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INTERMODAL SURFACE TRANSPORTATION EFFICIENCY ACT (ISTEA): A NEW WAY OF DOING BUSINESS

Good morning. It’s good to be back among so many fellow colleagues in the field of transportation and, certainly, friends as well.

I’ve got good news and I’ve also got very troubling news. I really don’t believe it was by happenstance that today we have the framework for a very successful future surface transportation program in our country. When Doug Ham, Roland Mross, and I came to DOT about 3-1/2 years ago, one of the first assignments that Secretary Skinner gave to us was to develop a national transportation policy. That began in the summer of 1989 and was truly a very intensive exercise.

There was a series of outreach hearings and meetings throughout our country, including one in Kentucky that I can recall attending. It was not simply to develop a nice, pretty document, which we call the national transportation policy, to sit on a shelf. It was developed in light of the fact that over the upcoming two years, legislation would be required to re-authorize not only our transit, safety, and highway programs, but also airport programs. That national transportation policy, which President Bush announced in March 1990, truly did provide the legislative framework for congressional consideration and the subsequent
development of the ISTEA bill today. It wasn’t by happenstance. Many times, I suspect those of us in the transportation community feel that the services and facilities we provide are somewhat taken for granted in this great land of ours. Unfortunately, I think that is the case.

One of the advantages of the national transportation policy effort was that it raised the consciousness level across our land of how fundamental our transportation system is to the future of our country. I believe that was a very positive aspect as we then entered into the congressional deliberation last year. I also think it is noteworthy that on February 13, 1991, President Bush proposed a re-authorization of the highway and transit program. A bill went forward to Congress. In recent times, when re-authorization came due, Congress has normally taken the initiative, but in this case the Administration took the initiative to introduce a bill. The Senate acted very quickly and, in fact, passed their version of the bill by June of last year. Meanwhile, there seemed to be a lot of flux occurring in the House. Many were saying, “We won’t even see a re-authorization bill this year, it will be next year.” And, some were proposing, “We’ll do something stop-gap, we’ll do a one-year bill or a two-year bill. We don’t have time to worry about transportation now; we’ll come back a little later and worry about it then.” Fortunately, the pressure that was created, first from the Administration’s standpoint and secondly from the Senate’s standpoint, ultimately did move a bill forward.

Right before Congress recessed last summer (at the end of July), there was a proposal, which included a nickel gas-tax increase, taken to the House floor. It never came to a vote in the House because the support was not there. The fundamental rationale was, “We should invest the monies currently being collected through our user fees and support a strong program through that mechanism rather than a further tax increase.” The House came back after recess and, in late September, recognized reality and dropped the gas-tax increase and began work on a bill that ultimately was passed by the House in October. It was quite different from the Senate bill and, quite frankly, there were some things in the House bill that we, within the Administration, strongly supported and wanted to see; the same with the Senate bill. Some things we fully supported, others we did not. Ultimately, the day before Thanksgiving, as Congress adjourned, ISTEA was passed.

I want to discuss five aspects that we, within the Administration, throughout the program, and throughout the legislation, considered very important.

1. In order to have a responsive program and serve our national interests, we must have a multi-year bill. The bill, as you well know, is a six-year bill. While there remains a large amount of uncertainty in terms of the funding, at least to have a program structure and a program in place for an extended period allows us
all to plan and implement our transportation programs more effectively. So, a multi-year bill was important and it was included in the final bill.

2. Increased funding was very important. The authorization level in this bill is approximately 50 percent higher in federal funds than the previous bill. A 50-percent increase in the level of federal commitment to surface transportation is another key element. One that recognizes, that as far as our surface transportation is concerned, we have reached another generation. We are truly in a post-interstate era. The Federal-Aid Highway Program, over the last 35 years, has been dedicated to completing that 44,000-mile Interstate System, which is literally complete across our land. It has certainly changed the very nature of our transportation system.

3. Recognizing the completion of that system, we felt it was critical that the federal program provide state and local government a new degree of flexibility in terms of allocating the resources within the federal program. In fact, the problems in Kentucky are very unique from the problems in California, New York, and Georgia. Even within Kentucky there may be very unique problems. Therefore, to have program flexibility in the allocation of federal resources was paramount. That objective also was met, so we have a six-year bill with increased funding and increased flexibility.

