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95-21 HIGHWAY SYSTEM

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HEARING

BEFORE THE

SUBC

TEE ON SURFACE TRANSPORTATION

OF THE

COMMITTEE ON

PUB

WORKS AND TRANSPORTATION

SE OF REPRESENTATIVES

NINETY-FIFTH CONGRESS

FIRST SESSION

ON

H.R. 3746 and related bills

TO AMEND SECTION 201 OF THE APPALACHIAN REGIONAL
DEVELOPMENT ACT OF 1965

JUNE 28, 1977

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



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CONTENTS

H.R. 3746: To amend section 201 of the Appalachian Regional Development Act of 1965-----	Page vii
--	-------------

TESTIMONY

Brooks, W. T., secretary and treasurer, Department of Highways and Public Transportation, Columbia, S.C.-----	31
Dahlberg, Carl, member, Southeastern Ohio Regional Council-----	19
Evans, Bernard M., administrator, Maryland State Highway Department, accompanied by Fred Gottemoeller, director of planning and preliminary engineering-----	33
Garwood, Dennis, assistant director of transportation, Ohio Department of Transportation, accompanied by James L. Stegmeier, legislative assistant-----	15
Miller, Hon. Clarence E., a Representative in Congress from the State of Ohio-----	6
Mussey, Hon. William E., State senator, 14th Ohio Senate District-----	12
Whitehead, Donald, former Federal Cochairman, Appalachian Regional Commission-----	23

MATERIAL RECEIVED FOR THE RECORD

Brooks, W. T., secretary and treasurer, South Carolina Department of Highways and Public Transportation, statement-----	31
Miller, Hon. Clarence E., a Representative in Congress from the State of Ohio, statement-----	1
Scott, Robert W., Federal Cochairman, Appalachian Regional Commission, statement-----	29
Whitehead, Donald W., former Federal Cochairman, Appalachian Regional Commission, statement-----	22

CONTENTS

Page

11 H. R. 8710: To amend section 201 of the Appalachian Regional Development Act of 1965

TESTIMONY

11 Hon. W. T. Keeney and Hon. J. P. Morgan, Department of Housing and
Public Transportation, Committee on Public Works, House of Representatives
12 Hon. J. P. Morgan, Committee on Public Works, House of Representatives
13 Hon. W. T. Keeney, Committee on Public Works, House of Representatives
14 Hon. J. P. Morgan, Committee on Public Works, House of Representatives
15 Hon. W. T. Keeney, Committee on Public Works, House of Representatives
16 Hon. J. P. Morgan, Committee on Public Works, House of Representatives
17 Hon. W. T. Keeney, Committee on Public Works, House of Representatives
18 Hon. J. P. Morgan, Committee on Public Works, House of Representatives
19 Hon. W. T. Keeney, Committee on Public Works, House of Representatives
20 Hon. J. P. Morgan, Committee on Public Works, House of Representatives
21 Hon. W. T. Keeney, Committee on Public Works, House of Representatives
22 Hon. J. P. Morgan, Committee on Public Works, House of Representatives

ATTACHMENT NO. 1 OF THE REPORT

23 Hon. W. T. Keeney and Hon. J. P. Morgan, Department of Housing and
Public Transportation, Committee on Public Works, House of Representatives
24 Hon. J. P. Morgan, Committee on Public Works, House of Representatives
25 Hon. W. T. Keeney, Committee on Public Works, House of Representatives
26 Hon. J. P. Morgan, Committee on Public Works, House of Representatives
27 Hon. W. T. Keeney, Committee on Public Works, House of Representatives
28 Hon. J. P. Morgan, Committee on Public Works, House of Representatives
29 Hon. W. T. Keeney, Committee on Public Works, House of Representatives
30 Hon. J. P. Morgan, Committee on Public Works, House of Representatives
31 Hon. W. T. Keeney, Committee on Public Works, House of Representatives
32 Hon. J. P. Morgan, Committee on Public Works, House of Representatives

95TH CONGRESS
1ST SESSION

H. R. 3746

IN THE HOUSE OF REPRESENTATIVES

FEBRUARY 22, 1977

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

A BILL

To amend section 201 of the Appalachian Regional Development Act of 1965.

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 201 (f) of the Appalachian Regional Develop-
4 ment Act of 1965 (40 App. U.S.C. 201 (f)) is amended to
5 read as follows:

6 “(f) Federal assistance to any construction project
7 under this section shall not exceed 70 per centum of the
8 costs of such project except that if a State uses funds appro-
9 priated under this section for not less than 45 per centum
10 and not more than 60 per centum of the costs of a develop-
11 ment highway project that State may use funds apportioned

- 1 under section 104 of title 23, United States Code, excepting
- 2 subsection (b) (6) of such section, and available for con-
- 3 struction on the Federal-aid primary system and its extension
- 4 within urban areas, to increase such Federal assistance to
- 5 not more than 90 per centum of such costs.

A BILL

1 To amend section 201 of the Department of Regional Development
 2 Act of 1965.
 3
 4
 5
 6
 7
 8
 9
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 11

TO INCREASE THE AUTHORIZED FEDERAL SHARE OF CERTAIN PROJECTS ON THE APPALACHIAN HIGHWAY SYSTEM

TUESDAY, JUNE 28, 1977

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

The subcommittee met, pursuant to notice, at 10 a.m., in room 2167 Rayburn House Office Building, Hon. James J. Howard (chairman of the subcommittee) presiding.

Mr. HOWARD. The Subcommittee on Surface Transportation of the Committee on Public Works and Transportation will come to order.

This morning, the subcommittee conducts hearings on H.R. 3746 and related bills, to increase the authorized Federal share of certain projects on the Appalachian Development Highway System.

As the first witness before the subcommittee this morning, we are pleased to have with us our colleague from the State of Ohio, the Honorable Clarence E. Miller.

Mr. Miller, welcome to the subcommittee. We do have a copy of your prepared statement, and without objection, that will be made a part of the record at this point.

[Statement referred to follows:]

STATEMENT OF HON. CLARENCE E. MILLER, A REPRESENTATIVE IN CONGRESS
FROM THE STATE OF OHIO

Mr. Chairman, I commend the Committee for scheduling today's hearing and I appreciate this opportunity to present my views on H.R. 1595, my bill amending Section 201 of the Appalachian Regional Development Act to permit financing the construction of the Appalachian Highway System under a 90-10 percent federal-state funding formula.

This occasion is important since it represents the first significant hearing to be held strictly on this issue. We first offered a bill to alter the ARC highway funding formula in May, 1976, after considerable discussion with local Appalachia community leaders who share our view that completion of the 3,284 mile highway network is being delayed because of the inequities between the Appalachian and Interstate funding formulas.

The bill H.R. 3746, offered by my colleague from Ohio, Mr. Harsha, is essentially the same as our bill. There are some minor differences, but both bills seek to accelerate the Appalachian road building program by placing it on equal footing with interstate financing. Please permit me, Mr. Chairman, to detail the proposed formula change offered by H.R. 1595. Our bill would permit the total federal share of funds for Appalachian highway projects to rise to a maximum of 90 percent when an appropriate amount of non-interstate highway trust funds are combined by the states with ARC highway dollars. The current federal share is limited to 70 percent and pertains only to ARC funds allocated to the states.

(1)

Under the proposed amendment, use of highway trust funds to take advantage of the higher federal ceiling would be at the discretion of the Governor of each of the Region's 13 states. Under the option, a state's share of a highway project's costs could range from the current level of 30 percent down to as low as 10 percent. Depending upon the state's investment in a project, the federal share would range from 70 percent to 90 percent.

Within the federal share, the maximum amount of highway trust funds that could be used would be 45 percent of the project's total cost. The maximum amount of applicable ARC funds would be 60 percent. Any combination of these two federal funds would be permitted as long as neither exceeds its specified maximum level and the two combined constitute no more than 90 percent of the project's total cost. Three examples:

If a state decides to pay for 10 percent of a project with its own funds, it could use ARC funds to a maximum of 60 percent and pay for the remaining 30 percent with highway trust funds.

Using the same 10 percent minimum in state funds, a project could be financed with a maximum of 45 percent in highway trust funds, in which case 45 percent would be paid for with ARC highway dollars.

Should a state decide to invest 20 percent of its own funds in a project, the remaining 80 percent could be financed by various combinations of highway trust and ARC funds, as long as the former does not exceed 45 percent and the latter does not exceed 60 percent of the total cost.

This new option will stimulate construction of Appalachian highway projects by providing each state with more flexibility in its funding options and by lessening the state's matching burden in highway construction.

The provision limiting the percentage of highway trust funds that can be utilized to 45 percent is written to assure that the burden of financing the system could not be completely shifted to the Highway Trust Fund.

The provision limiting the use of ARC funds used in joint funding to 60 percent is written to assure that the investment of highway trust funds would be used to reduce both state and ARC funding shares.

The proposal does not mean a greater or less allocation of ARC or highway trust funds to the states. The bill simply changes the manner in which these funds can be used.

The bill provides, at a time when state matching funds are scarce, a way to stretch state dollars by lessening the state matching burden to ten percent, thus increasing the ability to continue highway construction and assure the provision of the jobs it generates.

The following chart outlines the various highway funding options available under our bill:

HIGHWAY TRUST

[In percent]

	ARC	Federal aid	State	Total
1. Present ARC system.....	70	0	30	100
2. Maximum ARC funds with minimum State funding.....	60	30	10	100
3. Maximum Federal-aid funds with minimum State funding.....	45	45	10	100
4. Maximum ARC funds with greater State input.....	60	20	20	100
5. Maximum Federal-aid funding with greater State input.....	35	45	20	100
6. Equal Federal-aid and ARC funding with greater State input.....	49	40	20	100

I remind the Committee that the objective set forth by the Appalachian Regional Development Act of 1965 with respect to highways is to "provide a highway system which will open up an area or areas with a developmental potential where commerce and communication have been inhibited by a lack of access."

The key words are "open up . . ." and "access . . ." Social, cultural, industrial, educational and economic access start with good roads. The Act says so, and every piece of tangible evidence gathered to date showing any semblance of progress throughout the region points to good roads as the reason for that growth. The Comptroller General told the Congress in a detailed November, 1976 report on the ARC highway system in West Virginia: "While West Virginia has made progress in completing its portion of the system, lack of progress in adjoining states has limited regional accessibility and, consequently, Appalachian economic development. Continued funding limitations which delay highway program implementation appear inconsistent with the purpose of the Act." The Comptroller General

recommended that the "Appalachian Regional Commission submit to the Congress proposals for accelerating completion of the highway system to achieve the overall objective of improving the economic status of Appalachia."

My bill, gentlemen, does exactly that.

Two years ago, the White House described its support for the funding change in testimony offered by ARC Federal Co-Chairman Whitehead. In his June 3, 1975 testimony before a subcommittee of the Senate Public Works Committee, Chairman Whitehead explained:

"This new funding option would be a great benefit to the Region.

"It is responsive to the current needs of several of the Appalachian States who are having difficulty finding the required matching funds to keep their highway construction programs moving.

"This new option will permit the states to stretch their own state highway funds. States will be able to fund Appalachian Development Highways with as little as ten percent in state funds.

"This is especially important now. The states are caught in a tight situation. On the one hand, there are substantially increased federal-aid highway funds becoming available through the release of previously impounded allocations. On the other hand, the economic recession and higher gasoline prices are resulting in lower state revenues. At the same time, the recession has brought increasing reason and pressures to keep construction programs going—for the jobs they represent.

"This new 90/10 option will mean that a state can "buy" 9 federal dollars for every state dollar, rather than \$2.33 which a state dollar now brings under the 70/30 matching provisions.

