Statement of the Transportation Departments of
Wyoming, Idaho, Montana, North Dakota, and South Dakota
before the
Committee on Environment and Public Works, United States Senate
presented by
William T. Panos, Director, Wyoming Department of Transportation
Regarding
Modernizing Our Nation's Infrastructure – Rural Perspectives
February 8, 2017

Chairman Barrasso, Ranking Member Carper, and Members of the Committee:

I am Bill Panos, Director and chief executive officer of the Wyoming Department of Transportation. Thanks for this opportunity to appear before the committee. Today, I'll offer a rural perspective on several surface transportation infrastructure issues, including challenges in funding surface transportation infrastructure investments.

Importantly, the transportation departments of Idaho, Montana, North Dakota, and South Dakota have joined the Wyoming DOT in this statement. As Congress considers infrastructure investment issues, we hope our comments will enhance understanding of the often overlooked rural perspective.

Key Points

I'll summarize our key points at the outset.

Significant Federal transportation investment in rural States benefits the nation. The entire nation, including residents of major metropolitan areas, is well served by Federal investment that improves surface transportation infrastructure in and across rural States like ours. Among other benefits, Federal-aid highways in our rural States enable:

- truck movements between the West Coast and the large cities of the Midwest and East, benefitting people and commerce in the big metropolitan areas at both ends of the journey;
- agricultural, energy, and natural resource products, which largely originate in rural areas, to move to national and world markets; and
- access to scenic wonders like Yellowstone National Park and Mount Rushmore.

Public Private Partnerships (P3s) and other approaches to infrastructure investment that depend on a positive revenue stream from a project are not a surface transportation infrastructure solution for rural States. The relatively low traffic volumes on projects in rural States, including on projects that provide excellent public benefits, are not suitable for tolls, even if one wanted to impose them. In short, projects in rural areas are unlikely to generate revenues that will attract investors for bonds or other instruments to finance those projects – even if the revenues are supplemented by tax credits for investors. We do not, however, oppose a role for P3s in improving our transportation network because P3s can work under certain conditions. But P3s are not enough. **Other funding approaches must be part of any national infrastructure initiative for rural States to be able to participate substantially in the initiative, particularly as to surface transportation infrastructure.**

Utilizing the current predominantly formula-based FAST Act approach to distribution would ensure rural and urban States are participating in the initiative, and it would help push the benefits of any new infrastructure initiative out to the public promptly. In a recent statement, the President emphasized fixing existing infrastructure before building new facilities. With exceptions, that's what State DOTs are doing today under the formula-oriented FAST Act, with States deciding how to spend the available funds.

Further, an emphasis on fixing existing infrastructure reduces the relevance of P3s as a funding source, as resurfacing and reconstruction projects tend not to generate new revenue streams. This is another reason that, at least as to surface transportation, an infrastructure initiative cannot rely heavily on P3s.

There are needs for surface transportation infrastructure investment in rural States (and in all States). In Wyoming, under leadership from Governor Mead and our legislature, with welcome multi-year funding stability from the Congress via the FAST Act, and with Wyoming's efforts to be efficient in using scarce dollars, the surface transportation system in our State is in better condition now than many expected not long ago. Yet, Wyoming's estimates indicate that current funding does not enable Wyoming to maintain, much less improve, its road and bridge conditions. If Congress chooses to advance an infrastructure initiative including surface transportation investment, the funds would be put to good use promptly in Wyoming and, I'm sure, other States. There would be safety, employment, and other immediate benefits.

Let me also mention briefly that we may be approaching a time of increased needs related to technological advances. For example, prospects for use of connected and automated vehicles are advancing. At some point States and cities may well begin installation of meaningful amounts of equipment, as part of the highway infrastructure, to facilitate vehicle to infrastructure communication, to improve safety. The cost of those investments may not be captured fully in many current needs studies. But they hold out promise for reducing fatalities and improving safety performance.

The current ratio between Federal Highway Program funding and Federal Transit Program funding is appropriate, consistent with a highly relevant and recent USDOT Conditions and Performance report, and should be continued.

Formula programs, compared to discretionary or allocation programs, should continue to receive strong Federal funding emphasis in any Federal surface transportation infrastructure initiative.

