

KENTUCKY

# Transportation News

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## TRANSPORTATION CONFERENCE WRAP-UP

The 31<sup>st</sup> annual Kentucky Transportation Conference, January 21-23, brought some 375 local, regional, state and national leaders together to focus on problems and opportunities facing Kentucky in terms of transportation, energy, economic development, and quality of life. The conference featured an up-to-the-minute discussion of the state and national transportation and energy situation. Videos of all conference presentations may be downloaded at: <http://www.kbtnet.org/inner.iml?mdl=conference.mdl>

### Beshear: “We all must come together to solve problem.”



“We all must come together to solve this problem,” said Governor Steve Beshear, as he discussed the state’s budget problems at the Kentucky Transportation Conference. The deteriorating economy has taken a large bite out of Kentucky revenue. The General Fund will have an estimated \$456.1 million shortfall for the current fiscal year, a 5.1 percent decline in revenues.

**Gov. Beshear** “One factor complicating that discussion,” said Beshear, “is that the General Fund isn’t our only problem. We also have significant shortfalls in Medicaid and, as you well know, in the Road Fund,” which is “more critical by the day.” The estimated Road Fund shortfall is \$104.7 million, a decline of nearly 8 percent.

(The estimate for motor fuels revenue is \$640.5 million -- down \$20.9 million; for motor vehicle usage, \$340 million -- down \$71.7 million; motor vehicle license, \$95.8 million -- down \$13.7 million; weight distance, \$79.6 million -- down \$6.3 million; investment income, \$10.9 million -- up \$5.1 million; and other, \$36.8 million -- up \$2 million. Total Road Fund revenue for FY 09 is now estimated at \$1,220.1 million, compared to the previous estimate of \$1,324.8 million.)

(The State Construction Account -- the balancing account for KYTC’s budget -- for FY 09 is budgeted at only \$161.4 million, with \$2.5 million of that going to the Kentucky Pride Fund. At the time the budget was adopted, projects (SP) in the Six Year Plan funded from the account had a \$3 billion shortfall.)

## Welcome New Members

KBT welcomes to membership:

**American Commercial Lines, Inc.**, Jim Adams, Vice President, Governmental Policy, recommended by Ben Fister.

**Reynolds Sealing & Striping**, Bryan Simpson, Project Manager/Quality Control, recommended by Ben Fister.

“There is no question in anyone’s mind,” said Beshear, “about the difficulty of the situation we find ourselves in. There are a whole lot of states that are in worse situations than Kentucky. Take heart that we are not in this by ourselves. We will get through it because we will work together.

“There are many folks in this audience who build roads and bridges and work on our infrastructure systems. I well recognize the importance your industry is to the Commonwealth of Kentucky and to the economic viability of the Commonwealth’s economic prosperity. I realize the thousands of people you employ, the payrolls you have, and I full well recognize the situation you find yourselves in right now. It is not a good situation because with little work out there right now you are beginning to be faced with the possibilities of laying off people, of pulling back, of doing what every other business in this state is doing to a certain extent.

“Please understand we know what your situation is because we also know what ours is and what it is on the people of the Commonwealth of Kentucky. **When we are not doing our job in the infrastructure area, then we are not moving this state forward as we should to improve the quality of life for the people of Kentucky.**

“Knowing that I also want you to know that there is some light at the end of the tunnel in some ways here.” Beshear said Secretary Prather and he were closely watching the federal stimulus legislation “because we are going to take advantage of every opportunity in that . . . package for getting every dollar we can for Kentucky. Putting people back to work is the most important thing that can be done right now. We are going to make sure we get everything Kentucky is entitled to.

“One of the things I told you last year was that we would need to tighten our belts in transportation as well as all parts of state government. I said the belt tightening has already begun. The previous administration had made some commitments for projects that simply couldn’t be funded. So, we had to cancel some construction work. We cancelled the lettings for December 2007 and January 2008. And, we held off awarding some other projects that had been let for bid. And, make no mistake about it, these were needed projects. But, the unfortunate reality was that we didn’t immediately have the money. In fact, we knew there would be almost no new money for new state funded highway projects until late in this current calendar year at the rate the revenues were trickling into the Road Fund at that time.

