

**STATEMENT OF
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SECRETARY OF TRANSPORTATION
BEFORE THE
COMMITTEE ON ENVIRONMENT & PUBLIC WORKS
U.S. SENATE
HEARING ON THE NEED FOR TRANSPORTATION INVESTMENT

MARCH 25, 2009**

Chairman Boxer, Ranking Member Inhofe, and Members of the Committee, thank you for holding this hearing to discuss transportation investment needs. Today, I will focus primarily on the funding required to maintain and improve the condition and the performance of our Nation's highway system.

America's transportation systems are the lifeblood of our economy and when properly maintained and supported can be a catalyst for economic growth. These systems allow people to get to jobs and allow businesses to access wider pools of labor, suppliers, and customers. The ability to efficiently move freight will be critical to our economic recovery. Without efficient transportation routes, economies stagnate. We need to protect, preserve, and invest in our transportation infrastructure to ensure it can meet our present and future demands. Above all, we must make our roadways safe for all travelers. Where public safety is concerned, there is no room for compromise.

INFRASTRUCTURE INVESTMENT NEEDS

As you know, less than one month after taking office, on February 17, 2009, President Obama signed into law the American Recovery and Reinvestment Act of 2009 (ARRA). I want to thank Congress for its support in adopting this important legislation, and in particular for the vital transportation funding that it provides to both help bring about economic recovery and make lasting investments in our infrastructure. I would also like to thank Senator Boxer and Senator Inhofe for their leadership in working with the Appropriations Committee to craft the highway funding portion of this bill.

The resources made available for transportation infrastructure through ARRA are significant and a good start on what we need to do to address some of our most significant challenges: reducing the tens of thousands of transportation-related fatalities each year, reducing the impact of our transportation sector on the environment, improving our existing highway and bridge infrastructure, ensuring mobility and transportation choices for travelers in congested metropolitan regions, and preparing our transportation systems for future growth in commerce. These needs will continue to exist long after the recovery funds are expended, and dealing with them will result in the creation and preservation of many jobs for years to come.

Without renewal and restoration, our transportation infrastructure will not be able to support the needs of a growing economy. That is why now—perhaps more than

ever—it is critical and timely that we address our aging infrastructure: bridges, pavement, tunnels, retaining walls, culverts, and signs. Nationally, our bridges are on average 44 years old. Significant portions of our National Highway System (NHS) are nearing the end of their useful life, including much of the Interstate Highway System, some of which is already over 50 years old. These key transportation assets must receive critical attention over the next few years.

We must devote resources to not only preserve and improve our existing assets, but also to increase the capacity of our networks to efficiently move goods and people, using new construction where needed, innovative technology, and operational improvements. Transportation agencies must make decisions based on asset management concepts and principles in order to maintain our existing infrastructure, while we continue to address the need for new facilities and transportation options. These asset management tools provide a framework for making cost-effective decisions that enhance service at reduced cost over a facility's life.

CONDITIONS AND PERFORMANCE REPORT

Section 502(h) of title 23, United States Code, requires the Secretary of Transportation to submit to the Congress every two years a report that describes “estimates of the future highway, transit, and bridge needs of the United States” and “the backlog of current highway, transit, and bridge needs.” This is the “Status of the Nation’s Highways, Bridges and Transit: Conditions and Performance” report, commonly known as the Conditions and Performance (C&P) Report. The 2006 C&P Report was the eighteenth in the series, which dates back to 1968. Since 1993, the Federal Highway Administration (FHWA) has partnered with the Federal Transit Administration (FTA) to produce a C&P Report that contains both highway and transit data.

While awaiting the release of the 2008 edition of the C&P Report, we can draw some conclusions about the conditions and performance of the Nation’s highway and bridge infrastructure based on data published in the 2006 edition of the report.

