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94-56 PROJECTS ON THE INTERSTATE SYSTEM

GOVERNMENT

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DOCUMENTS

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KANSAS STATE UNIVERSITY BEFORE THE
SUBCOMMITTEE ON SURFACE TRANSPORTATION
OF THE
COMMITTEE ON PUBLIC WORKS
AND TRANSPORTATION
HOUSE OF REPRESENTATIVES

NINETY-FOURTH CONGRESS

SECOND SESSION

ON

H.R. 11069

TO AMEND SECTION 122 OF TITLE 23, UNITED STATES
CODE, TO AUTHORIZE PAYMENT OF INTEREST ON BONDS
THE PROCEEDS OF WHICH WERE USED FOR PROJECTS
ON THE INTERSTATE SYSTEM

AUGUST 10, 1976

Printed for the use of the Committee on Public Works and Transportation



U.S. GOVERNMENT PRINTING OFFICE

WASHINGTON : 1976

77-303

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CONTENTS

H.R. 11069: To amend section 122 of title 23, United States Code, to authorize payment of interest on bonds the proceeds of which were used for projects on the Interstate System-----	Page v
--	-----------

TESTIMONY

Espy, Tom, Jr., office engineer, Alabama Highway Department, Montgomery, Ala-----	15
Evans, Doris, director of business management, Tennessee Department of Transportation-----	21
Johnson, Richard D., director, Administration Division, Iowa Department of Transportation-----	18
Moreland, Thomas D., commissioner, Georgia Department of Transportation; accompanied by Emory Parrish, deputy commissioner; Florence Breen, director of planning and programing; and John Hassell, chief, policy planning-----	2
Rovner, Edmond S., legislative director, National Governors' Conference--	15
Sullivan, John, representing James F. Shugrue, commissioner, Connecticut Department of Transportation-----	23

MATERIAL RECEIVED FOR THE RECORD

Busbee, Hon. George, Governor of the State of Georgia, statement-----	3
Hanson, Daniel J., Sr., executive vice president, American Road Builders' Association, statement-----	25
National Governors' Conference Policy Statements, July 6, 1976, "Transportation Policy Directions"-----	26
Schuler, Raymond T., commissioner, New York State Department of Transportation, statement-----	24

IN THE HOUSE OF REPRESENTATIVES

DECEMBER 9, 1975

Mr. LEVITAS introduced the following bill; which was referred to the Committee on Public Works and Transportation

A BILL

To amend section 122 of title 23, United States Code, to authorize payment of interest on bonds the proceeds of which were used for projects on the Interstate System.

1 *Be it enacted by the Senate and House of Representa-*
2 *tives of the United States of America in Congress assembled,*
3 That section 122 of title 23, United States Code, is amended
4 by striking out "the retirement of the principal of such
5 bonds", and by inserting in lieu thereof the following: "the
6 retirement of the principal of such bonds the proceeds of
7 which were used for projects in the Federal-aid primary
8 system and the retirement of the principal and interest of
9 such bonds the proceeds of which were used for projects on
10 the Interstate System"; and by striking out "This section
11 shall not be construed as a commitment or obligation on

1 the part of the United States to provide funds for the pay-
2 ment of the principal of any such bonds." and inserting in
3 lieu thereof the following: "This section shall not be con-
4 strued as a commitment or obligation on the part of the
5 United States to provide for the payment of the principal
6 and interest of any such bonds. The payment of interest on
7 such bonds and incidental costs in connection with the sale
8 of such bonds shall not be included in the estimated cost
9 of completing the Interstate System."

TO AUTHORIZE PAYMENT OF INTEREST ON BONDS THE PROCEEDS OF WHICH WERE USED FOR PROJ- ECTS ON THE INTERSTATE SYSTEM

TUESDAY, AUGUST 10, 1976

HOUSE OF REPRESENTATIVES,
SUBCOMMITTEE ON SURFACE TRANSPORTATION
OF THE COMMITTEE ON PUBLIC WORKS AND TRANSPORTATION,
Washington, D.C.

The subcommittee met at 10:30 a.m., in room 2253, Rayburn House Office Building, Hon. James J. Howard (chairman of the subcommittee) presiding.

Mr. HOWARD. The subcommittee will come to order.

This morning, the Subcommittee on Surface Transportation meets to conduct a hearing on H.R. 11069, which would permit the use of funds from a State's interstate highway apportionments to pay the cost of interest as well as principal on bonds issued by the States to finance interstate highway projects.

The text of this bill is similar to an amendment offered by our good friend and distinguished colleague, Mr. Levitas, of Georgia, to the Federal-Aid Highway Act of 1976, which was adopted by this subcommittee.

The supporters of the amendment argued at that time that it could expedite the completion of the Interstate System and, therefore, in view of the inflationary costs of construction, it would ultimately save money. It was agreed also that the section added by the amendment should not be construed as a commitment or obligation on the part of the United States to provide funds for the payment of the principal and interest of any such bonds.

At the time of full committee action on that amendment, concern was expressed that there was no way to be absolutely sure of the real effects of the proposal, and that perhaps further study would be in order.

The proposal was then amended by the full committee, but an understanding was reached that the subcommittee would meet during this session to learn the views of the States on this issue. That is the reason we are here today.

We have a number of distinguished witnesses with us today from many parts of the Nation, and I am sure that their testimony will be of great benefit to us as we consider this proposal.

We are open for statements if anyone desires to make one.

The Chair recognizes the gentleman from Georgia.

Mr. LEVITAS. Thank you, Mr. Chairman.

First of all, let me congratulate my Chairman for proceeding with legislation on a matter that I think is of utmost importance for everyone concerned with the completion of the Interstate System.

It is my belief that the legislation which is before this subcommittee will not only permit the Interstate System to be completed at an earlier date than normally would be expected, but would permit its completion at a lower cost to the taxpayer, which I believe everyone would agree should be worked for.

I agree with the chairman's observation that when we first considered this matter, there were questions that had to be answered so we would know what the impact of this legislation would be. That is the purpose of these hearings, and I hope we will be able to resolve all of these questions and adopt the legislation so we can get on with the task of completing our Interstate System at the lowest possible cost.

Mr. HOWARD. The gentleman from New Hampshire.

Mr. CLEVELAND. No.

Mr. HOWARD. To recognize the first witness, the Chair recognizes the gentleman from Georgia, Mr. Levitas.

Mr. LEVITAS. It is my pleasure to introduce Mr. Thomas D. Moreland, the distinguished commissioner and State highway engineer of the Georgia Department of Transportation.

I worked with Mr. Moreland for a number of years and can testify personally to his expertise in the field of highway and other modes of transportation and his interest generally in the field of transportation.

He is accompanied today by the Georgia Department of Transportation's deputy commissioner, Emory Parrish, and the director of planning and programing, Florence Breen, and John Hassell, chief, policy planning, for the Georgia Department of Transportation.

I would like to say that we in Georgia are very fortunate to have such able people in our State government, and perhaps we may even be able to share another Georgian with the entire country shortly.

Thank you Mr. Chairman.

Mr. HOWARD. Thank you.

Mr. Moreland, we are happy to have you here. You may please proceed as you wish.

TESTIMONY OF THOMAS D. MORELAND, COMMISSIONER, GEORGIA DEPARTMENT OF TRANSPORTATION; ACCOMPANIED BY EMORY PARRISH, DEPUTY COMMISSIONER; FLORENCE BREEN, DIRECTOR OF PLANNING AND PROGRAMING; AND JOHN HASSELL, CHIEF, POLICY PLANNING

Mr. MORELAND. Mr. Chairman, members of the subcommittee, I am Thomas D. Moreland, Commissioner of the Georgia Department of Transportation. With me are the department's deputy commissioner, Emory Parrish, and director of planning and programing, Florence Breen.

I would like, at this point, to file a statement in support of the legislation by our Governor, George Busbee, who I am also representing today, and who is chairman of the National Governors' Conference Standing Committee on Transportation, Commerce and Technology.

Mr. HOWARD. Without objection, Governor Busbee's statement will appear at this point in the record.

[Statement referred to follows:]

STATEMENT OF HON. GEORGE BUSBEE, GOVERNOR, STATE OF GEORGIA

Mr. Chairman, members of the subcommittee, I appreciate this opportunity to discuss H.R. 11069 which would amend Section 122 of Title 23 U.S. Code to authorize payment of interest on bonds, the proceeds of which were used for projects on the Interstate System.

This amendment would allow States, which so choose, to sell bonds to complete their portion of the Interstate System and recover Federal funds, as they become available, to pay both the principal and interest.

The amendment would not:

1. Increase the amount of funds being obligated from the Highway Trust Fund, or;

2. Adversely affect the apportionment of the other States.

According to the General Accounting Office the present funding levels make it a certainty that the Interstate System won't be complete until 1997. By that time it will have cost in excess of \$80 billion, far more than the original estimates.

I have every reason to believe the national interest would be served through speedier completion of the System. It would provide for the National Defense, would spur further economic development and reduce highway fatalities and accidents.

Ten States have already chosen to utilize the present Section 122 of 23 U.S. Code to accelerate construction and have expended \$500 million of State funds. Georgia is one of those states.

We estimate that the gaps will be closed on Georgia's Interstate routes in 1979. This contrasts with a completion date in 1997 had we not availed ourselves of Section 122.

Our decision means savings to the Highway Trust Fund and to highway users. It was made in full awareness that the present Interstate program might not be continued. We did so because we believe the benefits of early completion far outweigh the risks.

There are several issues I would like to touch upon in regard to H.R. 11069:

1. Inflation is almost certainly going to continue at a rate higher than interest rates on bonds. Consequently, the states who so choose can recover the cost of the bonds and the Highway Trust Fund will be several percentage points ahead in savings.

2. No State is required to utilize the provisions of Section 122 at present or in the event it be amended through H.R. 11069. It places no burden on the states.

3. Judging by Georgia's experience, the construction industry has more than enough capacity available to deal with an accelerated Interstate Construction Program. Comparable numbers of bids on projects have been received for our accelerated program as were prior to it.

4. Georgia's experience shows that our Accelerated Interstate Construction Program has had little effect on the Bond Market. We have received most favorable interest rates. Indeed, it has been estimated that the market can easily absorb as much as \$½ billion per year of additional bonds.

5. The Federal funds, which would go to paying the interest and principal on these bonds, comes from each individual State's apportionment. Therefore, no State would lose Federal funds to another State should passage of H.R. 11069 be effected.

By the end of this fiscal year we will have completed Georgia's Accelerated Interstate Completion Program and actual construction should be complete in 1979. We will benefit by having traffic on our completed routes ten to fifteen years early. Users will enjoy greater safety; Georgia's economic development posture will be enhanced and national defense priorities will be better served. Further, these bonds will be paid off by approximately 1984 with monies from the Highway Trust Fund. Georgia's Accelerated Interstate Completion Program will result in a savings of approximately \$650 million.

I urge passage of a measure such as H.R. 11069 as soon as possible so that all of the States can enjoy the option of early completion of their portion of the Interstate System. Georgia would benefit. The Nation would benefit.

Mr. MORELAND. I am appearing before you today in my role as a member of the executive committee of the American Association of State Highway and Transportation Officials (AASHTO), as well as a representative of our Department of Transportation. I am pleased to be here today to discuss with you, H.R. 11069, which would amend section 122 of title 23, United States Code to authorize payment of interest on bonds, the proceeds of which were used for projects on the Interstate System. In order for AASHTO to take an official position, it is necessary that at least 35 State highway or transportation departments concur in that position. As of the close of business on Friday, August 6, 1976, 40 States had voted to support H.R. 11069 and only 7 had voted not to support.

I would also call your attention to the National Governors Conference support for this bill in policy F-2 concerning highway transportation wherein subparagraph b(2) states:

The Federal Highway Trust Fund should be extended to assure completion of the Interstate System, and to provide for its reconstruction and rehabilitation. Emphasis should be given to the economic necessity for completing the present Interstate network. The possible benefits to be realized through the sale of bonds to provide for early interstate completion should be studied. Many States have or are now using bond funds to provide their citizens with the mobility and safety of a completed Interstate System.

This bill would allow those States choosing to do so, to sell bonds to expedite the completion of their Interstate System and recover from the Highway Trust Fund through their apportionment 90 percent of the interest and principal on such bonds. The bill does not obligate Federal repayment of bond funds. This amendment would not increase the amount of funds being obligated from the trust fund nor would it decrease the apportionment of any State not selling such bonds since interest on bonds would not be included in the calculations of any State's apportioned funds. In fact, because of the savings which would result by those States expediting the completion of their sections and avoiding inflation, all remaining States could receive an increase in their funds flow.

