



Special Report

Commission Releases Major Transportation Overhaul Proposal

The National Surface Transportation Policy and Revenue Study Commission unveiled its 258-page report to Congress at a January 15 Washington, D.C., press conference. The commission is one of two congressionally chartered entities created in SAFETEA-LU to develop recommendations for Congress on how to best meet the nation's surface transportation needs.

The report crystallizes the major issues facing the 2009 reauthorization of the federal surface transportation program and is a call to action on the immediate need to begin addressing the nation's growing transportation challenges.

In many ways, the Commission report echoes the ARTBA SAFETEA-LU Reauthorization Task Force report's call and suggested approaches for refocusing, restructuring, reforming, refinancing the federal surface transportation programs.

Summary of Report

The report includes a comprehensive documentation of the nation's vast surface transportation challenges, including an assessment that the nation's unmet annual surface transportation needs total in the range of \$225- to \$340-billion. Bridging this gap, the Commission believes, would produce improvements in the physical condition and performance of all modes of surface transportation. The Commission's financing recommendations are based on this needs assessment and assumes the historic 40 percent federal share of these investments.

The Commission recommends completely restructuring the existing federal surface transportation program to become "performance-driven, outcome-based, generally mode-neutral and refocused to pursue objectives of genuine national interest." In replacement of the existing programs would be 10 functional programs:

- Rebuilding America—to upgrade existing transportation facilities
- Global Competitiveness—to ensure the efficient movement of freight
- Metropolitan Mobility—to relieve congestion in major urban areas
- Connecting America—to provide rural connectivity
- Intercity Passenger Rail—to develop regional passenger rail networks
- Highway Safety—to help reduce traffic fatalities
- Environmental Stewardship—to mitigate transportation's impact on the natural environment
- Energy Security—to promote alternative fuel development
- Federal Lands—to provide public access on federal property
- Research & Development—to ensure a national research program

The Commission calls for stakeholders in each of these areas to develop plans to meet performance objectives. The performance objectives and development/implementation of these

plans would be coordinated by a new independent commission, the National Surface Transportation Commission (NASTRAC).

NASTRAC would also identify the federal investment share of this national surface transportation plan and recommend a financing proposal. As this new structure would be mode neutral, the Commission proposes to allow Highway Trust Fund revenues to be used for all surface transportation projects, including passenger and freight rail activities. It should be noted, however, the Commission also endorses a series of new freight and passenger rail fees that presumably would be deposited in the fund. The Commission also recommends changing the Highway Trust Fund's name to the Surface Transportation Fund. Under the Commission's proposal, Congress and the President would be given an opportunity to reject or accept the NASTRAC transportation plan and financing proposal.

While the current program structure is being transitioned to the NASTRAC programmatic and financing process, the Commission recommends immediate action to begin generating the revenue to meet the nation's transportation needs. The Commission calls for action in 2008 to ensure the solvency of the Highway Trust Fund and ensure SAFETEA-LU's FY 2009 funding commitments are delivered. The Commission endorses a number of options to achieve this goal, including the proposal from Senate Finance Committee Chairman Max Baucus (D-Mont.) and Ranking Republican Charles Grassley (R-Iowa).

To achieve the Commission's short-term investment goals, the report proposes to increase the federal motor fuels user fee annually by five to eight cents per gallon over the next five years. Under this proposal, the cumulative increase would be between 25 to 40 cents per gallon and the revenues necessary to begin improving the system would be generated. The motor fuels user fee would then be indexed to inflation following this ramp-up period. The Commission also endorses other financing alternatives, including congestion pricing, tolling, public-private partnerships and freight-based user fees. Furthermore, the report recognizes the need for states to increase their surface transportation investment levels.

For the long-term, the Commission is calling for a study to guide the transition from a fuel tax supported system to a vehicle miles tax financing mechanism by 2025. This would ensure that revenues would be generated commensurate with system use and irrespective of the type of vehicle or fuel utilized.

In addition to its program structure and financing recommendations, the Commission recognizes the environmental review and approval process for transportation projects has become overly cumbersome and results in increased project costs. To combat these inefficiencies, the Commission recommends addressing two areas in the short-term: eliminating redundancies in the National Environmental Policy Act (NEPA) process; and streamlining the lengthy permitting processes. The Commission's recommendations center around resolving problems earlier in the NEPA process and reducing the overall amount of paperwork involved.

Minority Report

The report includes "Minority Views" from Commission Chair and U.S. Transportation Secretary Mary Peters and Commissioners Maria Cino and Rick Geddes (both Bush Administration appointees). They disagree with the majority views regarding the size and scope of the future federal role in guiding and helping finance the nation's surface transportation

programs. They suggest the federal role should be limited to maintaining the existing Interstate Highway System, helping relieve freight “bottlenecks” and encouraging states to adopt market-based approaches to financing highway investments. In particular, they argue that an increase in the federal motor fuels excise is unnecessary to meet the nation’s transportation needs.

ARTBA Priorities

ARTBA leaders and staff have worked closely with members of the Commission throughout their deliberations. Then ARTBA Chairman Mike Walton, of the University of Texas at Austin, testified before the Commission at a field hearing in New York City during November 2006 and ARTBA First Vice Chairman Charles Potts, CEO of Heritage Construction & Materials, testified before the Commission at a Washington, D.C., hearing in March of 2007. Both leaders highlighted the recommendations of the ARTBA SAFETEA-LU Reauthorization Task Force, which were finalized in January of 2007. Former ARTBA Chairman Gene McCormick, of PB, and ARTBA Vice President of Economics and Research Bill Buechner served on the Commission’s “Blue Ribbon Panel of Transportation Experts.”

Like the Commission report, ARTBA is specifically advocating restructuring the federal surface transportation program to achieve major national objectives. This vision includes two major components largely endorsed by the Commission:

- Increasing core federal surface transportation investment to the level documented by the U.S. Department of Transportation’s needs assessment. ARTBA has specifically proposed increasing the federal motor fuels tax and indexing the tax to support these investments. ARTBA’s recommendations also endorse tolling, public-private partnerships and other innovative financing mechanisms to generate new transportation revenues. ARTBA’s SAFETEA-LU reauthorization recommendations specifically call for a transition to vehicle mileage tax to finance transportation improvements in the long-term;
- Creating a new federally-led, performance-driven program, the Critical Commerce Corridors (3C) Program, to build the transportation system capacity necessary to ensure the safe, secure and efficient movement of freight throughout the U.S. ARTBA’s 3C program calls for financing these investments through new freight-related user fees and creating new budget “firewalls” to ensure these revenues are dedicated to freight improvement projects.

In addition to these major objectives, a number of other specific ARTBA recommendations were endorsed in the Commission report, including:

- Establishing a “state maintenance of effort” requirement to ensure all levels of government are investing appropriately to address the nation’s transportation needs;
- Limiting the number of “alternatives” that must be considered in the transportation planning process to reduce project delivery times and setting time limits on environmental reviews;
- Expediting the environmental review process for projects with minimal environmental impacts; and
- Increasing federal investment in transportation research and ensuring research projects are based on merit.

Next Steps

Commissioners will present their report to member of the House Transportation and Infrastructure Committee at a January 17 hearing. The Senate Environment and Public Works Committee will hold a similar hearing January 23.

While the coming days will include significant debate between the Commissioners over the majority and minority views, it is important to note all Commissioners clearly recognize the need to increase surface transportation infrastructure investment. While Commissioners may differ over how these investments are financed, the Commission's report provides a solid foundation for the 2009 federal surface transportation program reauthorization debate.

A copy of the Commission's report is available at www.transportationfortomorrow.org.