Strengthening the Highway Trust Fund is an important objective. The Highway Trust Fund (HTF) and the programs it supports are critical to success in efforts to maintain and improve America's surface transportation infrastructure. We deeply appreciate that, in the FAST Act, Congress provided financial support to the trust fund and its programs through FY 2020. Yet, under current law, past 2020 there will be no meaningful balance in the HTF to supplement the revenues dedicated to the HTF. As a result, without legislation, after 2020, the HTF will not be able to support even FAST Act highway and transit program levels.

So, as part of any infrastructure effort, Congress should be alert for opportunities to strengthen the Highway Trust Fund and its ability to support vitally important surface transportation programs. If an infrastructure initiative provides short term funding help for surface transportation but the HTF proverbially falls off a cliff after FY 2020, the surface transportation program would suffer from instability and uncertainty. Moreover, without legislation, the ongoing Federal surface transportation program past FY 2020 would not meet even current Federal program levels, and would not meet needs, which will grow as the economy grows.

So, to the extent that Congress considers various approaches to investment in America's surface transportation infrastructure, strengthening the HTF is worthy of consideration and action. Such action could both improve the HTF's long term stability and enable it to support at least currently enacted program levels plus inflation.

While our focus today is on funding and financial issues, we also encourage Congress to take steps to increase Federal program flexibility and to simplify and expedite program and project delivery, so that each dollar will deliver more benefits. One way to do that would be to provide each State with increased flexibility to direct scarce funds to their highest priorities. The DOTs in Wyoming, South Dakota, Idaho, Montana, and North Dakota face transportation challenges different from those faced by the DOTs of densely populated States.

Many also have spoken in support of expediting the program and project delivery process. We agree. Reducing time and effort needed for regulatory and program compliance inevitably means that a State DOT has more time and money to focus on actual project delivery. We do not address these issues in detail today. But we raise them at least generally because we want to be clear that it is important to simplify the program and related processes and to maximize the benefit of each program dollar.

Further Discussion

In the rest of our statement we'll elaborate on some of our key points and make a few additional points.

P3s won't advance surface transportation investment in rural States. We noted at the outset that the relatively low traffic volumes on routes in rural States, including on projects that provide excellent public benefits, will not generate net revenues that will attract investors to finance those projects – even if tax credits are provided. We recognize that in shaping any infrastructure investment initiative, Congress will explore ways to attract private sector funding to infrastructure investment.

But we don't see those efforts bearing much fruit in the rural setting. For example, the 2009 recovery act legislation authorized for a limited time so-called "Build America Bonds." Records of that provision show that of our five rural States only one used the provision to borrow for transportation. And in that case it was for a program where Federal funds, not State funds, would be used to pay off the loan. Additional rural States, such as Nebraska, Iowa, and West Virginia, did not use the provision for transportation, either.

Also, a recent 50 State survey by AASHTO found that 8 States either had no current use of bonds for transportation or used them only in the GARVEE circumstance, where Federal funds would pay back the borrowing. Those States are: Wyoming, Idaho, Montana, North Dakota, South Dakota, Iowa, Nebraska, and Tennessee.[1]

[1] Transportation Governance and Finance, AASHTO, November 2016, page 75.

That many rural States would use bonds for transportation rarely if at all is not surprising given that it would be rare for there to be a positive revenue stream from projects in the rural States to pay off the bonds – in whole or even part. With sparse populations and extensive road networks the cost per capita of paying off principal and interest is high in rural States. So, to provide for meaningful participation by rural States in any new infrastructure initiative, that initiative must provide the rural States meaningful funding from sources other than P3s.

The current ratio between Federal Highway Program funding and Federal Transit Program funding is appropriate and consistent with a highly relevant and recent USDOT report.

In any infrastructure investment legislation, Congress will have to decide the types of infrastructure to support and the extent of that support. Without commenting on the full range of transportation and non-transportation infrastructure, we do support the weighting of surface transportation infrastructure funding adopted by Congress in the FAST Act. Under the FAST Act, Federal highway program funding is roughly 4 times the level of transit program funding.[2] Congress should continue that weighting as to surface transportation programs in any infrastructure initiative.

In that regard, we note for the Committee USDOT's 2015 Report on the Conditions and Performance of the Nation's Highways, Bridges, and Transit (the "C&P Report"), made public by USDOT by January 12, 2017 press release.

