



# TESTIMONY

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## **The Federal Surface Transportation System: Options for the Future**

**Testimony before the  
National Surface Transportation Policy and Revenue Commission**

**Ric Williamson, Chairman  
Texas Transportation Commission**

**Texas Department of Transportation  
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**Testimony of Texas Transportation Commission Chairman Ric Williamson  
Presented to the National Surface Transportation Policy and Revenue Commission**

**WELCOME TO TEXAS**

Good afternoon. My name is Ric Williamson, and I am the chairman of the Texas Transportation Commission. I was appointed to the Commission by Governor Rick Perry in March of 2001 and have served as chair since January of 2004. I am proud to come before you today on behalf of the 14,700 employees of the Texas Department of Transportation. The dedicated professionals at TxDOT are among the finest at what they do anywhere in the world.

I want to welcome all of you to Dallas and to Texas. We're extremely happy – and equally honored – to host the first field hearing of the National Surface Transportation Policy and Revenue Commission along with our partners at the International Bridge Toll and Tunnel Association, the American Public Transportation Association and ITS America.

**KEEPING TEXAS MOVING**

*An \$86 billion problem*

Here in Dallas and across Texas, we are confronting the same mobility challenges that face our entire country. We are home to booming urban centers, evolving suburbs and exurbs and an increasingly busy border with Mexico. And while a majority of our state's citizens live in vibrant, growing cities, we recognize the essential role our rural communities, our farmers and ranchers, play in our state.

For Texans and states all along the Gulf Coast, bolstering our transportation system is about more than cutting gridlock and creating jobs. It's about saving lives. Our road networks literally moved entire cities of people out of harm's way during the last hurricane season, and our TxDOT professionals across the state have battled wildfires alongside firefighting crews from across the country.

Right now, we face increased congestion, deteriorating roads, safety issues, and air pollution, all of which hinder mobility as well as current and future economic opportunities.

Behind these problems are some basic realities: During the past 25 years in Texas, our state's population increased 57 percent, our road use grew 95 percent, but our state road capacity grew only 8 percent.

During the next 25 years, our state's population will increase 64 percent and our road use will grow 214 percent. Absent a comprehensive plan, state road capacity will increase 6 percent. Six percent.

To meet the needs of Texas families and businesses, transportation leaders have identified \$188 billion in congestion relief in order to create an acceptable transportation system by 2030. While we estimate \$102 billion will be available over the next 25 years in state and federal dollars, Texans will still end up with a transportation funding gap of \$86 billion.

That \$86 billion problem is magnified by the frank reality that a large increase in funding from our existing sources is not likely. However, we do have many new tools to help us pay for the future. We think Texas can meet these challenges, and we think that the national transportation system can do the same.

To compound our challenges, under the gas tax funding system, not a single road pays for itself. When I came to the commission, I asked how we know when the tax receipts will pay for a road. The answer was that we didn't know. So, over the past 5 years, my staff has been developing methodology to calculate the lane miles, average daily traffic, and cost of building and maintaining any stretch of road in Texas. Based on average miles per gallon, we can now figure out how much the users of any given stretch of road pay in gas tax.

When we added up the cost of initial construction and right-of-way costs, plus preventive and routine maintenance costs, then applied the per-gallon revenue for TxDOT's portion of the current state fuel tax plus the Texas portion of the federal fuel tax for the fuel consumed driving on the road segment, we could not find any road that is self-sufficient.

For example, in Houston, the 15 miles of State Highway 99 from Interstate-10 to US 290, will cost \$1 billion to build and maintain over the course of its lifetime. But the road only generates \$162 million. That gives us a tax gap ratio of .16, which means that the real gas tax rate people need to pay on this segment of road would be \$2.22 per gallon. This is just one example, but there is not one road in Texas that pays for itself based on the tax system of today. Some roads pay for about half of their true cost, but most roads pay for about 13-15 percent of their cost to the state.

#### *Setting goals and meeting them*

To make the most of what we do have, the Texas Transportation Commission established five goals that everyone at TxDOT should work to meet. We want to reduce congestion, improve air quality, enhance safety, encourage economic opportunity and preserve the value of our transportation system. Programs that don't meet any of these five goals would be hard-pressed to warrant pursuing, given the challenges we all face. As your commission moves forward, I think it will be important to report back to the Congress exactly what the goals of our national surface transportation system are – and should be.

So working to meet these goals, TxDOT identified four possible courses of action. One option is to do nothing. Another is to raise the gas tax by whatever amount is needed to close the gap. It has also been proposed to issue bonds with the existing gas tax. And there is our plan, to expand capacity through the use of toll roads and public-private partnerships.

If we do nothing, by 2014, Texas will have no money to increase the capacity of our highways, as the cost to maintain our roads will skyrocket thanks to increased wear-and-tear and increasing materials costs. And the roads will grow even more congested while the air gets even dirtier.

Alternatively, we could raise our gas tax to \$1.40 in order to generate enough revenue to pay for all the identified improvements to our highway system by 2030. To describe such a move as politically risky is an exercise in understatement.

