

**KENTUCKY**

# Transportation News

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## Fly-In Urges “Fix” for Highway Program

KBT was in Washington last week to urge enactment of a temporary “fix” for the Highway Account of the Highway Trust Fund and to urge funding to maintain and improve the National Highway System.

Since 2004, federal highway expenditures have exceeded HTF income. The HTF balance has been pulled down to the point where there is a projected \$3.2 billion deficit in the Highway Account of the HTF in FY 09.



**Sen. Mitch McConnell and Labor Secretary Elaine Chao addressed transportation, labor and tax issues during the KBT Washington Fly-In.**

The equivalent of a 1.8 cents increase in the federal motor fuels user fee is needed to meet the guarantee of SAFETEA-LU for FY 09. If not fixed, the negative balance in the HTF will result in as much as a \$12 billion, or so, reduction in the federal highway program in FY 09, because of the nature of the highway program spend out rate. With this reduction, Kentucky will face a 30 percent cutback in federal highway funds (about \$200 million) in the next federal fiscal year, beginning Oct. 1.

A temporary fix for the shortfall has been proposed by Senate Finance Committee leaders Max Baucus (D-MD) and Charles Grassley (R-IA), which would, among other things, reclaim from the General Fund some \$3.4 billion in emergency repair expenditures taken from the HTF over the past 10 years. Previously, expenditures such as these had been paid for from the General Fund. Other

provisions would enable a transfer of a total of \$5.2 billion into the Highway Trust Fund.

The Baucus-Grassley proposal was to be attached to the FAA reauthorization bill (H.R. 2881) which was passed by the House last September. The authorization for the federal aviation program expired September 30, 2007. The aviation programs have been operating under short-term extensions since that time. The current extension expires June 30.

The bill is stalled in the Senate where some Republican Senators are objecting to non-aviation provisions proposed to be included in the bill. KBT has asked Sens. Jim Bunning and Mitch McConnell to support the provision. Fred Karem, McConnell’s legislative assistant for transportation, said it may be possible to get the bill enacted when the Congress returns in June from the Memorial Day recess.

Bunning told the Fly-In breakfast the primary reason the bill had not passed the Senate is that the Democrats want to include a \$2 billion project to extend the New York City rapid transit system to JFK Airport.

KBT President Jack Fish, speaking at the Fly-In breakfast, said reauthorization of the FAA program is critical with AIP funding at a higher level that takes into account the increasing costs for airport construction and additional facilities needed with the onset of the new generation of small jets (VLJs). He said the current delay jeopardizes the continuation of the FAA program and supporting taxes and appears to be one of the few vehicles available to carry the proposal to fix the \$3.2 billion shortfall, which will impact the Highway Trust Fund at the end of September. "We would hope the fix for the Highway Trust Fund deficit could be included in the legislation," said Fish.

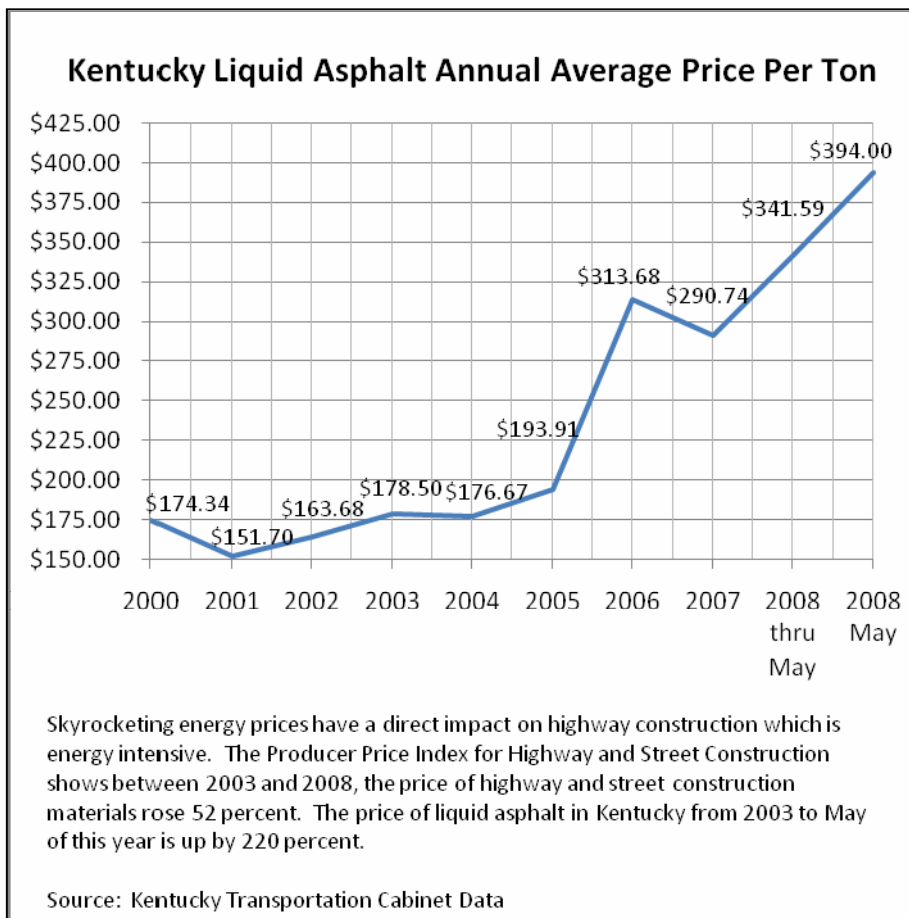
**Bipartisan Commissions, U. S. Chamber Recommend More Adequate Funding**