Placing 2006 C&P Findings into Context

At the heart of the C&P Report are a series of highway, bridge, and transit investment/performance analyses examining the potential impacts of alternative levels of future combined public and private capital spending for a 20-year period. While this 2006 report examined a range of alternative funding levels for highways and bridges, two illustrative scenarios were selected for further exploration and presentation in more detail. The Cost to Maintain Highways and Bridges scenario was designed to show the investment required to keep future indicators of conditions and performance at current levels, based on long-term projections of future highway use. The Maximum Economic Investment (Cost to Improve) Highways and Bridges scenario was intended to define the upper limit of cost-beneficial national investment based on engineering and economic criteria. It is important to note that the report does not endorse either of these scenarios, and does not address questions as to what future Federal transportation programs should

look like, or what level of future surface transportation funding can or should be provided by the Federal government. Nor does it assess whether it is practical or even possible to achieve the theoretical results posited in the report. The intent of this report is to provide the Congress with an objective appraisal of the current and potential future state of the Nation's highways, bridges, and transit, rather than to recommend a particular course of action.

It is also important to note that the future capital investment scenarios described in the 2006 edition of the Conditions and Performance report were stated in constant 2004 dollars, reflecting the costs of highway construction materials in that year. However, there have been significant increases in construction materials costs since 2004 that would affect the costs of achieving the goals identified for those scenarios. The FHWA Composite Bid Price Index increased by 43.3 percent between 2004 and 2006 due to sharp increases in the prices of materials such as steel, asphalt, and cement. While other relevant indices have shown smaller increases, it is clear that today's construction materials costs are at least 30 percent higher than those in 2004. For example, the Bureau of Labor Statistics Producer Price Index for Highway and Street Construction increased by 31.9 percent from 2004 to 2007; after peaking in July of 2008, as of February 2009 this index has fallen back to 2007 levels.

The average annual Cost to Maintain Highways and Bridges identified in the 2006 C&P Report was \$78.8 billion in constant 2004 dollars. If we factor in construction cost inflation of approximately 30 percent since 2004, the estimate of the average annual Cost to Maintain increases to at least \$100 billion. The estimated average annual Maximum Economic Investment level for Highway and Bridges was \$131.7 billion in constant 2004 dollars. If we adjust for estimated inflation since 2004, the average annual Maximum Economic Investment level increases to approximately \$170 billion. To put these numbers in perspective, the total amount spent by all levels of government for highway capital improvements was \$70.3 billion in 2004 and \$78.7 billion in 2006. This suggests that the gap between actual spending and the investment needed to maintain the conditions and performance of the Nation's highways and bridges has significantly widened since 2004.

The 2006 report also includes a set of supplemental analyses exploring alternatives for improving the future operation of the highway system, including accelerating the implementation of various operations strategies and intelligent transportation systems, as well as the widespread adoption of congestion pricing. The report found that applying variable tolls to all congested highways could reduce the need for highway capacity additions so that the Cost to Maintain the physical conditions and operational performance of highways and bridges at 2004 levels could, under certain scenarios, be reduced by 27.5 percent, and the Maximum Economic Investment level for Highways and Bridges could be reduced by 15.9 percent. This alternative analysis was presented as a hypothetical scenario, and did not attempt to fully explore the numerous technical issues and societal implications that would need to be addressed before implementing any such congestion pricing system. The 2006 report also did not project

the potential impact that highway congestion pricing might have on transit ridership and long term transit capital investment needs.

Infrastructure Conditions and Performance

Since enactment of the Transportation Equity Act for the 21st Century (TEA-21) in 1998, combined investment by all levels of government in highway and bridge infrastructure has increased significantly. Highway capital spending alone rose from \$48.4 billion in 1997 to \$78.7 billion in 2006, a 62.7 percent increase. However, recent sharp increases in highway construction costs have eroded the purchasing power of this investment; in constant dollar terms, capital spending fell by 4.4 percent over this period.

Over the last fifteen years, there has been a noticeable shift in the types of capital improvements made by State and local governments. During this time, State and local governments redirected their investments toward “system rehabilitation” projects (the resurfacing, rehabilitation, or reconstruction of existing highway lanes and bridges). The portion of capital investment going for system rehabilitation increased from 47.6 percent in 1997 to 51.3 percent in 2006, while the percentage directed towards system expansion (such as the widening of roads and the construction of new facilities) declined.