A third option would be to max out our bonding authority at \$3 billion from the State Highway Fund. We could then build projects quickly in the short term and lock in prices on steel and concrete. But down the line, we would have less money to spend on new capacity because we would be paying a debt service of \$4.8 billion on the bonds. In order to cover the gap, we'd have to raise the gas tax to unpalatably high levels.

With the leadership of Governor Perry, the Texas Transportation Commission has proposed to close the gap using the time-tested principles of free market economics, competition, and consumer choice.

### *Empowering communities*

One of the keys to meeting these goals is to give our states, communities and regions the tools they need to meet their own needs. Our mayors, county commissioners, local business leaders and citizens are working together to apply local know-how to local problems.

Earlier this year, the Government Accountability Office issued a report that found that tolling is a promising approach to enhancing mobility and financing transportation. We agree that tolling has the potential to provide new revenue, promote more effective investment strategies, and better target spending for new and expanded capacity.

One attractive aspect of tolling is that toll revenue, at least in Texas, doesn't behave like the gas tax. Locally collected toll revenue stays in a region for use on other transportation projects and does not pass through Austin or Washington, D.C. to be reallocated to other places and other uses. Here in North Texas, regional leaders, have decided to charge an appropriate toll for each mile traveled so they can put the new dollars they'll realize into other projects in the region.

In the meantime, communities across Texas are looking to toll roads to help them get their constituents out of traffic and to help clean up their air. Texas is now home to seven Regional Mobility Authorities. These RMAs are political subdivisions formed by one or more counties to handle transportation projects, either tolled or non-tolled. RMAs empower local and regional officials to solve the problems that they face every day without waiting for blessings, or cash, from Austin. They can also take their revenue streams and apply them to transportation modes other than roads. As long as they are meeting the state's goals, then they can decide how best to do that.

RMAs also send an important message that local problems demand local solutions. One of the most productive things we can do as state leaders is give cities and counties the tools and the authority they need and then get out of their way.

### *The Trans-Texas Corridor*

At the statewide level, we are working to connect these communities with one another and the world. TxDOT is actively seeking private sector investment and innovation to meet our broad, growing needs. Traditional financial or funding resources are not adequate to keep pace with the increasing demand for transportation infrastructure. To bridge that gap, we are engaging the private sector through Comprehensive Development Agreements for toll projects. We have reviewed proposals from the private sector for a variety of transportation projects across the state.

Our most ambitious endeavor with the private sector is Governor Perry's visionary Trans-Texas Corridor. The TTC is an innovative transportation blueprint that will quicken evacuations, move the transportation of hazardous materials out of urban population centers, relieve congestion, reduce air pollution, and significantly improve opportunities for economic development. The TTC incorporates toll roads, high-speed freight and commuter rail, water lines, oil and gas pipelines, electric transmission lines, broadband and other telecommunications infrastructure in the same corridors. This will be accomplished on land owned by the taxpayers of Texas.

TxDOT will oversee planning, construction and ongoing maintenance, while private vendors will be responsible for much of the daily operations.

These and other public-private partnerships are opening the door to accelerated finance, design, construction, operation and maintenance for our projects, all of which help to keep costs down and prices competitive.

### **MEETING OUR NATION'S CHALLENGES**

I am sensitive to the notion that my comments today may sound like Texas is in the process of picking up its toys and walking away. We're not. But like other states, we are dealing with the fact that the federal share of total transportation funding is shrinking. That's why so many of us at the state and local levels are turning to other, more reliable sources of funding to meet our transportation needs.

I understand that the solutions employed in Texas may not all work in Montana. And you are here to help our government preserve and enhance a robust federal transportation system. We think that there are changes that can – and should – be made in Washington that will benefit every state and everyone who uses our nation’s highways and railroads.

*Fixing the federal system*

The gap between financial resources and mobility needs is not unique to our state. Helping all 50 states preserve the nation’s transportation network will require making some difficult changes in how the federal government does business.

Simply raising the federal gas tax is not a solution because it runs taxpayer money through a system that doesn’t work. When a driver pays his or her gas taxes at the pump, it’s tough to explain to that driver that it’s the best investment of that money. Their gas taxes are diluted through the state and federal political systems. Here in Texas, a portion of our state gas tax goes to pay for schools and other non-transportation purposes. Important priorities, certainly, but those are dollars that we could use to meet our mobility needs.

At the federal level, where you all come in, our gas tax money comes back tied in knots. I think that the conventional wisdom is that most of the federal highway program funds are used for construction. In reality, federal law directs most of the available funds to non-construction purposes. When we subtract the funding that Congress directs toward other purposes in SAFETEA-LU, Texas is left with only 30 cents of every Texas-generated federal gas tax dollar to address our true highway needs.

So the issue is not simply how much money we take in and where. I would submit that this commission should also take a hard look at legislative and policy approaches we employ in spending that money.

I am not here to pretend that the Congress has an easy job or that this commission can snap its fingers and change how Washington operates. But I do think that all of us should acknowledge the impact that these decisions have on our transportation system.

From the federal level, we believe that formula programs provide us with more certainty in funding, since the formulas are established in the authorization acts, the resulting distributions of apportionments to the states are known fairly soon after the legislation is enacted, and the formula programs are not typically earmarked by Congress.