"The Administration's proposal of a combined 90/10 funding ratio is a resounding endorsement of the Appalachian development highway system. The Administration—by authorizing the same matching ratio for the system as the Interstate program—is recognizing the vital importance of the development highway system and its early completion to the region and the nation.

"I want to put to rest any criticism that this optional funding provision is a "raid" on the Highway Trust Fund. That is just not so.

"This provision has no effect on the apportionments made from the Trust Funds. It makes no changes in that regard at all. Non-Appalachian states will continue to receive their usual allocations, not one cent less. Appalachian State do not get one penny more from the Trust Fund.

"The only new feature is the advantage of possibly lowering the state share to 10 percent. I want to stress that under the Appalachian Act, states now can use Title 23 funds on Appalachian Development Highway project.

"In fact, since 1965, at least \$50 million in Title 23 Federal primary and secondary funds have been used to finance work on the Appalachian Development highway system."

Among the many reasons for this bill, the fundamental one is that the ARC highway program needs to be competitive with the Interstate Highway System. All phases of ARC highway work are now done on a 70/30 federal-state funding basis. The Interstate system is constructed and maintained on a 90/10 basis. Because of these disparate ratios states tend to invest funds first in the program providing a higher return on the dollar. Consequently, the Appalachia program ends up with leftover and hand-me-down dollars. Boosting the ARC highway funding formula to 90-10 would inject some long-overdue equity into state highway construction plans. It isn't fair to expect the Appalachian region to continue playing second fiddle to the Interstate system. Ignoring the ARC network further through inequitable formulas will prove far more costly than we ever expected.

Lacking equal footing with the Interstate program, the important links in the Appalachia Highway chain will most likely remain uncoupled. Highway construction is an economic snowball. Preceding the final purpose of laying a new roadway is the immediate objective of putting people to work. ARC spokesman John Whisman commented on this feature of the ARC highway program during a Public Works subcommittee appearance in March, 1975. His words are worth recalling:

"While the primary purpose of the Appalachian Development Highway Program is long-range development of the Region, it is important to remember the immediate effects of its construction. The Federal Highway Administration has estimated that nationwide in 1973 each \$100 million of federal-aid construction in highways generates an average of 3,500 direct and 3,500 indirect jobs—1,800 in the manufacturing sector; 1,300 in wholesale trades, transportation and service

sectors; and 400 in mining and other sectors. On this basis the Appalachian Highway program would be generating approximately 7,000 direct and 7,000 indirect jobs in both 1975 and 1976. In discussing the longer-range development impact of the Appalachian Highway program, it must be remembered that since the Appalachian and Interstate Highway were designed to complement each other, it is difficult to sort out the contribution of either partner alone; and, neither highway system has been completed. However, some early effects of the combined highway programs are already visible. The major economic effects of the highway system are those dealing with changes in employment and industrial growth . . . An earlier ARC study showed that more than three-fifths of all new industrial locations are within 20 minutes of a new highway, and almost one-half were within 10 minutes travel time. This same study identified 1,149 new plants since 1965, representing over 200,000 new jobs . . ."

Altogether, 24 highway corridors were originally designated for inclusion into the ARC highway network. The network was designed to tie into the Interstate System and other existing federal highways.

According to the Commission, of the 3,284 mile system first envisioned in 1965, a total of 1,365.7 miles is actually completed (of which 1,346.6 miles has been opened to traffic) with an additional 169.6 miles under construction as of March 31, 1977. A state-by-state mileage total shows:

[In miles]

State	State miles eligible for corridor construction (as of Mar. 31, 1977)	Actual Construction Completed
Alabama.....	146.2	28.3
Georgia.....	85.7	29.2
Kentucky.....	438.0	259.3
Maryland.....	81.7	50.0
Mississippi.....	108.4	18.5
New York.....	219.4	155.9
North Carolina.....	205.4	101.4
Ohio.....	201.6	99.6
Pennsylvania.....	456.9	138.6
South Carolina.....	11.0	0.0
Tennessee.....	331.8	149.0
Virginia.....	191.3	128.9
West Virginia.....	412.0	207.0
Total.....	12,889.4	1,365.7

¹ This figure does not include 394.6 existing miles which require no construction.

A most frequent cry from the various states is that they are pinched by a lack of state matching funds. I'm sure this is true. But it cannot be said that federal funds specifically for ARC corridor construction have not been forthcoming. A total of \$1,787,300,000 in federal funds for the ARC highway network has been allocated to the 13 states from the beginning of the program through fiscal year 1977. This figure is for actual corridor work, and does not include additional funds for the ARC access road program. The chart clearly shows that there is no shortage of federal funds.

Total ARC highway funds allocated through fiscal year 1977

State:	Thousands
Alabama.....	\$21,233
Georgia.....	36,179
Kentucky.....	319,891
Maryland.....	76,850
Mississippi.....	9,602
New York.....	168,395
North Carolina.....	107,196
Ohio.....	77,120
Pennsylvania.....	271,400
South Carolina.....	1,261
Tennessee.....	175,524
Virginia.....	90,461
West Virginia.....	432,188
Total.....	1,787,300

Delays in the completion of the system have, of course, drastically affected its cost. The impact of inflation has taken its toll, for projects which should have been completed five years ago are still awaiting construction with the costs almost double.

While federal funds have always been available, some ARC states have not matched the federal portion and an unobligated balance of Appalachian dollars has resulted. ARC previously followed a policy of allowing states with uninvested federal funds to temporarily loan these funds to sister ARC states which had placed a priority on construction of the system and had generated the state matching share. However, the policy was only leading to the rich getting richer, and the consistently delinquent states accumulating a larger unobligated balance of ARC highway dollars with each passing year. With fiscal year 1976, the Commission added a new dimension to the highway construction program by initiating a "use it, or lose it" policy with regard to Appalachian highway dollars. States with an unobligated ARC highway balance could continue to loan unused funds, but the Commission also warned the states that some "loans" would become permanent and funds being shifted from one state to another might be lost for good. ARC reasoned that the states pursuing Appalachian highway construction vigorously should not be penalized while other states placed a higher priority on non-ARC highway work and left millions of Appalachian dollars to gather dust in the State Treasury. ARC, in effect, approved a neighborhood piggy bank raid within the 13-state chain. The policy has been helping those who are helping themselves. I fully agree with the policy.

Through fiscal year 1976, seven ARC states had unobligated balances totalling over \$64 million. Pennsylvania has the largest balance of unobligated funds (\$52.2 million) and, as a result (ARC tells us), the Keystone state will permanently give up \$15 million in fiscal year 1977 and will temporarily yield an additional \$20 million during fiscal year 1977. Ohio has an unobligated balance of \$9.7 million as of fiscal year 1976 (a decrease from \$11.9 million in fiscal year 1975) and will not, according to ARC, give up any funds to its sister ARC states this year (fiscal year 1977). Maryland, however, will lose \$1.5 million in unused Appalachia dollars and will temporarily give up an additional \$6 million.

On the opposite side of the fence, states such as Kentucky and Virginia are thirsting for more ARC highway funds. These two states (and four others) show an "over" obligation of construction dollars and their programs will quickly soak up the funds going unmatched and uninvested by their Appalachian neighbors.

This chart more clearly indicates the situation with regard to the obligation of ARC funds per state.

*Obligated/unobligated ARC highway funds—program total
through fiscal year 1976**

State:	Thousands
Alabama-----	+ \$3, 436
Georgia-----	313
Kentucky-----	+ 13, 351
Maryland-----	- 36
Mississippi-----	+ 1, 143
New York-----	- 842
North Carolina-----	+ 18, 818
Ohio-----	- 9, 731
Pennsylvania-----	- 52, 239
South Carolina-----	- 739
Tennessee-----	- 1, 391
Virginia-----	+ 10, 540
West Virginia-----	+ 19, 833

* Minus (—) indicates unobligated uncommitted funds on hand for ARC highway work.

For states consistently having difficulty coming up with the state match, our bill should be especially helpful. The bill, as we noted earlier, would allow the states to mix ARC dollars and federal highway trust funds in a variety of ways to bring the federal share of building the Appalachian highway system up to 90 percent and chopping the State burden down to 10 percent. We've already determined that sufficient ARC dollars have been (or are being) allocated to the states for investment in the road program.

But what about the federal highway trust funds apportionment? The Federal Highway Administration supplied us with this report:

Fiscal year 1977 (non-Interstate) Federal highway trust fund apportionment by State

State:	Thousands
Alabama	\$42,696
Georgia	55,163
Kentucky	37,519
Maryland	36,993
Mississippi	31,011
New York	167,701
North Carolina	56,007
Ohio	103,103
Pennsylvania	113,959
South Carolina	29,364
Tennessee	46,934
Virginia	49,872
West Virginia	20,541
Total	790,863

These facts and figures, Mr. Chairman, are offered to document my contention that the bill we're discussing here today can get the ARC highway programs moving. Of course, there are other aspects of the bill and the impact of the Appalachian highway program which can be discussed, but the basic point is that the highway must be built, ARC funds have historically been sufficient to do it, and the 90-10 formula gives the states the flexibility to move on this program for the good of the region, and to the benefit of the country.

Mr. HOWARD. Please proceed.

**TESTIMONY OF HON. CLARENCE E. MILLER, A REPRESENTATIVE
IN CONGRESS FROM THE STATE OF OHIO**

Mr. MILLER. You have the testimony that I have prepared for the record, I would like to summarize, if I may, Mr. Chairman.

I commend the committee for scheduling today's hearings, and I appreciate this opportunity to present my views on H.R. 1595, our bill amending section 201 of the Appalachian Regional Development Act to permit financing the construction of the Appalachian Highway System under a 90-10 percent Federal-State funding formula.

This occasion is important since it represents the first significant hearing to be held strictly on this issue. We first offered a bill to alter the ARC highway funding formula in May of 1976.

We reintroduced the bill in the 95th Congress, and I will outline its provisions. You have, for the record, the complete comprehensive statement that I have mentioned, detailing the need of accelerating the Appalachia road building program, the impact of the bill's provision on that program, and the importance of congressional action on the measure.

Our bill would permit the total Federal share of funds for Appalachian highway projects to rise to a maximum of 90 percent when an appropriate amount of noninterstate highway trust funds are combined by the States with ARC's highway dollars.

The current Federal share is limited to 70 percent and pertains only to ARC funds allocated to the States.

Under the proposed amendment, use of highway trust funds would be at the discretion of the Governor of each of the region's 13 States.

Under the option, a State's share of a highway project's costs would range from the current level of 30 percent down to as low as 10 percent. Depending upon the State's investment in a project, the Federal share would range from 70 percent to 90 percent.

Within the Federal share, the maximum amount of highway trust funds that could be used would be 45 percent of the project's total cost.

The maximum amount of applicable ARC funds would be 60 percent. Any combination of these two Federal funds would be permitted as long as neither exceeds its specified maximum level and the two combined constitute no more than 90 percent of the project's total cost.

A couple of examples: If a State decides to pay for 10 percent of a project with its own funds, it could use ARC funds to a maximum of 60 percent and pay for the remaining 30 percent with the highway trust funds.

Using the same 10-percent minimum in State funds, a project could be financed with a maximum of 45 percent in highway trust funds, in which case 45 percent would be paid for with ARC highway dollars.

I would like to underscore several points regarding the bill. It is not, first of all, a raid on the highway trust fund. It simply offers the States, at a time when matching funds are scarce, a way to stretch dollars by lessening the State's matching burden.

H.R. 1595 has no effect on the portions made to the State from the trust fund itself. It makes no changes in that regard.

According to the ARC, non-Appalachian States will continue to receive their usual trust fund allocation, and not 1 cent less. On the other hand, the bill does not necessitate the expenditure of additional Federal dollars to the Appalachian States.

In fact, several Appalachian States have an annual surplus of ARC highway dollars, since these States have invested matching funds in the more appealing interstate highway program.

