

Talking Points
“Beyond the Gas Tax” Symposium
Syracuse, NY
October 7, 2008

- Thank you all for coming today, and on behalf of Governor Paterson - welcome.
- Welcome to Assemblyman Bill McGee, thank you for coming.
- No one needs to be reminded that these are precarious economic times.
- Although the events of recent months — skyrocketing fuel prices, financial markets in crisis — have brought many issues to the surface,
- In the transportation sector, we are well aware of the need for investment at a time when resources are scarce.
- Our infrastructure, especially in the Northeast, is aging and reaching the end of its useful life.
- It will take significant investment in the coming years to return the infrastructure to a state of good repair,
- We know that we need — as a State and as a nation — to make these investments to support economic growth.
- So we organized this conference, which is focused more on “HOW” rather than “How Much”
- Both the American Association of State Highway and Transportation Officials (AASHTO) — which represents the State Departments of Transportation —

- and the National Surface Transportation Policy and Revenue Study Commission -- that last year took a long look at the nation's surface transportation policies and funding mechanisms--
- Have stated that investment in transportation needs to double from current levels.
- But this will not be easy in these difficult financial times.
- At the State level, we have a looming and growing budget deficit — expected to be 5.4 billion dollars next year, possibly more with current financial events.
- State agencies are being asked to cut back, ... and transportation is no exception.
- And, given current fuel prices and demand for products worldwide, what we can buy with our investment dollars is decreasing:
 - Inflation for highway and street construction in New York State has averaged more than 8 percent annually between 2004 and 2007.
 - Steel material prices have increased nationally by more than 125 percent since 2003.
 - The price index for highway construction has increased by 77 percent since 2003.
- In fact, we estimate that our current five-year capital program has lost nearly a quarter of its value simply due to inflation.

- And our State Highway and Bridge Dedicated Trust Fund is also reaching a critical phase.
- Currently, nearly half of the revenues flowing into the fund are used to pay debt service on previous investments.
- By 2013, debt service could eat up three out of every four dollars of the incoming revenues.
- I understand that when this Fund was created, the Legislature intended to increase the “pay as you go” portion and reduce bonding of the state highway plan when new revenue was added.
- Clearly, that hasn't happened yet,
- And lest anyone think that this is just the State’s problem, the federal government is also struggling.
- The Highway Account of the Highway Trust Fund, which provides funding for the nation’s highways and bridges, faced a financial crisis in September.
- It took an 8 billion dollar transfer from the general fund to cover the anticipated shortfall for the federal fiscal year that began on October 1.
- By the way, that issue isn’t resolved ... only postponed.
- The current federal transportation legislation, SAFETEA-LU, will expire on September 30, 2009 — less than 12 months from now —
- So we will be revisiting this issue over the next year, as we look for funding for future transportation investments.

- And the current Highway Trust Fund shortfall is just a symptom of the bigger problem.
- The problem we are here to address today:
- Continued reliance on the present structure of gas tax contributions — while proven extraordinarily successful for 50 years — won't do it.
- And a funding strategy so at variance with our energy policy is not the forward looking approach that we want.
- Last week, U.S. D-O-T Secretary Mary Peters announced the latest figures on vehicle miles of travel.
- Since November 2007, Americans have driven 62.6 billion fewer miles than the same nine-month period just a year earlier.
- The trend of declining vehicle miles of travel is continuing while transit and rail are seeing record growth.
- Nationwide, transit ridership is up 11 percent, and in July, Amtrak carried more passengers than in any single month in its history.
- Ridership for New York State's Upstate transit systems has increased by more than 9 percent over the previous year, with double-digit ridership increases for the core routes of those systems.
- Downstate ridership has increased 4.7 percent off an already large base.

- Our current funding mechanisms, though they have sustained us until now, need to be re-visited.
- At the national level, about 85 percent of the Highway Trust Revenues (which fund highway investments and nearly 80 percent of transit investments) are generated by fuel taxes.
- At the State level, nearly two-thirds of the highway funding and about one-quarter of the transit funding are linked to fuel-related taxes.
- In fact, operating assistance for upstate transit is funded largely through the Petroleum Business Tax.
- Ironically, as less fuel is consumed and the market demand shifts to transit, rail, carpooling, and more fuel efficient vehicles, our problem is compounded
- A positive development in our efforts to curb global warming and move towards energy independence takes on the appearance of a negative
- And remember that the dollars available to support the transit services we need are declining along with all others fed by fuel taxes.
- As we work to balance so many worthy goals — economic development, environmental sustainability, and energy independence — we will have to look “Beyond the Gas Tax.”
- In announcing the decline in national travel, Secretary Peters said “A few weeks ago, we saw the folly of our antiquated federal transportation policies when the highway trust fund almost ran out of money. If we don’t evolve our policies, we

will leave a sad legacy of old roads, crowded highways, and unfulfilled transit ambitions.”

- That is not a legacy any of us want to leave.
- The Ravitch Commission, established by Governor Paterson, is taking on the question of how to address MTA’s financial needs.
- This Symposium is taking a look at funding for the modes of transportation under NYSDOT’s jurisdiction.
- What options are out there to move away from — to balance — our current reliance on the gas tax?
- What should we consider and what actions can we take to move toward long-term stable funding (vs. specific project financing)?
- What have other states done and what can we learn and apply from their experience? ...
- Simply put, how can we diversify the funding portfolio?
- NYSDOT has certainly been doing its own thinking.
- And we have identified our investment priorities.
- In March of this year, NYSDOT submitted its five-year Multi-modal Transportation Program (for 2009 to 2014) to the Legislature, where we identified our key priorities:
 - Preserving our Transportation Assets
 - Supporting the State’s economic vitality and quality of life
 - Maintaining and improving mobility for people and goods throughout the state

- Stewardship of the State's environment
 - Safety for the traveling public
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- We are now developing a new five-year capital program, guided by these priorities.
 - We are focusing on addressing our most pressing infrastructure condition needs in tight fiscal times, while building a base for the future.
 - And we are working on other fronts — at both the State and national level — to make the case for increased transportation funding ... and to more closely link transportation to the benefits an efficient, balanced system provides to our State and the nation's energy and global warming goals.
 - NYSDOT has a direction, and we have priorities and goals for improving our state's transportation system.
 - The challenge is to identify funding and financing techniques that are consistent with our policies, consistent with our priorities – and that can help us realize these goals and move to action.
 - And that is the value of today's conference.
 - We are fortunate today to be hearing from some of the nation's leading experts on these topics, and we thank them for being here.
 - Thank you also to NYRIC for its support and participation.
 - The two panels that follow will define the current problems, and offer options, experiences from other states, and ideas. We will then get a view from the industry — providing a perspective on

next steps and actions. Buz Paaswell will then provide closing remarks.

- When we leave here today I don't know that we will have "THE ANSWER"
- (This is not an area loaded with silver bullets, although it can occasionally prompt a small "EUREKA" moment),
- But I hope that we will have a better shared understanding of current thinking, the options we may have and their implications.
- I want to particularly thank Buz and the University Transportation Research Center — our co-hosts for this event — for all of their hard work in pulling this conference together.
- I look forward to hearing from today's speakers, and in working with all of you to create a better, stronger transportation system for the future.