**“I wish I could report to you today that those revenues have bounced back. I wish I could report to you that the Road Fund and the General Fund were in robust condition. I wish I could report there was now ample revenue for new and improved roads and bridges, airport facilities and rail and barge facilities, but, you and I know what the situation is. And, you and I know that is not the case.**

“Kentucky, like the rest of this nation, is in a severe budget crunch. It’s a budget crisis that reaches into every corner of government. From our cities and counties to here in Frankfort, and, yes, all the way to Washington, D.C.

“Now, we didn’t create this fiscal mess. We inherited it. Just as we inherited a \$430 million shortfall in December 2007. Nor can we totally control it. Global resources of a magnitude far beyond our reach tossing us and bouncing us around like a canoe in the ocean. But we do have to deal with its impact on our families, businesses and our state budget.

“Trying to find a way to fill a \$456 million General Fund shortfall in a fiscal year already half over has consumed a lot of our time and energy in the past couple of months. Particularly, because we have to

solve this problem -- not just solve it -- but we've gotta solve it in a way that doesn't turn our backs on our families and our businesses in need in this state. We've got to solve it in a way that doesn't decimate our education system, our workforce training, our infrastructure and our other systems that will enable us to take advantages of opportunity once this crisis eases. And, we've got to solve it in such a way that it recognizes that the next fiscal year may well be worse than the one we are in right now.

"I've laid out a plan for accomplishing these goals -- a plan you are probably very familiar with. My plan protects priorities like education and healthcare for the most vulnerable and some areas of public safety, because I firmly believe we never make lasting progress in this state tomorrow if we take significant steps backward in those areas today.

**"In my mind, there comes a point when further cutting is not responsible** anymore if you have any priorities you want to maintain, and I do. We cannot go backward in the education of our kids because that is our future. We have made tremendous progress in education over the last few years in Kentucky. We cannot afford to go backward. We've got to protect our most vulnerable in terms of healthcare, and, we've got to pay attention to public safety.

Beshear said his top priority in transportation had been to "change the culture in the Transportation Cabinet" with the "goal of creating a culture of openness and transparency, of fair dealing and good stewardship of taxpayers' dollars. We realized a great need to get better value for our taxpayer dollars, to stretch those dollars as far as we could . . . through 'practical solution.'"

Beshear said practical solution involves "right sizing projects to address specific problems . . . building roads in the simplest and most cost effective way without jeopardizing safety."

He said the Cabinet recognized the need for increased competition in bidding, and noted the number of bids per project has increased monthly since August from just over two bids per project in August to six bids per project in November, the last month in which bids were let.

**Safety a Primary Objective** -- Beshear said making the state's highways safer is a primary objective. He said median cable is being installed in a number of high-crash locations and is effectively saving lives. He noted that a high-volume section of KY 22 in Northern Kentucky had recently undergone a safety audit resulting in a number of improvements including warning signs; reduced speed limit 55-45; building up shoulders of the roadway; and applying new pavement markings.

He observed that KY 22 -- "a winding, hilly road, with sharp curves, and narrow shoulders -- is symbolic of the archaic and obsolete nature of a lot that has to do with our transportation system in Kentucky. The roads that were sufficient for yesterday's needs are no longer good enough today. And, the way we designed them in years past in some ways no longer works in today's climate.

"My mission for the Transportation Cabinet is but a microcosm of my mission for our entire state government. Under my watch, state government is taking better care of both the trust and the taxpayers' dollars that the public invests with us through a culture of integrity and watchful spending. At the same time, we've been willing to change our approach when the situation demands it. It's the right thing to do. During these challenging economic times, it is also good business. We are pleased with what we've accomplished in 2008 under difficult circumstances. However, while I am pleased, I'm not satisfied. You can expect more such effort in 2009. Hopefully, we can expect several millions of dollars in federal stimulus money, so that together we can get our economy here in Kentucky moving again."

## Williams Supports Freezing 4 Cents as Part of Plan Agreement



Senate President David Williams, speaking at the Kentucky Transportation Conference, said he supports freezing the 4 cents of the motor fuels user fee, which is in jeopardy of being lost, effective April 1.

**Sen. Williams** “You may be assured,” said Williams, “that I am prepared as President of the State Senate to support freezing the 4 pennies before they come off if we can reach agreement on the road plan. I also contend that when we freeze those pennies that we should very well look at making sure the local governments keep whole of their portions of that because we know they are ‘shovel ready.’ They are always shovel ready. There are places they can spend the money and get it into the economy. There is already an accepted method of distribution of that money.”