Our bill puts the Appalachia highway system on an equal footing with the Interstate System, where we feel it belongs.

Through fiscal year 1976, seven Appalachian States had ARC highway funds in surplus—that is, unobligated balances totaling over \$64 million. Of the 3,284 miles in the 24-corridor system 1,365 were completed as of March 31, 1977, with only four States having completed construction of at least 50 percent of their eligible work.

These figures indicate that work on the ARC highway system must be given greater attention at both the Federal and State levels.

The inflationary impact of rising construction costs cannot be permitted to erode the overall objective of the highway program, as defined by the Appalachia Regional Development Act of 1965.

That objective is to provide a highway system which will open up an area or areas with a developmental potential, where commerce and communication have been inhibited by a lack of access.

The key words are "open up" and "access." Social, cultural, industrial, educational, and economic access start with good roads.

The act says so, and every piece of tangible evidence gathered to date showing any semblance of progress throughout the region points to good roads as the reason for that growth.

The Comptroller General told the Congress in a detailed November 1976 report on the ARC highway system in West Virginia—and I quote:

While West Virginia has made progress in completing its portion of the system, lack of progress in adjoining States has limited regional accessibility and, consequently, Appalachian economic development.

Continued funding limitations which delay highway program implementation appear inconsistent with the purpose of the act.

The Comptroller General recommended that the Appalachian Regional Commission submit to the Congress proposals for accelerating completion of the highway system to achieve the overall objective of improving the economic status of Appalachia.

And our bill does exactly that. And I encourage the subcommittee's action on the measure.

I would like to thank the members of the subcommittee for taking their time to hear the testimony concerning the increasing to 90 percent—(90-10) instead of the 70-30 funding which it now has—for the Appalachia highway.

In our Congressional District, the 10th District of Ohio, we have several industries that have located; we have additional electrical generating facilities that have opened, and we have people driving to and from those facilities on two main highways.

We need desperately some four-lane highways, in order to move the people locally. But beyond that, we need the four-lane highways so that we can open up the area. The people that we have talked to concerning industry convey the message that they must not only have waterways and railroads, but they must have the highways, if they are going to move in and develop an industry in the Appalachia area.

So it means, in order to get their raw material in and the finished product out, we need the highway to carry the load. It is that simple.

We have people over the last decade who have moved out of Appalachia. And fortunately, in the last few years, we have had some immigration.

We are spending many Federal dollars in the urban area today, but we need the jobs in the Appalachia and rural area for those people who want to stay there, but go into the urban area, and help create problems there, where the Federal Government needs to spend additional funds for housing and the improvements in that area.

So it is very important that we do have these highways. One of the big items today, of course, is energy. We have in our district, and some in Congressman Harsha's district, we have coal, many years' supply of coal.

That will be developed, and this committee has looked forward to develop the highways where they will be needed in the future, and that is what we are here to talk about today, is the fact that we will need the highways in order to move out the coal and the energy that will be desperately needed within the next few years.

Congressman Harsha has a bill that he has presented, that is very close to the bill that we have. As a matter of fact, it offers the 90-10 funding instead of the 70-30 funding. He is very knowledgeable of the problem throughout Ohio and the other Appalachian States.

I want to commend him for his support of the bill that we have before you at the present time.

I would be happy to answer any questions that you may have.

Mr. HOWARD. Thank you very much, Mr. Miller. We certainly appreciate your appearance and your testimony.

The Chair recognizes the gentleman from Ohio, Mr. Harsha.

Mr. HARSHA. Thank you, Mr. Chairman.

At the outset, let me express my deep personal appreciation to you and to other members of the Committee, for giving us the opportunity during this hearing to discuss our views and present witnesses, in behalf of legislation that Congressman Miller and I both feel is desperately needed to accelerate the completion of the Appalachian highways and to accomplish the ultimate objective and purpose of the Appalachian Development Act.

Mr. Miller and I, along with others who have joined in cosponsoring this legislation or similar legislation, firmly believe that it provides a voluntary optional means of financing these highways, which will relieve critical financing problems in some States.

Now, the basic thrust of the bills we have before us this morning is the same, as my distinguished colleague indicated. They will allow the Federal share of construction costs on Appalachian highways to go up to a maximum of 90 percent, when a State uses Federal aid primary funds in combination with Appalachian funds, as opposed to the current level of 70 percent.

Mr. Chairman, I have to say in fairness to the views of some of the Appalachian States that they feel that the answer to this problem is not a change in the funding formula, but more funds.

That view is based on the fact that many of them have no difficulty in coming up with the State matching portion for all of the Federal aid primary money they can get.

In addition, they point out that they have all of their anticipated Federal aid funds programed for several years in advance.

I must also acknowledge that the chief executives in some States do not favor this legislation, because they feel it puts them on the spot of having to choose between funding Federal aid primary projects in vote-producing urban areas and those in less populous Appalachian regions.

But we want to emphasize at the outset, Mr. Chairman, that this is a voluntary measure. There is no compulsion on any State under this legislation to use Federal aid primary funds on Appalachian highways if that State does not need to or does not choose to.

This merely provides another option which will be helpful to those States who have not always been able to produce the 30 percent State matching money.

This legislation allows them to determine if they want to use Federal aid primary money in combination with ARC funds, to reduce the required State matching to 10 percent.

And that is our real purpose here this morning, Mr. Chairman. I genuinely appreciate this opportunity to set the record straight at the outset, so that there will be no misunderstanding of the purpose of my colleague, Congressman Miller, and the other witnesses who have agreed to appear here today and discuss the need for this change in the law.

I do want to commend my colleague from Ohio who has, very frankly, taken the initiative in this case. He introduced the first bill last year, as I recall it. But he is very knowledgeable in the problems that we in the Appalachian areas are confronted with, and the tremendous necessity, if we are ever going to accomplish the ultimate objectives of the Appalachian Development Act, to open up these

areas so that trade can come in, so that business and industry can come in, and so that we can provide those people with the necessary jobs and education, as well as health and educational benefits.

Now, Mr. Miller, I have one question. You explain in your written testimony, that some States, including our own, have not been able to match all the ARC money and have large, unobligated balances.

Can you offer as explanation of why they have not been able to raise the matching money on their own?

Mr. MILLER. Congressman Harsha, first, we do see that Ohio has almost \$10 million, in unobligated, and Pennsylvania \$52 million in unobligated.

With real life as it is, I guess we need to face reality, that that is on the basis of 70-30 funding. And the noninterstate money that would be coming to the State generally would be used in the urban or near the urban areas, and not put into the Appalachia, rural area.

So, the noninterstate funds being consumed, I guess, when we say in real life, we'd have to say where the votes are, and that is what it amounts to. So, there would be very little left over of the non-interstate money which would require 30 percent to match with the 70 percent ARC money.

Mr. HARSHA. Thank you. That is all I have, Mr. Chairman.

Mr. HOWARD. The gentleman from North Carolina.

Mr. HEFNER. I have no questions, Mr. Chairman.

Mr. HOWARD. The gentleman from Illinois.

Mr. FARY. No questions, Mr. Chairman.

Mr. HOWARD. The gentleman from West Virginia.

Mr. RAHALL. Thank you, Mr. Chairman.

I appreciate very much my distinguished colleague from my neighboring State of Ohio testifying this morning, and also he and Mr. Harsha introducing the bill as they have, because it is a deep and serious problem with my district in southern West Virginia, also.

I think that with the President's call for increased emphasis on coal, and as was brought out in your testimony, Mr. Miller, the need to move that coal to markets, is more important now than ever, and we need the roads to do that. And with the heavy strain that is put on the present roads by the coal-hauling trucks, we see that the State budgets are being strained to their fullest extent in funding repairs for these roads, and they do need help from the Congress.

My home State of West Virginia, I feel, has made much progress relative to neighboring States in constructing its portion of the Appalachian highway system, but we have experienced significant delays and cost increases.

Contributing factors to these problems, I believe, include funding limitations, the added design requirements, and inflation that is a common problem.

Proposals such as are presently pending before this committee for accelerating completion of the highway system to achieve the overall objective of improving the economic status of Appalachia is long overdue.

I willing to work with this committee and offer my assistance in any way possible.

I have no questions, Mr. Chairman, other than to associate myself with the comments made by Mr. Miller.

Mr. HOWARD. The gentleman from Pennsylvania, Mr. Shuster.

Mr. SHUSTER. Thank you, Mr. Chairman. Mr. Chairman, I certainly want to compliment Congressman Miller and Congressman Harsha for taking the leadership in this area. This is enormously important, and indeed, if there is any program which is not bounded by States, in addition to the Interstate program, it is the Appalachian program, which is truly interstate in its nature.

It does no good to have an Appalachian corridor running through Pennsylvania that at the Maryland border becomes a dangerous, two-lane highway. Indeed, we are not going to have the benefits of this program until we have faced up to the problem which is addressed by this legislation.

I have one question I would like to ask Congressman Miller. Why the rather complicated and variable formula? Why not simply say 70 percent ARC money, up to 20 percent Federal aid money, 10 percent State money, and that is it?

Mr. MILLER. I would like to comment to the gentleman from Pennsylvania, we do have drawn out in our statement, provided for the record, six variables, and apparently, that is the reason and the point of the question.

It does show the possibility and the variables that the State has, and many States will have and need different options. Now, there is no doubt about it that they will opt for the No. 2 and No. 3, which allows the State to spend 10 percent and the Federal Government to spend 90 percent. But the bulk of that, of course, is through the ARC funds.

Now, if there is any reason, as an example, that they would have additional ARC funds, such as No. 4, where the maximum ARC funds with the greater State input, where the State would give 20 percent, but they wanted to utilize the ARC funds and not lose them, then they could come along with 20-percent State funds and move the project, instead of losing the ARC funds.

Mr. SHUSTER. In that case, you are assuming that the State does not have 70 percent ARC money, or only has—the amount of ARC money it has only would add up to 60 percent?

Mr. MILLER. Well, there is not enough ARC money to allocate to each State for all of the full Appalachia program, so there would be *x* amount of dollars for each year.

Mr. SHUSTER. I see. Thank you very much.

Mr. HOWARD. Thank you very much, Mr. Miller. We certainly appreciate your testimony and your appearance this morning.

To introduce the next witness, the Chair recognizes the gentleman from Ohio, Mr. Harsha.

Mr. HARSHA. Thank you, Mr. Chairman, Mr. Chairman, it is my honor and privilege to present to the subcommittee the distinguished State Senator from the 14th Senatorial District in Ohio, Mr. William Mussey.

Mr. Mussey represents many of the same counties that I do in the Sixth Congressional District, and he has been a very strong advocate of the Appalachian highway system and has been doing all that is humanly possible to encourage the States to continue to fund that project and to construct at the earliest possible time.

Mr. Mussey has served that area for a number of years with great distinction and I am delighted to present him to the committee.

Mr. HOWARD. Thank you. Welcome to the subcommittee, Senator.

**TESTIMONY OF HON. WILLIAM E. MUSSEY, STATE SENATOR, 14th
OHIO SENATE DISTRICT**

Mr. MUSSEY. Members of this committee, my name is William Mussey and I am a member of the Ohio Senate. My district includes 10 counties in southern Ohio through which all corridors of the Ohio Appalachian Highway system, at least in part, exist.

I am sincerely grateful for this opportunity to appear before your committee and to express my sincere belief that H.R. 3746 is necessary to hasten the completion of the unfinished portions of the system, not only in Ohio but in all the States that encompass the Appalachian regions of this Nation.

I wish to congratulate Congressman Harsha for introducing this legislation. Our districts basically parallel in southern Ohio, and we have worked hand-in-hand in the past years for the fulfillment of the Ohio Appalachian program.

Ohio's Appalachian Highway system comprises 293 miles in three corridors. The attached map and exhibit "A" shows the present status of these corridors.