An analysis provided by the General Accounting Office estimated the completion cost of the Interstate System in 1975 dollars to be \$38.9 billion. Because of escalation costs the same study estimated that it would cost a total of \$83.4 billion at \$3.7 billion per year funding to finally complete the system in 1996. The early completion of the Interstate Highway System will provide for the national defense, further economic development, and will help reduce the dreadful toll of accidents and fatalities which daily occur on the existing outdated highways while the gaps are closed on the Interstate System.

States recognizing the advantages of a completed Interstate Highway System have chosen to utilize a provision of the Highway Act (section 122) to accelerate the construction of their Interstate Systems. This process is commonly called ACI. To date, 10 States have used the ACI provision expending almost \$500 million of State moneys to accelerate the closing of the Interstate gaps.

We in the State of Georgia are one State that has elected to use section 122 to advance our Interstate completion. It is now estimated that by 1979 the last Interstate section of the original system in Georgia will be open to traffic. Based on a study by our staff, Georgia's

decision alone can result in a savings to the trust fund of \$250 to \$800 million depending on inflationary conditions. User savings are estimated to be \$260 million due to early opening of these sections not to mention the lives which will be saved.

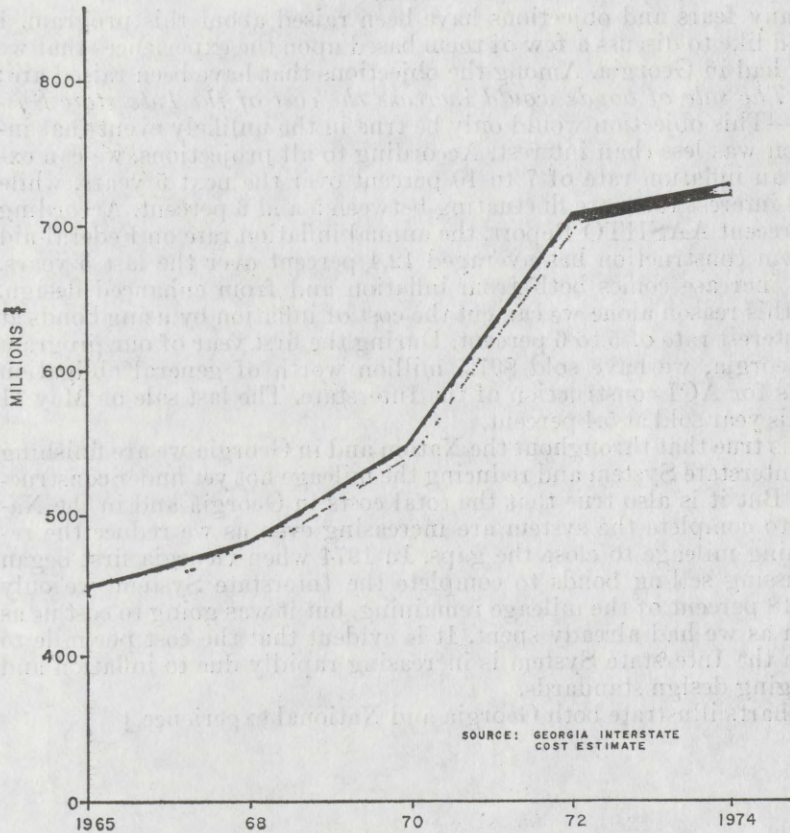
Many fears and objections have been raised about this program. I would like to discuss a few of them based upon the experiences that we have had in Georgia. Among the objections that have been raised are:

1. *The sale of bonds would increase the cost of the Interstate System.*—This objection would only be true in the unlikely event that inflation was less than interest. According to all projections, we can expect an inflation rate of 7 to 10 percent over the next 5 years, while bond interest rates are fluctuating between 5 and 6 percent. According to a recent AASHTO Report, the annual inflation rate on Federal-aid System construction has averaged 12.4 percent over the last 5 years. This increase comes both from inflation and from enhanced design. For this reason alone we can cut the cost of inflation by using bonds at an interest rate of 5 to 6 percent. During the first year of our program in Georgia, we have sold \$97.5 million worth of general obligation bonds for ACI construction of the Interstate. The last sale on May 11 of this year sold at 5.4 percent.

It is true that throughout the Nation and in Georgia we are finishing the Interstate System and reducing the mileage not yet under construction. But it is also true that the total costs in Georgia and in the Nation to complete the system are increasing even as we reduce the remaining mileage to close the gaps. In 1974 when Georgia first began discussing selling bonds to complete the Interstate System, we only had 18 percent of the mileage remaining, but it was going to cost us as much as we had already spent. It is evident that the cost per mile to finish the Interstate System is increasing rapidly due to inflation and changing design standards.

[Charts illustrate both Georgia and National experience.]

GEORGIA INTERSTATE SYSTEM COST TO COMPLETE

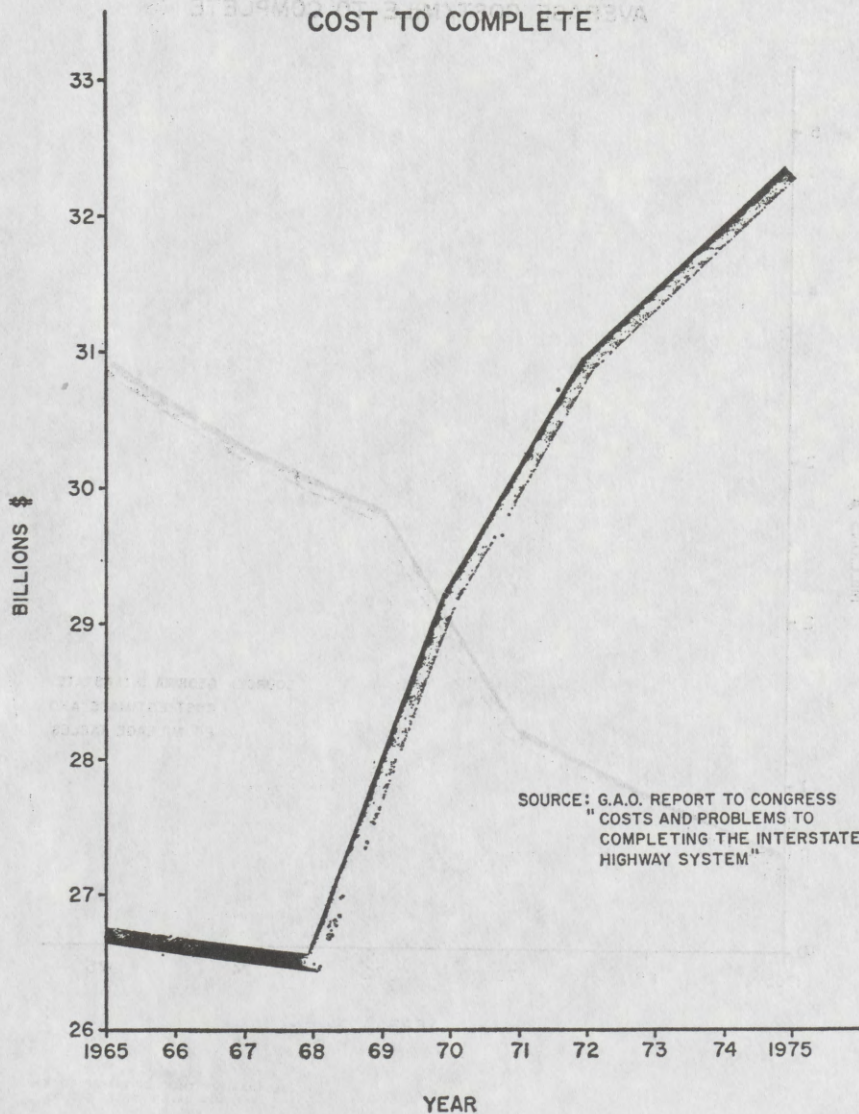


SOURCE: GEORGIA INTERSTATE
COST ESTIMATE

PREPARED BY
GEORGIA DEPARTMENT OF TRANSPORTATION
PLANNING DATA SERVICES SECTION

AUG. 9, 1976

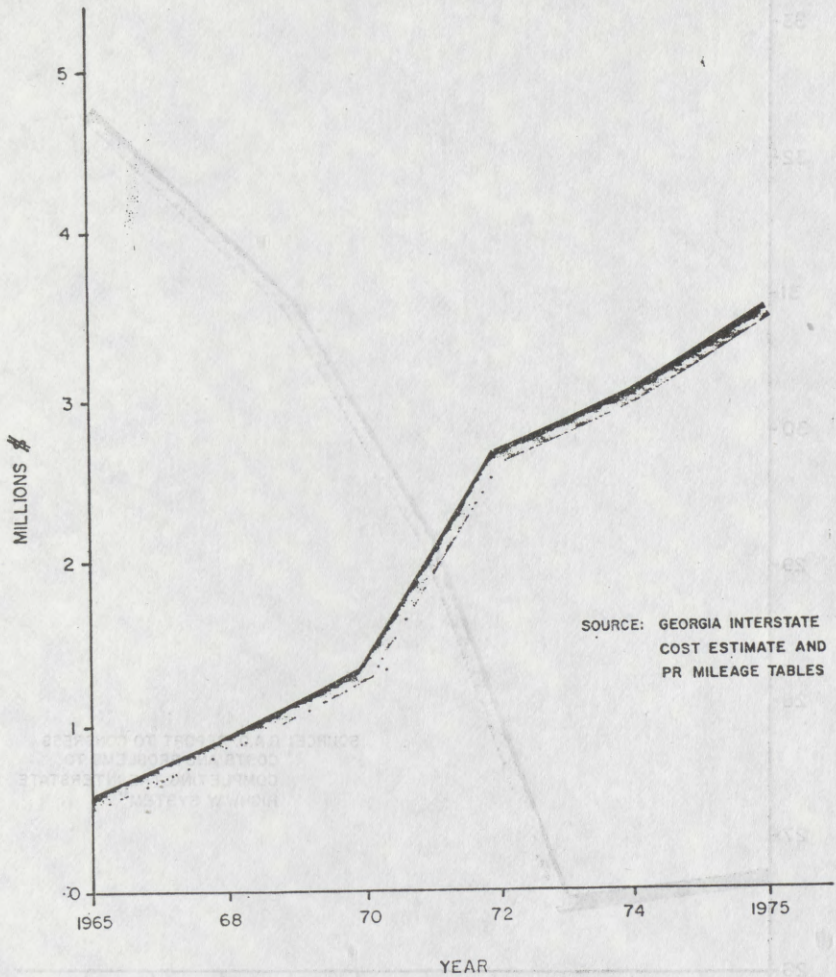
NATIONAL INTERSTATE SYSTEM COST TO COMPLETE



SOURCE: G.A.O. REPORT TO CONGRESS
"COSTS AND PROBLEMS TO
COMPLETING THE INTERSTATE
HIGHWAY SYSTEM"

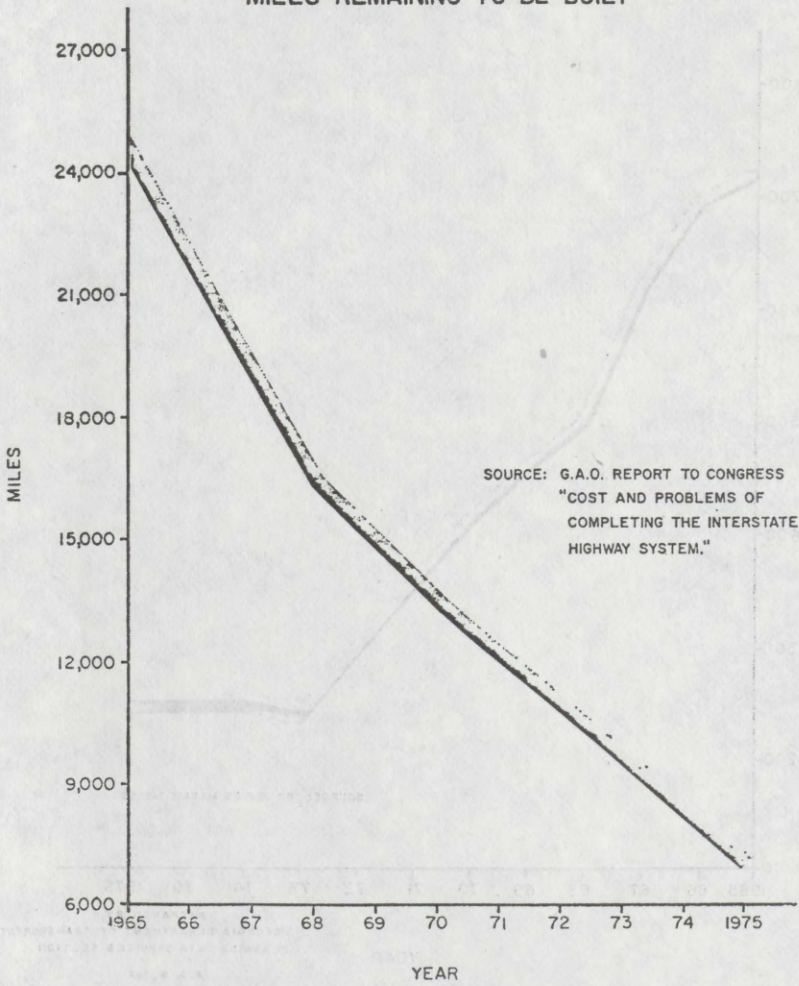
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GEORGIA INTERSTATE SYSTEM AVERAGE COST/MILE TO COMPLETE



