

April 24, 2006

The Honorable Christopher Bond
Chairman
Subcommittee on Transportation, Treasury,
the Judiciary, Housing and Urban Development,
and Related Agencies
Committee on Appropriations
United States Senate
130 Senate Dirksen Office Building
Washington, DC 20510

Dear Mr. Chairman:

As the Subcommittee begins the fiscal year 2007 transportation appropriations process, the Coalition of Northeastern Governors (CONEG) is pleased to share with the Subcommittee testimony on transportation and community development programs in the FY2007 Transportation, Treasury, the Judiciary, Housing and Urban Development, and Related Agencies Appropriations bill. The CONEG Governors commend the Subcommittee for its past support of funding for the nation's highway, transit, and rail systems; and understand the complex, interlocking issues that the Subcommittee faces in crafting this appropriations measure. We urge the Subcommittee to continue the important federal partnership role that is vital to strengthening the nation's multi-modal transportation system.

In summary, the CONEG Governors:

- support funding for the Surface Transportation Futures Commission created by Section 1909 of SAFETEA;
- support the authorized levels for highways and transit, and are concerned with the proposal to cut \$100M from the Small Starts program;
- support the Coordinated Border Infrastructure Program;
- support \$1.598 billion for intercity passenger rail and urge that federal funds be provided for capital, operations support and debt service;
- believe that the Railroad Rehabilitation and Improvement Financing program should be maintained, and that the enhanced Swift High Speed Rail Development program and the new Rail Relocation program should be funded;
- support a modest increase in funding for Surface Transportation Board (STB); and
- support level funding for the Community Development Block Grant program.

The CONEG Governors remain deeply concerned with the NEC commuter access fee provisions contained in P.L. 109-115, even as our states work with the U.S. Department of Transportation on this matter. We urge the Subcommittee to allow the issue of cost-sharing to continue as part of negotiated agreements between the commuter agencies and Amtrak and to allow any future changes to be undertaken as part of these negotiations or parallel authorization legislation. We also urge careful consideration to ensure that any legislative requirements do not negatively impact the ability of state-supported intercity services to improve ridership and revenues through innovative food and beverage service and market-based fares.

We thank the Subcommittee for this opportunity to share the views of the Coalition of Northeastern Governors, and we stand ready to provide you with any additional information on the importance of the transportation and community development programs.

Sincerely,

/o.s./

Donald L. Carcieri
Chairman
Governor of Rhode Island

/o.s./

George E. Pataki
Co-Lead Governor for Transportation
Governor of New York

/o.s./

M. Jodi Rell
Co-Lead Governor for Transportation
Governor of Connecticut

Identical testimony was also provided to the House Transportation Subcommittee.

**Statement of the Coalition of Northeastern Governors
to the Subcommittee on
Transportation, Treasury, the Judiciary
Housing and Urban Development, and Related Agencies
Committee on Appropriations
United States Senate
Regarding FY2007 Appropriations for Transportation and
Community Development Programs
April 24, 2006**

As the Subcommittee begins the fiscal year 2007 transportation appropriations process, the Coalition of Northeastern Governors (CONEG) is pleased to share with the Subcommittee testimony on transportation and community development programs in the FY2007 Transportation, Treasury, the Judiciary, Housing and Urban Development, and Related Agencies Appropriations bill. The CONEG Governors commend the Subcommittee for its past support of funding for the nation's highway, transit, and rail systems. We understand that the complex, interlocking issues that the Subcommittee faces in crafting this appropriations measure are compounded by the overall budget challenges – challenges that are intensified by the deficit and defense and security needs. We urge the Subcommittee to continue the important federal partnership role that is vital to strengthening the nation's multi-modal transportation system. This system is a critical underpinning to the productivity of the nation's economy and the security and well-being of its communities.

Transportation

The Subcommittee's challenge in the transportation arena is compounded by the uncertainty surrounding the future of contributions to the Highway Trust Fund and its ability to sustain the structure created by the Safe, Accountable, Flexible, Efficient Transportation Equity Act: A Legacy for Users (SAFETEA-LU) (Public Law 109-59). The CONEG Governors strongly support the National Surface Transportation Policy and Revenue Study Commission created by SAFETEA-LU (Section 1909) and are concerned that it produce a credible report. We encourage the Subcommittee to review the funding levels provided to the Commission and urge your active involvement.

The Governors urge the Subcommittee to fund the combined highway, public transit and safety programs at levels consistent with the authorized levels in SAFETEA-LU. This federal funding is essential to continue the progress in recent years to improve the condition and safety of the nation's highways, bridges and transit systems. Continued and substantial federal investment in these infrastructure improvements – in both urban and rural areas – is necessary if the nation's surface transportation system is to safely and efficiently move people and support the substantial growth in freight movement that is projected in the coming decade.

- We are pleased that the President requested a federal aid highway obligation limit of \$39.1 billion for FY2007, a level equal to the authorized contract authority plus \$842 million from the Revenue Aligned Budget Authority (RABA).
- The Governors strongly urge the Subcommittee to fund public transit at the FY2007 authorized funding level of \$8.97 billion. The proposed \$100 million shortfall in the newly-created Small Starts program is of concern. This program is attractive since it provides the flexibility to fund small but vital transit projects, such as bus rapid transit, that might not be efficient or cost-effective if subject to the lengthy approval process needed for larger endeavors. Although the Administration questions the funding level needed as the Small Starts program gets underway in FY2007, this does not justify a reduction in the overall funding level for the Capital Investment Grants program – a program which is highly competitive and oversubscribed. Furthermore, a failure to fully fund transit would undermine the important and historic 80/20 funding split between highways and transit.
- The Governors also urge the Subcommittee to provide sufficient funding for the Coordinated Border Infrastructure Program. A strong program – one that invests in transportation projects addressing both security and transportation needs – can contribute to safer, more efficient and secure flows of people and goods across international borders and through gateways.