With regard to reauthorization, Fish said two national bipartisan commissions have said the nation faces a crisis because current revenue is insufficient to maintain and improve the nation’s highways and public transportation and have recommended significant new funding. He noted the U. S. Chamber of Commerce has released a report saying underinvestment in transportation is having a serious impact on the ability of the U. S. to compete in the global economy and urged that "every funding and financing option must be considered in order to address the enormous problems of the nation’s transportation infrastructure."

Fish said the commissions and the U. S. Chamber “think the federal government *should* continue to have a major role in the construction and maintenance of a national highway system. The Interstate highway system is critical to world and national trade. A strong federal role is the only way there will be a seamless, uniform Interstate highway system.”

The National Surface Transportation Policy and Revenue Study Commission has recommended an increase in motor fuels user fees of 5 to 8 cents per gallon over the next five years, after which it should

be indexed to inflation. Based on Kentucky’s current highway apportionment, an increase of 5 cpg annually for five years going into the Highway Account of the HTF would provide Kentucky an additional \$2.3 billion, ramping from an additional \$151.8 million in FY 10 to an additional \$758.9 million in FY 14. An increase of 8 cpg would ramp from an additional \$242.8 million in FY 10 to \$1,214.2 million in FY 14.



Fish said Kentucky’s \$12 billion in unfunded Interstate-type needs -- typical of the problem the nation faces -- could be met with this kind of increase in federal funding.

Many transportation proponents think the nation’s transportation

***Transportation for Tomorrow***  
**National Surface Transportation Policy & Revenue Study Commission**

| New Revenue              | Kentucky Share*        | New Revenue               | Kentucky Share*           |
|--------------------------|------------------------|---------------------------|---------------------------|
| 5 Cents = \$ 8.8 Billion | \$ 151.8 Million       | 8 Cents = \$ 14.1 Billion | \$ 242.8 Million          |
| 10 Cents = \$ 17.6       | \$ 303.6               | 16 Cents = \$ 28.2        | \$ 485.7                  |
| 15 Cents = \$ 26.4       | \$ 455.3               | 24 Cents = \$ 42.2        | \$ 728.5                  |
| 20 Cents = \$ 35.2       | \$ 607.1               | 32 Cents = \$ 56.3        | \$ 971.4                  |
| 25 Cents = \$ 44.0       | \$ 758.9               | 40 Cents = \$ 70.4        | \$ 1,214.2                |
| <b>Total</b>             | <b>\$132.0 Billion</b> | <b>\$ 211.2 Billion</b>   | <b>\$ 3,642.6 Million</b> |

\* Based on current apportionment factors.

**Recommendation: The Federal fuel tax should be increased from 5 to 8 cents per gallon over the next five years, after which it should be indexed to inflation.**

policy and direction has lost focus under the leadership of the Bush Administration through its steadfast refusal to support raising user fees and promotion of privatization and toll financing as THE means of financing public transportation infrastructure.

“If our national leadership decides we really do need a national highway system that will be primarily maintained and improved with a view toward keeping pace with needs and reducing congestion on this system,” said Fish, “it would appear to us the most effective and least painful way to pay for this system over the short term -- the next 12 years, or so -- would be an increase in the federal motor fuels excise tax. Current federal motor fuels user fees generate about \$1.76 billion per penny.

“With this kind of increase, we would expect the Congress to add an additional 3 cents, or so, for transit.