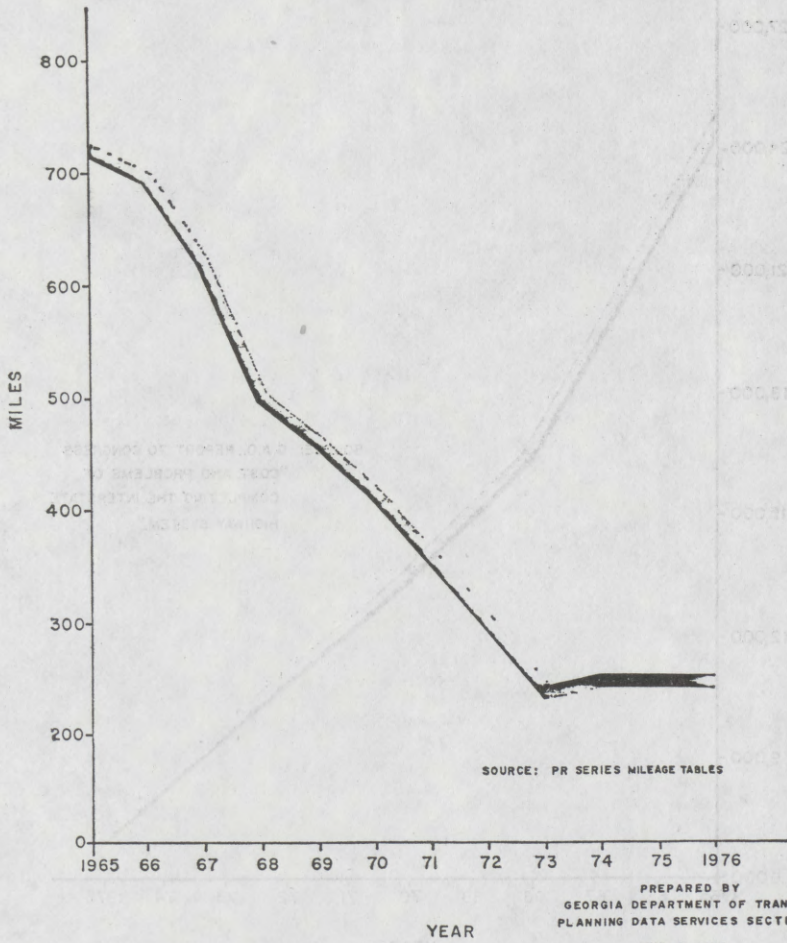
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NATIONAL INTERSTATE SYSTEM MILES REMAINING TO BE BUILT

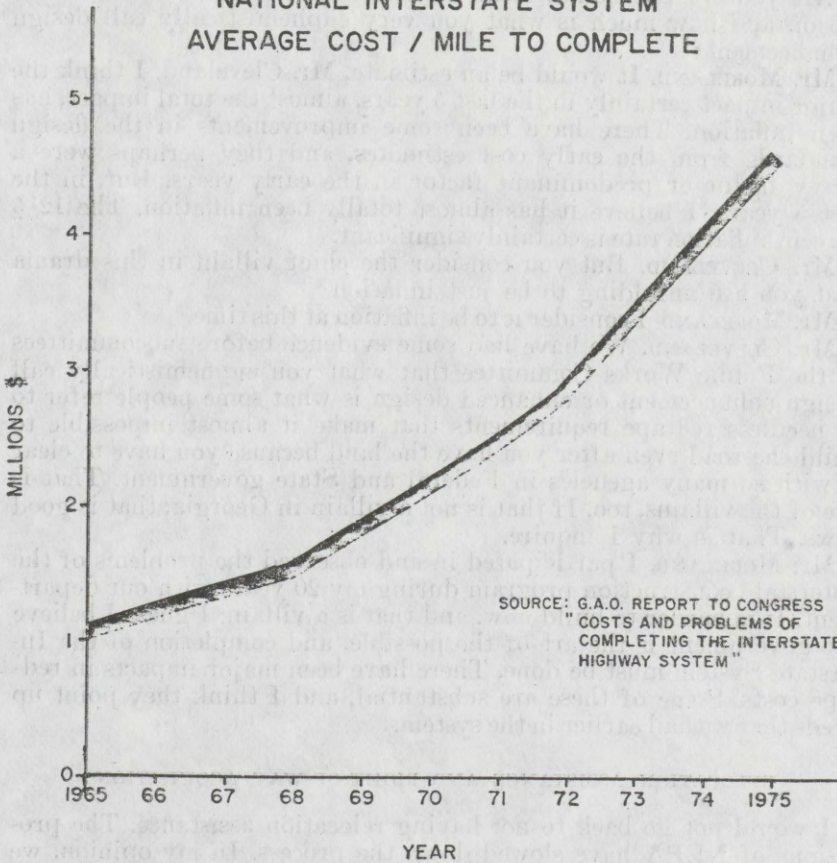


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AUG. 9, 1976

GEORGIA INTERSTATE SYSTEM MILES REMAINING TO BE BUILT



NATIONAL INTERSTATE SYSTEM AVERAGE COST / MILE TO COMPLETE



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GEORGIA DEPARTMENT OF TRANSPORTATION
PLANNING DATA SERVICES SECTION
AUG. 9, 1976

Mr. CLEVELAND. Mr. Chairman, may I make an inquiry?

Mr. HOWARD. Yes, but I have a question.

Could the cost per mile be more on what is remaining because they may be in areas where property is more expensive? We know out in the country, out in the rural areas, the cost was much cheaper per mile, and as you get toward the urbanized areas, it is more?

Mr. MORELAND. Mr. Chairman, I think that would have an impact on it. However, in Georgia we began construction in the urban area and fortunately so. We built the urban interstate in Atlanta, Macon, Savannah, and Columbus relatively early. Now, we do have some modifications in Atlanta to complete, and those do impact on the estimate. But, generally, our mileage is rural and is addressable at this time.

Mr. HOWARD. All right, Mr. Cleveland.

Mr. CLEVELAND. My question is this.

Are you in a position to break down how much of this increase is inflation and how much is what you very euphemistically call design enhancement?

Mr. MORELAND. It would be an estimate, Mr. Cleveland. I think the major impact certainly in the last 5 years, almost the total impact, has been inflation. There have been some improvements in the design standards from the early cost estimates, and they perhaps were a heavy factor or predominant factor in the early years. But, in the last 5 years, I believe it has almost totally been inflation. The 12½ percent inflation rate is certainly significant.

Mr. CLEVELAND. But you consider the chief villain in this drama that you are unfolding to be just inflation?

Mr. MORELAND. I consider it to be inflation at this time.

Mr. CLEVELAND. We have had some evidence before subcommittees of the Public Works Committee that what you euphemistically call design enhancement or enhanced design is what some people refer to as needless redtape requirements that make it almost impossible to build the road even after you have the land because you have to clear it with so many agencies in Federal and State government. That is one of the villains, too. If that is not a villain in Georgia, that is good news. That is why I inquire.

Mr. MORELAND. I participated in and observed the problems of the Interstate construction program during my 20 years with our department. It is harder to build now, and that is a villain. I guess I believe the government is the art of the possible, and completion of the Interstate System must be done. There have been major impacts in redtape costs. Some of these are substantial, and I think they point up needs that we had earlier in the system.

RELOCATION ASSISTANCE AND RIGHT-OF-WAY ACQUISITION

I would not go back to not having relocation assistance. The provisions of NEPA have slowed down the process. In my opinion, we are beginning to learn to live with those and to implement the system even with them. They have impacted on the costs. They have inflated. I think the major impact of those provisions have been to cause us to construct now, sections of highway that we should have been constructing 4 or 5 years ago to save on inflation. I still believe in standing by my statement that the present impact is inflation.

The second objection that I would like to comment on concerning our experience is that the sale of bonds will be a burden upon the States.

2. *The sale of bonds will be a burden upon the States.*—This bill does not require any State to sell bonds, indeed it is entirely voluntary in nature, and based upon each State's decision as to whether or not it values the completed links of the Interstate sufficiently to obligate itself to repay the bonds should the Federal program be terminated. This question arose in our discussion with the Georgia General Assembly concerning Georgia's bonding program. Our department's response was that even with the unlikely occurrence of cessation of Federal funds prior to the completion of the program, that Georgia would desire and wish to close the gaps in the Interstate program and that the best way to do that would be by bond financing. The gaps would

have been closed at an earlier date and a lower cost than at the time of the cessation of the funding. The completion of these gaps will be such a significant value to the citizens of Georgia and of those States whose people travel through our State every year that we are willing to take the risk involved in the unlikely occurrence that you would cease funding the Interstate program.

Because the actual construction of our sections is going to be much less than it would have been with accumulated inflation, we are actually providing an increased amount for the trust fund in later years which those States not selling bonds will be able to draw upon and hopefully complete their sections earlier than the 1996 date the GAO has projected.

3. *Expediting the construction of the Interstate would unsettle the construction industry.*—At this time, and for the foreseeable future, the construction industry is in a significant recession. This industry has shown little recovery from recent economic difficulties. The letting of contracts for completion of the Interstate at this time would put tens of thousands of people back to work. The injection of almost \$100 million of bond funds into our contract lettings has not resulted in lessened competition, but rather in fierce competition. Our number of bidders per project has not reduced.

4. *Disruption of the bond market.*—The bond market in the United States has been absorbing approximately \$44 billion annually. The bonding level that we foresee resulting from this amendment would amount to no more than one-half billion a year, approximately 1 percent of the entire bond market at the current rate. To date, Georgia bonding has not affected the bond levels; in fact, we have received very favorable interest rates on all of our sales.

5. *States that didn't bond would lose money.*—Because the interest and principal would come from each State's apportionment, no State would lose any money from its apportionment. Interest is not now included in the Interstate cost estimate and it is not an allowable item even with the passage of this bill. The Interstate cost estimate is based upon unit prices and cost of construction and there is no entry which would allow for the inclusion of interest costs. Under this bill there would be no addition to the cost estimate.

6. *Obligation of the United States for repayment of bond principal and interest.*—Georgia has used its own general obligation bond authority for advancing our interstate program. The retirement of these bonds is a constitutional obligation of the State of Georgia and there is no commitment on the part of the United States for repayment under this bill. Those States which have bond authority and wish to use it, could for their interstate program, but it would not be mandatory nor would it obligate the Federal Government.

To date, Georgia has sold some \$97.5 million in bonds for interstate completion. We expect to sell an additional \$90.5 million in fiscal year 1977 which should bring our accelerated completion program to a close. With these funds, we expect to have traffic on all of our original interstate routes by 1979. The citizens of Georgia will enjoy an extra 7 years of use of this system which would not have been available with the cash flow provided by the Federal Government.

In my opinion, the most universally popular transportation program in the United States is the completion of the Interstate Highway

System at an early date. This bill will provide for that. Those States which have the desire, the legal tools and the administrative capability can complete their interstate systems early. I urge passage of a bill such as H.R. 11069 as soon as possible for the early completion of the Interstate Highway System in the United States.

Mr. HOWARD. Thank you very much, Mr. Moreland, for your testimony. It is certainly a great fund of information that you have laid before us.

I have just one question.

You did state that at a meeting of State transportation departments where a vote on support of this bill was taken and 40 voted in support of it and 7 voted not to support it.

Can you tell us briefly why those seven voted not to support it?

Mr. MORELAND. I cannot understand it. I did not get a chance to talk to the seven. I believe I could convince them that it is in their interests. Not all States met. There was a meeting in New York where about 20 States were represented. They all supported it, I believe, except one, and the rest of these were polled by the chief administrative officers of the AASHTO headquarters.

Frankly, I do not understand why the seven States were opposed. I plan to discuss it with them as soon as possible.

