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Written Testimony of Mr. Will Kempton
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My name is Will Kempton. I am the Director of the California Department of Transportation, also known as Caltrans. I am also the Chairman of the American Association of State Highway and Transportation Officials (AASHTO) Standing Committee on Finance and Administration and its Finance and Funding Legislative Team. I would like to thank you for the invitation to testify before you today.

I believe that it is time to change the direction of the federal transportation program to respond to an increasingly complex world of international competition. Unfortunately, if allowed to continue in its current direction, the national transportation program would do just the opposite. The Highway Trust Fund is in jeopardy of insolvency, there is no federal program that directly responds to globalization, and it takes too long to effectively deliver transportation projects. These problems will be exacerbated if the next authorization follows the current approach of layering on additional programs, failing to addressing financial needs, and ignoring performance and accountability.

Caltrans has been working with a group of California transportation stakeholders to develop a set of principles that we believe should underpin the next authorization. Generally, we recommend that the next program should encourage performance and accountability standards to optimize transportation benefits to the public. Within this framework, we have reached consensus on the following seven principles for the next federal transportation program:

- Ensure the financial integrity of the Highway Trust Fund.
- Rebuild and maintain transportation infrastructure in a good state of repair.
- Establish goods movement as a national economic priority.
- Enhance mobility through congestion relief within and between metropolitan areas.
- Strengthen the federal commitment to safety and security, particularly with respect to rural roads and access.
- Strengthen comprehensive environmental stewardship.
- Streamline project delivery.

In the interest of time, I would briefly like to highlight four of those principles that I think are of direct interest to the members of this committee.

The first principle of our consensus is "Ensure the financial integrity of the Highway Trust Fund." The Highway Trust Fund is the nation's instrument of transportation policy; and continued, stable, and predictable federal funding at a level to meet identified needs is of paramount importance. Federal program support for transportation has been steadily declining; in California, it is now approximately 20 percent of our State's total highway program.

Current estimates are that in 2009, the Highway Trust Fund, Highway Account will experience a $3.1 billion shortfall that will cause a highway program reduction of approximately 30 percent. California receives more than $3 billion in federal funding for highways per year. If no action *is* taken to avert the shortfall, the State could face a potential revenue reduction of $930 million. In

2011, The Highway Trust Fund, Mass Transportation Account will experience a similar shortfall. The impact of these shortfalls will translate into delays and cancellation of rehabilitation and capital projects affecting local agencies, state highways, transit systems, and bridges. This situation will compromise the reliability of California's transportation system. I know that finding a "fix" for this shortfall is a difficult undertaking and that Congress has made several attempts to do so, and I very much appreciate that Senator Boxer has been instrumental in that effort.

However, in addition to addressing the immediate shortfall problem, I need to stress the importance of continuing to work to find a long-term solution to restore stability to the Highway Trust Fund. The Congressional Budget Office estimates that even with an adjustment to fully fund the last year of the current authorization, Highway Trust Fund balances will fall below 2005 levels in 2010. What is worse is that they will remain at or below 2007 levels through at least 2018. The potential consequences of this setback point to a clear need to restore integrity for the long-term.

I expect that solutions will require thinking outside of the box, but there are a range of options available. The best approach will be to diversify the revenue base of the Highway Trust Fund and to prepare for the day when fossil fuels no longer drive our revenue sources.

The second principle is to "Establish goods movement as a national economic policy." It is clear that the future of our country will depend on the efficient movement of goods to and from international gateways. Right now, there is no program directed at this purpose, nor is there adequate funding to support this need. California is the gateway for approximately 40 percent of the containerized trade entering the United States. The impacts from this volume of goods has overwhelmed our system capacity to the point that the State's voters were concerned enough to approve $2.0 billion in Proposition 1B bond funding for trade corridor improvements. Since then, State has committed to seek funding for another $1.1 billion.

Recognizing the relationship between transportation as a cornerstone of the economy and the environmental impacts of goods movement, Proposition 1B also provides $1.0 billion for mitigating air quality impacts that arise from this volume of trade. This simultaneous and continuous approach to funding infrastructure and environmental mitigation should be mirrored in the next authorization.

However, this total commitment of $4.1 billion is still not enough to deal with the need. It must be a national priority to develop a program that provides for the infrastructure, operational improvements, environmental mitigation, and technology development necessary to meet the objective of unimpeded goods movement. This should be done through a firewalled, autonomous freight program designed to enhance throughput, reliability, and efficiency. The program should be based on a mode-neutral national freight plan that establishes priorities and identifies the best federal investments in goods movement infrastructure. The program should include mandatory funding for the most critical national and regional infrastructure projects and concurrent mitigation. In addition, it should identify key regions and gateways disproportionately bearing the burden of goods movement – related environmental and community impacts and provide funding for necessary mitigation.

The third principle is "Enhance mobility through congestion relief within and between metropolitan areas." California is the home to six of the 25 most congested metropolitan areas in the nation. Urbanized areas account for approximately 85 percent of the State's population and are the chief source of its productivity. Yet, the citizens of these areas are the most affected by congestion and its concurrent air quality and health impacts. Urban areas would benefit from a consolidated but very flexible program that provides funding for all modes for projects aimed at reducing congestion and enhancing mobility. This program should include air quality criteria and be inclusive of highways, transit, passenger rail, local streets and roads, and bicycle and pedestrian solutions to facilitate greater mobility as well as green house gas emission reduction and air quality improvement.

The fourth principle is "Streamline project delivery." The Surface Transportation Policy and Revenue Study Commission determined that it takes an average of sixteen years to deliver transportation infrastructure. California's experience with project delivery mirrors the Commission's findings.

During the lengthy project development process, project costs increase due to inflation and increasing global competition for raw materials; congestion impacts continue to mount with corresponding damage to the economy through time lost to delay and decreased competitiveness, and the users of our system suffer personal loss of time and money. Because of the rapid growth in international trade through our ports, there is national urgency for freight project development. Yet, this countervailing delay of project development drives up project and national economic costs and prevents timely implementation of mitigation measures in a sector where we can least afford it.

California has been successful in implementing the National Environmental Policy Act (NEPA) delegation pilot program established by the Safe, Accountable, Flexible and Efficient Transportation Equity Act: A Legacy for Users (SAFETEA – LU). We are saving as much as a half year on the process. For this reason, we are seeking continuance of the program in the next authorization as well as expansion to include freight and transit projects. In addition, we would recommend looking at other ways to expedite the process without compromising the integrity of the intent of environmental laws.

The next authorization should be very different from what we have today. It should provide flexibility to states and regions to respond quickly to changing economic and environmental conditions. In addition, it should provide tools to improve transportation and land use planning so that states can address global climate change and mitigate the air quality and other environmental impacts of transportation decisions. It needs to increase our ability to tap into the resources of the private sector to supplement local, state, and federal investment. Underlying all, it should be performance-based and provide for the accountability that will ensure that funds are used where they are most needed and that states and regions can demonstrate the benefits provided by their investments. I expect that it will be a very difficult process to achieve this change, but, given the high stakes involved, it is extremely critical that we do so.

Thank you.