Tying support for freezing the motor fuels user fee to an agreement on a road plan, Williams noted that the Franklin Circuit Court had just ruled invalid the 2008 bill that included the General Assembly road plan.

Said Williams, “If you haven’t read the newspapers lately, we’ve had a development over the last 24 hours. The local circuit judge here took a smoldering disagreement and tried to do his part to throw kerosene on it. That is to be addressed another day. It is my belief that the statutes and the constitution require the road plan to be submitted by the Governor and ‘it shall be approved and/or amended’ by the General Assembly.

“The bill that set the road plan for the 2 and 4 year periods was passed before midnight by the House and Senate, but evidently, according to affidavits by some people, the bill was not enrolled and signed until after midnight. The Governor applied his veto some people feel too late. I will tell you without fear of contradiction we should have passed and signed the bill before midnight, and he should not have vetoed it. It should have been passed earlier, and he should have applied a line item veto. We should have come to some consensus on the road plan.

**“I come here tonight with a great deal of confidence to tell you that I have had conversations with the Governor, with Speaker Stumbo and other members of Leadership, and it is our intention not to leave this city and adjourn before we have a valid six-year road plan that will give a road map of where we want to go. Included in that, I hope, will be how we are going to handle the federal money -- the so-called stimulus money -- that comes down.**

“It is my opinion that stimulus money should go through the same process . . . . It appears these funds will be designated for federal projects. I believe if we look at some of the projects we have, design-build or otherwise that are still available, we can probably agree on what to do and write budgetary language to give proper latitude to the Governor and the Secretary of Transportation to make those decisions with the approval of the General Assembly.”

Williams related that he had just come from a meeting of Senate and House Leadership with the Governor “about how we can advance our situation and work together. The Governor and I had an opportunity to share some thoughts.”

With regard to the General Fund, Williams said the General Assembly must look closely at the current budget to determine if all of the cuts are being made that can be before asking for additional revenue. He noted that having lower taxes on tobacco than adjacent states brings retail traffic to Kentucky buying other products in addition to tobacco.

“The General Fund,” said Williams, “looks rosy when you compare it to the Road Fund. The primary problem with the Road Fund is that people aren’t buying vehicles and paying usage tax. Because of the structural safeguards placed in our gas tax, we are fixing to lose 4 pennies -- not only is the state going to lose revenue but local governments are going to lose their portion if we don’t come to some agreement.”

### **Bonds Would Have Been “Smart Decision”**

Williams noted the Senate was in agreement during the regular session last year to issue GARVEE bonds with a specific list of projects that would have been ready to go, including bonds to advance the Louisville Bridges.

“Had we issued those bonds at that time,” said Williams, “that money would be available now. How smart would we look if that money would be available with petroleum prices down as they are now and with a lot of people wanting to do work and be competitive on doing the work?”

“We would have gotten a lot of bang out of that buck, but on the last night of the General Assembly, there was a meltdown, which has been partially rectified in the last couple or three weeks as the organizations self digest.

“We could have saved \$1.6 million per year over the 10 years of the GARVEE bonds if we had authorized them and issued them in July. In addition to that, we proposed an additional \$400 to \$500 million worth of road bonds by freezing just the state portion (of the motor fuels user fee). If we had issued those bonds for 20 years, we could have saved \$2.3 million per year or \$46 million over the life of those bonds and had that money up and available. This would be a sweet spring you are looking forward to with the federal money coming down and the state money. We didn’t do that, and I think that each and every one of you -- and I solicit each and every one of you -- to make sure that that does not happen again.

“We have to make smart decisions and keep the road construction in this state. There is no dollar that we spend in our economy more likely to stay in the state of Kentucky than money we spend on highways. Because of the proximity of the raw product and the value that is added and the number of people who work and the fact that most all of them live here in our commonwealth and the companies they work for are based here in the commonwealth. I think that is something we all need to remember.”

**Discussing infrastructure authority legislation**, Williams said, “If we do pass a bridge authority, I assume it will be a bi-state bridge authority for Kentucky and Indiana, and will not affect Ohio and Northern Kentucky and the Brent Spence Bridge, which I assume will have to be addressed in the future. It is farther down the road.