Mr. HOWARD. Mr. Levitas.

Mr. LEVITAS. Thank you.

Let me congratulate you and Governor Busbee on the excellent presentations covering not only the affirmative benefits that will flow from the adoption of legislation of this sort, but also effectively meeting some of the legitimate concerns that have been expressed about this legislation. I appreciate your dealing with them as candidly as you have.

Let me ask you one or two questions.

There are some States that have prohibitions against borrowing. In 1966, I understand that a special subcommittee of this committee, in conducting hearings on the relationship of toll facilities to the Federal-Aid highway program, found that there were about 22 States whose constitutions prohibit borrowing. Are there still States which prohibit borrowing, if you know and, if so, how many?

Mr. MORELAND. I do not know the number, but I believe some States are still prohibited from borrowing even for this purpose. The principal point I wanted to state is that this is a totally voluntary program for the States that have the legal tools and desires. However, those that have neither the desire nor legal tools would not be hurt. Indeed, their percentage of the apportionment would be increased if, as we project, inflation outruns interest. They would actually draw more money per year to complete their systems than those who do so earlier.

Mr. LEVITAS. Has Georgia been contemplating building a toll road?

Mr. MORELAND. We have contemplated several toll roads, but none has been built. We had a very ambitious aggressive program for a toll road along the western boundary of our State. But when we got the financial feasibility data in, it would not come close enough in paying for itself. It has been tabled.

There is one under consideration for the city of Savannah, serving the local traffic which has a fair chance of being built. It is supported pretty actively locally, and the General Assembly in Georgia last year

passed an act allowing 25 percent subsidy, with motor fuel tax, so it may be built.

Mr. LEVITAS. Was the west Georgia tollway to have been a part of the Interstate System?

Mr. MORELAND. No.

Mr. LEVITAS. So it would not have been affected by this legislation in any event?

Mr. MORELAND. No.

Mr. LEVITAS. Thank you.

I have no further questions.

Mr. HOWARD. Do you have any questions?

Mr. SHUSTER. Thank you.

I certainly appreciate your testimony. I supported this legislation as an amendment when your good Congressman introduced it. I look forward to supporting it again.

Thank you.

Mr. HOWARD. Thank you very much.

The next witness is Edmond S. Rovner, legislative director, National Governors' Conference.

TESTIMONY OF EDMOND S. ROVNER, LEGISLATIVE DIRECTOR, NATIONAL GOVERNORS' CONFERENCE

Mr. ROVNER. Commissioner Moreland covered what we had to say about it.

If you have any questions, I will be glad to answer them.

Mr. HOWARD. Thank you.

We will note your appearance as legislative director of the National Governors' Conference.

Mr. HOWARD. Our next witness is Mr. T. H. Espy, Jr., office engineer, State of Alabama Highway Department.

TESTIMONY OF TOM ESPY, JR., OFFICE ENGINEER, ALABAMA HIGHWAY DEPARTMENT, MONTGOMERY, ALA.

Mr. ESPY. Thank you.

Alabama is not into the ACI program at the present time, but we are here making a presentation, expressing to you our interest in the program.

Alabama has a total interstate mileage of 899.9, of which 717.3 miles are open to traffic, 91.6 miles are under construction, and 91 miles are under an advanced stage of design.

The interstate cost estimate which we are now preparing for submission to the Federal Highway Administration and to the Congress will indicate that while we have only approximately 10.1 percent of our system left to complete, yet the remaining cost will be in the neighborhood of \$975 million.

Apportioned figures resulting from the passage of the 1976 Federal-Aid Highway Act indicate that Alabama will be receiving approximately \$73,682,000 per year for the next several years. Obviously, to complete our system in a reasonable period of time, additional funds must be acquired from some source.

The Governor of Alabama, the highway director, and the State legislature are all searching for ways in which we can speed up the completion of the Interstate System in Alabama. The advance construction interstate program appears to be the best available mechanism to accomplish this task.

Alabama Senate bill 130, which establishes implementing regulations for Alabama to proceed with an advance construction interstate program through the use of bonds has passed the State senate. The bill also passed the State house of representatives ways and means committee on Thursday, August 5, 1976, and was reported out to the full house sitting on that date.

The Alabama House of Representatives is considering this legislation today and hopefully will pass this legislation and send the bill to the Governor today.

The only concern which has been expressed in committee hearings of either the Alabama House or Senate is concern over the interest which the State of Alabama will be required to pay resulting from the sale of bonds from this program.

We have studied the Federal regulations regarding the advance construction interstate program and the State enabling legislation pledges available Federal apportionments of interstate funds to the payment of the principal of the bonds, and it further pledges the support of the State public road and bridge fund to the payment of the principal and interest.

We certainly strongly support Federal legislation that will allow us to use Federal funds in support of interest payments realizing that the Federal legislation does not guarantee the availability of such funds.

Alabama is greatly concerned over the matter of interest payments because of the past experience of the Alabama Highway Department in financing its road construction program.

The State legislature passed its first bond issue in 1952 and, since that time, has passed numerous bond issues which have created a tremendous debt service for the Alabama Highway Department.

The most recently passed bond issue was for \$110 million in 1971, and it was exclusively for matching Federal aid.

It has been the feeling of the legislature and the highway department since that time that the passage of that act will be the last bond issue which the Alabama Highway Department could afford, at least until these bond issues are paid off. Even though the interest bid on our 1971 bond authorizations was in an acceptable range of 4 to 6 percent, depending on the number of years in a particular issue, the actual interest funds required mount up quite fast.

In this present fiscal year, our State revenue from highway user taxes is expected to total approximately \$110 million. First priority on these funds must go to the payment of debt service in the magnitude of \$34.9 million. This represents approximately 32 percent of our available revenue.

Debt service, the payment of principal and interest, whether we want to admit it or not, is today a large part of our Federal aid program. Making interest payments an eligible Federal aid item would soften our burden.

Alabama believes that passage of H.R. 11069 will enhance the sale of our bonds resulting in lower interest rates. Our bond counsel advises that eligibility of Federal aid for interest payments lends credibility to our sales in the same manner as does the pledge of State public road and bridge funds, again recognizing the fact that the pending legislation makes no guarantee of availability of these funds.

This is another way that favorable action on H.R. 11069 could reduce the total ultimate cost of the Interstate System.

We feel that by moving into the ACI program, with eligibility of Federal aid funds for payment of principal and interest on bond sales, that we can create some revival of the highway construction industry in Alabama. Lack of available State revenue has reduced our construction program to a Federal aid program.

We, in fact, have very little, if any, 100 percent State construction program.

While total Federal funds may be greater now than in years past, inflation and other matters have cut the number of new miles placed under contract considerably, and have cut the number of contracts "let" in half. The ACI program will put new contracts, new money, and more people to work immediately.

In summary, passage of H.R. 11069 will:

1. Aid in earlier completion of our Interstate System;
2. Help prevent further increase in our debt service;
3. Enhance the sale of bonds by helping to lower interest rates; and
4. Stimulate the highway construction industry.

We ask for favorable action on this legislation.

Thank you, Mr. Chairman.

Mr. HOWARD. Thank you, Mr. Espy.

You have about 182 miles left that are not open to traffic?

Mr. ESPY. That is correct.

Mr. HOWARD. Is the greater proportion of that in urban areas or suburban areas compared to the 700 miles or so completed, or have you balanced it?

Mr. ESPY. Most of it was in the suburban areas and in the rural areas, and not in the urban, although some does remain in the urban areas.

We were basically through in Mobile, Montgomery, Birmingham, and we have yet to complete spurs into Tuscaloosa, Gadsden, Huntsville, and a belt around Birmingham.

We have a costly crossing of the Mobile River Delta in south Alabama that is about 5 miles, but at a cost of over \$100 million, so that represents a considerable amount of cost for the small mileage.

My response would be that basically we are out of the urban area into at least the suburban and rural.

Mr. HOWARD. The gentleman from Georgia.

Mr. LEVITAS. First of all, I would like to compliment you on your testimony, and I want to say that I appreciate your testifying here today.

I would like to find out when you and Tom are going to get together so I can drive from Atlanta to Birmingham.

Mr. MORELAND. November 1, next year. [Laughter.]

Mr. HOWARD. Thank you very much for your testimony.

We certainly appreciate your appearance here today.

The Chair would like to state that the House is in session, and there is a quorum call.

However, after that, the House will take up the Federal energy report, so that will give us an uninterrupted 1 hour, hopefully.

The subcommittee stands in recess.

[Short recess.]

Mr. HOWARD. The subcommittee will please come to order. We may have this situation on through the day for either quorum calls or votes. In the meantime, we will try to be here as much as possible in order to be able to hear the testimony.

The next witness is Victor Preisser, director of the Iowa Department of Transportation, who is represented by Mr. Richard Johnson.

Mr. Johnson, thank you for coming before the subcommittee this morning.

TESTIMONY OF RICHARD D. JOHNSON, DIRECTOR, ADMINISTRATION DIVISION, IOWA DEPARTMENT OF TRANSPORTATION

Mr. JOHNSON. Good morning.

Mr. Chairman, members of the subcommittee, I am Richard D. Johnson, director of administration, Iowa Department of Transportation. I am appearing on behalf of the Iowa Department of Transportation.

The Iowa Department of Transportation supports House bill 11069, which authorizes payment of interest on bonds issued for accelerated interstate construction.

If this proposal had been implemented 15 years ago, we could have completed the interstate program. We would not be faced with having to spend \$35 billion more to complete the last 10 percent of the system, which is equal to our original estimates for the entire Interstate System. The Nation's economy could now be benefiting from the savings in energy, lives, and commerce we are now realizing, on completed sections.

We support this bill because its passage would result in direct cost savings to both the road user and Government—State and Federal. These savings result from (1) reduction of vehicle operating costs; (2) reduction of travel time; and (3) reduced accident costs.

For the last decade, Iowa has maintained a capital construction program of approximately \$125 million per year for primary and interstate highways.

Starting in 1966, Iowa voluntarily allocated a substantial part of its State-funded construction resources to complete Iowa's interstate segments early through the accelerated interstate construction program. In addition to the reductions in operating costs, travel time, and accident costs—realized by interstate travelers en route through Iowa—the Federal interstate program itself has benefited financially. The \$30-plus million advanced in Iowa through accelerated construction interstate projects would have cost twice that sum to the interstate program if Iowa had not diverted its resources from the primary system.

Why? Because this prompt action enabled the Federal Government to keep ahead of inflation in construction costs. It cost us 6 percent per year in interest, and it saved you 20 percent in gas cost over a 5-year period.

The Federal highway trust fund has thus received a direct benefit from the construction cost index differential during these projects.

The decision to advance State primary road resources for accelerated construction interstate projects was not popular with persons living away from the interstate highways. Indeed, the primary benefit did go to through travelers, but the overall savings have benefited all taxpayers in the Nation.

The ability to pay interest on bonds issued for accelerated construction interstate projects, in addition to the presently existing authorization to pay principal payments would provide States an opportunity to respond objectively in meeting their most critical highway construction needs.

We believe the payment of bond interest would have a beneficial effect on financial decisions made by all State legislatures in providing alternative funding sources for the State's transportation construction program.

We have prepared an exhibit which reflects most of Iowa's investment in the accelerated construction interstate program.

[The exhibit referred to follows:]

EXHIBIT A

IOWA DEPARTMENT OF TRANSPORTATION, INTEREST EXPENSE ON DEFERRED EARLY ACCELERATED CONSTRUCTION INTERSTATE

Project	Authorized date	Conversion date	Eligible unbilled	Interest during construction	Interest post construction to conversion	Total interest
EACI-IG-35-7(9)178	Apr. 1, 1971	Feb. 18, 1975	3,377,300	202,638	379,935	582,573
EACI-IG-35-7(10)186	Apr. 28, 1971	do	1,945,200	116,712	209,109	325,821
EACI-IG-35-6(30)155	July 22, 1974	July 22, 1974	0	0	0	0
EACI-29-1(9)10	Apr. 1, 1971	Feb. 18, 1975	3,561,600	213,696	400,680	614,376
EACI-29-1(12)20	do	do	2,268,400	136,104	255,195	391,299
EACI-35-5(14)123	Oct. 3, 1966	do	1,577,000	93,420	493,088	586,508
EACI-29-5(17)78	Sept. 19, 1966	do	2,606,700	156,402	836,297	992,699
EACI-IG-29-5(18)85	do	do	1,855,700	111,342	595,364	706,706
EACI-380-6(7)248	Apr. 2, 1970	do	3,868,800	232,128	548,080	780,208
EACI-IG-380-6(20)247	Apr. 28, 1971	do	2,545,600	152,736	267,288	420,024
EACI-IG-380-6(19)243	do	do	2,338,095	140,286	245,511	385,796
EACI-29-5(19)91	Oct. 3, 1966	June 30, 1973	1,263,200	97,392	378,728	476,120
EACI-29-1(11)27	Sept. 30, 1969	do	1,701,400	102,084	319,005	421,089
EACI-80-1(57)3	Mar. 6, 1969	do	1,305,800	78,348	227,440	355,788
EI-EIG-80-3(20)	do	do	1,740,678	140,440	91,000	195,440
Total			32,295,473	1,937,728	5,296,720	7,234,447

Mr. JOHNSON. Exhibit A reflects most of Iowa's investment in the accelerated construction interstate program. Our \$7.2 million of theoretical interest cost would compare to similar contributions of interest paid by other States which utilize bonding for accelerated construction interstate projects.