Corridor "C," 71.7 miles in length from I-270 near Columbus south to Lucasville is completed.

Corridor "D," 174 miles in length from Cincinnati east to Belpre on the West Virginia border, is completed or construction is in progress except for 37 miles in the Peebles area.

Corridor "B" and "B-1" from Peebles to the Greenup Dam, east of Portsmouth, is as yet unscheduled.

For the past 7 years Ohio, like other States, has been assigning its new construction funds to programs that generate the maximum in Federal dollars at the 90-10 ratio.

Those completed sections of the system were sold prior to 1970 at 50-50 funding except for one or two small sections sold in recent years at the 70-30 ratio.

Very little has been accomplished on the system in 7 years and the political, civic and economic leaders of the counties I represent are dismayed and totally frustrated at the halt in construction.

If Congress approves H.R. 3746, I am positive it will cut many years from the completion date of the total system in Ohio. Just last week

I was informed by Ohio Transportation officials that, barring any environmental obstructions, the high priority sections of corridor "D" could be finished by 1980 with funding under H.R. 3746.

I am equally confident that the State will move much more rapidly on corridor "B" under a 90-10 funding ratio.

Two corridors of the system, "C" and "D" pass the huge Good-year Atomic Uranium Enrichment Plant, 20 miles north of Portsmouth. As each of you know, this facility has been selected by Congress and the President for a major expansion. . . . a vital key in our Nation's plans to meet future energy needs.

The Ohio Appalachian Highway system is destined to play a major role in solving future energy needs at both State and Federal levels because of its adjacency to the Atomic Enrichment Facility and the Ohio's rich Appalachian coal reserves.

Sections of southern Ohio's expansive forest reserves and productive agricultural lands will reach their full wealth potential when modern transportation routes are available.

Many of my counties own Ohio's highest records of unemployment over recent years. We have looked with hope to the completion of the Appalachian system. Commercial and industrial development is sure to follow when the Appalachian routes are finished bringing economic relief to most of these disadvantaged and inaccessible counties.

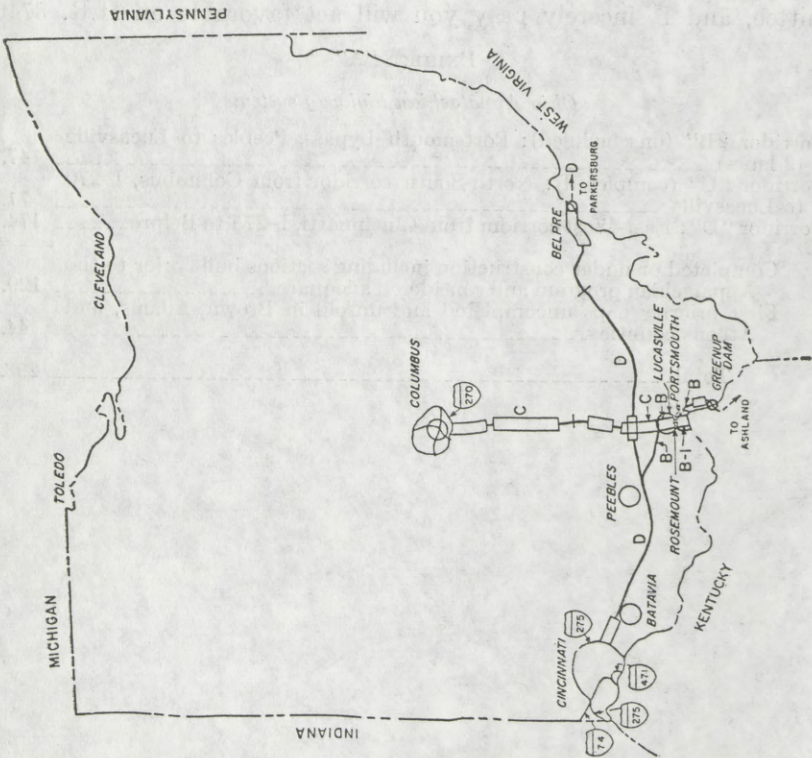
Thank you for affording me the privilege of addressing this committee, and I sincerely pray you will act favorable on H.R. 3746.

EXHIBIT "A"

Ohio Appalachian highway system

Corridor "B" (unscheduled): Portsmouth bypass, Peebles to Lucasville (2 lanes)-----	47. 8
Corridor "C" (completed): North-South corridor from Columbus, I-270 to Lucasville-----	71. 7
Corridor "D": East-West corridor from Cincinnati, I-275 to Belpre-----	174. 0
Completed or under construction including sections built prior to the Appalachian program and considered adequate-----	129. 1
First priority gaps uncompleted and unsold in Brown, Adams, and Athens counties-----	44. 9
Total-----	293. 5

OHIO PORTION OF APPALACHIAN DEVELOPMENT HIGHWAY SYSTEM



Mr. HOWARD. Thank you very much, Senator. We certainly appreciate your testimony and the map that you presented to the subcommittee.

The Chair recognizes the gentleman from Ohio, Mr. Harsha.

Mr. HARSHA. Thank you, Mr. Chairman. I have nothing to say; other than to commend the distinguished Senator on his presentation.

He has lived with this problem for a number of years, is very knowledgeable in it, and knows the needs that we have down there and the problems that we are confronted with in trying to raise at the State level the local matching money for the continuation of this project.

We appreciate very much your appearance, Senator.

Mr. MUSSEY. Thank you.

Mr. HOWARD. The gentleman from North Carolina.

Mr. HEFNER. I have no questions, Mr. Chairman.

Mr. HOWARD. The gentleman from Georgia.

Mr. LEVITAS. No questions, Mr. Chairman.

Mr. HOWARD. The gentleman from Illinois.

Mr. FARY. No questions, Mr. Chairman.

Mr. HOWARD. The gentleman from West Virginia.

Mr. RAHALL. No questions, Mr. Chairman.

Mr. HOWARD. The gentleman from Pennsylvania.

Mr. SHUSTER. No questions, Mr. Chairman.

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

Mr. MUSSEY. Thank you.

Mr. HOWARD. To introduce the next witness, the Chair recognizes the gentleman from Ohio, Mr. Harsha.

Mr. HARSHA. Thank you, Mr. Chairman. Originally, we had talked with the Ohio Department of Transportation and the office of David Weir, who is now director of that office, and he was scheduled to be here, but unfortunately, the Governor had another meeting in another part of the State, and he was required to accompany the Governor there.

In his place, he has sent two distinguished State officials from the Ohio Department of Transportation, the Honorable Dennis Garwood, assistant director, and James L. Stegmeier, in charge of legislative liaison.

And I take this opportunity and am very happy to present both these gentlemen to the subcommittee.

Mr. HOWARD. Welcome to the subcommittee, Please proceed as you wish.

**TESTIMONY OF HON. DENNIS GARWOOD, ASSISTANT DIRECTOR OF
TRANSPORTATION, OHIO DEPARTMENT OF TRANSPORTATION,
ACCOMPANIED BY JAMES L. STEGMEIER, LEGISLATIVE
ASSISTANT**

Mr. GARWOOD. Thank you, Mr. Chairman, Congressman Harsha, and members of the committee.

My name is Dennis Garwood, the assistant director of transportation of the Ohio Department of Transportation. With me today is James L. Stegmeier, legislative assistant of the Ohio Department of Transportation.

We are pleased to be here to indicate our support for H.R. 3746, which is sponsored by two of Ohio's leading Congressmen, William H. Harsha and Clarence Miller.

The Appalachian development highway system is recognized for its potential to support economic growth in southeastern Ohio and for the need to furnish improved highway transportation to develop and distribute energy resources to the region and the nation. For these reasons, Ohio is interested in obtaining a completed system.

We have two problems. One is being able to complete the project development process under today's environmental constraints, and the other is to finance the construction phase of the work on a timely schedule once the environmental issues are resolved.

We are struggling to resolve the environmental requirements bit by bit, and hopefully, H.R. 3746 will alleviate the financial problem.

We have the same concern, as other States in the Appalachian region, when it comes to assigning priorities and funds to the development of the Appalachian highway system.

We have more projects in some stage of development, for improving Ohio's highway system, than we can finance in the next 10 years, even though we have reduced our program by over 400 projects, from over 900, 18 months ago, which is almost 50 percent of the projects requiring State funds.

Every active project has a degree of importance and urgency, so we cut and fit as best we can.

The Appalachian development highway funds of approximately \$50 million, that are currently available to Ohio in the 1978 through 1981 fiscal years, could permit an increase in our program capability from \$71 million to \$110 million, with the options provided in H.R. 3746.

These options would allow an earlier completion of our high-priority segments and we intend to make every effort to do so.

Since Federal primary dollars might have to be diverted from several projects that have been in the design phase for more than 12 years, since the inception of the Appalachian program, there has developed some apprehension among highway administrators that this bill would create pressure to move primary funding from non-Appalachia areas to Appalachian areas.

A significant increase in Federal primary funds apportioned to the States could minimize that pressure and dissolve that apprehension; however, we recognize that even under existing primary fund allocations, this legislation does provide us with some financial options and flexibility that will be very helpful in Ohio.

With the magnitude of uncertainties that presently affect the highway project development process, because of all the associated agency approvals that are required, we need whatever flexibility we can get to substitute projects and alternate financing methods.

For example, many presently programmed primary projects may be delayed for lack of environmental impact statements or 404 permit approvals, in which event it would be advantageous to be able to move some Appalachian projects up in their place and avoid any loss of primary moneys.

Accordingly, we wish to indicate our support of H.R. 3746, for the flexibility it provides, and wish to thank you for this opportunity to express our views this morning.

Mr. HOWARD. Thank you very much, Mr. Garwood. We are very happy to get the testimony from the Ohio Department of Transportation.

The Chair recognizes the gentleman from Ohio, Mr. Harsha.

Mr. HARSHA. Thank you, Mr. Chairman.

Mr. Garwood, I want to express my appreciation for your coming here and testifying on this very important matter.

We have heard some of the previous witnesses allude to the fact that Ohio has certain funds allocated from ARC for the development of highways, but you were unable to provide the State matching money so that you could fully implement those funds.

Can you enlighten the committee as to why the State does not have this matching share and why we need the additional Federal involvement?

Mr. GARWOOD. The Federal involvement, of course, the bottom line, is the matching funds that the State would have available. And as you know, in Ohio, Congressman Harsha, we experienced a very severe winter, which has taxed our capability as far as having extra financing to go around.

The State of Ohio is not at the moment hurting for funds, because our allocations are such that we are stymied by the environmental impact statements that are governing these corridors that need to exist.

We are hoping that by October or, at least, the first of the year, that this bill will help us in the fact that we are going down the final road in finalizing out the impact statement for the corridor B, between Williamsburg and Peebles, and this will open up six large projects and will complete the corridor between Cincinnati and Athens. This is a large segment of highway, that has great industrial potential and also is a corridor that can be used, as has been testified before, for the coal hauling to the market.

This also—particularly, corridor D, ties in with the atomic energy plant, just north of Portsmouth, and would make a direct route from the plant to the Cincinnati area and on down to the Ohio River.

The main thing that I feel with the bill is the word, "flexibility." It gives the States the chance to do more with their funds that they have available and as they become available.

Congressman Miller had a chart, I believe, in answer to Congressman Shuster's question, as to why the straight percentages were not used. But in many instances, this flexibility of being able to adjust particular projects when a certain amount of money is available—as I stated in here, we have \$50 million available through 1981, but we will not get \$50 million in one crack, so to speak. Last year, we had \$9 million; the next fiscal year, I believe it was \$12 million, and then I think in 1980, about \$14 million.

We get certain amounts, and we do have this allotted, and we try to use our funds, primary funds that are available, along with the ARC funds, to stretch the dollar as far as we can and get the best piece of work that we can for the public.

