in the surface transportation program.

In its recent report on the status of the surface transportation program in America, the National Surface Transportation Policy and Revenue Study Commission noted that a good transportation infrastructure is essential to the nation's economic health, and we need to invest more to both preserve the current aging system and to expand and improve our transportation infrastructure to meet the demands of our growing population. The report recommends that an immediate increase in the highway user fee is necessary to restore the purchasing power of the trust fund, and it should be indexed to account for future inflation. APTA agrees with those conclusions, and calls on Congress to make the necessary increase as it considers the next surface transportation authorization legislation next year.

Since there has been no increase in the motor fuel tax since 1993, inflation has steadily eroded the purchasing power of the highway trust fund. In addition, recent studies by the U.S. Department of Transportation on price trends for construction show that increases in construction costs have outpaced inflation, further weakening the ability of the trust fund to meet investment needs. The original purchasing power of the gas tax must be restored to allow for growth in the federal investment in our nation's surface transportation infrastructure.

SHORT TERM SOLUTIONS

While Congress will have the opportunity to address the long term stability of the trust fund in the next authorization bill, more immediate action is needed to prevent the insolvency of the highway account in Fiscal Year 2009. A short term solution is to ensure that revenues are available for Congress to appropriate the guaranteed and authorized levels in SAFETEA-LU for the highway program. APTA supports full funding of the highway program in Fiscal Year 2009, but we strongly oppose the Administration's short sighted proposal to raid the mass transit account to cover the short fall.

The President's budget, released in early February, proposes to allow transfers of balances in the mass transit account into the highway account to cover projected short falls that occur before the end of FY 2009. The Administration estimates that this will result in a transfer of up to \$3.2 billion out of the mass transit account. As I wrote to this Subcommittee a month ago, we urge Congress to reject the Administration's proposal. Concern over the projected insolvency of the highway account does not justify the proposed transfer. Not only is this a temporary fix for the highway account, but it jeopardizes public transportation investment by hastening the insolvency of the mass transit account. Absent new revenues for transit, this would preclude funding the transit program at even current levels by Fiscal Year 2010. The tens of millions of Americans who depend on public transportation should not be penalized, especially when there are other alternatives to meeting highway funding needs in FY 2009. While it is important to fix the federal highway account, robbing Peter to pay Paul is not the way to go. The

President's short-sighted transportation policy "fix" is irresponsible and flies in the face of common sense. With more than 10 billion trips taken on public transportation annually, public transportation's growth rate outpaced the growth rate of the population and the growth rate of vehicle miles traveled on our nation's roads over the past twelve years. This irresponsible proposal has also been opposed by American Association of State Highway Transportation Officials (AASHTO), the U.S. Chamber of Commerce's Americans for Transportation Mobility (ATM), the American Road and Transportation Builders Association (ARTBA), and the Association of General Contractors (AGC), to name only a few.

The Senate Finance Committee has proposed legislation that would prevent the insolvency of the highway account in FY 2009, without borrowing funds from the mass transit account. APTA supports this proposal and we urge Congress to adopt it as soon as possible.

FY 2009 TRANSPORTATION AND HOUSING AND URBAN DEVELOPMENT APPROPRIATIONS BILL

I also want to take this opportunity to comment briefly on the President's funding request for public transportation in FY 2009. APTA is disappointed that the Bush Administration's budget request would fund federal transit programs in FY 2009 at \$202.1 million less than the levels authorized and guaranteed in SAFETEA-LU. As your subcommittee works to adopt the FY 2009 Transportation and Housing and Urban Development Appropriations bill, we urge you to reject this proposed cut and to provide full funding for the public transportation program at \$10.3 billion, as authorized in SAFETEA-LU. The \$10.1 billion the president proposes for public transportation does not come close to addressing current transit capital needs, let alone the costs of a growing public transit system that meets growing demands for more public transportation. Ironically, failure to adequately fund the federal transit program will push more public transportation riders onto already congested roads making matters worse for road users.

Adequately funding public transportation is an important action that benefits all Americans and meets many of our nation's national priorities. Public transportation helps Americans save money and is a key strategy in helping conserve energy, minimize climate change and reduce highway congestion. A household that uses public transportation saves more than \$6,200 every year, compared to a household with no access to public transportation. This amount is more than the average household pays for food each year. Using public transportation is also one of the quickest ways that people can help our country become energy independent since using public transit saves 4.26 billion gallons of gasoline every year (the equivalent of 324 million cars filling up or almost 900,000 gallons per day). Using public transportation is also more effective at reducing greenhouse gases than environmentally friendly household activities which everyone should do, such as home weatherizing, changing to efficient light bulbs, and using efficient appliances.

The Bus and Bus Facilities Program and Urban Congestion Initiative

I would also like to express my gratitude to this subcommittee for including a provision in the FY 2008 Omnibus Appropriations bill that limits the Federal Transit Administration

(FTA) from spending more than 10 percent of Bus and Bus Facilities Program funds on congestion pricing initiatives. We urge the subcommittee to continue to protect these funds by adopting a similar provision in the FY 2009 THUD bill. As you know, in FY 2007, Congress did not allocate Bus and Bus Facilities Program funds, and instead gave the funds to the FTA to distribute to transit agencies to address capital needs. We were disappointed that the U.S. Department of Transportation (U.S. DOT) decided to allocate virtually all of these funds to its Urban Partnership Congestion Initiative (UPCI). While members of APTA recognize the potential benefits of projects funded under the UPCI, we do not believe that these projects should be funded at the expense of much needed capital investment for buses and bus facilities across the nation. Numerous transit systems, both large and small, depend on this federal capital assistance to replace aging buses, expand bus fleets to meet growing service demands, and address needs for vehicle maintenance and fueling facilities.

New Starts Rule

We also appreciate the subcommittee's inclusion of language in the FY 2008 Omnibus Appropriations bill that prohibits the FTA from finalizing its Notice of Proposed Rulemaking (NPRM) for the New Starts and Small Starts program. Simply put, the NPRM is unacceptable to the transit industry, and does not sufficiently follow guidance provided by SAFETEA-LU. For example, the proposed rule does not sufficiently consider the benefits of economic development and land use criteria in its project approval rating process, and does not effectively simplify the Small Starts approval process. The provision adopted by Congress to prevent FTA from finalizing this NPRM expires at the end of the Fiscal Year on September 30, and we urge the subcommittee to extend the prohibition prior to its expiration.

CONCLUSION

I thank the subcommittee for allowing me to share my views on the status of the highway trust fund and FY 2009 transit appropriations issues. We look forward to working with the subcommittee to take necessary steps to ensure the future solvency of the trust fund, so that we can meet the investment needs of our surface transportation system. We urge Congress to reject the Administration's short-sighted proposal to raid the mass transit account of the highway trust fund to cover the projected short-fall in the highway account in FY 2009, and instead urge this subcommittee to support the common sense proposal to solve this problem that is being advanced by the Senate Finance Committee. Finally, we urge the subcommittee to fully fund the transit program in FY 2009 at the level authorized and guaranteed in SAFETEA-LU, and to renew provisions that ensure that transit funds are spent in accordance with the authorizing statutes.