Early completion of the segments covered in these projects has reduced operation costs, travel time, and accident costs. Also it has provided substantial construction cost savings to the Federal highway trust fund.

The general welfare and economy of the Nation has benefited because a number of States, including Iowa, have used the accelerated construction interstate program. Moreover, the national goal for early completion of the Interstate System has been enhanced.

Remember the numbers: Our \$7-plus million in interest costs; advanced \$30-plus million in Interstate construction; and avoided \$30 million in inflation, of which you would have paid 90 percent.

The Iowa Department of Transportation supports the passage of H.R. 11069.

Thank you.

Mr. HOWARD. Thank you very much, Mr. Johnson. We certainly appreciate your testimony.

It still makes me wonder, not only why the seven States voted not to support it, but also which are the seven States.

Mr. Rivard, you had a statement or question before.

Could you explain what it is, and maybe someone may be able to respond to it?

Mr. RIVARD. The statement has been made that the bill itself indicates that interest cannot be included in the interstate cost estimate, and that it is undoubtedly true. But the effect of the interest cost payments, because the interest and principal are paid out to apportionments, in effect, reduce the total that is put to construction so that the next interstate cost estimate does have to reflect a construction cost which is the equivalent of the interest.

Mr. ESPY. In theory, it could be in excess of the interest if inflation outruns the interest.

Mr. RIVARD. The whole point being that the reflection of the interest does come about in the next cost estimate, even though it is not labeled that?

Mr. ESPY. Indirectly it is through because the obligation for the construction funds are there, and they would have been reflected.

Mr. Moreland, would you care to comment?

Mr. MORELAND. I concur.

Of course, Lloyd is right. The interest is offset, but any project advance construction is frozen at that time. It cannot be enhanced by any more inflation, hence the balance between inflation and interest.

So I say again no State can lose so long as inflation outruns interest. The interest payments would be in place of other construction, but those projects' advance would be frozen forever in the Interstate cost estimate until payback, and could never be enhanced by inflation so that it is balancing, and the history shows, through the whole history of the interstate, that inflation has far outrun it.

Mr. HOWARD. We heard in New York the week before last that inflation is going to be brought under control in the next 4 years. I am sure we are going to hear the same thing next week from Kansas City.

We will have to take that into consideration.

Mr. Levitas, do you have any questions?

Mr. LEVITAS. No questions.

Mr. HOWARD. Thank you very much.

Now, we will hear from Doris Evans, director, Bureau of Business Management, Tennessee Department of Transportation.

Ms. Evans, thank you for your appearance before the subcommittee. Please proceed as you wish.

TESTIMONY OF DORIS EVANS, DIRECTOR OF BUSINESS MANAGEMENT, TENNESSEE DEPARTMENT OF TRANSPORTATION

Ms. EVANS. Mr. Chairman, members of the subcommittee, and ladies and gentlemen, I am Doris Evans, director of Business Management for the Tennessee Department of Transportation.

First, I want to express the regrets of both our commissioner, and deputy commissioner, for being unable to attend this meeting. However, I am pleased to have the opportunity to appear before you to express Tennessee's views on H.R. 11069, introduced by Congressman Levitas of Georgia.

As you know, this bill deals with advancing the interstate program, and Tennessee has been extremely interested in this for a long time now.

In 1973, our State legislature authorized a \$100 million bond issue for the purpose of advancing our interstate program and, in 1975, a second bond authorization of \$110 million was approved by our legislature. We have approximately \$150 million of the projects under contract and some are already complete.

We have converted about \$50 million of the projects to regular Federal financing and expect to convert another \$50 million in October.

Our 1977 interstate apportionment is \$77 million, and we plan to use \$50 million of that amount to convert advanced Interstate projects to regular Federal financing. This means that by October, we will have converted all the projects included in the \$100 million bond authorization of 1973, and will cancel this bond authorization without any of the bonds having been sold.

Tennessee's situation is a little unique in that we have not sold any of these bonds, and do not anticipate having to do so. We have merely used our bond authorization as a basis for obligating the contracts but, due to our large cash balance, we have not had to sell any of the bonds since we have not had a need for the cash.

I want to give you this brief history of Tennessee's interstate program in order to assure you that our support of this bill is not one of selfish reasons. Since we have not incurred any interest expense, we would have nothing to gain by the passage, of this bill, other than the fact that this would advance the opening of all links of the Interstate System and, of course, the System will never be totally functional until the total system is completed.

As you know, the bill merely provides for any interest expense incurred by a State in prefinancing its interstate program to be made acceptable as a part of the project cost and fully participating with the Federal Highway Administration.

In our opinion, the interest expense should be considered a valid part of the project cost, and Tennessee fully supports the passage of this bill. We have summarized our position in the following three points:

1. There is nothing in this bill that would have an adverse effect on any State. Even though there is approximately half of our State who cannot, at this time, prefinance their interstate program through bond financing, since they cannot borrow money for any purpose. And I believe that is 25 or 26 States which cannot do this. The change being

considered would in no way reduce the amount of apportionment these States would receive, so I do not see why there would be any adverse effect on them.

My second point is, of the remaining 25 States, I know that a few have sold bonds for the purpose of advancing their interstate program ahead of schedule. I think at least 10 States have advanced their program, but I feel that if the States could convince their legislatures that the State would not have to foot the bill for the interest on the bonds, then we would see several other States advancing their programs through bond financing, possibly the entire 25 would be advancing their program through this method, et cetera.

Finally, it seems quite clear that the interest expense connected with advancing the Interstate program would be an insignificant amount, when you compare it to the inflationary cost that will most likely be experienced if these projects are delayed, and this is in spite of the comments we have heard from New York and probably will hear from Kansas City.

In Tennessee, we have estimated that, by advancing our Interstate program in 1973, we saved about \$40 million in project cost on the \$100 million worth of contracts let early.

Our engineers tell us that had we waited until today to let that \$100 million to contract, it would cost us roughly \$140 million.

This concludes my remarks.

I do appreciate the privilege to present our views to this subcommittee today, and Tennessee is certainly in favor of your approval of this legislation.

Mr. HOWARD. Thank you very much.

I mentioned that several of the States, about half of them, could not utilize this if this were law today; they would not be able to because of the constitutional prohibitions, or laws in these States.

Do you think if the provisions of this bill were made available to the States, some of the States would change their laws so that they would be able to participate in this?

Ms. EVANS. Yes, sir, I very definitely feel this way.

Of the 25 States whose constitutions permit the borrowing of funds, only 10 or 11 have, but I feel that the passage of this bill would encourage the remaining States to follow suit.

Mr. HOWARD. Thank you.

Mr. Levitas?

Mr. LEVITAS. No questions.

Mr. HOWARD. Thank you.

We certainly appreciate your testimony, and the subcommittee will resume in about 10 minutes.

We will stand in recess until then.

[Short recess.]

Mr. HOWARD. The subcommittee will come to order.

The next witness will be Mr. John Sullivan who is representing Mr. James F. Shugrue, commissioner of the Connecticut Department of Transportation.

Mr. Sullivan, I wish to thank you for your attendance this morning. Please proceed as you wish.

TESTIMONY OF JOHN SULLIVAN, REPRESENTATING JAMES F. SHUGRUE, COMMISSIONER, CONNECTICUT DEPARTMENT OF TRANSPORTATION

Mr. SULLIVAN. We had a bit of a tropical storm yesterday so I am a little late getting in here, and I apologize for the lateness.

Mr. HOWARD. You are right on time.

Mr. SULLIVAN. I have a letter that Commissioner Shugrue asked me to read to you and your group:

DEAR CONGRESSMAN HOWARD: The Connecticut Department of Transportation wishes to present its views on House Bill 11069 for your consideration.

As Connecticut was in a position to advance its Interstate program faster than Federal-Aid funds were being apportioned to it, Connecticut elected to take advantage of advanced funding, as provided by the ACI program.

In 1959 the Connecticut General Assembly provided an authorization in the amount of \$200,000,000 specifically for Interstate projects approximately \$200,000 of this authorization was utilized in place of the Federal share in conjunction with the ACI program.

In 1964 an Interstate Bond Redemption Fund was established and provided that the Federal-Aid receipts were to be deposited therein to provide the principal portion of the bond debt service as it became due. Because of investment income from the fund, it was projected that sufficient monies would be available to pay the principal of the \$260 million bonds through their maturity in 1988.

However, the interest payments for such bond issue from 1961 to date have cost the Connecticut taxpayers \$64,512,260. If the apportionments equivalent to the ACI bonding program had been available to Connecticut at the time, Connecticut would have been paying the interest on approximately \$60 million, its matching share, which probably would have cost the State, to date, approximately \$16.4 million, a difference of approximately \$48.1 million.

The money paid out in interest could have been used to improve the capacity and safety of both Federal and State systems, other than Interstate; systems which are slowly but surely becoming seriously deficient and in need of repair.

The acceleration of the Interstate System construction through the ACI program has been extremely beneficial principally to the United States in the furtherance of its goals for a system of highways for defense purposes and to the Interstate traveler as well, both in convenience and safety. Certainly there has been social and economic benefit to the States and local communities. The cost of construction under the accelerated program is also less.

Nevertheless, it is Connecticut's position that the states which adopt the ACI program are being penalized unnecessarily by the payment of interest as the price of capitalizing on an opportunity of major benefit to the United States. Should Congressman Levitas' bill be adopted, it may prompt many States to consider the ACI program to expedite the completion of this vital Interstate System.

Connecticut, therefore, supports Congressman Levitas' proposed bill to amend section 122 of title 23 U.S.C.

Very truly yours,

JAMES F. SHUGRUE, *Commissioner*.

Mr. HOWARD. Thank you very much. We certainly appreciate your appearance.

Did Hurricane Belle do much damage?

Mr. SULLIVAN. Not too bad. Getting on the airplane this morning at Bradley Field, it appeared more like a tropical storm as far as the greater Hartford area is concerned. I am sure Long Island got hit pretty hard.

The 110-mile wind hit Long Island and washed over Long Island into Bridgeport-New Haven. That seemed to be the worst part. It seems that the wind hit Hartford at 90 miles. Trees are down, some

wires are down. I guess they had maybe 150,000 people that the National Guard tried to get away from the shore areas, and I think that the power failure, from the first report, in many of the towns will be down maybe a day or two.

But looking at what it could have been, without all the preparations, it would have been worse.

One thing that we noted, having had the advance notice for a day, from our worrying about some of the past years, it gave us an awful lot of advance help.

I noticed that an awful lot of the industries let their employees off early and were cutting out second and third shifts.

The other thing that the State did and the Federal Government personnel helped was reassigning people and equipment, starting at noontime yesterday, to insure that they had buses to move the people. They had all kinds of emergency measures ready by 9 o'clock which would not have happened in previous years.

Mr. HOWARD. They seemed to have been well prepared.

Mr. Levitas, any questions?

Mr. LEVITAS. No.

Mr. HOWARD. Thank you very much.

If I am not mistaken, there are no further witnesses, or are there?

Let me see. We have scheduled Mr. William S. Ritchie, Jr., commissioner, West Virginia Department of Highways; Mr. Raymond T. Schuler, commissioner of transportation, New York Department of Transportation.

I am advised that Mr. Schuler has a statement which has been submitted.

Without objection, Mr. Schuler's statement will be made a part of the record at this point.

[The statement referred to follows:]

STATEMENT OF RAYMOND T. SCHULER, COMMISSIONER, NEW YORK STATE
DEPARTMENT OF TRANSPORTATION

I am pleased to appear before the Subcommittee today to speak in support of H.R. 11069 which will liberalize the funding for Interstate highways. The proposed amendment, as presently drafted, comes much too late to be of significant direct benefit to New York State. We recognize, however, that any action which would accelerate the completion of the Interstate program and result in substantial savings in inflated construction costs, as well as a reduction in accidents by having safer roads available sooner, is in the national interest and should be supported by the transportation community. So long as inflation in the cost of construction continues to outstrip the cost of bonding construction, this bill should result in savings to the taxpaying highway user.