“Most of us are convinced that it makes very little sense to spend precious State or Federal Road Fund dollars to build a bridge when a modern toll system could be put on it. A lot of folks in Western Kentucky think an Indiana-Kentucky authority would present the opportunity to build other bridges between the two states.

“In my opinion, unless something drastically doesn’t change in the economy, we’ll be lucky to be able to float enough bonds to build the bridges in Louisville. The only bridges that appear to me to be ripe for bonding with the bonds to be paid off by tolls are those that have an established traffic count with no doubt about their paying off the debt service. New routes built on the basis of ‘build it and they will come’ have fallen into problems.”

**Aviation** -- Williams said he believes the “continued advancement and development of aviation is crucial to our future economic development” and implied support for continued diversion of Road Fund revenue for the airport program.

**Transit** -- With regard to light rail, Williams said, “We need to keep engaged,” noting that energy is going to be a continuing problem. He said progress requires being “ever mindful of changing technology.”

**Other legislators** who spoke at the conference were Rep. Hubert Collins, Chair, House Transportation Committee; Sen. Ernie Harris, Chair, Senate Transportation Committee; Rep. Sannie Overly, Chair, House Transportation Budget Subcommittee; Rep. Ruth Ann Palumbo, Chair, House Economic Development Committee; and Sen. Brandon Smith, Co-Chair, Special Subcommittee on Energy, Vice Chair, Senate Transportation Committee. Videos of all conference presentations may be downloaded at: <http://www.kbnet.org/inner.iml?mdl=conference.mdl>

### **Ford Named to Hall of Fame**

Former Senator Wendell Ford, whose career as state senator, governor, and U.S. Senator spanned 33 years, was inducted into the Kentucky Transportation Hall of Fame for his contributions to transportation improvement in Kentucky. As Governor, Ford stopped diversion of Road Fund revenues to other government agencies, and in the U.S. Senate, he supported legislation to use transportation user fees for transportation purposes. While serving as chairman or ranking member of the U.S. Senate Aviation Subcommittee from 1985 until his retirement, Ford was responsible for more of Kentucky airport development than any other Kentuckian.



**Ford**

### **Prather Says Cabinet Working with Legislature to Solve Problems**



**Sec. Prather**

The results of not putting a floor in to support the current motor fuels user fee will be “disastrous,” KYTC Secretary Joe Prather told the Transportation Conference. He said the state stands to lose some \$128 million annually in revenue shared funds. He said the Cabinet is working with the General Assembly to resolve this and other problems.

Prather said the Cabinet is ready to work with the Governor’s office, the House, and Senate to get the General Assembly’s input on projects to be funded with the stimulus. Prather said he does not think the General Assembly or the Cabinet should “dictate” every project, but “the better plan is for everybody to have a seat at the table to talk about the merits of projects. The best government is local government. Legislators are the ones closer to the people. I’m all ears when they tell me what is important back home.”

**With regard to the mega projects**, Prather said the Cabinet is working with members of the General Assembly as to what infrastructure authority legislation should include. Said Prather, “How are we going to build the Louisville Bridges? What is our approach to the Brent Spence? How can we reasonably look at a bridge on I-69? We are for a bill that allows a lot of different approaches. There is some resistance to public-private partnerships, but as far as I’m concerned everything is on the table.” He said tolling is the only way major projects will be built.

“It is a pleasure,” said Prather, “to be working for a Governor who has given us the opportunity to make decisions that need to be made for the right reasons.”

“Even though we lack money, we have used that as an opportunity to try to better our skills and our organization so when that time comes that we do have more resources, we will be better prepared than ever to carry out the peoples’ business.

“We’ve been able to put together a team where the chemistry is second to none, where they subscribe to the philosophy I believe in -- that being one of transparency and openness, telling it like it is. And, somebody in our Cabinet who can’t say ‘no’ without being offensive is in the wrong place because -- particularly in these tough economic times -- you have to say ‘no’ more than you say ‘yes.’ We say ‘yes’ every chance we get, and believe me, we love it, but we say ‘no’ when we have to.

“We have had challenges in the personnel area” with 537 retirements in 2008. He said the loss of this talent creates challenges for the Cabinet, but younger talent has “stepped up.” We’ve been able to assemble a team of district engineers I will put up against anybody anywhere. They have the talent and the experience to step forward and get the job done.