Mr. HARSHA. Thank you, Mr. Garwood. That is all I have, Mr. Chairman.

Mr. HOWARD. The gentleman from North Carolina?

Mr. HEFNER. I have no questions, Mr. Chairman.

Mr. HOWARD. The gentleman from Illinois.

Mr. FARY. No questions, Mr. Chairman.

Mr. HOWARD. The gentleman from West Virginia.

Mr. RAHALL. Mr. Chairman, I have a question.

You mentioned some environmental constraints and the associated agency approvals that must be obtained for many of these projects, and you gave an example of the environmental impact statement as delaying a project.

What would your recommendations be for doing away with some of these constraints or bending some of the requirements in order to proceed quicker?

Mr. GARWOOD. The position that the State of Ohio got caught in—we had initiated the construction, primarily in the corridor D section, some years ago, before the environmental constraints were put on, and many of these projects were completed. But as soon as the environmental impact statements were required, the Federal controls required the statement to cover the entire corridor.

We had to more or less back up, so to speak, and halt the construction of this particular corridor until the alignment was looked at from the environmental standpoint of the road that was already there—construction was already there. I personally worked on six of the projects in the field. Then, to finalize this gap, and get the traffic moving over it, everything was halted until the environmental impact statement was done. And this is what we have been trying to do.

And my recommendation is to take a good look at how these environmental statements would affect the corridors—in other words, in our State, at least, to take an entire corridor, such as corridor B, which picks up midway in Pike County and goes down through Portsmouth and Portsmouth bypass, then on the east of Portsmouth, and crosses the river over the Greenup Dam Bridge, to take that entire corridor and require the entire statement to be completed before some construction could be taken place, then I think this could be changed. In other words, take a section at a time, because that section west of Portsmouth is a rural, mountainous region, and could be handled as a separate environmental statement; whereas, the bypass of Portsmouth, there again, is in an urban area, and it could be handled separately.

But if we are required to take the entire corridor B, which lies in the State of Ohio, then it will be years before we can get straightened out on that and before we can go to construction and have any use of it.

Mr. RAHALL. Do you feel a lot of the increased costs due to inflation can be laid at the doorstep of delays caused by environmental impact statements?

Mr. GARWOOD. Absolutely.

Mr. RAHALL. No further questions.

Mr. HOWARD. The gentleman from Pennsylvania, Mr. Shuster.

Mr. SHUSTER. No questions, Mr. Chairman.

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

To introduce our next witness, our colleague from Ohio, Mr. Miller.

Mr. MILLER. Mr. Chairman and members of the committee, it is my pleasure to introduce to you Mr. Carl Dahlberg, who is representing the Southeastern Ohio Regional Council.

Some of the remarks that he will have are some of the concerns that we have, about the lack of highway and the lack of industry and the lack of jobs in southeastern Ohio.

He has had the opportunity to attempt to attract the industry into the area, and the industry deciding to go into some other location, because they do not have that transportation system of highways.

I think this is good, that that message is conveyed to our committee. Mr. Carl Dahlberg.

TESTIMONY OF CARL DAHLBERG, MEMBER, SOUTHEASTERN OHIO REGIONAL COUNCIL

Mr. DAHLBERG. Mr. Chairman, it is a pleasure to appear here. I have an editorial written by the chairman of our Highway Committee, Mr. Kenner Bush, to the Athens Messenger, in Athens, Ohio, and I would like to read that as our official statement:

There is no need more basic or important to Appalachia than its developmental highway system. The region and its people have suffered for generations from the social and economic handicaps of isolation, the result of rough terrain and inadequate transportation.

Since the beginning of time, from foot paths to super highways, only where traffic has been heaviest has man developed better ways of getting around.

The Appalachian Highway System is to change all that. It represents the first highway network to be designed in spite rather than because of high traffic counts. It represents probably man's grandest brick-and-mortar project, with primarily a social improvement goal.

Now on top of a regional need for the highway as a developmental tool, there is a national need as well. Coal must be made more accessible. The highway system and its related access roads cut through the very heart of Appalachian coal country.

And yet today, after a decade of effort, the system encompassing 2,700 miles throughout all or part of 13 states, remains but half completed.

Almost any small part of the region has a similar story to tell as that of southern Ohio.

Our link with the future, Ohio's Appalachian Highway from Cincinnati to Bel- pre, remains only two-thirds complete. In front of us, we have 67 miles of gaps to close if we are ever to make this highway go from somewhere to somewhere.

What next, Appalachia? What of the plans, the aspirations?

Certainly, a major answer to getting this regional highway system off dead-center is greater Federal support.

For years, the nation's interstate system has been financed 90 percent by Federal dollars.

The Appalachian system qualifies for only 70 percent Federal support. The states, hard-pressed for money, push those projects where they can get the most in highway dollars for the least in state funds.

Is it any wonder, then, that the nation's interstates are nearly finished, and our highway network is but halfway home?

Appalachia needs equal road rights. It is for this reason that all 13 Appalachian states should enthusiastically endorse a new bill being offered by Representative William H. Harsha of Ohio's 6th District.

Harsha's Home Resolution 3746 would make Federal funding of the Appalachian Highway competitive with funding of the interstates, on a 90-10 Federal-state basis. The bill moves to House Public Works subcommittee hearings Tuesday.

Appalachia should not only endorse the measure; Appalachia should get behind the Harsha bill and shove . . . hard.

The Southeastern Ohio Regional Council endorses this bill, and the Southeastern Ohio Regional Council is a group of private citizens from business and industry professions that spill over into Congressman Harsha's district, as well as Congressman Miller's district.

We are a group of individuals that are interested in the development of industry, education, tourism, and highways. And of course, our No. 1 highway priority is the development and completion of corridor D, from Cincinnati to Belpre.

To comment somewhat on Congressman Miller's remarks, he talks about the future development of the area. There were more people living in southeastern Ohio in 1900 than there are today, and that is kind of hard to realize. And I think he mentioned in his testimony that we are gradually seeing a reversal of this trend.

Some of our counties in the last few years are experiencing an immigration of people coming back. Back when this highway was first talked about in 1965 and 1966 as developmental system, we were exploring with a company to locate in southeastern Ohio. We ran a teaser ad in a local newspaper, to see how many people would work for the minimum wage—which at that time was \$1.25 an hour. We received 800 replies to that ad, from as far away as Louisiana, and from your State, Mr. Shuster, from Pennsylvania—people wanting to come back to southeastern Ohio. They have sentimental ties, and they had been forced out because of the lack of employment.

For instance, Congressman Miller mentions in his testimony that a lot of industrial sites, a lot of plants, are located within a few miles of the highway. At Wellston, Ohio, within one-quarter of a mile, the Federal Government was responsible for the location of a Ralston-Purina plant in 1966 and 1967. The Federal Government spent \$3 million to locate that plant. Half of that was ARF funds, and half of it EDA funds. The State of Ohio spent \$600,000 to locate that plant.

Fortunately for us, the people in southeastern Ohio, Banquet Foods bought that plant about 4 years ago. Today, they are only a quarter of a mile off that system, and they bought it for one reason, and that is transportation.

This highway offers them overnight access to eastern markets. Today, that plant employs 700 people, and where the minimum wage, I think, in the country as a whole, is \$2.30 an hour—and this is mainly a female labor operation—the minimum pay is about \$4.04, and this is in Appalachia. This is what development of this highway can do for us and for other States that are in the same straits.

I think that is the extent of my testimony. I appreciate the opportunity to come before you gentlemen, and hope you take favorable action on the Harsha bill.

Mr. HOWARD. Thank you very much. We appreciate your comments dealing with another area, as to the results that can be felt in an area with adequate transportation. We are certainly aware of that here on the subcommittee, and are glad to have you state that situation for southeastern Ohio.

Mr. DAHLBERG. Thank you.

Mr. HOWARD. Yes. The gentleman from Ohio, Mr. Harsha.

Mr. HARSHA. Thank you, Mr. Chairman.

Mr. Dahlberg, I want to thank you for taking the time from your busy schedule to be here with us and give us the benefit of your judgment. I know both Clarence and I will be happy if either bill is reported out in the wisdom of the subcommittee.

I do not think either one of us have any particular pride of authorship, but we do want to see the results for the area. That is what we

are primarily interested in, and we are working together on it, and he has made a significant contribution to this effort, and we look forward, hopefully, to having the wisdom of the subcommittee give us the relief that we anticipate and really need in that area.

Thank you very much.

Mr. HOWARD. The gentleman from Illinois?

Mr. FARY. No questions, Mr. Chairman.

Mr. HOWARD. The gentleman from West Virginia?

Mr. RAHALL. Thank you, Mr. Chairman.

I just wanted to mention a couple points. You mentioned priority, I believe, is on corridor D; is that correct?

Mr. DAHLBERG. Right.

Mr. RAHALL. I was just looking through a November 1976 report to the Congress by the Appalachian Development Highway System and noticed that in my home State of West Virginia, that we had completed about 88 percent, or had under construction about 88 percent of corridor D; about this time last year in Ohio, we only had about 55 percent of that completed.

So the point I really want to make here is that I feel my home State has made much progress in constructing its portion of the system, although we do have our priorities that we still need to complete, such as corridor L in my home county of Raleigh County, and corridor G, between Logan and Williamson, in southern West Virginia. But progress in our neighboring States has to be made also, and in order to benefit local and interstate traffic, I think that the legislation that is presently before us will go a long way in that regard, to help West Virginia and help Ohio, and that is my purpose here today, and I certainly look forward to working with you in this regard.

Mr. DAHLBERG. We had a meeting in Parkersburg 3 weeks ago with your people on this.

Mr. RAHALL. On corridor D?

Mr. DAHLBERG. Yes.

Mr. RAHALL. I believe—well, I have been setting up a meeting in Huntington, to which I have invited Congressmen Miller and Harsha, over the July 4 break, in order that we can further discuss how we can work together in this regard.

Thank you, Mr. Chairman.

Mr. HOWARD. The gentleman from Pennsylvania.

Mr. SHUSTER. No questions.

Mr. HOWARD. The gentleman from Minnesota.

Mr. HAGEDORN. No questions.

Mr. HOWARD. The gentleman from Pennsylvania.

Mr. MYERS. No questions, Mr. Chairman.

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

The next witness before the subcommittee is Mr. Donald Whitehead, former Federal Cochairman of the Appalachian Regional Commission.

Mr. Whitehead, thank you for your appearance this morning. The subcommittee does have a copy of your prepared statement. Without objection, that will be made a part of the record at this point.

Please proceed as you wish.

[Statement referred to follows:]

STATEMENT OF DONALD W. WHITEHEAD, FORMER FEDERAL COCHAIRMAN,
APPALACHIAN REGIONAL COMMISSION

It is a pleasure for me to appear before you to testify on H.R. 3746, a bill introduced by Congressman Harsha. Congressman Harsha is a long-time supporter and friend of the Appalachian Region, and I am pleased to appear in support of his bill.

From 1971 until recently, I have been Federal Cochairman of the Appalachian Regional Commission and it is from that vantage point that I make my views known.

The bill would permit a number of alternatives for funding at the option of the State. Assuming the state provides only its 10 percent minimum matching share, it could finance the project with the maximum ARC share of 60 percent with the remaining 30 percent from Federal-aid Highway Trust funds. If, however, it should want to provide the minimum of ARC funds, or 45 percent, it would require 45 percent from the Federal-aid Trust Fund monies.

It was the intent of the Administration bill to give each Appalachian Governor an additional option he could use at his discretion. If he utilized the option he could stretch state dollars by lessening the state matching share, it would increase the Governor's ability to influence the allocation of highway resources in the state.

The legislation would restore a preferential position for Appalachian highways and eventually reduce the cost to the General Fund from which Appalachian highway appropriations are drawn.