Recognizing the benefits which would accrue to the State's citizens by acceleration of the completion of the Interstate System, as well as other needed transportation improvements, the voters of New York State at a general election approved a \$2.5 billion transportation bond issue in 1967. Some \$1.25 billion of the total was reserved for financing the completion of Interstate highways and other needed highway facilities. Sale of these full faith and credit bonds financed significant portions of our Interstate mileage completed between 1968 and 1973—when the bond authorizations ran out.

As of March 31, 1976, \$978 million of the bonds used to finance the State share of a variety of Federal-aid highway toll free facilities were still outstanding; the bonds will not all be retired until 1998. The interest payments on the outstanding debt are close to \$50 million for this fiscal year alone.

As I said before, this amendment comes much too late to be of significant direct benefit to New York State. In your mark-up of this bill we ask that you consider the price New York and other states have paid and are paying for moving out in front of the Federal program. We must pay the full costs of the bond programs,

while other States, benefitting from our experience, have the time and support to enact compensatory Federal legislation which will pay the interest as well as the principal on highway bonds.

In addressing legislation concerning bonding of the Interstate program, attention should also be given to the 19 states which issued bonds for construction of portions of the Interstate System *before* the establishment of the Interstate System. More than 2,100 miles or 5% of the presently designated Interstate System was financed by bonds issued by state and quasi-state agencies, without any Federal participation. On the order of \$3 billion in such bonds were issued prior to June 29, 1956, the effective date of the legislation establishing the Interstate System.

The mileage financed by such bonds are generally the oldest and most heavily traveled sections of the Interstate System. Some of these toll roads have been in active service as part of the Interstate System for more than 25 years and are badly in need of reconstruction to meet demands unanticipated at the time of construction. I suggest that in marking this bill consideration be given to financing the costs of required modernization and reconstruction of toll roads included in the Interstate System which have been open to traffic 20 years or more by sale of bonds, with principal and interest eligible for repayment from each State's regular Interstate apportionments.

We feel that the legislation as presently drafted is a step in the right direction—which, unfortunately, does not go far enough. We suggest that the legislation be strengthened by inclusion of construction or improvement of our outdated Interstate toll facilities in the amendment and by providing a mechanism to assume the interest payments of bonds previously issued for the construction of toll-free Interstate facilities.

Thank you.

Mr. HOWARD. Mr. Webb is not here.

We have a communication concerning this legislation from the American Road Builders' Association. Without objection, that will be made a part of the record at this point.

[The statement referred to follows:]

AMERICAN ROAD BUILDERS' ASSOCIATION,
Washington, D.C., August 10, 1976.

Hon. JAMES J. HOWARD,
U.S. House of Representatives,
Washington, D.C.

DEAR MR. CHAIRMAN: The following statement relates to H.R. 11069, which is being considered today by the Surface Transportation Subcommittee of the U.S. House of Representatives Public Works and Transportation Committee. The American Road Builders' Association sincerely appreciates the opportunity to present our views on this important legislation.

We are all sincerely concerned with the current forecasts of the eventual completion date of the National System of Interstate and Defense Highways. As you well know, there are still about 5,000 miles of Interstate Highways yet to be opened to traffic.

One of the problems in completing this system obviously is the difficulty many States are currently having in providing their 10% share of matching funds. H.R. 11069 addresses this serious problem. It provides another means of helping to accelerate Interstate completion.

It should be noted that many states currently have no specific provisions covering the issuance of highway bonds. Therefore, it is felt that this program will be used as an optional system of funding in only a limited number of states. Furthermore, in our opinion, such a program should not be made mandatory.

The Advance Construction Interstate (ACI) procedure is currently being used by approximately ten (10) states. The payment of interest on state highway bonds, along with use of the ACI procedure, will make it possible for several states to accelerate the completion of their Interstate System. We strongly support this interest payment provision as provided in H.R. 11069 and urge its early approval by the 94th Congress.

Respectfully submitted.

DANIEL J. HANSON, Sr.,
Executive Vice President.

Mr. HOWARD. Also there is a policy statement on policy transportation, adopted July 6, 1976, by the National Governor's Conference. Without objection, that will be made a part of the record at this point.

[The following was received for the record:]

**NATIONAL GOVERNORS' CONFERENCE POLICY STATEMENT,
ADOPTED JULY 6, 1976**

TRANSPORTATION, COMMERCE AND TECHNOLOGY

F-1—TRANSPORTATION POLICY DIRECTIONS

The nation's Governors pledge their continued action to deal with the expanding and changing transportation needs in the last half of the decade.

a. Planning

1. The Governors express appreciation to the Department of Transportation for its generally excellent communication with the States and urge that to further improve communications all proposed regulations be reviewed by representatives of the States prior to publication in the Federal Register. The unique position of the Governors to provide critical analysis of proposed regulations should be emphasized. We call upon the Department of Transportation to further strengthen our relationship by allowing the States to assist in the development of regulations through the Organization of the National Governor's Conference so that early input of each State's special situation can be accomplished.

2. The Governors call upon all States to develop administrative and legal structures equal to the challenge of comprehensive, integrated transportation systems required by the citizens of the States. Many States responding to the need for a central agency have created departments of transportation to coordinate all modal programs.

3. The Governors support the concept that federal transportation programs be fully coordinated. To this end, all transportation programs of the Federal Government should be developed according to the transportation policy developed through the Department of Transportation. The projects of the Corps of Engineers which provide transportation service should be coordinated with the Department of Transportation.

The Governors do not believe the existing functional agencies within the DOT should be separated and proposals to remove the FAA or the Maritime activities should not be approved. The streamlining of departmental operations through internal organizational changes, however, may be appropriate.

4. The Governors congratulate the Secretary of the Department of Transportation in the development of an integrated National Transportation Policy for guidance in the accomplishment of national goals. We are eager to conduct an active dialogue with the Secretary in the further refinement of this policy so that the policy may be used setting continuing priorities in the Nation's transportation program.

5. The Governors call for all transportation planning to be coordinated by the States so that the needs of all urbanized areas can be addressed. The States are the appropriate level of government to provide for the coordination and control of transportation programs. The metropolitan planning organizations should provide local comprehensive planning input from which coordinated statewide transportation plans can be developed to address transportation needs and provide programs which will meet these needs.

b. Finance

1. The Governors have continually endorsed energy conservation as the best possible method of reducing the Nations' dependence upon foreign oil products. We urge that in pursuing the policy of energy conservation that the dependence of the State and Federal highway programs on motor fuel taxes be considered. Most states have already felt the impact of declining motor fuel tax collections with increasing vehicle travel and, therefore, urge a reevaluation of transportation funding mechanisms so that the commerce of the nation can continue to move.

2. The Governor, as elected chief executive, is best able to determine the transportation needs and priorities of the State. Congress should distribute all transportation funds to the States as these funds can be administered in a more orderly and accountable manner if they flow directly through the Governor.

3. Finally, the Governors continue to call for the creation of a single unified National Transportation Trust Fund by phasing in the incorporation of all transportation tax revenues and other tax revenues made available for transportation. The unified trust fund should be for use comprehensively within all modes of transportation and made available for appropriate transportation funding purposes, based on a comprehensive and integrated National Transportation Plan reached through purposeful study. Such study should rationalize rates of investment among all modes and should clearly address transportation problems in a long-term energy supply context. In addition, a major proportion of the revenue generated by any energy conservation taxes should be included in the unified trust fund and supplemental funds should be added as necessary to meet the urgent and immediate needs of an adequate comprehensive, integrated transportation system.

4. The Governors commend the Congress in calling for the establishment of a commission to make a full and complete investigation and study of the transportation needs and of the resources, requirements and policies of the United States to meet such needs. The Governors endorse the objectives of the National Transportation Policy Study Commission as set out in Section 154 of the 1976 Federal-Aid Highway Act and encourage all parties to move forward with this study. The Governors pledge their complete support to the Commission in its work and express their willingness to participate as appropriate in the efforts. The Governors are particularly concerned about the long-term financing of the nation's transportation needs. The continuation of the functional capability of the nation's highway systems must receive high priority and sufficient funds must be dedicated to insure the continued integrity of this system. In a major portion of the revenue generated by any energy conservation tax should be dedicated as necessary to meet the urgent and immediate needs of an adequate, comprehensive, integrated transportation system.

The Commission is encouraged to consider the following: A. Block grants to the States for transportation; B. Pre-emption by the States of a portion of the federal motor fuel tax.

c. Operation

1. The Governors pledge their cooperation in providing appropriate environmental assessments on transportation construction and pledge cooperation to strengthen the A-95 program to provide the Governors with a stronger role in the evaluation, analysis and implementation of all transportation projects, so as to avoid duplication and waste, as well as environmental damage.

2. The Governors call for the federal government to provide effective minimum standards to protect the basic health and safety of every citizen, while leaving state governments free to deal with the problems that have reached extraordinary severity, or to respond to citizens demands for a higher level of environmental quality than that which would be appropriate nationwide.

3. The Governors call upon the federal government to join with the States in an effort to measure pollution and to apply innovative technology in discovering new sources of energy and new techniques of reducing pollution and disposing of wastes produced by our transportation system.

4. The Governors feel that more specific guidance and clear expression of intent by Congress as to the implementation of NEPA, the Clean Air Act, Section 4(f) of the Transportation Act, Section 404 permits issued by the Corps of Engineers and other environmentally oriented Federal legislation should be provided to rectify and ease difficulties experienced over the past few years in the administrative processes. An economical and progressive step to assist in achieving a realistic balance between progress and environmental protection would be through the clarification of this process. In lieu of federal requirements, the States should be allowed to develop standards responsive to their needs and in conformance with national minimum standards. When States have enacted standards equivalent to the federal standards, administration of environmental protection should be the responsibility of the States.

5. The Governors pledge increased emphasis in the design of highways and other transportation systems so that these facilities complement rather than

conflict with the total environment in both its natural and man-made aspects while providing essential transportation services for the economic health of all States. Further, programs for the preservation and development of historic and scenic vistas along transportation corridors should be encouraged by the reward of additional federal financial assistance for increased state and local action, rather than by the present threat contained in the highway funds. We oppose any Federal penalties where Congress has failed to appropriate funds which have been authorized to aid States in carrying out beautification programs.

d. Regulation

1. The Governors support the basic premise that it is the responsibility of a representative government to assure public needs are met by at least one mode of transportation service. In order that this objective is obtained, transportation regulation may be justified if free market conditions cannot provide reasonable and adequate service at economical prices.

2. The Governors strongly encourage the formation of a National Commission empowered to investigate the broad range of state and federal regulatory practices. The problems of the rail and trucking industry indicate the immediate need to begin this evaluation of regulatory policies, especially as they pertain to current rate structures. The Governors support the concept of the "zone of reasonableness" method of rate setting designed to both protect the carriers and at the same time foster competition.

F-2—HIGHWAY TRANSPORTATION

The National Governors' Conference strongly supports continued development and improvement of the nation's streets and highways. This network is essential to our transportation system which is critical to maintaining the vitality of our economy. The Governors urge that the program continue as a partnership between state and federal government because support and coordination are needed at all levels of government if the effort is to be effective.

a. Planning

1. Congress and the Administration should continue to thoroughly review with the nation's Governors the various transportation programs to determine the appropriate roles for state and federal government in the development and maintenance of a comprehensive and integrated transportation system and to seek the elimination of duplication of effort and overlap of responsibility.

2. The National Governors' Conference supports continuation of federal funding for advance acquisition of rights-of-way as an excellent measure of economy and planning.

b. Finance

1. Congressional and Administration attention should be focused on reducing the complexity of federal aid and increasing the flexibility of the States to administer the program and to expend the funds on state-determined needs for new construction, reconstruction and safety projects. Continuing study of existing categorical programs should be made to reduce them to no more than four categories: Interstate, urban, rural and safety. Primary authority for coordination, planning and flexible distribution of trust funds within the States should continue to be at the state government level.

2. The Federal Highway Trust Fund should be extended to assure completion of the Interstate System, and to provide for its reconstruction and rehabilitation. Emphasis should be given to the economic necessity for completing the present Interstate network. The possible benefits to be realized through the sale of bonds to provide for early Interstate completion should be studied. Many States have or are now using bond funds to provide their citizens with the mobility and safety of a completed Interstate system.

3. Any modifications to the Highway Trust Fund must consider the highway needs of the nation, the tax base required to support those needs and the impact modifications would have on the various States. Serious consideration should be given to a formula which would provide that each State would not receive less than 80 percent of tax payments it makes into the Highway Trust Fund. The remaining 20 percent would be allocated in a manner to insure a comprehensive, integrated, national transportation system.