“For whatever clouds may have been hanging over the Cabinet, I can tell you the winds have changed. We have a new playing field in the Transportation Cabinet. People who do business with the Cabinet or bid on contracts -- I don’t care how many political contributions you gave. I don’t know how many you gave. I’m not going to ask, and, if you try to tell me, I’m not going to listen.

### **Safety a Priority**

“We are deeply into increasing our highway safety measures in the Cabinet. We are taking every step we can to educate people about safety measures including DUI and seatbelt enforcement. Kentucky is among the lowest in the nation in seatbelt usage. We have to improve that. Seatbelt usage saves lives. I want to deploy safety cable on our Interstates and parkways at high crash locations.”

With regard to Practical Solutions, Prather said, “We are looking at every project in the Six Year Plan to see how we can ‘right size’ it. How we can build a four-lane highway where it is warranted. If a two-lane road with passing lanes and shoulders will do the job just as well -- then we can build more miles -- then that is the direction we are headed. In our first run, we have identified some \$300 million in savings. This will allow us to say ‘yes’ to projects we couldn’t otherwise build.”

With regard to federal stimulus legislation, Prather said, the state has a large number of maintenance projects and construction projects the state expects to fund from the stimulus. He said the Cabinet is waiting to see if projects that have been let and will be slowed down or cancelled for lack of funding can be funded from the stimulus.

“What we are trying to do in the next month, or so, is vitally important to the success of the transportation program and our ability to move forward. It is tough times, but in tough times you have a choice to make. You can sit around, wring your hands and talk about how bad it is. Or, you can roll up your sleeves, get to work, and find a way you can progress in spite of it. The harder we work and the better decisions we make during this difficult time is going to dictate the speed with which we move once better times come. That’s our approach. I hope it is yours.”

### **System Must be Modernized to Meet 21<sup>st</sup> Century Challenges**



“If we want our economy to recover from the current downturn and prosper in the future, if we want our citizens to have convenient and reliable transportation choices, then we must modernize our transportation network to meet the challenges of the 21st century.”

**Schenendorf** That was the message of Jack Schenendorf, keynote speaker for the opening session of

the 31<sup>st</sup> annual Kentucky Transportation Conference. An attorney with the Washington, D.C. firm, Covington & Burling LLP, Schenendorf was vice chairman of the National Surface Transportation Policy and Revenue Study Commission. The bipartisan commission was created by Congress to make recommendations for the reauthorization of the surface transportation program which expires September 30, 2009.

The commission majority, led by Schenendorf, parted company with USDOT Secretary Mary Peters, commission chairperson, and the Bush Administration to recommend that the federal government *should* continue to have a major role in the construction and maintenance of a national highway system.

**Schenendorf told the conference, “We need seamless, multi-modal transportation systems -- highway, freight rail, passenger rail, transit, air, water, and non-motorized -- that can move people and goods efficiently, safely and in an environmentally-responsible way.**

“We are at one of those transformational points again where we need to have some visionary leadership come forward,” said Schenendorf, citing some examples of “visionary” U.S. leaders who “saw and realized the importance of transportation:” Thomas Jefferson built roads and canals; Abraham Lincoln whose administration supported legislation making the Transcontinental Railroad possible; Teddy Roosevelt who took over from the French the construction of the Panama Canal; Franklin Roosevelt who envisioned the Interstate Highway System; and Dwight Eisenhower who made the Interstate System a reality.

“Congress,” said Schenendorf, “had a difficult time enacting the last surface transportation program. There were 12 or 13 extensions. The bill was more than two years late. The delay was in part because we have a system that was in need of major change. Some members had a vision, others didn’t, and that made it a difficult reauthorization.

**Nation at a crossroads** -- “The Federal program is broken. We have a financial crisis. We have an aging system. We have reached a crossroads. Schenendorf noted “Eisenhower tripled the gas tax up to 4 cents per gallon in 1959. From an inflation point of view, that 4 cents to have the same buying power today would have to be 29 cents. The tax is 18.4 cents. It is not surprising the system is in such bad shape. As we go into the next bill, the Highway Trust Fund is out of money.”