In 1975, largely at my urging, the Ford Administration recommended legislation similar to this bill which would permit an increase in the federal share of Appalachian Development Highway System projects to be raised to 90 percent when the funding of such projects combined certain portions of Federal Highway Trust Funds with Appalachian funds. The Administration's view was that this would accelerate the construction of a finite system similar to the Interstate Highway System, would enable it to be built at a lower cost to the General Fund, which supports the Appalachian Act, and would aid states having difficulty providing the local matching share. The Administration bill preferred this financing mechanism rather than providing additional funding levels for the Appalachian highway program, but the Congress saw fit instead to provide an additional \$840 million in extending highway authority through fiscal year 1981.

The idea contained in Congressman Harsha's bill is an innovative way to help complete the Appalachian Development Highway System, which will not only allow an acceleration of construction on the system, but will simultaneously reduce the cost to the states. A number of Appalachian states, particularly Ohio and Pennsylvania, have had a severe shortage of available state highway revenues which has caused delays on many highway projects, and not just those on the Appalachian Development Highway System. However, since the Appalachian system is specifically designed to maximize the impact of its other program funds in health, education, etc., and to improve the basic economic condition of Appalachia, delays in this highway program have serious side effects.

Several years ago, the State of Ohio faced a shortage of state funds and established priorities for the use of those funds which assured they were spent first on those programs which had the largest Federal share. At that time the regular Federal-aid program had gone to a 70 percent share and the Appalachian program limited by a self-established limitation of 50 percent. Ohio, however, has been able to match the ARC highway allocations available to it for the past few years.

Pennsylvania, however, has not been able to fully utilize its annual ARC allocations over the past few years in large part, we understand, because of a shortage of state matching funds. There may be some problems in other states of which we are not now aware.

The proposed legislation is permissive only and would not force a state to take advantage of its provision, but merely offer an alternative to a state highway department when state resources were hard-pressed to keep up with highway needs. Some individuals have claimed that such an idea would take funds away from other necessary Federal highway programs, but is this really the case? Interstate funds could not be used in conjunction with the ARC program and so no impact would be involved in that program. It is true that some other Federal-aid Highway construction projects might be delayed, but you must remember that the Appalachian Development Highway System is actually part of the Federal-aid Primary System.

The Administration proposal did not receive enthusiastic support from the Governors in 1975. While they supported a program that would provide for 90 percent Federal funding, they preferred this to come from increased authorizations for the Appalachian highway system without the necessity of utilizing Federal-aid highway funds. The Administration, however, did not include in its legislative proposal any additional authorizations and has not been receptive to increasing the ARC share to 90 percent. Such an action would increase the Federal cost by 30 percent, and could stretch out even further the eventual completion of the system.

Gentlemen, in closing let me say this. This bill would provide states with an alternative funding option which a state might choose to exercise differently from year to year or even project to project. The only real "problem" for a state is that there may well be strong pressure to utilize these provisions in order to accelerate Appalachian highway construction. I submit that these are not problems, but opportunities—opportunities to provide for a higher quality of life for all the people in Appalachia. Thank you.

TESTIMONY OF DONALD WHITEHEAD, FORMER FEDERAL COCHAIRMAN, APPALACHIAN REGIONAL COMMISSION

Mr. WHITEHEAD. Thank you very much, Mr. Chairman.

My name is Donald W. Whitehead. From March 1, 1971, until yesterday, I served as Federal Cochairman of the Appalachian Regional Commission.

My successor was sworn in yesterday morning, and I am delighted to be able to respond to this invitation to appear before the subcommittee today, in my first full day as a private citizen, not having the burden of carrying the point of view of the administration, the Commission, or anyone other than myself.

Mr. HOWARD. It is quite often a burden, I understand.

Mr. WHITEHEAD. Yes; one which I would gladly have continued in, however, had circumstances permitted.

In 1965, when the Congress established the Appalachian Regional Commission and authorized its program, the Congress authorized the Commission to support the construction of a network of highways in Appalachia to a maximum of 70 percent of Federal funds.

However, notwithstanding that authorization, allowing the Commission to go as high as 70 percent, in the first years of the Commission's existence, as a matter of deliberate choice Commission policy restricted the use of Commission funds for assistance on four-lane construction to 50 percent, requiring our State partners to provide from other sources a match equal to the funding the State received out of the Appalachian program.

That was because the Commission wished to stretch its dollars just as far as possible and stimulate, through the use of its money, maximum State effort and maximum State contribution.

It proved to be a good policy under the circumstances that existed at that time. But at that time, you must recall, general Federal support for the Federal aid primary and secondary system stood at 50 percent.

When Congress advanced Federal support to primary and secondary systems from 50 percent to 70 percent, the Commission changed its policy, in order to make its program competitive with other programs supported by the Federal Government.

That again, Mr. Chairman, I submit was a wise policy to adopt with the changing circumstances of the time. And I would submit to you and the consideration of your committee that that is exactly what the bill before you does today. In other words, it offers a change,

a modification of the Commission's program, in response to changed conditions of the time.

In 1975—at least in part on my recommendation and at my urging—the administration submitted legislation to the Congress which contained a change in our stature very similar to the legislation subsequently filed by Congressman Miller and the bill which has been filed by Congressman Harsha and is before you today.

That idea would simply have permitted the State to call down Federal funds on the Appalachian corridor system with a State match of as little as 10 percent and commingle trust fund money from title 23 with Appalachian Commission funds, under appropriate conditions and percentages.

At that time, the administration view was that this would accelerate construction on the Appalachian corridor system—which we view as a finite system, like the interstate—and would enable it to be built at lower cost to the general fund, out of which Commission funds are obtained, and would additionally aid States that were having difficulty raising their State matching shares.

The administration bill provided this additional flexibility in our funding mechanism hopefully as an alternative to larger appropriation for highway construction, which the administration wished to avoid at that time.

The purpose of this option, as I see it, is essentially to stimulate construction of Appalachian highway projects by providing each State with more flexibility in its funding options and by lessening the State's matching burdens in highway construction.

The provisions relating to the percentage of Federal-aid highways funds that could be utilized to 45 percent are designed to insure that while these funds could be utilized to expedite construction on the Appalachian system, funding of that system would not be complete, would shift to highway trust fund.

The provision limiting the use of ARC funds used in joint funding to 60 percent is, I believe, designed to insure that the additional Federal-aid highway funds would be used to reduce both State and ARC funding shares, again, to get a stretching of Commission highway dollars.

In April of 1975, I wrote a letter to my State partners in the Commission, urging their support for this kind of modification of the Appalachian program, and I cited what I thought were three advantages to this change in the law.

First, it would make an additional option available to each Governor member of the Commission, to be used at his discretion.

Second, it would increase the Governors' ability to influence the allocation of highway resources and the timing, scheduling of construction segments.

There are decisions that are not always available to incumbent Governors because they have been, in some instances, preempted by higher highway planning.

Third, it would provide, at a time when State matching funds are scarce, a way to stretch State dollars by lessening the State matching burden to 10 percent, thus increasing the ability to continue highway construction and assure the provision of the jobs that it is designed to generate.

Mr. Chairman, I would submit for your consideration that these advantages would still obtain, that they are represented in the Harsha bill before you, that in effect they would put the Commission's highway program somewhat on a par with the interstate, and would therefore tend to accelerate completion of this highway system that is so critically important to the entire mission of ARC.

Thank you for the opportunity to appear before you today.

Mr. HOWARD. Thank you very much for your appearance and for your testimony, Mr. Whitehead.

The gentleman from Ohio, Mr. Harsha.

Mr. HARSHA. Thank you, Mr. Chairman, and thank you, Mr. Whitehead, for appearing here as a private citizen and offering us the benefit of your judgment.

I know that for a number of years, you served in the capacity of Federal cochairman, having worked with you on the Appalachian program during that time, and you served very ably, and we are very proud of the service you have rendered to the Federal Government under that program.

Now, back in 1975, some of the Governors opposed this legislation because they felt that it possibly would reduce highway construction.

But isn't your interpretation of this bill that it would in fact have the opposite result; it would encourage additional highway construction and give the States the flexibility they need in order to proceed more rapidly with the development of the Appalachian highway program.

Mr. WHITEHEAD. Yes; that is my view. It is perfectly true, as you point out, Congressman Harsha, that the State view is that this modification, this flexibility in the program, is not an adequate substitute for additional money.

Further, I think that the States feel that simply diverting funds from one system to another is not the answer, and as has been pointed out by the Ohio Highway Department testimony, some States feel they would have difficulty in setting priorities between various parts of their States under this legislation.

I would say that in 1975, when this matter was considered in the Senate, Governor Julian Carroll of Kentucky, who was then serving as State cochairman of the Appalachian Regional Commission, testified on behalf of himself and his colleague Governors before the Senate and made a very cogent presentation of the State concerns at that time.

I have a Xeroxed copy of a portion of the Governor's statement relating to this particular provision that I would be happy to make available for the consideration of the committee, that basically takes the positions that I have outlined, that diversion from one system to another is not the answer, and that a change in the funding levels of the program is not an adequate substitute for additional authorizations and appropriations.

Mr. HARSHA. But isn't the Appalachian Highway system part of the primary system, so there really is not a diversion from the primary system, because that is all one and the same?

Mr. WHITEHEAD. Precisely my view, yes, and I do not think this has been adequately understood.

Mr. HARSHA. And would it not be true that if primary funds were used, and only a 10-percent local or State matching share was necessitated under this suggested legislation, would that not in effect give the States the additional 20 percent that they now use under their primary system to apply to other systems?

Mr. WHITEHEAD. Yes.

Mr. HARSHA. So that it would expand highway construction rather than deter it.

Mr. WHITEHEAD. Yes.

Mr. HARSHA. Also, then, should the subcommittee in its wisdom see the advisability of increasing the primary allocation to each State under the regular highway program, wouldn't that at least alleviate any purported objection that the Governors might have?

Mr. WHITEHEAD. I would certainly hope so. I do not see why it would not.

Mr. HARSHA. But in addition, Mr. Whitehead, has it not been the Commission's practice that in most States that were unable to obligate their ARC money, that the Commission shifted that money to another State who was able to obligate it?

Mr. WHITEHEAD. Yes; as Congressman Shuster has pointed out, the Commission program is truly a regional program, a multi-State program, and there has been considerable cooperation between the States, for mutual benefit.

For example, in this particular instance, if one State was having trouble utilizing all of its highway allocations for that year, we have always maintained a system under which a sister State that was ready to go to obligation of moneys could temporarily borrow those funds, so that we could keep the general construction of the highway program growing as fast as Congress provided the funds, one State using where another State is temporarily unable to use. And in this instance, it has worked rather well.

Mr. HARSHA. But this in effect had a dampening or a deterral on the advancement of the Appalachian highway program in States like Ohio and Pennsylvania who at the time did not have their matching money.

Mr. WHITEHEAD. Yes; for the last several years, both those States have had chronic matching problems, which have adversely affected the progress of the Appalachian highway program in them.

Mr. HARSHA. Thank you, Mr. Chairman.

Thank you, Mr. Whitehead.

Mr. HOWARD. The gentleman from North Carolina.

Mr. HEFNER. Thank you, Mr. Chairman.

I would like to thank you for a very fine statement. The gentleman from North Carolina who will be succeeding you—and I feel sure you have talked with him at length about this—what is his position on this proposed legislation, or are you aware?

Mr. WHITEHEAD. Yes; I have had an opportunity to discuss with former Governor Scott, now Federal cochairman of the Commission, as of yesterday his view on this matter.

By the way, I might state for the record how delighted I am to be succeeded by a man with the outstanding qualifications and the personal commitment to the program, such as Bob Scott of North Carolina.

I think it speaks very well for the future success of the Commission's program.