“We would hope that our Delegation would join other leaders to act boldly to take the measures necessary to adequately finance the nation’s surface transportation program to keep our nation economically viable.”

**Gas Tax “Holiday” Would Make a Bad Situation Worse**

Noting that several bills dealing with the temporary suspension of motor fuels user fees have been introduced in the Congress, Fish thanked Bunning for speaking up in opposition to the measure and the other members of the Delegation for their opposition to it.

Fish said the proposal would only “exacerbate the critical situation the nation faces in providing an adequate transportation system -- and ultimately reduce jobs. The 18.4 cents fee on gasoline is an insignificant amount to the typical motorist in comparison to the total price of motor fuel. A suspension policy would be counter to any worthwhile energy policy that would reduce consumption of gasoline and certainly counter to the long standing policy that the costs of building and maintaining the highway system are borne by the highway user.”

Fish expressed KBT’s appreciation to the Delegation for their efforts to get a better return on Kentucky’s contribution to the Mass Transit Account. He noted that transit earmarks, unlike most highway earmarks, are outside of normal grants and apportionments.

Kentucky public transit apportionments for the six years of TEA-21 averaged \$23.1 million. SAFETEA-LU will send an average of \$38.1 million annually back to Kentucky for FY 06-09, an increase of more than 65 percent. Kentucky contributes some \$88 million annually to the Mass Transit Account via the 2.86 cents per gallon fee on motor fuels.

Only three states have a higher percentage of people with disabilities than Kentucky. Statewide, 9% of the state's population is disabled, and most of them are dependent on transit for trips to the doctor, jobs and school. Many of them don't work because of the lack of transportation. Nationally, an estimated 70% of persons with disabilities are not employed and are on welfare. Employing people with disabilities has tremendous potential to impact our nation's economy.

Fish expressed KBT's appreciation to the Delegation for working for what is best for Kentucky in national legislation.

### **Reauthorization: "We are going to do better."**

Sen. Bunning, noting that the Congress will act on surface transportation reauthorization "next year – or at least start it," said, "we have some needs in Kentucky now that are going to strain Kentucky's Congressional Delegation's ability to deal with in the next highway bill. We are talking about some \$8 billion dollars just for bridges.

"And, that doesn't make up for the shortfall in the HTF for upkeep which Jack talked about. I think we are going to do better. You cannot sell a tax increase to 10 people in the House and Senate right now. Yesterday, oil reached \$133 per barrel – an all time high. I don't see anyone in the Kentucky General Assembly seeking to add revenue to the highway fund, which is in shorter supply than the HTF.



**Sen. Bunning: "We have some needs in Kentucky now that are going to strain Kentucky's Congressional Delegation's ability to deal with in the next highway bill. "**

"We did manage to fill up the hole in the FAA, but the bill failed to pass the Senate. Why did it fail to pass the Senate? Charles Schumer, Senator from New York, decided he needed to build a rapid transit system from Ground Zero to JFK Airport at a cost of \$2 billion to Kentucky taxpayers and the taxpayers of 49 other states pay for the improvement.

"I think we'll try to pass the FAA reauthorization bill later this year. As you know, we are getting down to the point in a presidential election year where we don't pass much legislation. We may not pass an appropriations bill before the year is over. This is a very difficult time for money.

"We know we have transportation funding problems. We shouldn't be bonding our roads. We know that. If we fix our energy problem, we can solve a lot of other problems including transportation."

Bunning noted that Congress, in 1996, authorized drilling in ANWR, and Clinton vetoed it. "We would now have as much as one million barrels per day coming into the U. S.," said Bunning, "if the measure had not been vetoed. This would be less than 5 percent of what we consume, but we can drill in other places, and we can convert coal to oil.



**KBT Chair Greg Hensley opened the Fly-In breakfast.**

“I have the department of defense and the department of the Air Force urging me to get coal to liquid. It will take 6 to 8 years to get a refinery to do that and require a \$5 billion minimum investment to get a commercial coal-to-liquids plant up and running. The technology is here. South Africa has been doing this for years. As long as we can sequester 90 percent of the CO<sub>2</sub>, we’ll be fine. We have a national emergency on our hands and our military know it. A pilot program is currently being used to produce fuel for military aviation. We know we can solve this problem.”

### **Continuing Appropriation Likely for FY 09**

Congressman Hal Rogers warned the group that FY 09 programs would likely be funded through a continuing appropriation until a new President advances a program.

