Testimony of

H. B. "Buck" Limehouse Jr.

Secretary, South Carolina Department of Transportation

South Carolina Department of Transportation
955 Park Street - Columbia, SC 29202
(803) 737-1302

U.S. HOUSE of REPRESENTATIVES
COMMITTEE ON TRANSPORTATION AND INFRASTRUCTURE
Highway & Transit Subcommittee

Regarding

"Connecting Communities: The Role of Surface Transportation Network in Moving People and Freight"

June 24, 2008

Good morning, I am Buck Limehouse, Secretary of Transportation for the State of South Carolina. I appreciate the opportunity to speak to you today on transportation issues of critical importance to the nation— the reauthorization of our highway program and the role of surface transportation, including mass transit.

I am here on behalf of the South Carolina Department of Transportation, but many of the items I bring before you are of national interest. We, like you, are concerned about the rising fuel prices. Ironically, the *Rise* in petroleum prices *Decreases* our revenues and *Increases* our costs, so we get hit on both ends. Fewer people travel with high gas prices, which mean less revenue from fuel sales.

In South Carolina, our revenues from motor fuel taxes for the last three months have been below 2007 levels, and we expect that trend to continue. SCDOT has undertaken a number of cost-saving measures. We have put cost-savings initiatives in place top to bottom over the last 12 months. Cuts in our upcoming 08/09 administrative budget should result in a cost savings of $18.7 million for our agency. This money will be added to our highway maintenance budgets, but these administrative savings will be far outweighed by the inflation we have experienced in construction and materials. Last week we instituted a compressed work week of working (4) 10-hour days, which saves the Department and individual employees money. This is a small internal effort, but one that is making a difference locally.

Now thinking in broader terms, America is in the midst of an historic transformation in our approach to transportation. On the brink of reauthorization, we have an opportunity to nationally address the Highway Trust Fund, equity in the federal highway and transit programs, and congestion mitigation while encouraging transportation partnerships.

First and foremost**, The Highway Trust Fund can no longer be solely tied to the gas tax which is calculated as a tax on the number of gallons purchased.** The fuel tax has proven ineffective in meeting the demands of the motoring public. This is a shrinking revenue source and it does not apply to highway users who drive alternative fuel vehicles. There must be other sources of revenue for the HTF, and inflation must be built into a formula which takes into consideration the number of miles traveled on our highway system.

In other words, continuing our reliance on fossil-based fuel tax revenues to sustain our nation's surface transportation systems, while simultaneously striving to reduce U.S. oil consumption and promote the production and use of alternative fuels and fuel efficient vehicles puts two national policy imperatives in direct conflict with each other.

Under the enactment of the Energy Independence and Security Act of 2007, automobile fuel economy standards will increase 40 percent by 2020. While we applaud the efforts of fuel-efficient standards, the issue of over-reliance on motor fuel user fees is not going away and must be addressed at the federal level. These two issues go hand-in-glove with each other and they should be addressed simultaneously.

When fuel costs are high, there are fewer travels and shorter trips. A flattening of vehicle miles traveled, coupled with the growing popularity of more fuel efficient vehicles, will negatively impact revenue collection from the federal gas tax and at all levels of government. A more diverse funding base is needed.

As you have undoubtedly heard from people like me who represent so called "donor states" the "equity" of the federal program is not "equitable." The Highway Trust Fund is divided into a highway account and a mass transit account. The Highway Program is subdivided into a number of component programs (like the Surface Transportation Program (STP), Interstate Maintenance (IM), etc). Most of these programs have their own distribution formula in the law. Depending on the program, the formulas are generally some combination of lane miles and highway miles in the state compared to the other states. South Carolina has historically been a donor state meaning that we contribute more to the Highway Trust Fund than we receive back for highway and transit programs. We are also a donor state under the IFTA program which requires us to share diesel tax revenues with other states.

Because of our donor status, the authorization law contains an equity guarantee in an attempt to place a floor under the rate of return for donor states. This has variously been called minimum allocation, minimum guarantee, donor bonus, and the current term is "equity bonus." The distribution formula now guarantees South Carolina a return for highways of 92¢ on the dollar and for transit 42¢ on the dollar.

South Carolina owns and maintains approximately 42,000 miles of roads (31,000 miles of secondary roads, 10,000 miles of primary roads, and more than 800 miles of interstates) and 8,300 bridges. Among the 50 states, South Carolina is 41st in geographic size, yet we own and maintain the 4th largest state highway system in the nation. This simple fact has a tremendous influence on the state Department of Transportation's decision-making process.

Population growth and economic growth have put an increasingly heavy burden on all modes of transportation. Our role is to provide the transportation infrastructure for population and economic growth in South Carolina. We do that by preserving and improving our state highway system in terms of efficiency and safety. At the same time, we have to be conscious of using our resources wisely, protecting the environment in which we all live and managing the public's money well so that South Carolinians can expect the best return for their tax dollars. Interstate 73 and the Port of Charleston Project are two projects that display the need for investments based on populations and economic growth.

Growth is occurring near the U.S. Coast, and South Carolina is no exception. The population growth in relation to infrastructure has exceeded all expectations. Interstate

73, which is a congressionally designated interstate, has the potential to substantially reduce congestion and provide an evacuation route for the coastline. A byproduct of this investment would be economic development along the entire I-73 corridor, which runs predominately through economically depressed areas. But despite the fact that Congress has designated thirteen new interstates going through eighteen states, no funding has been provided. It is my recommendation that you consider establishing such a program, and require at least a 50/50 match in order to assure that the states and localities are serious about their projects.

The economic growth of the International Port of Charleston has helped the entire southeast region of the US despite the transportation challenges arising from increasing congestion and constrained capacity near the port. The Port of Charleston, like most of the nation's gateway seaports, has been established for centuries and is embedded in a densely populated urban area. The efficiency of our ports has been compromised by the characteristics of their surroundings which present obstacles to linking these important freight gateways with the national highway and rail systems.

Finally, let me say that moving people and goods safely within and across the nation is the role of the transportation industry. With a deficient highway trust fund, inequities of formulas in federal funding, and congestion of our main thoroughfares across the nation, we must rely on partnerships. These partnerships play a major role in resolving needs-based problems in a political environment. We must look to create incentives for local governments to invest in highways and transit. All of us working together can do more than any one of us individually.

If we truly want to "Connect Communities" we must come together and change the paradigm of transportation. We need to establish a new transportation vision for the next century that involves the Highway Trust Fund, equity in transportation, and reducing congestion.

We must continue to encourage fuel efficiency. We must encourage the development of transit programs, but not based on today's unequal funding formulas that favor some to the detriment of others. Mass transit can help the United States reduce its dependency on foreign oil, but it must be funded fairly, in a way that allows all areas of the country to expand services as their population grows.

Thank you for this opportunity. If there are any questions I will gladly entertain them at this time.