4. From the national standpoint, we felt that it was absolutely essential to develop, what we call, a National Highway System. A highway system that builds upon that 44,000-mile Interstate System, that interconnects and supplements the system; a system of about 155,000 to 160,000 total miles across our land; a system that will allow us to spread the benefits, if you will, of that Interstate System further throughout our country and certainly provide enhanced levels of rural accessibility. The bill does include the designation of that National Highway System.

5. This objective was paramount in our thoughts, it involved how we do business. Our highway system and our other surface transportation systems must recognize the reality of financial constraints and environmental considerations. We, as operators and managers of that system, must attempt to do a better job of operating that system and managing that system more efficiently and effectively. As an example, there is within the bill the creation of a series of management systems: bridge, pavement, congestion, safety, intermodal, and transit. Those management systems are a
challenge to all of us to say we can do a better job of operating our system more safely and more efficiently.

Another element of that sounder management is an expanded role for the planning process. The metropolitan planning organization's role is the development of transportation plans in our metropolitan areas and, for the first time, the development of statewide transportation improvement programs, again, all oriented toward trying to do our job better. So, on all accounts—a six-year bill, increase funding, flexibility, national highway system, and better operations of our existing system—we feel the Intermodal Surface Transportation Efficiency Act of 1991 can provide us all the framework that we need.

We, within FHWA, were challenged at the beginning of the program to implement and to try to help state and local governments execute a quite different program. It was a program with many changes compared to the program that has been in place since 1956, at the start of the interstate era. On December 18th, when the bill was signed, we apportioned the funding that was available to each of the states, trying to provide actual dollars as quickly as possible.

Given the fact that the federal fiscal year 1992 was going to be a very short year (since the bill was nearly three months late in being adopted), we attempted to communicate extensively with our colleagues and partners in the program at the state level, the local level, and the metropolitan planning organization level in terms of our interpretation of the bill. We tried to provide written guidelines on administering the program. We consciously took an effort not to become overly institutionalized in the development of formal rule-making and regulations-making in governing the program. There have been some of those efforts that were needed; some have been completed, others are continuing. One of our philosophies is to try to keep the program as simple as possible, although the program itself in certain areas, is very complex. It has been a challenge for us throughout this year. We hope we've lived up to that challenge, but the real test is to ask our partners—state and local government—whether that is the case or not. The program is working. Tomorrow ends federal fiscal year 1992. We will have obligated $17 billion in the highway program this year—not a bad record for the year being almost three months late to begin with. The highway program has increased in terms of its funding significance and the dollars will be allocated and obligated tomorrow. Kentucky certainly joins each of the other 49 states in attesting to that accomplishment.

I mentioned funding flexibility earlier. It too, seems to be working. Many have been concerned that 70 percent of the highway funds could actually be transferred and used as capital improvement funding for the transit system. Many highway advocates, if you will, have seen a great risk there. Of that $17 billion total this year, about $320 million has been
transferred from the highway program to the transit program. That $320 million represents approximately two percent of the total program. It certainly does not seem to indicate, at this point, that there should be an overriding concern in that regard. Much more important is the fact that within the highway program, about $1 billion of that $17 billion obligation, has been transferred among highway program categories. The flexibility provisions of the bill have been proven; they can work, they can be very significant and can certainly allow the program to move forward quickly.

As a result of this increase of federal funding for the highway program, many states faced very serious state budget problems. All of our states also are operating under very tight budgets. It appears (and it did happen in many states) an influx of federal funds on one hand creates further pressures. On the other hand, at the state level, the states take resources and redirect them to other programs because we have the sudden windfall of profit on the federal side of the equation. It has been somewhat frustrating to see that happen in some states and thereby result in decreasing the overall level of investment in our transportation system. However, it’s also interesting to note that seven states and Puerto Rico took advantage of what is provided in the legislation to temporarily match or waive the matching funds required in the highway program. The federal share is normally 80 percent, the local-state share is 20 percent within this program. Seven states chose to exercise a waiver of the matching requirements, which will have to be reimbursed later, at a total cost of about $500 million. If your state budget would not allow that expanded federal program, to move forward, you could basically defer the matching requirements and pay it later. Some states chose to exercise that latitude. One state (New Jersey) also chose to exercise another degree of flexibility in the sense of total capital investments in the state. If they are increasing (independent of the federal program) from state and local sources, the amount of increase in that investment can be used as a soft match. It can be counted towards matching the federal program. New Jersey has exercised that latitude, and there are three or four other states looking at that possibility for the future. It appears to me that particularly those states where toll roads exist would be in the best position to take advantage of that.

