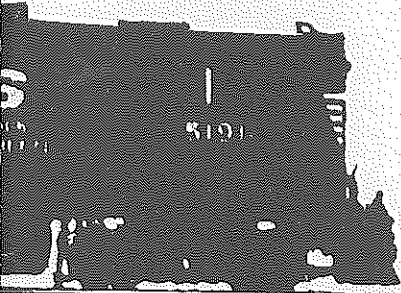
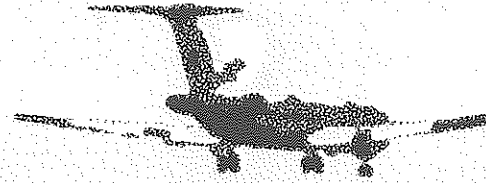


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TRANSPORTATION

A FOUNDATION FOR THE FUTURE

MICHIGAN DEPARTMENT OF TRANSPORTATION'S
VISION FOR THE 1990's



OCTOBER 1990

EXECUTIVE SUMMARY

Michigan's transportation system serves all of us unceasingly. It delivers us to our jobs. It brings the abundant produce of Michigan farms and the quality products of Michigan factories to our stores. It can take us to the beauty of the Pictured Rocks National Shoreline or the excitement of a World Champion Detroit Pistons game. This network of roads, bridges, railroads, busses, airports, and port facilities is an integral part of all of our lives and our livelihood.

It is the mission of the Michigan Department of Transportation (MDOT) to enhance the quality of life of Michigan citizens and to support Michigan's key industries in their effort to be productive and compete in the world economy.

- ▣ Our transportation system helps make Michigan a nice place to live, work, and visit.
- ▣ Our transportation system is vital to Manufacturing, Tourism, Agriculture, Forestry, and High Technology--Michigan's key economic and job providing sectors.
- ▣ Recent empirical evidence points to a close relationship between infrastructure investment and private sector productivity.

To accomplish our mission, the MDOT must meet the challenges posed by growing costs, declining revenues, and an aging and congested transportation system.

- ▣ Our transportation system is aging. As a first priority, we must continue as we did during the last decade to preserve what we have.
- ▣ Michigan's comeback has created congestion on our roads and in our airports.
- ▣ The social and environmental impact of transportation projects must be weighed more carefully than ever before.
- ▣ The costs associated with constructing transportation projects are growing.
- ▣ The federal government is continuing its trend toward declining support of state and local transportation.

To meet these challenges, we must continue our efforts to plan well and use resources efficiently.

- ❑ The department will continue to adopt long-range investment plans for highways, aeronautics, and public transit to bring program targets in line with anticipated revenues.
- ❑ The department will continue to pursue alternative sources of financing, such as the Transportation Economic Development Fund and federal discretionary funds.
- ❑ The department will seek stronger relationships with local and regional planning agencies to coordinate state and local transportation investments.
- ❑ The department will encourage the development of new technologies, where appropriate.

The close of the era of interstate construction and the forthcoming realignment of the federal surface transportation act create the opportunity to design a federal highway and transit program that will help state and local governments meet the challenges of the '90s.

- ❑ In 1991, the federal highway and transit programs will expire. We should work toward reversing the eight-year trend of declining federal support.
- ❑ The reauthorization of the federal transportation program represents an opportunity to redesign the federal program in way that will help state and local governments face the challenges ahead.
- ❑ Each level of government, federal, state, and local, have a role to play in maintaining our transportation system. Local governments are in the same boat as state governments. They face the same transportation challenges as we do. We must work together to make the partnership work.

Given the ability to respond to the challenges we face, Michigan's transportation system can improve the quality of life in Michigan and spur, rather than impede, economic activity and job creation.

FOUNDATION FOR THE FUTURE

M•DOT'S MISSION FOR THE 1990s

*THE MICHIGAN DEPARTMENT OF TRANSPORTATION:
PROVIDING THE HIGHEST QUALITY TRANSPORTATION SERVICES
FOR ECONOMIC BENEFIT AND IMPROVED QUALITY OF LIFE.*

-Mission Statement

FOSTER ECONOMIC GROWTH

In the 1990s, transportation must be a catalyst for attracting new businesses to Michigan and must aid the development of Michigan enterprises into world-class competitors. It is the goal of the Michigan Department of Transportation (MDOT) to foster a strong Michigan economy and create job opportunities for all of our citizens. Transportation's role is important because commerce relies so heavily upon the ability to transport raw materials to the factory floor, finished goods to the store shelf, and customers to the front door. All of Michigan's major industries rely heavily upon our transportation system.