“We have not marked up one of the appropriations bills,” said Rogers. “I doubt that we will. The majority party appears to want to wait until a new President is elected to do the appropriations legislation. We’ll likely pass continuing appropriations bills just to continue present funding until the new President takes office. The majority party thinks they will have a President of their persuasion, and they do not want to get locked-into appropriations that go halfway through the first year of the new President’s term. So, that’s the way it is. Would you believe it? Politics in Washington. If we could get rid of politics in Washington we wouldn’t have a Washington.”

Of the problems facing the Highway Trust Fund, said Rogers, “We don’t dare even talk about now, in an election year, especially about increasing the tax on gasoline with prices the way they are. So, we are stuck in that arena.

“However, we don’t have to be paying \$4 a gallon for gasoline. We have ample oil in the Alaska National Wildlife Refuge. I’ve been to Prudhoe Bay, and you don’t even know we are there. We’ve been pumping oil for 40 years there. Environmentalists have blocked this [development of ANWR] so far. The same is true for both of our coasts, east and west. There is plenty of oil.

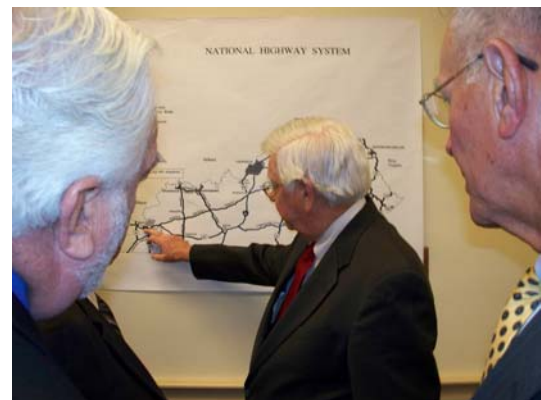
“The Chinese are drilling for it off the coast of Florida from Cuba. They can drill closer to Miami than we can.”

Rogers said building new refineries is another part of the problem which is acerbated by environmentalists. “We haven’t built a refinery in 30 years. We can have \$2 gasoline by drilling in this country, coal to oil, and building refineries. Here’s where the problem is. You’ve come to the right place. Do these 4 simple things: Drill for American oil; reduce the regulations on refinery construction; streamline the process; and, urge coal-to-liquid investment.

“We know we can produce oil from coal. We have a 400 year supply of coal -- a good portion of it in my district.

“At \$2 per gallon, we can talk about more tax on gasoline.”

With regard to FAA reauthorization, Rogers said, “I support shoring up the AIP program. The clock is ticking.”



**Congressman Hal Rogers showed the route of I-66 to Williamstown Mayor Glenn Caldwell, left, and Fred Mudge.**



**Congressman John Yarmuth, right, was greeted by Jim Codell and Calvin Grayson.**

### **“Good News on the Horizon”**

“There is good news on the horizon,” said Congressman John Yarmuth, “in that there is a growing realization in Congress that we have to begin investing in futuristic energy programs that may pay off down the road. Coal-to-liquid is the type of program I’m talking about. We must invest in things that will not lower the price of fuel now, but will pay off 10 years from now -- solar, wind, and landfills as a source of methane for fuel. We are doing a lot of things that represent long term investment in our future.”

With regard to the nation’s infrastructure needs, Yarmuth said he thinks a national infrastructure bank is part of the answer. The bank, said Yarmuth, would “leverage the credit of the U.S. government to bring private and public capital in to fund projects we can no longer fund with just gas tax revenue. There are no projects that are being built exclusively with gas tax revenues anymore. They just aren’t happening, and they won’t happen. So, we have to look for alternative sources of revenue. The Speaker [Nancy Pelosi (D-CA)] is committed to the infrastructure bank concept.

“The Louisville bridges project is the third largest project in the country at present. In the past 15 years, the project has, through inflation, gone from \$1 billion to \$4 billion. We have to fight the inflation battle as well as the funding battle.”

### **“We Must Develop Our Domestic Energy Resources”**

Congressman Geoff Davis, speaking at dinner, said, “The high cost of gasoline is a significant burden for individuals, families and businesses in Kentucky. We must work to increase production here in the U. S., as well as develop our domestic resources and invest in alternative fuels. We have the resources at our hands to reduce the cost of energy and decrease our dependence on foreign oil.”