4. The National Governors' Conference is opposed to any diversion of the present Highway Trust Fund revenues to the General Fund. The nation's cur-

rent transportation needs far exceed our financial capabilities. The Governors support greater flexibility at the state level in the uses of highway program authorizations with each State receiving its fair share of funding to be used as its own transportation priorities dictate, including reconstruction, rehabilitation and safety projects.

5. Although no highway trust funds are currently being impounded, the Congress has imposed an obligational limitation of highway trust funds, thus perpetuating the practice of impoundment. Therefore, we urge the Congress to remove the obligational authority limitations from the appropriations for the Department of Transportation, and allow the States to make use of all past and present Highway Trust Fund authorizations within the limits of cash available in the Highway Trust Fund. Obligation authority should be provided as far ahead as possible to permit the States to adequately plan and effectively implement their highway programs.

6. Gasoline and other motor fuel taxes should not be forced to bear the full burden of the total energy conservation effort to the detriment of the overall highway program or the individual State's ability to use fuel taxes to finance construction and maintenance of its highway system. Should Congress establish any additional user taxes, sufficient funds should be directed to the States or pre-emption to the same degree should be allowed to offset any reduction in highway funds caused by such a program.

c. Operation

1. The use of certification acceptance by several States has proven to be of benefit and the changes in the 1976 Federal-Aid Highway Act will provide for greater use of certified acceptance procedures. Therefore, the Governors urge the Federal Highway Administration to develop the program to the full intent of the Congress and provide the benefits of the much simplified procedures. The reductions in FHWA manpower which can result could benefit the other modal administrations of the Department of Transportation.

d. Regulation

1. Although the fuel shortage has diminished, the trucking industry remains affected by economic and productivity impacts resulting from high fuel costs, disparate tax and licensing structures, size and weight regulations, and similar problems.

2. The Governors realize the nationwide dependence upon the trucking industry to furnish essential transportation services. In order that this may be continued in a more effective and efficient manner, we again recommend that Congress and the Interstate Commerce Commission investigate the obstacles facing the trucking industry.

3. We recommend that States consider legislation to permit uniform axle, tandem and gross weights consistent with federal regulations and also give consideration to joining the international registration plan to enable the efficient flow of Interstate Commerce.

e. Safety

1. Congress, with the passage of the Highway Safety Act of 1966 and its amendments has called for a comprehensive and coordinated attack upon the problem of highway safety. While Congress has mandated comprehensive action, sufficient funds have not been provided to meet the requirements of the Act. Action should be taken to bring the authorization and appropriations up to a level to meet the mandates of the Act.

2. The Governors recommend that the National Highway Traffic Safety Administration and the Federal Highway Administration administer the Highway Safety Program in a unified manner as a single program. The two administrations should move toward a programed approach for highway safety funds by adopting flexibility in administering the Highway Safety Program. The federal aid requirements should be simplified and States should be permitted to focus federal highway safety resources on the most pressing problems in each State.

3. The Governors commend the Congress for repealing the ten percent penalty clause in the Highway Safety Act and applaud the more realistic flexible provisions contained in the 1976 act. However, the Governors are concerned over the trend of State legislative bodies to repeal existing State safety legislation because of the flexibility extended by Congress and the Governors pledge their leadership and support to strengthen the safety programs of their States.

4. The Governors commend Congress for Requiring the National Highway Traffic Safety Administration and the Federal Highway Administration to evaluate the effectiveness of the current highway safety standards in cooperation with the States. As a minimum, the evaluation should be conducted in cooperation with appropriate State officials and the National Conference of Governors' Highway Safety Representative.

5. There should be greater coordination of research conducted by the National Highway Traffic Safety Administration, the Federal Highway Administration, the States and private industry. The NHTSA should act as a clearinghouse and information source for an exchange of information and should provide this information to the States. The National Governors' Conference recommends that studies related to decrease highway-related accidents, deaths and property damage and the lowered speed limits be reviewed and expanded.

6. The Governors recognized that more than 50 percent of highway fatalities are alcohol-related and recommend the early implementation of counter measures in all States, including use of the implied consent law. The Governors recognize that States must play a vital role and urge that necessary resources be made available to the Governor to implement the counter measures.

7. The Governors view with alarm any proposal to interfere with state enforcement of traffic speed limits. The earlier presumptions implied by proposed DOT regulations that Governors would default in their constitutional responsibility to see that the laws are faithfully executed, and that their performance in this regard should have been monitored by a federal agency, are totally unacceptable. Any contributions to the national objectives of energy conservation and highway safety are but incidental when compared to the abdication of traditional state police power under coercive threat of highway fund withdrawal. The Governors pledge in good faith to support the 55 mph national speed limit and certification by the Governors that their speed control programs are fully operative should be sufficient to satisfy the intent of Congress.

8. School bus safety is of vital concern to Congress and the Governors. However, the requirements of 23 U.S.C. 406 are too rigid and force the Governors to expend funds in a narrowly defined area of school bus safety. The Governors recommend that Congress repeal 23 U.S.C. 406 and fund school bus safety through 23 U.S.C. 402 as are all other safety standards.

9. The National Highway Traffic Safety Administration and the Federal Highway Administration have issued draft orders requiring States to absorb the planning and administration costs of the Highway Safety Program. The Governors oppose this action and urge NHTSA and FHWA to reverse their announced intentions. Failing such action by these federal agencies, the Governors request congressional action to secure continuing funding from the federal level.

F-3—AIR TRANSPORTATION

Because aviation is a critical component of a balanced state transportation system, the Governors have a major interest in policies and programs which affect the pattern of development of airport and airway facilities. The Governors endorse current Department of Transportation policy, which would transfer general aviation programs from federal to state administration. The importance of general aviation to industrial and community development, the need to plan airport facilities as components of the state transportation system, the fully documented fact that States can implement general aviation airport development programs in a more cost-effective manner, all are convincing reasons for a strong state role. The Governors note that 49 States currently provide state funds for airport development, and urge all States to broaden their financial and technical assistance to airport sponsors, thus strengthening the States' ability to fulfill their responsibilities for the development of air transportation.

a. Planning

1. The Governors reiterate their support for the requirement contained in the Airport and Airway Development Act of 1970 that each State develop a state airport system plan, and the Department of Transportation develop a national airport system plan which considers appropriate elements of component state plans. All airport facilities development should continue to be guided by state and national airport system plans. Amendments which will permit project funding without regard to long-range planning conducted by the States are unacceptable. Local and regional airport plans should be con-

sidered as integral elements in the overall state plans. The national airport systems plan must reflect essential elements of component state plans.

2. Furthermore, the Governors call for a continued planning grant program to the States in order to carry out continued, comprehensive air transportation systems planning in the context of the statewide multi-model transportation systems plans.

3. The federal government should join the States in recognizing airports as a vital asset which must be protected from incompatible encroachment of urban areas. The Governors believe that the "land banking" concept must be employed to preserve future airport sites in some areas.

b. Finance

1. The Governors stress the need for flexibility in the distribution of airport development funds so that areas of desirable future potential growth may be assisted. Distribution of funds entirely on the basis of current passenger enplanements would leave only limited funds to respond to developing needs in growth areas with low current enplanements. The apportionment formula should also favor smaller air carrier-reliever and general aviation airports which have the least self-financing capability.

2. The Governors wish to express their support for the Aviation Development Aid Program passed by Congress to replace the one which terminated on July 1, 1975. The Governors urge the President to sign this bill at the earliest possible moment as the safety and convenience of the public have not been provided for due to the lapse in the aviation program. Although all of the points the Governors wished to have included did not find their way into the measure, we feel that the best interests of the nation are served by the early signing of the compromise bill which has been passed by Congress.

3. The Governors endorse the principle of user financing to support the Airport Development Aid Program. We feel that the existing taxes should continue. Proposals to provide new forms of aviation taxation, such as departure fees for general aviation, should not be adopted; for the best interests of the public are served by a national system of airports and such a form of taxation would adversely affect the general aviation activity through the country.

c. Operation

1. The Governors continue to urge all States to make every effort to encourage effective local airport zoning laws to achieve land use that is compatible with airport and aircraft operations. The National Governors' Conference applauds recent EPA and DOT-FAA proposals and regulations designed to further reduce aircraft noise and the initiative taken by certain States to control and mitigate aircraft noise.

2. The Governors endorse the policy of joint use of military airport facilities by civil aircraft wherever feasible and urge that this policy be implemented expeditiously at the highest federal level.

d. Regulation

1. The changing complexion of certified air carrier service indicates a stronger role for commuter air service to many smaller communities. The Governors recommend:

(a) That a Civil Aeronautics Board Policy be developed which recognizes the need for commuter service and that the CAB actively promote this policy; and

(b) That the States and the federal government be encouraged to initiate new means of financial support which would provide strong incentives for self-sufficiency in the commuter airline industry.

2. The Governors recognize the need for regulatory reform that would remove artificial and unnecessary economic constraints, increase efficiency in the airline industry, and provide consumers better air transportation services at lower costs while maintaining the present high level of safety. Public hearings of all sides of the issue will bring forth facts and discussion necessary for proper decisions the impact of regulatory reform proposals on small community air service should be carefully evaluated along with companion proposals to promote and support the development of commuter air service.

The National Governors' Conference notes with concern the increasingly serious problems of the nation's railroads. The Governors have long believed that our

nation's railroads are a major element in the American transportation system, providing special advantages for energy conservations, environmental protection and the efficient movement of people and goods.

Railroads are a mainstay of the national economy. The high costs of operating on a run-down physical plant and the resulting poor service are contributing factors to both inflation and the current recession. A revitalized national rail system should be a prime element of any program to revive the economy and promote balanced economic growth in the future.

a. Planning

1. The conference urges the Secretary of the Department to pursue a national rail plan in cooperation with the States. The functional designation of the nation's railroads is the first step toward a national rail plan and the Governors call upon the Secretary to acquire the inputs of the States in development of the system.

2. Plans which are limited to reorganizing or restructuring rail carriers will have little, if any, success in improving service and profitability without programs to insure the availability of finances for reconstruction and modernization or programs to reform regulatory policies or programs to increase productivity of rail labor.

3. The Conference remains concerned over the future of rail passenger service and continues to urge a reassessment of basic passenger needs and funding. The Governors note that deteriorated roadbeds are a significant factor in hampering the efficient operation of passenger service. The Governors also note the benefits such service would receive from the creation of a Rail (or Transportation) Trust Fund to finance modernization of roadbeds and are hopeful that Amtrak will re-evaluate its current approach to the problem of rail passenger service in the nation in consultation with the States. Amtrak must strengthen its communications with state governments in order that Governors can play an important role in shaping the rail systems of the future. The Conference calls for the creation of regional advisory councils to advise Amtrak officials on long-range goals and the adequacy of present service for public needs.

b. Finance

1. The National Governors' Conference supports federal financial support of the railroads through the concept of a Rail Trust Fund or a single unified Transportation Trust Fund to be financed by appropriate user charges and/or general funds.

2. Virtually all of the nation's railroads have deferred maintenance and capital improvement projects which they cannot finance from either internal cash or private borrowings. Government financial aid to railroads is required, but it should be provided in a manner which guarantees improvements in physical plant and service.

3. The Conference supports the use of public service employment to begin rebuilding the nation's neglected railroads. A rail reconstruction and modernization program could provide thousands of new jobs in the next several years to help counteract the forces of economic recession.

c. Operation

1. A modern rail system will help the nation to achieve greater energy independence, since railroads are efficient users of energy and provide vital access to our vast coal reserves.

2. Congress should require higher operating standards from Amtrak. The trust fund for freight should solve the seriously deficient track problem, but Amtrak must also build up its schedules, reducing its unit costs, to provide a high service level for corridors which can support the service outside of the Boston-Washington corridor where such potential is being developed.

d. Regulation

1. The problems now confronting the rail industry point to the need for a thorough re-evaluation of regulatory matters as they affect railroads and other modes of transportation. The Conference urges Congress and appropriate federal regulatory agencies to continue the re-evaluation begun by the railroad revitalization and regulatory reform act with the objective of simplifying and expediting the entire regulatory process including modernizing rate structures. We also urge all state legislatures and regulatory agencies to begin a similar re-evaluation.

2. The Conference urges that a thorough re-evaluation be given to increasing the productivity of rail labor through new work methods and appropriate work rule changes when needed.

