



**AMERICAN PUBLIC WORKS ASSOCIATION**

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# **Improving the Performance Of Our Transportation System**

**Statement of**

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**On Behalf of the  
American Public Works Association**

**To the National Surface Transportation Policy  
and Revenue Study Commission**

**March 19, 2007**

Good Morning, Madame Secretary and Distinguished Members of the Commission. My name is Bill Verkest, President of the American Public Works Association. I am here today representing the more than 28,500 members of APWA. I appreciate this opportunity to be here today to offer recommendations regarding the financing of our nation's surface transportation system.

APWA is an organization dedicated to providing public works infrastructure and services to millions of people in rural and urban communities, both small and large. Working in the public interest, our members design, build, operate and maintain our vast transportation network, as well as other key infrastructure assets essential to our nation's economy and way of life.

I would like to cover two broad areas of interest to our members, and then be more specific about potential revenue sources to supplement current motor fuel tax revenues.

First, I will address transportation funding in general. APWA recognizes the critical need for increased investment at the national level to build and maintain our nation's transportation network. We have continually spoken in favor of more funding for highways and arterial streets in urban areas and major county roads in rural areas.

We have supported the use of motor fuel tax revenues for purely transportation purposes, asking for firewalls and striving to avoid diversions of these funds to other programs.

Consistently, we have cited the gap that is growing between transportation needs and motor fuel tax revenues, and we have urged that gas taxes be adjusted upward to close

this gap. We believe a funding and financing crisis looms, and that we must act accordingly.

The second area of interest is related to the needs of local governments. Although localities strive to provide more funding for both on-system and local street improvements, there is an urgent need for more state and federal funds for local transportation system improvements. The need for street improvements is overwhelming where aging infrastructure is deteriorating and congestion levels are increasing. In addition, the need to make our transportation system safer for all users, motorists, pedestrians and bicyclists is a top priority for local officials.

Let me now turn to several key recommendations we believe are needed to help ensure sustainability for financing our transportation system.

### **Raise the Motor Fuel Tax and Index It**

First, we recommend that the current federal motor fuel tax rate be raised to restore the purchasing power lost to inflation since its last increase in the 1990s, and then index it to automatically adjust on a timely interval using an appropriate index such as the CPI.

### **PPP, Tolling, Congestion Pricing and Pass Through Financing**

Second, we recommend further expansion of the use of financing mechanisms such as Public Private Partnerships, tolling, congestion pricing, and “pass through financing”.

The latter has proven to be quite successful in my home state of Texas. Cities and Counties are stepping up to design, construct, and fund highway improvements in urban areas using revenue bonds backed by guaranteed revenue streams. The cities and

counties in so doing are also guaranteeing their own revenue streams to help ensure low interest rate financing of these specific projects.

### **Utility System/Enterprise Funds Model**

Third, we recommend that states and localities around the country look at transportation funding in the same way that cities look at utility systems and enterprise funds. The essence of this approach is to create a revenue stream that is equal to financing a water or sewer system, a storm drainage utility, a municipal utility district, or other similar types of enterprise. A portion of that revenue stream is used to finance bonds for needed improvements or expansions of the assets of the enterprise. Other examples include Tax Increment Financing Zones and special purpose public improvement districts. Each has its own revenue stream to finance the improvements.

### **Vehicle-Mileage Fees**

Fourth, we support incentives to develop new concepts to offset revenue losses caused by more fuel-efficient vehicles. One such concept is the vehicle-miles driven approach in addition to gas taxes or in lieu of gas taxes. This is a technology-driven application that records vehicle miles driven to allow equitable payment of a fee to the state or federal government, based upon an established rate per vehicle-mile driven. The most efficient approaches are yet to be determined, but these concepts are worthy of review and consideration.

### **Local Role**

Finally, local governments are doing all they can to help finance the costs of roadway improvements in their areas. Many cities in Texas are doing this through voter-approved sales taxes and bond programs, transportation fees, stepped up maintenance programs,

and dedicated taxes. Others are providing right of way, matching funds and assisting with the environmental review process.

The leaders of our local governments need to be given incentives to continue such actions on a wider basis. They must know that the new funds generated are used strictly for local purposes, that their projects are given a higher priority than allowed by traditional funding programs, and that their dollars are being leveraged at a higher level as specific projects are funded. Larger cities like San Antonio have passed an Advanced Transportation District with a one-quarter cent sales tax; and smaller cities such as Bedford have passed a one-quarter cent sales tax for streets as part of their economic development strategy. With these additional funds, these cities have leveraged their dollars and have sold bonds that are financed by the new revenue streams to improve their local street networks.

With that I conclude my remarks. Madame Secretary and Distinguished Members of the Commission, thank you again for the opportunity to testify this morning. We pledge to do all we can to support you and your work. I will be happy to answer any questions you may have.