Many of us knew there were “technical corrections” that were required within ISTEA. A couple of the major ones have already been corrected in subsequent legislation. About six weeks ago, the House passed the Technical Corrections Bill. But the Technical Corrections Bill was expanded significantly, as most pieces of legislation do, and includes a series of demonstration projects and other things. That bill is sitting in the Senate, and I really do not expect the Senate to act upon it during the balance of this session of Congress. We believe that we can collectively administer the program and, therefore, there is no critical need at this point, for a technical corrections bill. Furthermore, it doesn’t appear there
will be congressional consideration in that sense. That's the good news. I don't know whether you thought that was good news or bad news, but I tried to indicate that it was good news.

Let me now turn to the bad news, and I'll try not to get too excited when I touch upon this. Tomorrow ends the federal fiscal year, as you know, and we begin fiscal year 1993 on Thursday. We don't have a budget, although I think we may have one by tomorrow. Both the House and the Senate had passed the fiscal year 1993 appropriation bills for DOT a month or two ago. The conference committee resolving the two differences in those bills met last week. While we haven't seen the written conference report, they have been working on it furiously over the weekend, yesterday, and last night in Washington. I think it will probably go to the floor of the House and the Senate tomorrow for enactment.

Let me talk about the funding levels in that bill and about a couple of other characteristics in that bill that troubled me immensely, and that I know will trouble you too. In January, the President proposed a $19.2-billion highway program for fiscal year 1993. At that time, the President was criticized. That level of funding (and that's a very significant level of funding above the $17 billion this year) fell short of the authorized amounts in the ISTEA bill. That is true. If you added up the total authorized amounts in the ISTEA bill, you would have been a little over $20 billion. Yes, the President's budget was a billion dollars short. The budget that I expect Congress to adopt, however, will be slightly under $18 billion. Moreover, about $2 billion will be earmarked for so-called "demonstration" projects and therefore not available to the states for their general highway purposes. Effectively, Congress will have reduced the President's proposal from $19 billion to $16 billion. This $16 billion funding level represents a $1 billion reduction from fiscal year 1992.

I was speaking as recently as two weeks ago at a forum like this, and I was very optimistic that the funding dedication to the highway program would continue. At this point, it appears this year may be one I would call a "setback," in light of what the goals and objectives of ISTEA really are. It is unfortunate news and I wish I didn't have to share; but, on the other hand, I think it's very important that we all understand what is going on. If we find ourselves in the position where the program is effectively being reduced, the real advantages and merits of ISTEA will be very, very difficult to achieve. ISTEA really introduces the spirit of cooperation, outreach, and collaboration in shaping our transportation decision making. However, if we are faced with shrinking resources at the federal level, I'm afraid it will become one of confrontation between all of us in terms of trying to scavenge for those scarce resources. I consider it a very serious setback, if it becomes reality. It's troubling to know the future of ISTEA (with which we should all work closer together and more collectively) will be threatened. This suggests we must be concerned about the quality product we ultimately provide the users of the system. Whether it
be a transit service, whether it be a pavement or a bridge, there are opportunities for us to provide a more cost-effective product to the user of our system. I'm afraid we will see a setback in that regard as well.

Another thought that I believe must permeate literally everything we do in transportation is safety. That certainly applies to those of us involved in the highway program. We lost over 41,000 Americans on our highway system last year, but we have the lowest fatality rate in the history of our country. We are making inroads—a fatality rate of about 1.9 per 100 million vehicle miles of travel is a very significant reduction, in fact, a 40-percent reduction over the last 10 years. Yet, 41,000 Americans, or roughly a hundred per day, die on our highways. Therefore, safety, quality, and cooperation are the words of the future. ISTEA provides the framework, now we have the threat of financing detracting from that.

I leave you with that very serious concern on my part, and simply ask all of you to continue your efforts with us. We, within FHWA, are proud to be served by regional administrators like Leon Larson, the division administrator here in Kentucky, Paul Toussaint, and many, many other dedicated professionals. Our word is partnership, we want to be your partners as we continue to tackle the challenges of the future. ISTEA really does have the possibility and funding will make it happen. Thank you very much.