This increased system rehabilitation investment since 1997 has had a positive effect on the physical condition of key components of the Nation’s highway and bridge infrastructure. The NHS includes those roads that are most important to interstate travel, economic growth, and national defense. While the NHS makes up only 4.1 percent of total mileage, it carries 44.8 percent of total travel in the United States. The percentage of NHS vehicle miles traveled (VMT) on pavements with “good” ride quality rose from 39 percent in 1997 to 57 percent in 2006. The share of NHS VMT on roads with “acceptable” ride quality (a less rigorous standard that also includes roads classified as “good”) also increased over this period, from 89 percent to 93 percent.

Looking beyond the NHS, however, we find that pavement condition on other arterial and collector roads has not shown as much improvement. In urbanized areas, pavement condition has actually declined.

The number of NHS bridges classified as deficient declined from 33,558 or 26.1 percent in 1997 to 25,674 or 22.3 percent in 2006. Deficient bridges are “structurally deficient” or “functionally obsolete” or both. “Structurally deficient” means significant load carrying elements are found to be in poor or worse condition due to deterioration or damage, or the adequacy of the waterway opening provided by the bridge is determined to be insufficient to the point of causing overtopping with intolerable traffic interruptions. “Structurally deficient” does not mean the bridge is unsafe. Unsafe bridges are closed. “Functionally obsolete” means the deck geometry, load-carrying capacity, clearance or approach roadway alignment of the bridge no longer meets the criteria of the system of which they are a part. About three-quarters (19,337) of deficiencies on NHS bridges relate to functional obsolescence rather than to structural issues (6,337), as many NHS

bridges are narrower than current design standards would call for given the traffic volumes they currently carry.

The number of all bridges classified as deficient dropped from 190,703 or 32.7 percent in 1997 to 164,826 or 27.6 percent in 2006. Most of this decline was due to reductions in the number of structurally deficient bridges (from 102,040 to 75,378). Bridge deficiencies tend to vary by functional system; for example, the percentage of Interstate bridges classified as deficient is lower than the comparable percentages for bridges on collectors or local roads.

Despite improving conditions on many roads and bridges, operational performance has deteriorated since 1997. For example, a trip in 1997 that required 20 minutes during non-congested conditions required, on average, 24.6 minutes in the same year under congested conditions. In 2005, the same trip under congested conditions required 25.6 minutes, one additional minute. From 1997 to 2005, the estimated percentage of travel occurring under congested conditions rose from 24.9 percent to 28.7 percent. The average length of congested conditions increased from 5.9 hours per day in 1997 to 6.4 hours per day in 2002, but has remained constant at that level since 2002 (dipping slightly to 6.3 hours in 2007). The Texas Transportation Institute (TTI) estimates that drivers experienced over 4.2 billion hours of delay and wasted approximately 2.9 billion gallons of fuel in 2005. The cost of congestion has been estimated by TTI at \$78.2 billion per year (2005 dollars).

HIGHWAY TRUST FUND

A key challenge in addressing the needs I have outlined will be the availability of funding at the Federal level. An overarching concern for surface transportation funding is the status of the Highway Trust Fund.

The reports issued by the two Commissions established under the Safe, Accountable, Flexible, Efficient Transportation Equity Act: A Legacy for Users (SAFETEA-LU) make clear that we are at a crossroads in terms of future funding of the surface transportation system and programmatic improvements.

The funding levels set in SAFETEA-LU for fiscal years 2005 through 2009 were designed to spend down the accumulated balance in the Highway Account of the Highway Trust Fund and left the Account unable to sustain the highway programs into 2010. The sustainability issue became apparent when in 2008 the Highway Trust Fund required an \$8 billion transfer from the general fund in order to remain solvent. The current reduction in economic activity has only exacerbated the problem of sustainability for 2010, and we remain at risk of yet another cash shortfall in FY 2009.

This Administration inherited a difficult problem—a system that can no longer pay for itself. There simply is not enough money in the Highway Trust Fund to do what we need to do. We are looking at every option to solve this problem, but we will not be ready overnight.

As we approach the reauthorization of the surface transportation programs, we need to think outside the box, particularly as we search for sustainable funding mechanisms. The President's Budget proposes to expand and enhance existing Federal infrastructure investments through a National Infrastructure Bank designed to deliver financial resources to priority infrastructure projects, including highways and transit systems, of significant national or regional economic benefit. We are exploring innovative ideas for sources of funds and methods of financing for surface transportation investment to make the Nation's communities more livable and less congested and to invigorate the economy.