He said he was proud to be a cosponsor of the “No More Excuses Energy Act” (H.R. 3089) which would:

- Encourage new refinery construction by allowing tax exempt bonds to be used for construction of certain refineries and allowing the use of certain federal lands as potential sites for new construction;
- Lift the moratoria on drilling in the Outer-Continental Shelf (OCS) opening access to as much as 17 billion barrels of oil;
- Open the Arctic National Wildlife Refuge to responsible oil exploration, with the potential to produce almost a million barrels of oil per day; and
- Encourage construction of new nuclear power plants through tax incentives.

Davis said the nation is now twice as dependent on foreign sources of oil as at the height of the Arab Oil Embargo in the 1970s.

“For every barrel of oil we produce in this country,” said Davis, “we import almost two. It is time we explore ways of increasing our oil production on our own soil. The U. S. Geological Survey estimates that 11 billion barrels of recoverable oil potentially exist in the ANWR. This entire refuge area comprises nearly 20 million



**Congressman Geoff Davis, center, was welcomed by Les Haney, left, and Bill McCreary.**



Sen. Mitch McConnell discussed the nation's oil supply with, from left, Gayle Lawson, Henry Hinkle, Les Haney, and Gene Snowden. Lawson told a breakfast meeting with the Kentucky Congressional Delegation the nation needs a "Manhattan Project" to solve the problems associated with converting coal to liquid for transportation use.

our cars is an important component to decreasing our dependence on foreign oil. Our national energy policy must focus on both the near term, like coal-to-liquids and the long-term, like hydrogen.

acres, but only 2,000 acres would be opened for exploration. To give you a comparison, the entire refuge is the size of South Carolina, and the exploration area is the size of a large airport. Using the most advanced technology, it is possible to develop our energy resources in ANWR to ensure that oil and gas are removed in an environmentally sensitive manner.

"Another of our untapped domestic resources for energy, specifically oil and natural gas, is the Outer Continental Shelf (OCS). Currently, States are prohibited from leasing federal lands like OCS for exploration and drilling. We need to remove this barrier to our own resources so we can increase supply, thereby reducing costs.

"Our country must also make investments in other alternative energy sources, such as coal-to-liquids and hydrogen. Developing alternative energy sources to fuel

"Coal-to-liquids fuel presents an exciting opportunity for American energy independence and economic development here in Kentucky. Using the Fischer-Tropsch process, coal can be converted into an ultra-clean, high-grade liquid fuel. The Fischer-Tropsch method was originally developed in Germany during World War II and today supplies South Africa with 30% of its transportation fuels."

### Bill Would Boost General Fund Transit Spending by \$1.7 Billion

The U. S. House Transportation and Infrastructure Committee last week reported a bill (H.R. 6052) to boost transit authorizations by \$1.7 billion from the general fund over two years to promote energy conservation through expanded use of public transportation.



Capitol Tour -- One of the stops on the popular Hal Rogers Capitol Tour was the Senate Minority Leader's Office. From left are Mark Porta, Clint Goodin, Rogers, and Emily Kavolus, Office Manager.

The Saving Energy Through Public Transportation Act of 2008 includes the following provisions:

- Authorizes \$850 million (General Fund) for each of fiscal years 08 and 09 to allow public transit agencies to reduce transit fares and expand transit services. These funds will be distributed under current law urban and rural transit formulas. The Federal share for these grants is 100 percent and funds will only be available for a two-year period.
- Increases the Federal share for alternative fuel vehicle-related equipment from 90 percent to 100 percent of the net project cost for 08 and 09.
- Establishes a nationwide Federal transit pass benefits program and requires all Federal agencies in the United States to offer transit

passes to Federal employees.

- Establishes a two-year pilot program to allow the amount expended by private providers of public transportation by vanpool for the acquisition of vans to be used as the non-Federal share for matching Federal transit funds in five communities.

## Pennsylvania Gets \$12.8 Billion Bid for Turnpike

Pennsylvania Governor Ed Rendell announced last week the winning bid for a 75-year lease of the Pennsylvania Turnpike is a \$12.8 billion cash offer from a group led by Spanish infrastructure operator Abertis Infraestructuras SA and Citigroup Inc. This represents the largest privatization of highway infrastructure in the U.S. so far.

“This is a great day for Pennsylvania,” Rendell said. “We urgently need new funding for road and bridge repair, and a turnpike lease will help us meet that need.” He said the investment of the \$12.8 billion would generate some \$1.1 billion annually for road and bridge repair and support 73 public transit agencies across the state.

Final acceptance of the winning bid will require enactment of legislation by the Pennsylvania General Assembly and will require modification of recently enacted legislation which included a provision directing the Pennsylvania Turnpike Commission to apply to the U.S. Department of Transportation for permission to impose tolls on Interstate 80. Rendell said the toll road lease eliminates the need to toll I-80.