This recent C&P Report uses 2012 data as a base year. It reports that, to maintain conditions and performance at 2012 levels, annual capital investment in roads and bridges by all levels of government would have to be $89.9 billion; for transit, annual capital investment of $17 billion would be required to maintain conditions and performance at 2012 levels.[3]

The report includes additional investment scenarios, including one for improving the condition of highways and bridges by making capital investments with a positive benefit to cost ratio (and eliminating the large backlog of such needs). That would require capital investment in roads and bridges by all levels of government of $142.5 billion for each of 20 years. For transit, the nearest counterpart in the report is based on an assumption of "high growth" in transit ridership. For that scenario capital investment by all levels of government of $26.4 billion annually for 20 years would be required.[4]

Our point in referencing this material is not to endorse every number to the penny. But the data is from the same USDOT C&P report and selected by USDOT for the "highlights" of the report. Thus, this data seems to us to represent at least a good general guide to relative levels of surface transportation investment opportunity. In each of those highlighted scenarios the highway investment level required to achieve the scenario objective is over 5 times the level for the most comparable transit investment scenario.[5]

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[2] Actual expenditures may be slightly less favorable to highways than program levels. The highway program is more flexible than the transit program and, for years, many States have transferred significant highway program funds to transit projects.

[3] See 2015 C&P Report, Highlights, at pages x and xvi.

[4] See 2015 C&P Report, Highlights, at pages x and xvi.

[5] As presented by USDOT in its 2015 C&P report highlights section, the highway and bridge data concerns all roads. If the highway/bridge data were limited to Federal-aid highways, the ratios would still be approximately 4-1 (see C&P Report,

More broadly, however, the report illustrates that many surface transportation projects throughout the country, with a positive benefit to cost ratio, can't be undertaken at current funding levels.

Significant Federal transportation investment in rural States benefits the nation.

This key point warrants elaboration. Consider truck movements from West Coast ports to Chicago or other heartland or eastern destinations. These and other movements traverse States like ours and benefit people and commerce in the metropolitan areas at both ends of the journey.

In Wyoming, about 90 percent of the trucks on Interstate 80 have origins **AND** destinations beyond Wyoming's borders; a clearer indication of national interest is hard to imagine.

More generally, the Federal-aid highways in rural States provide many national benefits. They --

- serve as a bridge for truck and personal traffic between other States and between major metropolitan areas, advancing interstate commerce and mobility;
- serve the nation's agriculture, ethanol production, energy extraction, and wind power industries, which are located largely in rural areas;
- provide access to scenic wonders like Yellowstone National Park, Mount Rushmore, and many other great national parks, monuments and forests located in rural States;
- have become increasingly important to rural America, with the abandonment of many rail branch lines;
- are a lifeline for remotely located and economically challenged citizens, such as those living on tribal reservations;
- enable people and business to access and traverse vast tracts of Federally owned land; and
- facilitate military readiness.

Agriculture in rural States is of national importance and transportation helps deliver agriculture's full benefit to the nation. You know, Mr. Chairman, that Wyoming produces significant grain and cattle. North Dakota leads the nation in the production of many crops, including barley, durum wheat, and spring wheat. Montana is a leading producer of wheat, peas, and other crops and in 2016 exported 80 percent of its nearly billion dollar wheat crop. South Dakota and Idaho are also major grain producers and possibly billions of people around the world have consumed Idaho potatoes. The highway network is essential to moving these important products to national and world markets and improving the U.S. economy.

Energy and other natural resources are largely located in rural States and areas, including our States. Wyoming has internationally significant coal resources. North Dakota oil production is internationally important. These resources often begin their move to market on the highway system. So the infrastructure is important to improving the contribution of the energy sector to the economy.

Similarly, without a strong road network in the rural West, access to many of our country's great

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Executive Summary, at page ES-18). Transit systems (buses) not infrequently operate on other than Federal-aid system roads though the transit data does not appear to disaggregate data for such operations.

national parks and other scenic wonders would be limited. The residents of major metropolitan areas may travel the roads approaching national parks or monuments infrequently. But they want quality highway access to these national treasures for those special trips. Millions of those special trips are made even though the roads leading to the parks are distant from the Interstate System. For example, in 2016 there were roughly 10 million recreational visitors to Yellowstone, Glacier, and Grand Teton national parks. The entire population of Wyoming and Montana combined is approximately 1.5 million. Similarly, visitors to Mount Rushmore total about three times the population of South Dakota.