F-5—WATER TRANSPORTATION

Waterways have served as major transportation facilities since the first settlement of this country. Most of our large cities are located on navigable waterways and industrial expansion has often followed the waterways of the nation. Modern watercraft transport vast quantities of commodities at relatively low unit prices. Coals and other minerals, agricultural products and petrochemicals are among the many bulk materials handled on the nation's waterways. Advances in cargo movement such as the barge on ship concept and containerization now permit more direct international shipments between remote inland ports and the ports of the world. The fuel and operating economies which can be realized by this transportation mode point to the need for placing waterways in an appropriate perspective in the national transportation policy.

a. Planning

1. The Governors call upon the federal Department of Transportation to create a Marine Transportation System which will aid all parts of the nation in meeting their need for water transportation development. The promotion and stimulation of an awareness of the value of waterways for commercial and recreational use would be enhanced by the designation of such a national system.

2. The Governors support the continued development of multi-use water resources. Although the construction and management of these resources may be the responsibility of other agencies, their transportation use should be coordinated into the overall nationwide transportation plan of the U.S. Department of Transportation.

b. Finance

The Governors support a comprehensive study of the present and future needs of the public ports of the United States along with an analysis of the financial requirements to maintain the nation's port facilities.

c. Operation

The Governors support the nationwide need for commercial navigation and recreational use of our inland waterway system. This system should be kept adequate to meet the need of all users both from the viewpoint of new construction and maintenance of existing facilities.

d. Regulation

The Governors support proposed federal legislation which would provide for federal grants to enable public ports to comply with federal regulations and standards relating to environmental protection, public health and safety and port or cargo security.

e. Safety

The Governors support the establishment of national, uniform standards for safety in the manufacture and maintenance of boats and continued state licensing and regulation of boat operators and operations. The Governors support the United States Coast Guard's enforcement of the provisions of the Boating Safety Act, recognizing that as boating activities increase, safety considerations multiply.

F-6—URBAN AND RURAL PUBLIC TRANSPORTATION

States are employing broad and varied tools to aid public transportation systems. A majority of States have exercised their authority to form areawide public transit districts, and to grant them taxing authority and bonding powers. Several States are now providing direct capital grants for the construction of mass transit facilities. Some States are involved in providing operating subsidies and many have used their powers of taxation and tax exemption to stimulate the development of transit service and rural transportation.

a. Planning

1. The National Governors' Conference calls for flexibility in the application of federal urban transportation programs, giving state and local governments the

right to exercise their own prerogatives. The flexibility should be exercised in the context of a unified national transportation policy and federally assisted programs designed to help achieve well-defined national goals and objectives.

2. The Governors particularly endorse the concept that mass transit Federal assistance programs should be coordinated by the Governors, and strongly support the National Mass Transportation Act of 1974, which gives a significant and meaningful role to the Governors in the planning and development of urban mass transit systems. This role for the Governors will help to insure equitable treatment of the various political subdivisions within the respective States and achieve a balanced transportation system. In addition, the States will be in a position to coordinate their transportation programs with an emphasis on the area of greatest need.

3. State action is a must because of the nature of mass transit problems. The State has the responsibility to provide strong incentives for local solutions to local transit problems, as well as a responsibility to resolve conflicts between political subdivisions.

4. Local participation is encouraged and expected in all phases of urban and rural transit project development to insure that projects are responsive to and compatible with the needs of the local population from both an operational and fiscal aspect.

5. The Governors support recognition, at the state level, of the potentially beneficial impact of rural public transit service on the life of their rural areas. Federal, state and local governments should join in a concerted effort to respond to the needs of people living in rural areas for improved public transportation.

6. The Governors urge the development of comprehensive planning policies to include major public and private developments such as hospitals, shopping centers, industrial sites and residential areas, into the transportation network of the region utilizing a balanced mix of transit needs.

7. The promotion of a multi-modal policy at all levels of government, which improving cooperation between modes, minimizes imbalance and enables each mode to realize its inherent advantages is endorsed by the Governors.

b. Finance

1. The National Governors' Conference supports the concept of federal urban transportation programs with an assured source of federal funds to enable long-term planning. This will lend continuity to program planning and implementation in the face of ever-increasing requirements for public involvement, comprehensive planning, analyses of alternatives, environmental concerns and inter-agency coordination.

2. It is widely recognized that public transportation, a necessary component in the total transportation picture, cannot survive without governmental assistance for capital outlays and operating subsidies. A combined effort of federal, state and local agencies is necessary to improve existing public transit service and establish new services wherever these are needed.

3. Federal support is paramount. With federal funds for mass transit operating and capital assistance, vital transportation system elements would find extreme difficulty in being initiated or indeed surviving.

4. The Governors recognize the need for the promotion and protection of the efficiency of service delivery and urge that this be furthered by placing a limitation on funds for operating assistance. The Governors urge the continuation of the formula concept of Section 5 which aids immeasurably in planning for operating and capital needs, but feel that a limitation must be placed on operating subsidies so that the capital needs of the nation's system can be addressed. This limitation should be placed at the state level. Thus state funds can be integrated with federal funds to insure effective use of tax dollars.

5. The Governors recognize the urban and rural transit needs of large and small areas alike and recommend that the authorized purposes of the rural funds of NMTA be amended to allow operating subsidies as well as capital grants in the same manner as operating subsidies are authorized for urban areas.

6. The Governors wish to express their concern over the negative impacts of the Department of Labor's interpretation of Section 13C of the Urban Mass Transportation Act. We do not feel that Congress intended to burden urban transit in the manner that is occurring as a result of the Department of Labor's interpretation of this section and urge Congress and the Secretary of Labor to address this problem so that the urban transit programs of the nation will not be adversely affected.

c. Operation

1. The Governors urge the improvement of marketing efforts in the areas of public information, promotion, scheduling and transfers as well as other measures to increase the conversion of auto drivers to transit users.

d. Regulations

No statement.

e. Safety

No statement.

F-7—PIPELINE TRANSPORTATION

The Governors recognize the important role that pipelines play in the transportation of energy. The coordination of this mode of transportation with other modes is necessary so that efficient energy transport can occur. The Governors call for the development of a national pipeline plan by the Department of Transportation and pledge their support and cooperation in its development.

F-8—COMMERCE

a. Travel and tourism

1. The travel and tourism industry, with its many diverse components, has become an increasingly important element in the economy of the nation. Last year it was reported that annual spending by travelers in the United States was approximately \$70 billion, which represents more than five percent of the Nation's Gross National Product. In fact, tourism is among the top three industries in 46 of the 50 States.

2. The growth of the national industry has been a direct result of many factors, among them the level of affluence of many Americans, the increased amount of free time now available to many citizens, and the rapid development of improved communications and transportation. Much of the growth of the industry has taken place within the past few years and in fact has been so rapid that the full impact has not been entirely realized. The fact is, however, that entire cities, towns, counties, and regions of the nation are now dependent on the travel and tourism industry for their economic well-being.

3. It is becoming increasingly evident that the economic health of the travel and tourism industry in general is a matter of absolute necessity to the states and regions so vitally dependent on it for their livelihood. National policy and government action which do not accept this fact unduly penalize an important segment of the national economy and jeopardize those States which rely heavily upon this industry for jobs, income and economic stability.

4. The travel and tourism business has become national in scope and importance. Within recent years the industry has expanded beyond its historic concentration in some of the States and has become significant in every State and region in the nation.

5. Since international tourism has become a major factor in the nation's balance of payments and since federal involvement in tourism includes more than 50 agencies and 100 different programs, the Governors call for the consolidation of all agencies dealing with tourism in one existing agency with increased visibility.

6. In recognition of the accelerated nature of the growth in many States, the National Governors' Conference feels that the industry requires a new level of attention and consideration within regional and national priorities. Specifically, the Governors offer the following recommendations and observations:

(a) A national policy within the Federal government with regard to travel and tourism should be developed. At the present time there are well over 50 agencies engaged in 100 identified tourism programs. Through the National Tourism Resources and Review Commission created by Congress in 1970, new understanding of the magnitude and impact of the Domestic Tourism industry has been achieved. Adoption of a national policy with regard to travel and tourism would tend to focus more effectively on those resources now available, and maximize their effectiveness. This policy should be accompanied by an administrative mechanism at the federal level to implement and consolidate the administration of such a policy.

(b) Fiscal policies at the federal level should not discriminate against the recreation and leisure travel industry. Present policies which discourage the

advancing of money and creative development in these areas have added to the already serious financial problems facing the industry. The unavailability of money and the extremely high interest rates have caused problems which could have disastrous effects on the economies of those States dependent upon the travel and tourism industry for much of their financial stability.

(c) The decision with regard to the allocation of the nation's energy resources should recognize travel as an essential industry to the United States. Severe restrictions on gasoline resources in travel and tourism areas have had serious economic implications for many States. Should the shortage occur again in the future, due consideration should be given to the economic needs of those areas which depend upon travel and tourism as their major source of income.

(d) Accelerated efforts should be made to expand the number of gateway cities with regularly scheduled and chartered services for both passengers and cargo. International travel by American citizens is the fourth largest contributing factor to the country's imbalance of payments. Only when direct regular service between cities and overseas markets is improved can this nation realize its full travel potential.

b. Insurance

1. States have historically had the basic responsibility for regulating the insurance industry. In response to an increasingly felt need, 48 States have enacted auto insurance insolvency fund guarantee laws, providing consumer protection with no loss of state regulatory powers. State response to this problem has again demonstrated that insurance regulations need not pass to the federal level.

2. A subject of growing interest is the establishment of a no-fault system of automobile insurance. Again, some have argued that a uniform national system must be imposed from the federal level. However, the Governors believe that individual state action and interstate cooperation can produce a no-fault system which is uniform enough to meet the needs of interstate vehicle accidents and flexible enough to suit the conditions in each State without increasing rates.

3. States have many automobile accident insurance systems available for study. The Conference urges those States that have not enacted no-fault legislation to continue to examine options available and to achieve maximum interstate coordination in any actions they may take. The Conference notes the extensive research and drafting done by the National Conference of Commissioners on Uniform State Laws and by the Council of State Governments and urges each State to consider this model legislation.

4. The best possible solutions to the problems of auto insurance lie in continued state regulation and experimentation. The Conference again urges Congress not to take any action that would pre-empt state action in effectively bringing about meaningful reform in our auto reparations system. The adoption of national no-fault or federal standards is not an acceptable option to individual state action.

c. Foreign commerce

1. The nation's Governors urge that the United States pursue a national policy for the aggressive expansion of world trade. The Governors propose a national policy which will penetrate the world trade market by at least an additional one percent during each year.

2. The Governors call upon the President and Congress to continue to require our foreign offices to give high priority to aggressive commercial activities and to furnish them with more technical support and better staffing. The Governors urge the President and Congress, through available means, to determine existing problems and seek out possible solutions which will advance the commercial activities of our foreign offices.

3. The Governors urge that the President designate a single agency as responsible for foreign economic policy and instruct other agencies to coordinate with that responsible for setting the policy. The policy should address the need for reforms aimed at addressing the widening wealth gap between the developed and developing nations and to seek a reconciliation between this country and the developing nations which have such a dependence upon this nation's economic wealth. The problems of free world commodity markets and the resulting price turbulence, which has proven detrimental to both private

industrial buyers and developing countries. Suppliers needs to be solved at an early date so that the market for U.S. suppliers is stabilized, the customers guaranteed a supply and, to the maximum extent possible, market forces determine the sale prices.

Mr. HOWARD. The Chair would like to state that the record on these hearings will remain open for 2 weeks for any additional information that anyone wishes to have placed in the record.

You can mail it to the subcommittee.

Thank you.

The Chair recognizes the gentleman from Georgia.

Mr. LEVITAS. Thank you, Mr. Chairman.

Again let me express my appreciation for your holding these hearings today on this important piece of legislation.

I believe the testimony we have heard today underscores not only the need for this legislation, but also the benefits that would flow from it. It would provide the incentive for many States to accelerate the construction and completion of the Interstate System, resulting in cost savings to the American taxpayer as well as the savings of lives by people who will have an opportunity to travel on our Interstate System. I hope this subcommittee will, as soon as it is practicably possible, move further into the consideration of this legislation and, hopefully, it can be adopted and passed by the Congress in record time.

Mr. HOWARD. Thank you.

The subcommittee stands adjourned.

[Whereupon, at 12:05 p.m., the subcommittee adjourned, subject to the call of the Chair.]



substantial damage and following committee. Subsequent to the hearing in 1941, it was determined that the matter for the committee is established. The committee has determined a number of cases in the maximum extent possible, and the committee has determined the same.

Mr. Howland: The Committee could like to know if the record on these hearings will be open for 3 weeks for any individual's information that any one wishes to have placed in the record. I am sure many would wish to see it.

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