# State Department of Transportation Initiatives

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The first thing I wanted to observe is how far we have come since Congress authorized the National Highway System Designation Act in 1995. Most of the tools discussed at this conference date from that time, and I would like to recognize some of the people in this room and elsewhere who laid the groundwork for the action. Jane Garvey, of course, who even got a bond named after her, ably assisted by Steve Martin and her office. Jack Basso, who has been there from Day 1 and has been a tremendous leader. Tom Bradshaw, whom many of you know, Joe Giglio, Bob Farris, Mike Shinn, Suzanne Sale, David Seltzer, Mark Sullivan, and Paul Marx from FTA. There are dozens of other people here and elsewhere who laid the groundwork for the legislative change that has now brought about a revolution in the way major projects are financed in this country.

The guaranteed funding levels under TEA-21 represented a major breakthrough, such that contract authority of \$198 billion guaranteed under revenue-aligned budget authority forms Step 1. At the same time, the financing tools created over these last 6 years are also of fundamental importance in meeting the nation's needs for transportation investment.

Consider some examples. In the North Central Texas area, the population of Dallas itself is expected to grow from 5 million to 8 million over the next 20 years. Texas as a whole is expected to grow by 10 million new residents over the next 20 years. Transportation investment reflects these same patterns of growth: in 1998, the state of Texas let \$2.1 billion in new contracts. In 1999, that increased to \$3 billion. Much of that increase was attributable to the funding increase Texas received under TEA-21. Before TEA-21, Texas was able to meet 30 percent of its needs. The new funding from TEA-21 increased this to 43 percent of its needs. But there is still a substantial gap, and Texas is looking to innovative finance to do what cannot be done through pay-as-you-go. A tremendous array of toll facilities is under way in Dallas and in Houston, and a \$3.2 billion project is being considered to connect the Austin/San Antonio area to accommodate a dramatic increase in truck traffic.

As for California, this last year the Transportation Commission did a study that showed that during the next 10 years, an investment in transportation facilities of more than \$100 billion is needed. Even with \$6.8 billion in funding over the next 10 years and an expectation of leveraging additional resources, a major gap exists that demands continued reliance on innovations evident in the State Route 125 project in San Diego County and the Orange County freeways.

Exciting things are going on in Florida as well. With a recent \$4 billion shot in the arm, the state will be able to accelerate many projects, completing them in 10 years rather than the 20 years otherwise expected. A \$5 billion bond program in South Carolina will permit the state to accomplish in 7 years what otherwise would have taken 27 years. In Illinois, the Illinois First program creates \$12 billion for schools, \$4 billion for transit, \$3.7 billion for highways, \$100 million for rail, and \$160 million for aviation. So Illinois, which is using proceeds from some certain sin taxes to pay debt service, has a major initiative as well. In Arkansas, a 3-cent gasoline tax increase and a 4-cent diesel tax increase are permitting the state to go forward with a $900 million Interstate rehabilitation program.

Finally, my home state of Washington is on the verge of constructing an $835 million toll bridge that is important to many people, but especially to me, since it connects the mainland to the peninsula where I live. The project is proceeding as a public-private venture. A nonprofit corporation will issue tax-exempt bonds, and it is applying for a TIFIA loan to hold the toll level down. We do not love tolls in much of the West, but folks recognize them as the only way to build something of this magnitude.

As we look forward to reauthorization, we are not sure whether the moon and the stars are aligned properly for an additional tax increase. We at AASHTO see the need for additional resources, but we have not figured out whether the political dynamics are there to justify tax increases.

Still, we recognize the need. FHWA just did a condition and performance study showing that $100 billion in additional resources is needed in the next 10 years for the urban and rural Interstate system. If you look at the need for additional funds for safety, 41,000 folks per year are still getting killed on our highways, 57 percent of them on two-lane highways. In a related matter, the aging of America is coming to the fore, demanding additional safety resources.

On the transit side, FTA is working to analyze needs as well. On an anecdotal basis, we know that 191 communities qualify for transit new starts, but funding is possible for perhaps only 20 to 30 of those proposals. If transit is the solution to providing congestion relief in many metropolitan markets, how do we meet those needs?

International trade is another critical area. In the last funding cycle for borders and corridors, U.S. DOT received $2 billion in applications for a $128 million program. Also, we hear from the agricultural community that while the railroads are struggling to provide service, many look to the highway system to pick up the load as well. Clearly, lock and dam systems need resources, as do railroads. But keeping American agriculture competitive internationally also depends fundamentally on a sound highway system.

The guaranteed higher funding levels under TEA-21 provide terrific news. But, as we look ahead, we are all grappling with how we are going to meet ever-growing needs. I look forward to hearing what you have come up with these last 3 days and look forward to your questions.