AMERICAN RECOVERY AND REINVESTMENT ACT

Surface transportation investment is an important element of President Obama's economic recovery and reinvestment efforts to put people back to work and reinvigorate the economy. The ARRA includes appropriations and tax law changes totaling approximately \$787 billion to support efforts designed to simultaneously stimulate the economy and invest in the economy of tomorrow. Provisions in the legislation are designed to save or create millions of jobs, enable spending by businesses and consumers alike, and lay a foundation for long term economic growth and stability. The scope of the legislation is unprecedented, and provides financial support for investments including improving transportation infrastructure, upgrading schools, building infrastructure to support a clean energy grid for America, creating new opportunities for the unemployed, and helping to maintain jobs for those currently employed.

Through ARRA, we will be investing over \$48 billion in transportation infrastructure, including \$27.5 billion for our Nation's highways, bridges, and tunnels, and potentially other uses specified by the statute. This represents the largest one-time investment in America's infrastructure since President Eisenhower established the Interstate Highway System over 50 years ago. We project that this new investment in highways will create or save 150,000 jobs by the end of next year, most of them in the private sector. By creating jobs, saving jobs, and putting money in people's pockets through transportation investment, we will not only get America's economy moving again, but we will also get America's highways, transit, rail, and aviation systems moving better as well.

This is a long-overdue investment in our transportation infrastructure and in jobs for Americans. We are charting a new course for America. ARRA will enable our Nation to begin to rebuild, retool, and revitalize the vast network of roads, tunnels, bridges, rail systems, airports, and waterways that we have long depended on to keep the economy moving and growing. The \$27.5 billion for highway construction will create employment quickly because State transportation departments will use it for projects that need only funding to get started. This spring, summer, and fall, this investment will result in the employment of many people in well-paying construction-related jobs.

We are keeping our promise at the Department of Transportation (DOT) to get this money out the door. I am proud to report that FHWA has spearheaded our effort and apportioned \$26.6 billion in highway funds to States on March 2, under the formula established by the statute. State transportation departments and Federal resource agencies are already advancing numerous transportation projects across the country. As of March 20, FHWA authorized nearly 700 projects in 31 States totaling \$2.5 billion in obligations.

In addition to accelerating the construction of safer roads, highways, and bridges, we are also using ARRA funds to repair, upgrade, modernize, and expand capacity for bus, rail, shipyard, and airport systems. We are emphasizing sustainable investment and focusing on the people, businesses and communities who use the transportation systems. We are also focusing on the quality of our environment. These efforts are not only putting people to work—they are moving us toward our long-term goals of ensuring energy security and creating more livable communities.

With this large infusion of money and aggressive goals for advancing projects, we are committed to ensuring that funds are spent properly. I have established a team of officials across the DOT—the Transportation Investment Generating Economic Recovery (TIGER) team—to track every dollar spent in order to ensure accountability and transparency.

REAUTHORIZATION

The next authorization of surface transportation programs is one of my highest priorities. This reauthorization is about investments that we need to make as a Nation—investments in the economy, in transportation infrastructure, and in the future. The new authorization bill for surface transportation programs will make long-lasting investments in our nation's infrastructure and will help keep people employed long after recovery funds are spent.

In the current economic climate and with strained Highway Trust Fund revenues, it is more critical than ever that Federal dollars are strategically invested. In reauthorizing the Federal-aid highway program, we will be seeking changes that encourage more effective investments in an environmentally-friendly manner through a multi-modal approach to problem solving. Taxpayers want to see results from infrastructure investments that directly benefit their lives—better access to jobs and goods, and improved mobility within and between communities. We need an increased focus on measuring the outcomes of infrastructure investments, such as improved safety, reduced congestion, improved pavement and facility life, and better air quality.

Safety

Safety will continue to be the Department's highest priority. In 2007, the last year for which we have final data, the number of people who lost their lives on the Nation's roadways fell by 1,659 deaths from 2006, equaling a fatality rate of 1.36 per 100 million VMT—the lowest rate ever recorded. Further, in December 2008, the National Highway

Traffic Safety Administration released a projection that 2008 fatalities had dropped 10 percent for the January through October period relative to the same time period in 2007. Despite the gains we have made in improving highway safety, 41,059 individuals still lost their lives in motor vehicle crashes in 2007.