Manufacturing

In 1987 and 1988, Michigan was first nationwide in manufacturing investment totaling \$1.9 billion. Our network of auto manufacturers and suppliers is one of our strongest economic assets. Our highways, railroads, airports, and waterways are the link which connects them.

Tourism

Michigan is the eighth most popular travel destination nationally. Ninety percent of our booming \$15 billion tourism industry depends on automobile transportation; each year, more than 3 million cars cross the Mackinac Bridge.

High Technology Research

"Automation Alley" is one of the fastest growing high-tech centers in the world today, and high-tech research is expanding rapidly in other parts of Michigan as well. Quick access to customers and related businesses is one reason for development of such centers, and a survey of high-tech employers found traffic congestion to be their worst transportation problem.

Agriculture

Michigan farmers rely on highway and rail transportation to move their produce to processing centers and markets. Our transportation system

helps turn \$3 billion of annual agricultural production into a \$15 billion-a-year Michigan food processing industry.

Forestry

Most of our raw timber is shipped by highways or railway to processing plants. Our highways link \$265 million worth of raw timber products to our sawmills and wood processing plants, which drives a

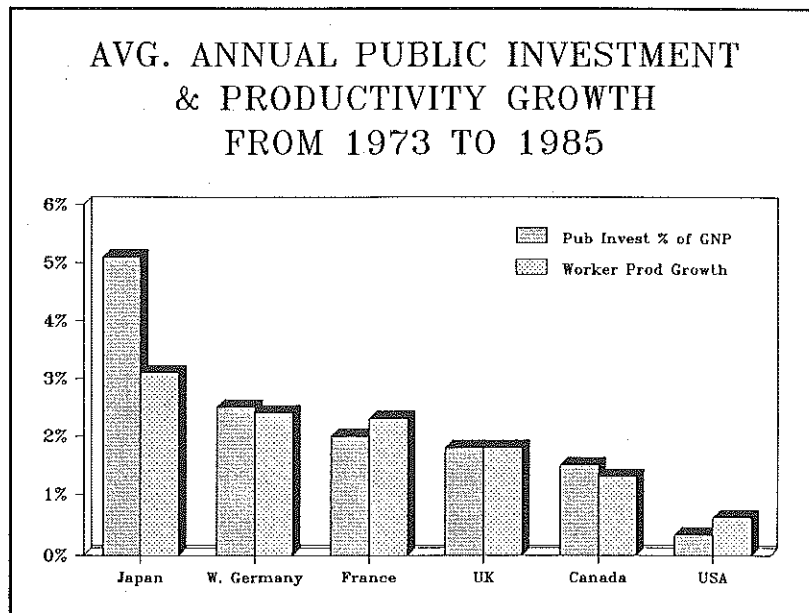
\$4 billion-a-year wood products industry.

Small Business

Michigan's other industries and small businesses that individually account for a smaller share of our economy, in aggregate, have a great impact on the economy and are equally important. They too rely on transportation to link them to production inputs or provide them access to markets or both.

David Aschauer, a University of Michigan economist, recently provided empirical evidence of the importance of transportation's role in the economy in a study for the Federal Reserve Bank of Chicago. Mr. Aschauer documented a close link between the rises and declines in public infrastructure investment and the rises and declines in productivity in the U.S. between 1950 and 1985. He found evidence of the same

link in six other industrialized countries including Japan, which had the highest level of public capital investment and also the highest level of productivity. Since Mr. Aschauer's report, the importance of infrastructure to economic activity has been asserted by many prominent economists and articles in publications such as *The Wall Street Journal*, *Barons*, and *Business Week*.



An inferior transportation system could discourage savvy entrepreneurs from locating in Michigan or even worse encourage them to leave. Other things being equal, businesses are more likely to locate where their transportation costs are lower. Our task becomes more urgent as the world economy presses ever upon us to compete for private investment, not only with neighboring states, but also with distant nations.

IMPROVE THE QUALITY OF LIFE IN MICHIGAN

While our transportation system's role in the economy is important, of equal importance is transportation's role in contributing to the quality of life in Michigan. Personal safety and mobility play a significant part in the quality of life. Mobility is fundamental to our freedom to come and to go and to do as we please. Congested and deteriorating roads and airports and limited urban and intercity transit, however, detract from this freedom and pose a threat to the safety of the people who use and depend on these services. In order to improve the quality of life in Michigan, the MDOT is dedicated to making travel in our state safe, convenient, and accessible to all.

In addition, as care takers of our transportation system, the MDOT has some unique opportunities to contribute to the environment and to ensure not only that travelers reach their destinations, but that the journey itself is a pleasant experience. The decisions we make regarding how and where to build transportation facilities and what we do with almost 10,000 miles of roadside can have a significant impact.