The CONEG Governors also request that the FY2007 appropriations include \$1.598 billion in federal funding for intercity passenger rail, with specific funding levels provided for operations, capital and debt service. This funding level requested by the Amtrak Board can ensure the stability of the current national system as capital investment and operations reform are undertaken through concerted and hopefully coordinated activities of Amtrak, the U.S. Congress, the U.S. Department of Transportation (USDOT), and the states. The Administration's request of \$900 million for Amtrak, particularly its exclusion of funds required for debt service, could undermine the reforms and critical capital investments currently underway.

- Capital investment in infrastructure and equipment is the key to improved reliability, increased ridership, and greater operational efficiency. It is essential that the federal government continue to be a consistent partner in funding the capital needs of the nation's intercity passenger rail system. Across the nation, states already partner with Amtrak by investing in tracks, stations and equipment. Between 2002-2006, the Northeast states have spent or committed approximately \$1.7 billion for infrastructure improvements that benefit intercity passenger rail. Amtrak is embarked upon a long-deferred capital program to bring the federally-owned Northeast Corridor (NEC) to a state of good repair. In FY2006, Northeast Corridor states and commuter agencies and other third parties will provide almost half of Amtrak's NEC infrastructure budget. We are particularly concerned that the Subcommittee ensures that Amtrak can continue to fund the critically needed bridge repair projects and life-safety work in the New York and Baltimore tunnels.

- Intercity passenger rail is a complex and interconnected system. Therefore, operations reform, such as that being developed for Amtrak's long distance service, is an incremental process that must be carefully designed and implemented to minimize unintended consequences for ridership and revenues. Since actual savings may not be realized for a number of years, we urge the Subcommittee to continue providing federal operating funds to Amtrak as part of its regular quarterly grant, not as the discretionary Efficiency Incentive grant. The quarterly operations and capital grant process is already subject to USDOT oversight and approval.
- Amtrak has incurred substantial debt in past years to maintain operations of the national system, acquire and improve equipment for the entire system, and invest in infrastructure. As in FY2006, we believe that the FY2007 appropriations should specifically include adequate federal funds for debt service so that this expense, incurred on behalf of the entire national system, should not be paid at the expense of essential capital investment.

The CONEG Governors recognize that the Appropriations Committee has assumed a primary role in instituting reforms of Amtrak's internal management, and more recently, reform of system management. We previously shared with the Subcommittee and the Administration our concerns with a number of specific and immediate reform provisions imposed by the FY2006 transportation appropriations bill (P.L. 109-115). We appreciate the Subcommittee's recognition of the importance of consulting with states in a number of these proposed system reforms. However, we continue to believe that reform of intercity passenger rail must occur in an orderly, timely process that reflects collaboration with the states – not through an annual appropriations process.

- We are deeply concerned with the NEC commuter access fee provision that, for the first time, injects the USDOT into the public-private contractual arrangements that govern passenger rail cost-sharing on the Northeast Corridor. Rail service on the NEC is governed by hundreds of carefully negotiated legal, financial and operating agreements that involve substantial state financial investments and numerous in-kind exchanges. The Northeast Governors met with Secretary Mineta and Deputy Secretary Cino, and chief executive officials from the state transportation agencies and commuter authorities are engaged in on-going discussions about this access fee. As previously noted, Northeast Corridor commuter agencies already fully pay for the additional operations expenses incurred by Amtrak due to commuter rail service, and they participate in numerous joint-benefit capital projects on this vital national transportation corridor. Therefore, we urge the Subcommittee to allow the issue of cost-sharing to continue as part of negotiated agreements between the commuter agencies and Amtrak – and to allow any future changes to be undertaken as part of these negotiations or parallel authorization legislation.
- As the Subcommittee also reviews the FY2006 appropriation bill's reform provision dealing with restrictions on ticket pricing and food and beverage service, we urge careful consideration to ensure that any legislative requirements do not negatively impact the ability

of state-supported intercity services to offer innovative food and beverage service and market-based fares to grow intercity ridership, improve overall financial performance, and meet state transportation goals.

A number of other national rail programs are important components of the evolving federal-state-private sector partnerships to enhance passenger and freight rail across the country. SAFETEA-LU creates a new Rail Relocation Program and enhances the Swift High Speed Rail Development Program. We encourage the Subcommittee to provide funding for both these programs. We are concerned with the President's budget proposal to eliminate the Railroad Rehabilitation and Improvement Financing (RRIF) loan program, the principal federal program for addressing shortfalls in rail infrastructure investment. This proposal is at odds with the tenfold increase in the RRIF program authorized by SAFETEA-LU. The RRIF program provides an important financial tool, particularly for the many regional and short line railroads that serve communities across the Northeast and the nation, as they seek to upgrade infrastructure and equipment to meet the demands of changing and competitive markets.

The CONEG Governors also support a modest increase in funding for the Surface Transportation Board (STB) to \$25.6 million. This funding level will allow the STB, which provides essential oversight services for the nation and the Northeast, to maintain current service levels while also addressing its increased building and security costs.

Community Development

The CONEG Governors urge the Subcommittee to maintain the FY2006 funding level for the Community Development Block Grant (CDBG) program in FY2007. Federal funding for CDBG is an efficient federal investment since it leverages significant private and public funds. Each dollar of federal CDBG funding is matched by three dollars in private funds. The CDBG enables states to provide funding for infrastructure improvement, housing programs, and projects that attract businesses to urban and rural areas. It helps create new jobs and spurs economic development, growth and recovery in the nation's low income and rural communities.

The CONEG Governors thank the entire Subcommittee for the opportunity to share these priorities and appreciate your consideration of these requests.