One of the most significant challenges we have from the federal level, is administering programs that do not help us meet our five goals of reducing congestion, enhancing safety, expanding economic opportunity, improving air quality, and increasing the value of transportation assets. Anything that doesn't support those goals negatively impacts our ability to address the needs of our citizens. SAFETEA-LU, like previous authorizations before it, contains several programs that, while worthy, essentially serve to dilute limited available funds needed for our core pursuits. Programs such as Transportation Enhancement Activities, the Recreational Trails program, various discretionary programs, and a multitude of demonstration project earmarks take needed funds away for the core formula programs targeted at addressing the nation's mobility challenge.

SAFETEA-LU contains nearly 5700 demonstration projects. By comparison, there were only 2 demo projects in the 1956 act creating the modern federal-aid highway program. In our view, earmarks serve to disrupt the state and local transportation planning and funding process, often causing delays in progress on higher priority projects and programs needed to address identified mobility needs.

Projects earmarked for Texas will cost \$8.2 billion to build. The problem is that we received \$669 million in federal funds to Texas to build them. That means that Texas will have to find another \$7.5 billion to fully fund these projects.

And the \$669 million we received can't be used for anything else that our planners or transportation users identify as critical needs.

So when funds get here from Washington, they are earmarked and our hands are tied. And if we build all of these projects, and they're all on-budget, we would lock up more than \$8 billion that has to come from somewhere, whether it's maintenance money for Lubbock or construction money we would have sent to San Antonio.

At the same time, since January, the federal government has required all states to return billions in promised funding to help offset spending on major items like the wars in Iraq and Afghanistan and hurricane relief. Texas has had to turn back \$305 million this year. The majority of our federal-aid highway dollars come to us in the major mobility and highway infrastructure programs, so rescissions affect the heart of what we are working to accomplish with federal-aid funds. This \$305 million impact means that a significant portion of the state's mobility needs are being delayed.

I think that although this presentation may sound like the menu of a sacred cow barbeque, you all have a unique opportunity to shine a light on these practices and their shortcomings before the Highway Trust Fund goes into the red. You can accomplish that by encouraging the Congress and the Department of Transportation to set goals for the states and give us the flexibility and the resources to meet those goals.

*Building on SAFETEA-LU*

The work that this commission does will really take form when the successor to SAFETEA-LU makes its way through the legislative process.

As that process moves forward, TxDOT will work to address the issues I have discussed. We would like to have the flexibility we need to spend the federal dollars you give us in a way that meet clearly defined goals, support our nation's transportation system and help its users.

For example, we will continue our work to amend federal law to allow the use of enhancement funding for disaster- and emergency-related transportation infrastructure preparedness and improvement.

We want to encourage and reward investment in our infrastructure by creating tax exemptions on toll dividends.

I will say again that the entire transportation system would benefit from flexibility in Washington and accountability in the states. Those two concepts are not mutually exclusive.

Congress and USDOT can help by making existing federal programs more flexible and supportive of state and regional planning efforts; removing obstacles to effective partnerships in project development, delivery, and financing; eliminating federal discretionary programs that do not contribute to improving the nation's mobility, safety, economic competitiveness, and air quality; and creating incentives to bring new ideas and funds together to meet the transportation challenges we face.

A clear example of the federal government's willingness to pursue this path is TxDOT's participation, along with four other states, in the Federal Highway Administration's pilot program that grants us NEPA review authority. The delegation of this authority will result in significant cost savings to the state, measured in reduced days of project review. Modest programs like these should be embraced and expanded in the future.

I would encourage you to call on our federal leaders to focus on those two concepts – flexibility and accountability – at every level of government. I think every state would benefit if our federal partners would tell us what goals they want us to achieve and how much financial support we can reliably count on. Then, tell us to get to work and hold us accountable for meeting those goals.

In law, and in practice, we want partners – rather than parents – in Washington, DC. We know that the federal government has neither the means nor the will to spend away the nation's transportation problems. Texas and other states are rolling up our sleeves and getting to work to meet these challenges, and federal leaders can help us by encouraging our entrepreneurial initiative.

## **LOOKING FORWARD**

Texas has a transportation problem. Our problems are faced by other states and mirror the challenges at the federal level. The good news is we can solve these problems and confront these challenges. I agree with our Governor that we can build a transportation network that will be among our greatest gifts to our grandchildren. At TxDOT, we have developed a plan, and we are executing it with our partners in the private sector and with the vision of our Governor and the hard work of local leaders. To achieve our goals, we're opening our doors to private businesses and to innovative partnerships. We're using every financial option the law will allow, empowering local and regional leaders to solve local and regional problems, driving down costs through competition, and making decisions that respond to consumer demand. We have a problem, and we have a plan, and we will soon see more open roads, cleaner air, fewer hazards, more jobs and a much improved transportation system that will move Texas forward.

I know that public service on a commission like this can turn into public servitude, but I want you to know on behalf of the State of Texas that you have our gratitude and our best wishes for your work. Please let us know what we can do to help.