He said SAFETEA-LU did not have a revenue stream to support it and that the commission has recommended the current level of spending for all levels of government of \$87 billion be raised to at least \$220 billion annually for the next 50 years, with half of that needed just to maintain the present system in a state of good repair. “The cost of not acting is much higher than this to the public and business,” he said.

Schenendorf said Congressional leaders and the Administration need to “have an adult conversation about the situation. We need to make use of all financing tools. Increase the motor fuels tax 5-8 cents per gallon over the next five years -- an increase of 25 to 40 cents, indexed to inflation, and eventually shift to a VMT tax.” Other options are a freight container fee; investment tax credit for railroads; greater use of tolling; and public-private partnerships where appropriate.

“I believe,” said Schenendorf, “we must mount a large-scale effort for change that starts from a clean slate. All DOT programs should be on the table. We must refocus the programs to pursue objectives of genuine national interest. And, we must make government accountable for achieving the intended results.

“The Commission recommended that the 108 existing surface transportation programs be replaced with 10 new performance-driven, outcome-based Federal programs. This is the kind of bold, fundamental reform that is needed.

“While reform is essential, it is not sufficient in and of itself. We also need a substantial increase in investment to go along with it if we are to have the strong transportation system that is vital to the economic future of our nation and the well-being of our citizens.

“We would hope the Obama Administration would move expeditiously to develop bold reform proposals for the transportation programs. Transformational reform initiatives, funded at levels adequate to get the job done, would have tremendous benefits: a key element of the long-term economic recovery plan; create hundreds of thousands of new, good-paying jobs; build assets for America that would pay dividends for generations to come; improve our international competitiveness; reduce our dependence on foreign oil; reduce greenhouse gas emissions; save lives; improve the quality of life for all Americans; and be paid for by users of the system.

“There are very few, if any, federal initiatives where the benefits would be as great or as widespread. It is time to deliver to the people of this nation a simple but meaningful message: Let's get moving. Together we can.”

## Energy Resources Board Answer to Dealing with Energy Mess



After 35 years, 8 Presidents and Congress have proven incapable of fixing the nation's energy problems, it is time to relinquish policy control to an Energy Resources Board with teeth. That was the message of John Hofmeister, one of the nation's leading energy spokespersons, as he urged the conference to get behind the establishment of a Federal Energy Board similar to the Federal Reserve.

**Hofmeister** Keynoting the Friday session of the conference, Hofmeister said, “Unless Congress adopts the same model for energy policy as they do for monetary policy -- an independent board modeled after the Federal Reserve -- no solution to our energy woes will be found. People complain about the Federal Reserve, but it has provided 95 years of relative monetary stability.” The board could make long term energy policy decisions for the nation -- something present government structure and private industry is incapable of doing. Hofmeister said only through a grassroots movement will a board such as this be achieved.

Hofmeister retired in 2008 as president of Shell Oil Company (U.S.), to found and head the nationwide membership association, Citizens for Affordable Energy.

“This new administration,” said Hofmeister, “for all the good will that exists, will struggle on energy like the last seven. Since Richard Nixon declared energy independency in 1973, we now have the 8<sup>th</sup> President to talk about energy independence. During this period, we have gone from 35 percent independence on foreign oil to 65 percent.

“It is a struggle for our elected officials to decide which way to go. President Obama, in his inaugural address, said he will focus on fuel from our land and from wind and from air. Today, that represents about 3 percent of our energy supply. If we double it, we are 6 percent of our energy supply. What are the plans for the 90-plus percent of our energy supply? Half of our 102 nuclear plants are approaching the end of their normal commissioning cycle. Over half of the nation's fossil fuel electric generating plants are 30 years old -- their usual life cycle.

“The government is not structured to successfully deal with energy. There are 13 Executive branch agencies and 26 Congressional committees that determine policy, plus the courts. Energy policy is determined politically. What gets us on energy is political time which governs energy is decided at most in 6-year cycles. Energy decisions made in political time will always fail to meet the needs of the nation because energy decisions must be made in energy time. Energy time consists of decades.”

Discussing the recent run up to \$140 per barrel for oil, Hofmeister said, “Global demand was outstripping supply. The economic growth of the world was putting such pressure on the middle of the barrel -- diesel and aviation fuel -- that there simply were not enough crude barrels being produced. Unfortunately, partly because of the price of oil, the global economy started to recede. **While some think the collapse of oil prices to the low \$40s is a good thing, it will actually lead to a tremendous run up in prices as the economy recovers.**

“In December of 1998, crude oil was \$8.50. It ran about \$10 per barrel for several months after that -- \$16 to \$26 was the normal price range until 2004 when the price started rising rapidly. The rapid climb was because the world wants more crude oil.