Roadside Respite

In 1935, the department built the first roadside park adjacent to the Red Cedar River on old US-16 just east of Lansing. Since then the system has expanded to 83 freeway rest areas, 13 welcome centers, 90 roadside parks, and 40 scenic turnouts. These facilities offer respite on a long journey, useful travel information, or a place to just stop and enjoy the beautiful Michigan scenery. It is a service on which residents and visitors have come to rely.



Operation Wildflower

Operation Wildflower, jointly sponsored by the MDOT, the Federated Garden Clubs of Michigan, Inc., and the Federal Highway Administration (FHWA), was initiated to restore colorful wildflowers along Michigan roadsides. Along with beautifying our state, the more than 100 acres of wildflowers already planted reduce roadside maintenance costs, help restore the environment, protect endangered plant species, control

erosion, and enhance the habitat for non-game wildlife.

Tree Planting

Last year's tree planting campaign, kicked off by Governor Blanchard and Detroit Tiger Manager Sparky Anderson resulted in over 60,000 new trees along Michigan roadsides. This year, with the help of the Michigan Youth Corps, we hope to plant 250,000 seedlings, many of which were donated by the private sector. The value of trees, like wildflowers, extends beyond aesthetics. Trees prevent wind and soil erosion, provide food and shelter to wildlife, reduce the glare and reflection from roadways, sidewalks, and parking areas, and provide the oxygen we breath.

Pride and Service

The *Adopt-A-Highway* program, kicked off during Earth Week, allows groups of at least ten people to claim a portion of state roadside to keep free of litter, and if they wish, to do some minor landscaping. In return the MDOT designates that portion of the highway as theirs with an Adopt-A-Highway sign naming the volunteer group. This program lets participants take personal pride in keeping Michigan's front yard--our roadsides--beautiful.

Accentuating The Positive

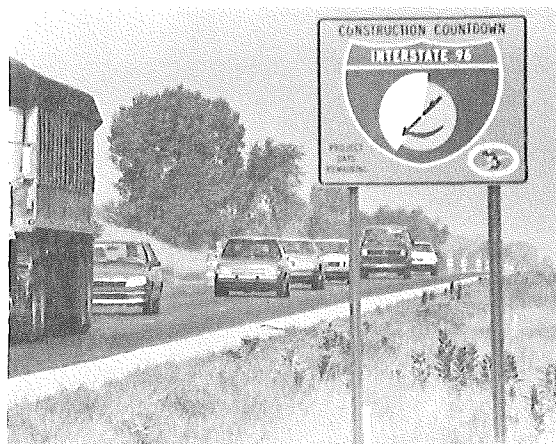
The State Legislature is considering a *Heritage Route* program. The purpose of the program is to highlight some of Michigan's most impressive--and often overlooked--features and to help protect and preserve them as well. Under the program, the State Transportation

Commission would designate certain sections of the state highway system as scenic, recreational, or historic. Scenic routes would have to display outstanding natural beauty. Recreational routes may or may not be scenic, but must provide passage to, or through, a recreational area. Historic routes would display the many historic buildings and sites in Michigan.



Preserving History

Archeology probably isn't the first thing that comes to mind when you think of the MDOT, however, road and bridge construction often turn up artifacts of historic and prehistoric significance. Whenever this happens we are required by state and federal law to do archeological excavations. The MDOT



has helped fund excavations that have turned up, for example, some of the earliest pottery ever found in Michigan, and artifacts from people living near the Blue Water Bridge in the mid-eighteen hundreds. We are involved in dozens of investigations each year, and often we will reroute a highway around a historic site or alter our construction techniques to preserve Michigan's cultural heritage.

So The Cure Doesn't Harm The Patient

In addition to the programs listed above, we have implemented procedures that will help make road construction and repair projects less troublesome to the motoring public. In recognition of the fact that we do our work at the least convenient time for our customers, we recently began offering contractors incentives to finish projects ahead of schedule and began levying penalties for being behind. In a dramatic example of how effective these incentives can be, it took just 16 days, between July 17 and August 2 of 1989, to resurface seven miles of I-96 west of Grand Rapids--a project that generally takes three months! The incentives will help minimize the disruption of traffic flow during the heavily traveled summer months. We also suspend construction during busy holiday weekends and are working to better inform motorists of when and where construction will be taking place and offering alternate routes.

All of these programs have high returns. They improve the quality of life in Michigan. This decade, the MDOT will continue pursuing opportunities to fulfill our mission to make Michigan a better place to live and to visit.