Opponents of the plan are concerned that the 75-year term for the lease is extremely long, and will lock-in future increases for turnpike users. Under the terms of the lease proposal, tolls would increase 25 percent next year, and can then match inflation or increase by a minimum of 2.5 percent per year.

Abertis directly manages more than 2,000 miles of toll roads and, indirectly, another 3,000 miles in 10 countries on four continents. Abertis operates and manages several large infrastructure facilities in the United States, including Orlando Sanford Airport, Concourse E of Atlanta International Airport, and Burbank Airport, as well as the Teodoro Moscoso Toll Bridge in San Juan, Puerto Rico.

Initial bids were received from three bidding teams. Because the top two bids received were within 10 percent of one another, those two teams were given an additional week to prepare best-and-final offers. A second place bid of \$12.1 billion was submitted by a group led by Goldman Sachs. A Macquarie-led consortium made a third bid.



Welcoming Sen. McConnell, right, to the Fly-In reception are, from left, Sylvia Lovely, Williamstown Mayor Glenn Caldwell, Charles Bucklew and Phil Annis.

In 2005, the city of Chicago leased the Chicago Skyway for 99 years, for \$1.83 billion. In 2006, Indiana leased the Indiana Toll Road for 75 years for a sum of \$3.85 billion. The Pennsylvania Turnpike presently generates some \$600 million in toll income annually.

## Flight Delays Cost the Economy \$41 Billion in '07

Delays last year in the nation's aviation system delivered a staggering blow to the economy, costing passengers, airlines and related businesses \$41 billion, according to a congressional study released last week.

"With delays going through the roof and the economy squishy soft, delays' impact on the economy is very severe," said Sen. Charles Schumer (D-NY), chairman of the Congressional Joint Economic Committee, which released the report. Schumer called the impact on passengers and the overall economy a "\$41 billion punch in the gut."

Key findings from the report, "Your Flight Has Been Delayed Again: Flight Delays Cost Passengers, Airlines, and the U.S. Economy Billions in 2007":

- The total cost of domestic air traffic delays to the U.S. economy was as much as \$41 billion for 2007 including higher airline operating costs, lost passenger productivity and time, and losses to other industries.
- Delayed flights consumed about 740 million additional gallons of jet fuel totaling \$1.6 billion extra in fuel bills.
- Passengers were delayed by a total of 320 million hours, when accounting for padding in airline schedules. Almost 20 percent of total domestic flight time in 2007 was wasted in delay.
- 94 percent of all flight delays were caused by other flights arriving late, national system delays, or air carrier delays (less than six percent of delays were due to security or extreme weather)

The report found that flights to and from the 35 largest U.S. airports accounted for about half of the total passenger delays, even though flights in and out of these airports accounted for only 33 percent of the flights in the study. Those passengers departing from airports in the Northeast and Midwest experienced the most delays.

The JEC report also contains an airport-by-airport analysis of the total delay hours at top U.S. airports, which confirms that the majority of flight delay hours occur at the largest airports in the country: [http://jec.senate.gov/index.cfm?FuseAction=Reports.Reports&ContentRecord\\_id=11116dd7-973c-61e2-4874-a6a18790a81b&Region\\_id=&Issue\\_id=](http://jec.senate.gov/index.cfm?FuseAction=Reports.Reports&ContentRecord_id=11116dd7-973c-61e2-4874-a6a18790a81b&Region_id=&Issue_id=).

## Welcome New Member

KBT welcomes to membership:

**Greater Louisville Logistics Network**, Jim Adams and Jeff Uligian, Co-Chairs, recommended by Charles Buddeke.

## Don't Miss Transportation Day at Churchill Downs



Don't miss Transportation Day at Churchill Downs, **Thursday, June 19**. This networking event will be on "Millionaires Row Six" and will include the Grand Chef Table buffet lunch and day at the races. Millionaires Row Six is a new dedicated group area with a television every two feet and luxurious surroundings.

The space has a four-tier balcony affording one of the best views of racing in the world. Gates open at 11:30 a.m. with the first race at 12 Noon. There are 9 races. Seating is limited. If you want to attend the event, you should return your registration form as soon as possible. A registration form is at:

[http://www.kbnet.org/uploads/TransportationDayatDowns\\_2ndEmail\\_members.doc](http://www.kbnet.org/uploads/TransportationDayatDowns_2ndEmail_members.doc)