

The Council of State Governments

Intergovernmental Affairs Committee

Statement of Intergovernmental Policy: Transportation

Overview: The transportation needs of this country are growing. There is increased congestion, an increased demand for public transportation and increasing fuel costs. This increased demand on the transportation system has led to an increased strain on states' budgets as they also try to fund escalating costs for healthcare and education. By 2009, it is expected that funds for the Highway Trust Fund will be depleted. The current transportation authorization bill, Safe, Accountable, Flexible, Efficient Transportation Act- A Legacy for Users (SAFETEA-LU) will also expire in 2009. The Council of State Governments (CSG) recognizes the pivotal role transportation plays in state budgets and the impact transportation expenditures have shaping the economic development of both urban and rural areas. This statement of policy outlines CSG's concerns as Congress pursues upcoming legislation on transportation policy, with emphasis on the following areas:

- Any federal transportation legislation must contain a clearly articulated vision for an overall national system, while at the same time allowing states to achieve integrated and coordinated transportation solutions reinforcing and complimenting basic community and statewide goals.
- Any federal transportation legislation must reauthorize Amtrak at levels that will allow Amtrak to meet increased demands for service and also support partnerships between Amtrak and the states.
- Any federal legislation must contain sufficient funding to maintain the current surface transportation network and expand it to meet anticipated demands throughout the period covered by such legislation.
- Any federal transportation legislation must take into account the need for rail transportation augmentation to expand passenger rail service and enhance regional rail corridors.
- Any transportation legislation should build upon state and local government capacity to utilize innovative financing and contracting tools so states can effectively utilize public-private partnerships.

Surface Transportation Funding:

The federal highway program faces a funding crisis in 2009. The Congressional Budget Office estimates that highway trust fund revenues will be depleted by 2009, with a shortfall of \$200 million in revenue. This shortfall would require a reduction in highway program expenditures totaling about \$800 million. If the Highway Trust Fund approaches a negative balance and Congress has not acted, it is likely that the Department

of Transportation will make cuts to its obligation levels, which will reduce the amounts available for state transportation funding.

Ninety percent of the revenue supporting the highway trust fund comes from fuel taxes. Federal gas rates have remained the same since 1993, with the current Federal gasoline tax at 18.4 cents per gallon. More than half of this amount, 15.44 cents, is dedicated to the Highway Trust Fund. The tax rate on diesel fuel is 24.4 cents, of which 21.44 cents is deposited into the Highway Account.

At the same time as stagnant federal gas tax rates, prices for steel, concrete, petroleum and construction have increased dramatically from 2004 to 2007. In order to maintain the federal highway program at its current level, federal fuel taxes will have to be altered in some fashion to increase revenue.

In order to best serve the infrastructure needs of our states, stable funding from Congress is critical. We urge Congress to fully fund authorized programs and to also appropriate funds for these programs in a timely fashion. Congress should identify adequate and reliable sources for the Highway Trust Fund to ensure that the surface transportation system will continue to serve the ever growing needs of this country. We support flexible, innovative and alternative financing schemes that support the goals of the states, and will allow states to use these funds in manners that best work for the individual state. We also support legislative proposals that would provide federal highway funding in a consistent manner to facilitate long-range planning on all levels of government.

The balances in the Highway Trust Fund should be continued to be spent down as needed. Interest generated by Trust Fund accounts should be dedicated for the trust fund. We urge Congress to take the necessary corrective steps to ensure that the Highway Trust Fund will not reach a negative balance prior to the expiration of the current transportation bill.

Rail Transportation:

There are many benefits to creating a modern, efficient passenger rail system. State support of intercity rail has been critical to alleviating congestion, reducing environmental concerns and increasing state economic development.

We urge Congress to provide a dedicated source of funding for rail service. Passenger rail is unique because it receives no source of dedicated federal funding. Currently, states investing in passenger rail do not have a federal funding partner and consequently, investments in this area have been hampered. In order to grow this mode of transportation, states need a federal commitment to fund rail transportation.

We urge Congress to provide operating and capital support for short and long-distance rail systems, as well as to support state efforts for the implementation of new and improved intercity and regional passenger rail. Enhanced rail system can prove to be a viable alternative to highway and air systems.

AMTRAK Reauthorization:

Amtrak plays a key role in providing a viable, energy-efficient mode of transportation. However, Amtrak's viability has been in jeopardy the past few years. There have been recent attempts to zero out funding for Amtrak, but each time, these attempts have failed. The Administration's Fiscal Year 2008 budget proposal cut Amtrak funding from \$1.3 billion to \$900 million. In order for Amtrak to cover operating losses on service that it provides to its 24 million passengers, Amtrak will need to ask Congress for an average of \$1.7 billion a year through 2009. Amtrak's opponents have pushed for privatization, which will likely leave states with the financial burden of picking up the former federal expenditures for this mode of transportation.

The last time that Amtrak was reauthorized was 1997. Recently, a bill was introduced to reauthorize Amtrak for six years (S. 294 -- the Passenger Rail Investment and Improvement Act). This legislation would provide capital improvement grants to the states and require Amtrak to make railroad security improvements. The bill would fund Amtrak at \$19.2 billion over six years. The bill requires several reforms which are intended to reduce Amtrak's operating costs by 40 percent over six years, such as the creation of a new financial accounting system, initiation of customer service quality standards to address on-time performance and cost recovery measures. Under this proposal, states would be required to match funds for intercity rail capital investments. We support legislation that would reauthorize Amtrak at a level to maintain current service, provide sufficient funding for capital improvements and provide adequate funding for long distance train service.

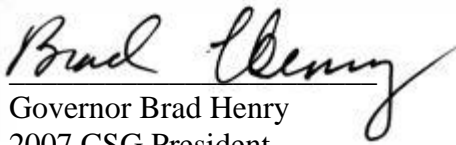
We also support partnerships between Amtrak and states to help states create their own rail passenger services. Increased funding is needed for Amtrak to be able to meet the demands for increased intercity and regional rail passenger service, such as the heavily traveled Northeast Corridor and the Pacific Coast region.


Public Private Partnerships:

Another issue of concern to state and local governments is the increased use of public-private partnerships (PPPs) to fund local transportation projects. PPPs have taken various forms, including the increased use of toll roads and the use of tax-exempt municipal bonds. Recently, lawmakers in the House Transportation and Infrastructure Committee have warned states to proceed with caution in entering into such agreements that involve highways because these arrangements may not fully protect the public interest. Lawmakers specifically warned against projects that improve select segments of the surface transportation network, but do little to improve the integrity of the national system.

While PPPs have proven to be successful funding alternatives for specific localities, we support increased federal funding as an alternative so localities will not have to depend entirely on PPPs in order to initiate or complete needed transportation projects.

Adopted this 13th day of June, 2007 at the
CSG Spring National Committee and Task Force Meetings
In Puerto Rico


Governor Brad Henry
2007 CSG President


Representative Deborah Hudson
2007 CSG Chair