Other important scenic destinations are located in this region: Devil's Tower in Wyoming; Theodore Roosevelt National Park in North Dakota; the Badlands National Park in South Dakota; and the Craters of the Moon National Monument and the Sawtooth National Recreation Area in Idaho. Investment in highways that provide access to these wonderful places also helps ensure that American and international tourism dollars are spent in America, furthering national economic goals.

In addition, Federal investment in surface transportation in rural States enhances the ability of those States to address safety needs on many rural routes, not only on the Interstate and NHS routes that carry extensive through traffic. The investments supported by Federal highway and surface transportation programs also create both direct and indirect jobs and support economic efficiency that promotes growth.

Rural States face funding challenges.

Yet, our States face significant transportation infrastructure funding challenges. We can't provide all these benefits to the nation and ensure a sufficiently connected national system without Federal investment. We –

- are geographically large;
- often include vast tracts of Federal lands;
- have extensive highway networks; and
- have low population densities.

This means that we have very few people to support each lane mile of Federal-aid highway -- and preserving and maintaining this aging, nationally connected system is expensive. Yet, citizens from our States contribute to this effort significantly. Nationally, the per capita contribution to the Highway Account of the Highway Trust fund is approximately $111.45. The per capita contribution to the Highway Account attributable to rural states is much higher. In Wyoming it is much, much higher -- $319.87.

The vast extent of Federal lands in many Western States presents a particular challenge to improving surface transportation in those States. Idaho is well over 60 percent Federal and tribal lands; Wyoming, over 50 percent; Montana, roughly one-third.

Development or use of Federal lands is limited, and State and local governments can't tax them. Yet, the nation's citizens and businesses want reasonable opportunities to access and cross those lands. This is an expensive transportation proposition for sparsely populated States. Significant investment of transportation dollars by the Federal government has been, and remains, a proper response, both in terms of apportionments to low population density States and in terms of direct Federal programs generally referred to as the "Federal Lands Programs."

So, any surface transportation infrastructure initiative Congress may develop should be structured in a way that recognizes and responds to these funding challenges facing rural States.

Any infrastructure initiative should emphasize formula funding, at least for surface transportation.

Should Congress advance a surface transportation infrastructure initiative, that portion of any infrastructure initiative should emphasize formula funding. Discretionary and allocation programs are generally slower to put funding to work than formula programs. So, the approach that puts the funds to work faster has much to commend it, including generation of direct and indirect jobs, prompter deployment of projects that enhance safety, and prompter deployment of projects enhancing freight movement.

In addition, we would have particular concern if, in any infrastructure initiative, any new non-formula surface transportation programs were structured in a way that made it unrealistic for rural States to benefit. New program elements limited to extremely expensive projects likely would not be accessible by our States, at least in a substantial way. So, that type of initiative may very well lack urban-rural balance.

We have similar concerns that an infrastructure bank/fund would end up being relatively inaccessible for projects in rural States. Again, in rural States, projects are unlikely to have revenue streams to support borrowing. Plus, the application and approval process would mean that funds could not be put to work as promptly under such a program as they would be under formula programs.

Public Transportation

Before closing, let us mention public transportation, which is not just for big metropolitan areas. Even though our States' share of Federal transit program funds is small, transit plays a role in the surface transportation network in rural States.

The Federal transit program includes apportionments for rural transit. Federal investment in rural transit helps ensure personal mobility, especially for senior citizens and the disabled, connecting them to necessary services. Transit service is an often vital link for citizens in small towns to get to the hospital or clinic as well as to work or other destinations. Some rural areas are experiencing an increase in the age of the population. Public transit helps senior citizens meet essential needs without moving out of their homes. Any transit component of an infrastructure initiative should include financial recognition of rural as well as urban transit.

Conclusion

Federal investment in surface transportation infrastructure in rural States helps move people and goods throughout the country, helps move agricultural, energy and natural resources to market, and is in the national interest for the many reasons we have presented. We have also explained why P3s will not be an effective approach to improving surface transportation infrastructure in our rural States. We are hopeful that Congress will give recognition to the points we have raised today as it considers a possible infrastructure initiative.

That concludes our statement. I’ll be pleased to respond to questions at the appropriate time though, to the extent the responses go beyond the positions we have addressed in writing, I am able to respond only for my own department.

We (the transportation departments of Idaho, Montana, North Dakota, South Dakota, and Wyoming) thank the Committee for its consideration and for the opportunity to present testimony today.

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