And Mr. Scott, being alerted to the fact that there was a hearing today, discussed this matter with the administration, his colleagues, and the Office of Management and Budget, and has furnished written testimony for the benefit of the committee.

He would be here in person today to deliver that testimony, but for fact that the Commission had scheduled a meeting for today beginning at 10 this morning, his very first meeting in the chair, and he just felt that he could not leave that duty to come here before you, and instead has submitted testimony which, I am sorry to say, takes the position that since inevitably, the administration feels a change of this sort would increase the amount of Federal funds going to the construction of the Appalachian highway system, the administration asked the committee to defer any action until the Department of Transportation has had an opportunity to complete a review of all Federal aid highway programs and wishes, rather than reviewing one program at a time, to take an overview of the full panoply of Federal aid highway programs, in the view of making some subsequent recommendation to the Congress.

That is the thrust of the written testimony which Mr. Scott had cleared at the Office of Management and Budget and, of course, has been furnished to the staff of this subcommittee.

Mr. HEFNER. In view of his stand, how much time would this delay the situation, like in Mr. Miller's district and Mr. Harsha's district; how much would this hold up and impair?

Mr. WHITEHEAD. I am not quite sure, but I think a considerable period of time. I do not think it is a study the results of which we are going to see in the next few weeks.

By the way, I would like to further add that had I appeared before you today as the Federal Cochairman of the Commission, I would have been asked by the administration to take the same view that I have characterized in Bob Scott's testimony—that is, the administration view.

Two years ago, when this question was considered by the administration, it was seen in a different light, as my opening statement indicated. It was seen as an alternative to increased highway authorization. It was conceived as some way to take some of the pressure off State demands for more highway dollars.

Seen today, it is seen in a different light. The Congress in its wisdom went ahead and authorized additional highway dollars in that legislation of 1975—as a matter of fact, authorizations amounting to some \$840 million.

So the aspect of the proposal which made it attractive to the administration at that time does not exist in the administration view today.

Mr. HEFNER. Thank you, sir. No further questions.

Mr. HOWARD. The gentleman from Pennsylvania, Mr. Schuster.

Mr. SCHUSTER. No questions.

Mr. HOWARD. The gentleman from Pennsylvania, Mr. Myers.

Mr. MYERS. Thank you, Mr. Chairman.

Mr. Whitehead, in parting, would you care to make some comments about the interaction between developmental highways in Appalachia and the erosion of railway service?

In your service, have you evaluated that problem, and would you care to advise the committee of your feelings with regard to the two modes of transportation development in Appalachia?

Mr. WHITEHEAD. I welcome the opportunity to make a comment. I wish I could cite an objective, scientific study, complete with the requisite data, to show the correlation which I believe exists between various transportation modes and the growth and development of an area.

Unfortunately, I have found that the state of the art of economics does not permit that kind of proof. This has been a concern to me during the entire time that I was with the Appalachian Commission, because I hungered after some such objective means to demonstrate the failure of a dollar spent in highway construction toward stimulating the growth and development of an area or the relationship between waterway or highway or air or rail traffic, one with another, with the overall economic future of a community.

I found, unfortunately, that we cannot supply that kind of cause-and-effect relationship. I found that in the last analysis, one has to go basically on the testimony of people who live and work in a given area, are informed and concerned citizens, whose views, I think, in the last analysis are the final judge of where public resources ought to be allocated.

And on that basis, after a number of years with the Appalachian Commission, where I spent a good deal of time in New York, in Pennsylvania among other places, which have been hindered by cutbacks in rail service in recent years, I can advise the committee of what I am sure you already recognize, that in the view of local persons, we have made a serious mistake in opting for short-range solutions to long-range problems, and that there are a number of communities in which the Federal Government has made significant developmental investments, either through the Appalachian program, the Economic Development Administration, or other sources—investments with considerable potential, but which have not yet had an opportunity to pay off and be reflected in carloadings and in other criteria that were measured by those who designed the curtailment of certain rail service.

But in the view of informed persons who live in the communities affected by those decisions, there is almost a universal unanimity that we have been penny-wise and pound-foolish.

Mr. MYERS. So, with respect to your comment that we made a mistake, what specifically are you referring to?

Mr. WHITEHEAD. I am referring to the cutback in rail service in part of New York, Pennsylvania, Ohio, West Virginia, and Maryland, that adversely affected those portions of the Appalachian region, I believe. And I look to a continual review by the Congress of the operations of ConRail and the recommendations of USRA and hope that in future years, there will be some modifications made to the operation of the ConRail system, so that perhaps some service can be restored which does not exist today.

Mr. MYERS. Have you given any consideration to the possibility of authorization for the use of Appalachian Regional Commission funds to assist in the continuation of ConRail subsidies, so to speak?

Mr. WHITEHEAD. Yes; we gave considerable discussion to this, and with the endorsement of the State members of the Commission, the

Governors. We discussed 2 years ago, with USRA officials and other representatives of the administration, the possible use of Commission funding to help in this problem.

One thing we were considering, for example, was the use of Commission moneys to purchase the right-of-way of temporarily abandoned trackage, so that the legal title would not be lost to the public during a cessation of service—the idea being that rights-of-way, while extremely expensive to acquire, may be held without very great cost, because it is really the cost of maintenance of the trackage that is so expensive.

Unfortunately, however, we were unable to convince the administration at that time to permit us to ask Congress for the right to use a portion of our funds for this purpose.

Mr. MYERS. Is there any inclination in this administration that that should be the direction we take?

Mr. WHITEHEAD. I am not sure. I do think that Congress went a long way toward dealing with the problem which at that time we were trying to deal with, in providing subsidy for, I believe, 2 years for those communities. And the fact that Congress acted in that respect may have taken a good deal of the pressure off the particular problem we were trying to solve. As to the present status of administration position on this question, I cannot say. I have not discussed it with the administration in some time.

Mr. MYERS. Thank you, Mr. Whitehead. Thank you, Mr. Chairman.

Mr. HOWARD. The gentleman from Illinois?

Mr. FARY. No questions, Mr. Chairman.

Mr. HOWARD. The gentleman from West Virginia.

Mr. RAHALL. Thank you, Mr. Chairman. Is Governor Scott's statement going to be made part of these hearings today, Mr. Chairman?

Mr. HOWARD. We do have it, and without objection, it will be made a part of the hearing record at this point.

[Statement referred to follows:]

STATEMENT OF ROBERT W. SCOTT, FEDERAL COCHAIRMAN, APPALACHIAN REGIONAL COMMISSION

As the newly appointed Federal Cochairman of the Appalachian Regional Commission, I appreciate the opportunity to testify concerning H.R. 1595 and H.R. 3746.

These bills would permit Federal funding on Appalachian Development Highway projects to be at a rate of 90 percent when the Federal share included both Appalachian Highway program funds and Federal-aid Highway funds, together with at least 10 percent state funding. Where such projects were thus jointly funded, the Appalachian program share could not exceed 60 percent or be less than 45 percent. It would follow that if a state provided the minimum 10 percent, the portion from the Federal-aid Highway Trust Fund could be no higher than 45 percent and as low as 30 percent.

In 1975 the previous Administration submitted to the Congress proposed legislation to amend and extend the Appalachian Regional Development Act, including a proposal similar in intent to H.R. 1595 and H.R. 3746. In transmitting the proposed amendment, my predecessor noted that while the previous Administration bill proposed no extension or increase in authorizations for the highway program, it did provide for the more flexible funding provision to stimulate the construction of Appalachian projects.

Testimony before the Senate by Governor Carroll, the States' Cochairman, however, indicated a preference on their part for increased authorizations, and did not consider the prior proposal as an effectual substitute for the increased authorizations the Governors recommended. The Congress, in the amendments, provided for additional authorizations and did not include the flexible funding feature.

Since the Congress provided increased authorizations to stimulate construction on the highway program, we would be opposed to the enactment of H.R. 1595 or H.R. 3746. We understand that the Department of Transportation is undertaking a comprehensive review of all transportation system programs, including issues raised by the bills under consideration, and believe that enactment of such legislation would preferably await the results of that study effort.

Mr. RAHALL. Thank you, Mr. Chairman. I was just concerned, with Mr. Whitehead relating to us the gist of the new Chairman's testimony. I think this is one area that we cannot afford any further delays; in order to carry through one of the purposes of the Appalachian Regional Development Act, which is to improve the economic status of Appalachia, I believe that we must proceed without awaiting any further reviews or any further delays, and I hope that we can do that.

I was also concerned, Mr. Whitehead, with your comments that the past administration viewed your proposal, which is very similar to the Harsha bill, as an alternative funding method. Is that correct?

Mr. WHITEHEAD. An alternative to increased highway authorizations and appropriations, yes.

In other words, the suggestion at that time was that perhaps this modification in program, this permission to commingle funds from more than one source, would offset or lessen some of the demands for more money.

Mr. RAHALL. But it is your opinion that this is not a substitute; is that correct?

Mr. WHITEHEAD. Yes. I think that Congressman Harsha very adequately stated that at the opening of the hearing.

Mr. RAHALL. What Governors do you have a feeling now have great concern with this, or are those concerns still existing?

Mr. WHITEHEAD. I have not discussed this particular proposal with any of the Governors recently. The States that have the greatest problem, which in my opinion would be very favorably dealt with by this legislation, are the States of Ohio and Pennsylvania. They are the two States which, in recent years, have had the greatest difficulty in moving ahead rapidly with highway construction under the Appalachian program because of a shortage of State matching moneys.

Mr. RAHALL. I know that you have been quite involved with the unique problems of Appalachia and especially in West Virginia, as regards to highway development, and I am just wondering what your comments are as this bill relates to Appalachian highway development in West Virginia.

Mr. WHITEHEAD. You put your finger on it very precisely in the colloquy with the prior witness from the Ohio Highway Department.

The General Accounting Office a few months ago completed a study of the Appalachian highway system in West Virginia, and in that report, GAO points out not only what a good job West Virginia has done on the construction of Appalachian and other highways, mentioning particularly corridor D, for example, but states in addition that we are not going to get the full and complete benefit of the construction of corridor D or any other portion of the Appalachian system in one State until neighboring States that have continuations of the corridors complete their portion of the corridor.

And so we are not going to get the payoff of this tremendous Federal investment entirely until we have continuity on the system, and I think that is the implication for this legislation in West Virginia.

Although West Virginia has been able to raise its local matching share, I believe West Virginia would benefit by enactment of this legislation because sister States would, I believe, benefit and therefore help West Virginia receive the full benefit of the highway construction it has invested in.

Mr. RAHALL. Thank you very much, Mr. Chairman, and in closing, I want to commend you, Mr. Whitehead, for the excellent job you have done over the years in your position.

Mr. WHITEHEAD. Thank you very much.

Mr. HOWARD. The gentleman from Ohio.

Mr. APPLEGATE. No questions, Mr. Chairman.

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

Mr. WHITEHEAD. Thank you.

Mr. HOWARD. Our next witness is Mr. W. T. Brooks, secretary and treasurer for the Department of Highways and Public Transportation of Columbia, S.C.

Welcome to the subcommittee, Mr. Brooks. We do have a copy of your prepared statement. Without objection, that will be made a part of the record at this point. Please proceed as you wish.

[Statement referred to follows.]

STATEMENT OF W. T. BROOKS, SECRETARY AND TREASURER, DEPARTMENT OF
HIGHWAYS AND PUBLIC TRANSPORTATION, SOUTH CAROLINA

BACKGROUND

The current matching ratio for Appalachian Development Highways (APD) projects is 70 percent APD and 30 percent state. This bill would permit a State to increase the federal share of any APD project up to 90 percent by supplementing its APD dollars with conventional Federal-aid highway dollars (presumably primary since APD projects must be on the Federal-aid primary system). The maximum federal aid participation would be 45 percent and the minimum APD participation would consequently also be 45 percent.