The total number of transportation-related fatalities in the country is unacceptable. Concerted efforts to improve safety are needed in all surface transportation modes including auto, truck, transit, rail, bus, motorcycle, and pedestrian safety. Innovation and technology will be critical to improving vehicle and infrastructure safety. We must also explore innovative ways to reduce deaths and serious injuries caused by impaired driving, failure to wear seatbelts and motorcycle helmets, and other high risk behaviors. Safety problems vary from State to State, and it is important that data-driven, performance-oriented programs be established to identify the most cost-effective strategies to improve safety in each jurisdiction.

Livable and Sustainable Communities

One of my highest priorities is to help promote more livable communities through sustainable surface transportation programs. Actions on many fronts will be required to enhance the quality of life associated with reduced commutes, limited transportation noise and other environmental impacts, and convenient access to centers of commerce and intercity travel hubs. All segments of the population deserve efficient transportation to reach work, housing, medical and educational services, shopping, and other essential activities. The job-providing businesses in our communities need transportation to reach their suppliers, their work force, and their customers. Existing transportation facilities and services must be maintained and operated effectively, and the range of transportation choices available to American families and businesses must be expanded. We also must continue to ensure that transportation facilities and services are provided in a way that avoids adverse impacts on wetlands, endangered species, historic resources, air quality, and other natural resources.

I believe it is no less important to ensure that our transportation investment decisions are consistent with broader policies to reduce greenhouse gas emissions and slow the pace of climate change. Integrating transportation planning with community development and expanding transportation options will not only improve connectivity and influence how people choose to travel but also enable communities to consider the design of transportation and land use together. In our urban areas we can continue to improve walking and bicycling facilities and connectivity to transit to reduce congestion and greenhouse gas emissions, while making our communities healthier. Mixed-use neighborhoods with highly-connected streets arranged in small blocks promote mobility for all users, whether they are walking, bicycling, riding transit or driving motor vehicles. Benefits include improved traffic flow, shorter trip lengths, reduced vehicle-miles traveled, safer streets for pedestrians and cyclists, lower per-capita greenhouse gas emissions, reduced dependence on fossil fuels, increased trip-chaining, and independence for those who prefer not to or are unable to drive. In addition, investment in street networks stimulates private-sector economic activity, increases the viability of street-

level retail businesses and professional services, creates housing opportunities, and extends the usefulness of school and transit facilities.

Innovation and Accountability

Traditionally innovation has been a hallmark of progress in transportation. Challenges today may be different from the past, but the role of technology and innovation is just as important. Technology will be central to our efforts to improve safety, reduce congestion, and manage our infrastructure more effectively. We must make a substantial investment in research and development if we are to fully, effectively, and efficiently maintain our aging infrastructure. Absent such investment, we will have no choice but to apply old and inadequate technologies to solve new and more complex problems. Our Nation can ill-afford the financial and system performance costs of attempting to address 21st century challenges with 20th century solutions. Innovation is not limited to new technologies however. Innovations in the way we deliver programs will be just as important in our efforts to improve all aspects of transportation system performance.

One innovation in program delivery would be to create more accountability for achieving performance improvements. Accountability, transparency, and performance in Federal programs are key tenets of the Obama Administration. Congress demands it, the public demands it, and it is the right thing to do. New processes will have to be put in place to implement performance-based programs. In some cases this may require changes to long-standing ways of doing business. Performance-based programs will provide the means to improve investment decisions, improve the performance of our transportation systems, and improve our stewardship of taxpayer dollars. As we recently pointed out in the President's Budget for Fiscal Year 2010, greater use of economic analysis will be needed in transportation planning.

CONCLUSION

Our transportation infrastructure is critically important to our Nation's economic health. In the next authorization, we must maintain the safety and integrity of our highways and bridges, while improving system performance and reliability, and striving towards goals of livable and sustainable communities. We look forward to continued work with this Committee, the States, and our partners in the transportation community.