CHALLENGES FOR M•DOT IN THE 1990s

If the MDOT is to accomplish its mission in the decade ahead, there are a number of challenges that we must be prepared to deal with. These challenges are not entirely new in the 1990s, in fact most are old adversaries, but all of them will present obstacles as we lead Michigan's transportation system forward.

PRESERVING OUR EXISTING SYSTEM

We must preserve the existing transportation system. There is no gain in adding new services if we have not first accomplished the massive task of maintaining what we have.

Highways

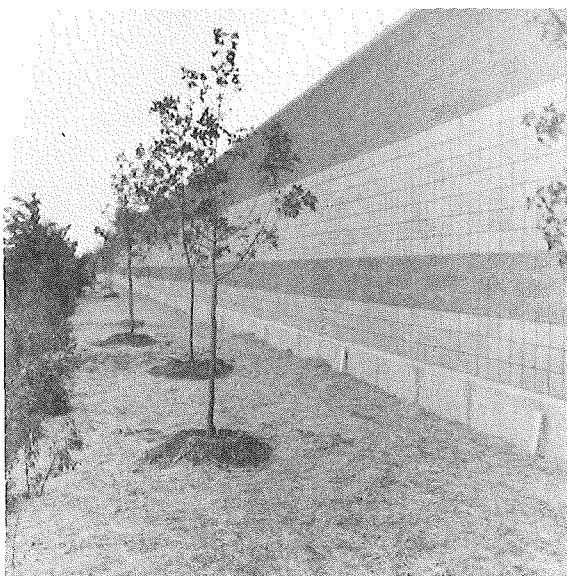
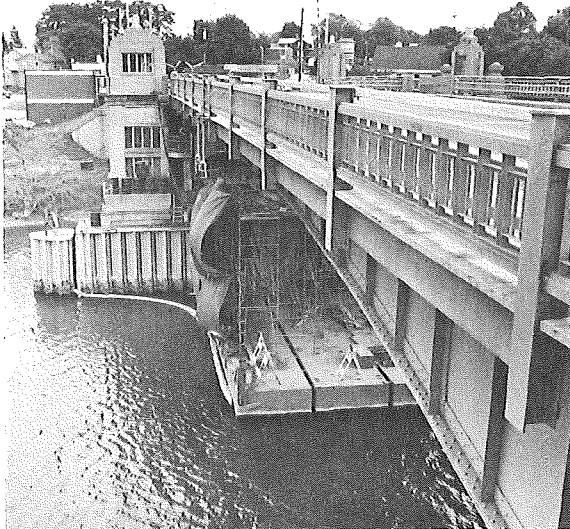
The State Trunkline System consists of 9,550 miles of highway and 4,493 bridges. Eleven-hundred eighty one of those miles are Michigan's share of the Interstate Highway System. Along the side of the state trunkline system are 450,000 signs, 320,000 delineator posts and reflectors, 17,000 miles of guard rails, 12,000 lights, 3,300 miles of fence, 204 park-and-ride lots, and more than 200 rest areas, roadside parks, and scenic turnouts. The first priority of the MDOT is to maintain and keep pace with deterioration of this system and to improve safety for its users.

Along with maintaining this large inventory, we mow, landscape, and remove litter from 62,000 acres of roadside each summer and salt and plow snow from the 9,550 miles of roadway during the winter. We also make frequent minor and major pavement repairs.

The majority of the highway system on which we have come to rely is reaching middle age. In order to repair roads as soon as their condition is rated "poor," we need to repair an average of 450 to



500 roadway miles each year. In the 1980s, we averaged a little over 500 miles each year. However, during the 1989 revision of our Highway Investment Plan, we concluded that in order to get program targets in line with anticipated revenues, some low-use, low-speed roads could not be repaired until their condition becomes "very poor." Using this criteria, the goal is to repair an average of 390 roadway miles each



year. Where such choices are necessary, we must target our efforts to minimize the impact on our customers. We are on course for many more such choices.

During the 1980s we repaired an average of around 140 bridges a year. Currently, there are 1,870 bridges that need either paint or other repair work. In the 1990s, we must slow down the deterioration of our bridges by performing necessary maintenance on a regular basis. We must upgrade bridges with a "poor" rating to avoid more costly future repairs, or, quite possibly, even closures. When bridges are taken out of service, they cause travel delays and increase fuel consumption. We need to replace some bridges that no longer meet current travel demands, because they were built prior to trucking deregulation and increased weight limits.

It is important that each visitor using our rest areas and welcome centers have a positive experience. That way tourists and out-of-state customers will be more likely to return and our own citizens can enjoy the convenience. We must continue to provide modern, clean, and sanitary facilities that are accessible to all users.