“In the slump we are in, some 500 drilling rigs in this country alone have been laid down in the last five months, which means we are not building future supplies at the rate we must.

“Why is solving our energy issues so darn hard? Why is it so hard for this nation which can do so many things, or so hard for our world which can do so many things, to get our act together on energy?”

“We just went through a Presidential campaign where one side said, ‘Drill baby, drill,’ and the other side said, ‘No more dirty coal.’ We have so ideologized energy that we have put energy in the cross hairs of every political contestant who is out there because their position on energy becomes very important to their constituents.

**World Not Short of Energy** -- “Why is energy so hard when the fact of the matter is there is more energy out there than we will ever use. The world is not short of energy. There is more potential energy available to us -- whether we are talking traditional hydrocarbons, including oil, gas and coal or whether we are talking nuclear potential, or whether we are talking hydropower, wind, solar, geothermal, biofuels -- there is more energy potential in this world than we will ever need.

**“There is an abundance of energy, but we have unfortunately made it scarce. We have made it scarce not because it is not available, but we choose to make it unavailable through public policy.**

“We have available to us technology -- satellite position and ‘intelligent’ drill bits -- that make deep ocean drilling possible. Drilling rigs in two-mile deep water, drilling five miles beneath the earth can hit a reservoir within inches of its target. Technology produces good diesel fuel from algae. The scum on our ponds can become good quality diesel. The technology of nuclear fission which we have known for years.

“First, and foremost, the politicization of energy hurts us all. The fact that we have created energy ideology for the sake of running for office, for the sake of holding power, whether it’s Democrat or Republican, hurts us all. And, we allow them to get away with it.

“Secondly, energy is not a free market and those who promote the myth of free market for energy make the situation worse. Energy is the most regulated of industries other than aerospace. Where people are allowed to mine or drill, where people are allowed to site a plant, how electric utilities set a price, how

oil companies can explore or not explore geographically. Energy is regulated. The gasoline you buy is based on EPA set conditions. Energy is completely regulated. So, let's stop pretending there is a free market for energy.

“Fossil fuels will remain significant for decades amid the move toward alternative energy sources. Therefore, U.S. energy policy must address tight supply and growing global demand.

“Without a huge improvement to mass transportation, there is no way that dramatic rises in gasoline prices won't strain many American budgets beyond their limits. And suburban sprawl makes the mass transit solution untenable. Because the U.S. has no infrastructure available to support alternative energy transportation in more than a niche manner, there are no short-term alternatives to the internal combustion engine through at least the next decade.”

Hofmeister said the nation needs:

- More energy from all sources.
- More efficient use of energy, including more efficient use of land.
- To deal with gaseous waste -- We need to deal with it just as we deal now with liquid and solid waste.
- More infrastructure to deliver energy from where it is produced to where it is consumed.

“These things,” said Hofmeister, “aren't going to happen unless we do something really dramatic. Politicians working in political time work to their primary need which is to get re-elected. Partisanship paralyzes our government when it comes to energy policy.” He said the answer is to enact an Energy Resources Board similar to the Federal Reserve Board.

## AASHTO Calls for Reforms, Increased Funding



**Horsley**

“It's now time for a brand new approach,” said John Horsley, Executive Director of the American Association of State Highway and Transportation Officials, speaking at the Transportation Conference. “We are in different times, and we have to have solutions that address the challenge of the times.”

Horsley said the U.S. faces three challenges: “Global competition from China, Europe and India -- the rest of the world ‘gets it.’ Global climate change is coming toward us and transportation will be asked to do its part. We must preserve the system that is in place -- this is job #1.”

AASHTO has called for major reforms and increased federal funding for the nation's transportation programs as Congress considers authorization legislation.