SOUTH CAROLINA'S POSITION

A combination of inflation in the leveling off of motor fuel consumption (which is certainly a national goal) has severely limited state dollars for highway construction. This condition was exacerbated particularly in the Appalachian states by the heavy highway damage caused by last winter's severe weather. Increased flexibility which H.R. 3746 provides would be most helpful to the Appalachian States in coping with the state fund squeeze and in expediting completion of the Appalachian Development Highways (APD) System for the following reasons:

The amount of APD construction which one State dollar can "buy" would be tripled from \$3 $\frac{1}{3}$ to \$10 worth.

Using Federal-aid highway dollars to reduce APD participation to less than 70 percent would allow states not having any State dollars available for prefinancing and projects to stretch limited APD allocations to expedite completion of the system.

Reducing the State matching percentage would greatly reduce the risk of a State losing either APD supplemental or Federal-aid highway dollars. Reducing this risk increases the likelihood that the federal dollars would be spent where they were originally intended.

In addition to providing these benefits, H.R. 3746 recognizes the close relationship of the APD system to the interstate system and allows APD projects to be built with the same matching ratio as interstate projects.

For all of these reasons South Carolina strongly supports H.R. 3746 and urges its passage.

TESTIMONY OF W. T. BROOKS, SECRETARY AND TREASURER,
DEPARTMENT OF HIGHWAYS AND PUBLIC TRANSPORTATION,
COLUMBIA, S.C.

Mr. Brooks. Thank you, Mr. Chairman.

First, I would like to take this opportunity to thank the committee for the opportunity to appear here today.

The current matching ratio for Appalachian development highways projects is 70 percent APD and 30 percent State funds. H.R. 3746 would permit a State to increase the Federal share of any project up to 90 percent by supplementing its APD dollars with conventional Federal-aid highway dollars, presumably primary since this is on the primary system. The maximum Federal-aid participation would be 45 percent of primary funds and the minimum APD participation would consequently also be 45 percent.

South Carolina's position on this: We feel that the combination of inflation in the leveling off of motor fuel consumption, which is certainly a national goal, has severely limited State dollars for highway construction. This condition was exacerbated particularly in the Appalachian States by the heavy highway damage caused by last winter's severe weather.

Increased flexibility which H.R. 3746 provides would be most helpful to the Appalachian States in coping with the State fund squeeze and in expediting completion of the Appalachian development highway system for the following reasons:

First, the amount of construction which one State dollar can buy would be tripled from $3\frac{1}{2}$ to \$10 worth. Second, using Federal-aid highway dollars to reduce APD participation to less than 70 percent would allow States not having any State dollars available for pre-financing APD projects to stretch limited APD allocations to expedite completion of the system.

Reducing the State matching percentage would greatly reduce the risk of a State losing either APD supplemental or Federal-aid highway dollars. Reducing this risk increases the likelihood that the Federal dollars would be spent where they were originally intended.

In addition to providing these benefits, the proposed legislation recognizes the close relationship of the APD system to the Interstate System and allows APD projects to be built with the same matching ratio as interstate projects.

Briefly, I would like to summarize that our State, South Carolina, the flexibility of funds that we would be provided by this proposed legislation I think is one of the most important parts of it.

As we have already said, we would allow matching funds, regular Federal-aid matching funds to be used in the APD funds to support this. We feel this would allow the program—we would be able to accelerate the program. We will be able to finish the proposed work at a faster pace and not have to wait.

In some States, and in our State in particular in South Carolina, we have been in a position within the last year or 2 years of having enough State funds to be able to match Federal programs and this has been a real financial crisis in our State. In fact, we have sold a number of bonds during this period of time.

Also, a State would not stand to lose funds because they could not match Federal funds. But I feel like the most important is the actual flexibility of the funds itself. It would allow this program to move at a much faster pace and complete the work that is proposed to be done.

Again, I appreciate having an opportunity to appear before the Committee.

Mr. HOWARD. Thank you very much, Mr. Brooks. We appreciate your presence this morning.

The gentleman from Ohio, Mr. Harsha.

Mr. HARSHA. Thank you, Mr. Chairman.

Mr. Brooks, let me say that we deeply appreciate your coming here to testify and giving us the benefit of your judgment.

Is South Carolina one of those States with unobligated ARC money?

Mr. BROOKS. At this time, Congressman, we do have some funds that are unobligated. However, we do not foresee any immediate danger of losing any funds at this particular time.

Mr. HARSHA. I see. Thank you.

That is all I have, Mr. Chairman.

Mr. HOWARD. The gentleman from North Carolina.

Mr. HEFNER. No questions.

Mr. HOWARD. The gentleman from Illinois.

Mr. FARY. No questions.

Mr. HOWARD. The gentleman from Ohio.

Mr. APLEGATE. No questions.

Mr. HOWARD. The gentleman from Pennsylvania.

Mr. SHUSTER. No questions.

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

The final witness before the subcommittee this morning is Mr. Bernard Evans, the administrator of the Maryland Department of Transportation.

Mr Evans, thank you very much for your appearance and your patience this morning. Please proceed as you wish.

TESTIMONY OF BERNARD M. EVANS, ADMINISTRATOR, MARYLAND STATE HIGHWAY DEPARTMENT, ACCOMPANIED BY FRED GOTTEMOELLER, DIRECTOR OF PLANNING AND PRELIMINARY ENGINEERING

Mr. EVANS. Thank you, Mr. Chairman and honorable members of the Surface Transportation Subcommittee.

At the pleasure of the chairman I have with me Mr. Fred Gottemoeller, who is the director of planning for my agency to assist me in questions should they be in sufficient detail for that need.

I would like to thank the committee for the opportunity to come here this morning and state Maryland's support for H.R. 3746 and the changes it makes in the funding formulas for the Appalachian highway program.

I hope the honorable members of the committee will be able to relate the testimony of Congressman Miller and that of others with respect to the interstate geographic considerations and the economic values of the Appalachian highway program. I would also hope that you can relate what I am about to say to Congressman Harsha's

expressed understanding of the scarcity of matching funds in some of the States, Maryland being one of them.

Maryland has one major Appalachian highway corridor, corridor E, or, as we call it, the National Freeway, which connects I-70 through western Maryland to Morgantown, W. Va. This road in turn connects with Appalachian corridor D which runs on through the Ohio River Valley to Cincinnati, Ohio. At its eastern end, the National Freeway connects through I-70 and I-270 to Washington, D.C., and the port of Baltimore. The combined corridor provides a direct, free, interstate level of service highway connection for the Ohio River Valley States of Indiana, Kentucky, Ohio, and West Virginia, the Nation's Capitol, and ocean shipping in Baltimore.

The National Freeway is directly important to western Maryland, in the same way that the whole Appalachian system is important to the areas through which it passes. Our three western counties, Washington, Allegany, and Garrett, have among them the highest unemployment rates in the State, and have had for some time. All of them have a history of skilled work forces victimized by declining industries and dependence on now deteriorating railroads. These work forces are still there, and await only the attraction of modern highway access to restore industry, growth, and jobs. The communities of western Maryland have recognized these potential benefits, and have been ardent supporters of the National Freeway since the inception of the Appalachian program. This support includes that of all elected officials in Maryland including all Senators and Congressmen, the Governor, members of the Maryland General Assembly and local elected officials.

However, the road is important to more than just these three counties of the western part of the State. This highway is a major factor in the continued growth prosperity of the port of Baltimore and interstate and international commerce economy and efficiency. The access to more convenient shipping, times and costs between the industries of the Ohio River and the port of Baltimore will significantly increase the attractiveness of the port. When you realize that 55 percent of the State's population live in the Baltimore region, and that a major portion, 10 percent, of the State gross economic product is dependent on the port of Baltimore, you can see that completion of this highway is a major factor in the total economic health of the State and Nation.

As important as the National Freeway is to Maryland, it is equally important to the Ohio River States that lie at the other end of the corridor. They, too, will benefit from lower travel times and lower travel costs. They will have quicker, cheaper access to the export market and the buying power of the mid-Atlantic States. And, just as I'm sure they are interested in seeing the National Freeway completed in Maryland, we are interested in seeing corridors E and D completed in West Virginia and Ohio.

Therefore, we support this bill, which promises to accelerate the completion of the Appalachian highway system throughout the area, including the national freeway corridor.

First of all, the bill recognizes, as we have recognized, that the Appalachian system is an Interstate System, just as important to the economy of the Nation as the National Interstate Highway System. Recognizing this fact, the bill provides the same 90-10 matching ratio.

Second, the 90-10 matching ratio in itself will make investment in the Appalachian highway system more attractive to the States, and lead to the quicker completion of the system, to the benefit of all.

Third, it will allow more flexibility in the use of Federal aid highway funds. This is a matter that has bothered the States for some time. Twenty-six categories of Federal highway funds, with money allocated in proportions established at the national level, cannot help but be out of kilter with the needs of most of the individual States. The Congress has moved in recent years to allow more flexibility in transfers between these categories, and in combining categories. The result has been that States can tailor Federal aid to meet their own needs. This is the only way that Congress can be sure that Federal-aid funds are going to the most needed projects in each State. This bill will add still another option, which cannot help but improve the allocation of Federal funds within the States.

Within our position of overall support for this bill, we would like to offer several suggestions which we believe would improve the bill, and increase the probability that its objectives would be achieved.

First, we would like to suggest that the subcommittee consider funding the additional 20 percent from the general fund, in the same way that the balance of the Appalachian program is funded, or from a special apportionment out of the Highway trust fund. There are many States where the conventional Federal-aid programs are already fully committed. Funding the additional 20 percent from sources outside the State's normal apportionment would allow the Appalachian program to be accelerated.

As one final point, I would like to draw your attention to the fact that the current authorization and extension of the Appalachian highway program is inadequate to complete the Appalachian highway system. In the case of Maryland, our projection is that the Federal Appalachian funds will be insufficient to complete a major portion of the National Freeway, amounting to about 20 percent of the total length in Maryland or about 20 miles. This 20 miles includes three mountain crossings and considerable length of two-lane road. Without an extension of the Appalachian program and an increase in its funding, this 20-mile link will continue to be a bottleneck and a hazard, strangling the corridor between the Ohio River and Baltimore.

Thank you again for the opportunity to speak to you today.

Mr. HOWARD. We wish to thank you for your testimony, Mr. Evans.

The gentleman from Ohio, Mr. Harsha.

Mr. HARSHA. Thank you, Mr. Chairman.

Thank you, Mr. Evans for your testimony. You obviously have gone into this in great detail and you are already familiar with the problems. I certainly want to convey to you my appreciation for your suggestion that this bill of mine and Mr. Myers also, they are merely vehicles to get this issue before the subcommittee and any constructive recommendations that you have to offer, we are certainly more than happy to receive. I think these are constructive recommendations. I want to thank you for taking your time from what I know is a very busy schedule and giving us the benefit of your judgment.

That is all I have to say.

Mr. EVANS. Thank you, Congressman Harsha.

Mr. HOWARD. The gentleman from Illinois.

Mr. FARY. No questions.

Mr. HOWARD. The gentleman from Ohio.

Mr. APPLEGATE. No questions.

Mr. HOWARD. The gentleman from Pennsylvania.

Mr. SHUSTER. Thank you.

Mr. HOWARD. I wish to thank you very much for your appearance.

The Chair would just like to state we are in the process of discussing and developing an entire surface transportation bill involving all highway and highway-related mass transportation projects. I think the timing of this hearing was very good because one of the first informal discussions on surface transportation will be taking place this afternoon among all the members of the subcommittee, so it will be fresh in our minds and this will certainly be a consideration in those deliberations.

The subcommittee stands adjourned.

[Whereupon, at 11:45 a.m. the subcommittee adjourned.]

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