Emphasizing the need to employ every kind of transportation to meet future demands, AASHTO calls for an overall \$545 billion investment for six years, 2010 through 2015, for highways, transit, freight movement, and intercity passenger rail. The five-year, SAFETEA-LU legislation provided \$286.4 billion in guaranteed funding for federal surface transportation programs. AASHTO's new proposal includes:

- \$375 billion for highways, ramping to \$75 billion by 2015. (Current five-year program totals \$199.5 billion -- \$39.9 billion annual average.)
- \$93 billion for transit, ramping to \$18.5 billion by 2015. (Current five-year program totals \$52.6 billion.)
- \$42 billion for freight improvements (from sources outside the Highway Trust Fund), and \$35 billion dedicated funding for intercity passenger rail.



**Charles "Skip" Miller, left, executive director of the Louisville Regional Airport Authority and chair of Kentuckians for Better Transportation for 2009, presents a plaque of appreciation to outgoing chair, Greg Hensley.**

## **Miller to Chair KBT**

Charles "Skip" Miller, executive director of the Louisville Regional Airport Authority, has been elected Chair of Kentuckians for Better Transportation for 2009. He succeeds Greg Hensley. Other officers are first vice chair, Mark Willis, Lexington, Burgess & Niple, Inc.; second vice chair, Luther Deaton, Jr., Lexington, Central Bank & Trust Co.; secretary, Monty Boyd, Louisville, Whyne Supply Co.; treasurer, Charles Lovorn, Frankfort, Kentucky Association of Highway Contractors; and director at large, David Haydon, Bardstown, Nally & Haydon, LLC.

Elected to the Board of Directors were Jim Adams, Louisville, American Commercial Lines, Inc.; and John Carr, Lexington, Wilbur Smith Associates, Inc. Re-elected to the Board were Mike Agee, Nashville, Rogers Group, Inc.; Alan Bernard, Leitchfield, Mid-Park, Inc.; R. R. Dawson, Jr., Lexington, R.R. Dawson Bridge Co.; Crissy Fiscus, Lexington, Dean, Dorton & Ford, P.S.C.; Greg Hensley, Louisville, Hinkle Contracting Corp.; Henry Hinkle, Paris, Hinkle

Contracting Corp.; Larry Judy, Cynthiana, Judy Construction Co.; Charles Lovorn, Frankfort, KAHC; Mike Pepper, Louisville, Independent Concrete Pipe Company; Allen Priest, Louisville, Cotton & Allen, PSC; Gene Snowden, Jr., Louisville, Brandeis Machinery & Supply Co.; Burl Spurlock, Prestonsburg, First Commonwealth Bank; Arthur Walker, Jr., Mount. Sterling, The Walker Company; and David Willmoth, Jr., Mayor, City of Elizabethtown.

### **Among the goals called for in AASHTO's transportation agenda are:**

- Increasing funding for congestion relief projects and metro areas;
- Improving highway connections and transit access for rural America;
- Doubling transit ridership to 20 billion by 2030, and 50 billion by 2050;
- Trimming 6-12 months from project delivery time by expanding state environmental responsibilities and integrating planning;
- Dedicating federal funding for a fast and reliable intercity passenger rail network;
- Reducing highway traffic fatalities by half in two decades; and
- Moving as swiftly as practical from current funding methods to a distance-based user fee.

### **The AASHTO "reform" recommendations call for:**

Streamlining of the current number of federal programs and concentrating 90 percent of federal dollars on "core programs" distributed to the states.

The match for the Interstate program should be 90 percent federal for all system capacity as well as preservation purposes; the match for the NHS should be increased to 85 percent. (The current match is 90 percent for IM, 80 percent for NHS.)

Special consideration should be given to important but costly projects that have regional or national benefits to ensure that projects of this type can be funded.

Continue funding programs for the non-NHS Federal-aid highways, bridges, and Federal Lands.

Allow commercialization of rest areas on the Interstate System, and expand the flexibility allowed for tolling on the Interstate System.

Capping earmarks at no more than five percent of the federal program.

Creating a new “operations” program to fund low-cost, rapid deployment projects to reduce delay and improve reliability of the system.

Providing dedicated federal funding for a national intercity passenger rail system including high speed rail corridors, regional corridors, and long distance service.

Maintaining at least the historic federal share (45 percent) of total capital investment in the highway and transit portions of the national surface transportation system.

“A grassroots effort is critical,” said Horsley. “The elite of the Northeast don’t see things the way we do, and it appears their message is getting through to the White House. It is vitally important that folk in Washington hear from outside the Beltway.”