We must install additional noise walls along our trunklines so that homeowners living adjacent to major travel corridors can continue to enjoy the quality of life they have come to expect. Roadway improvements benefit all of us either directly or indirectly, but the extra noise they create only affects those people who live along side them. Noise walls mitigate the negative effects that roadway improvements have on a neighborhood by providing peace and quiet.

Public Transit

Each year, 67 local transit systems serve a ridership of approximately 90 million passengers. Five carriers provide intercity bus service to 550 Michigan communities. Passenger rail service benefits 20 communities. Michigan ferries serve over 500,000 people each year. In addition, the MDOT operates 872 miles of railroad and supports 12 local rideshare offices, the MichiVan-pool program, and a variety of related services.

The central focus of the MDOT's local public transit efforts is to provide a reasonable level of mobility to all Michigan citizens, especially the "mobility limited"--the poor, the young, the physically handicapped, and the elderly. Our goal is to provide citizens better access to job opportunities and the other benefits and activities of society, as well as to provide alternatives to the private automobile in order to reduce air pollution and congestion.

Many of these services are operated locally with local, state, and federal support. However, during the 1980s there was a major shift in funding, away from the federal government and toward the state and local governments.

In the 1990s, we must continue to provide operating assistance for establishing local bus services and specialized services for seniors and handicappers, to offer local governments technical assistance in the areas of research and development and the optimization of public transit operations, and to help organize and market local ridesharing and vanpooling programs.





Airports

Michigan has a system of 236 airports and flying fields; about half are publicly owned. Commercial airline service is available at 20 airports statewide. There are also 102 publicly-owned general aviation airports, which includes all other activity from crop dusting to passenger and cargo charters. The MDOT is responsible for improving safety and security at airports, maintaining the minimum standards established in the Michigan Aviation System Plan, and for promoting commercial airport use through marketing efforts. In the 1980s, our airports experienced major increases in use. In the 1990s we must make strides to maintain the current level of service, including the first overhaul in 18 years of the state air navigation system.

CONGESTION

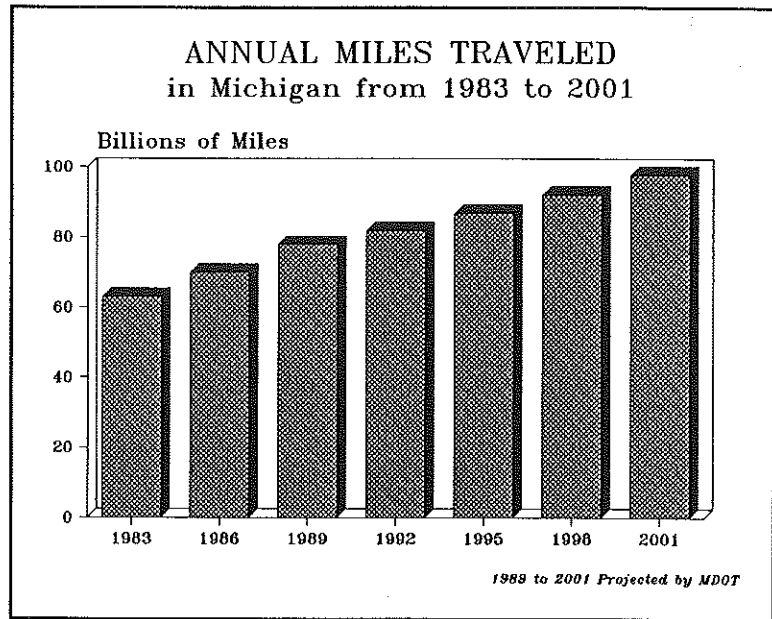
In the 1960s, foresight and fast action made Michigan a leader in highway construction. By issuing bonds, the MDOT was able to build more miles of interstate highway faster than our competitor states. This action opened new avenues of economic opportunity that fueled our prosperity throughout the 1960s and into the 1970s.

In the late seventies and early eighties, the entire country experienced economic decline. In the last half of the 1980s, while Governor Blanchard worked to rebuild Michigan's economy, we focused on the important tasks of preserving our existing transportation systems and completing our interstate highways. Through these combined efforts the state's economy became less dependent on the highly cyclical automobile industry. High technology industries were attracted to the state, and our other principle industries, tourism, forestry, and agriculture, were invigorated.

MICHIGAN'S GROWTH IN THE LATTER PART OF THE 80s

- * Over 600,000 new jobs
- * Unemployment lowered 50%
- * Record new business starts
- * Lower inflation than national average
- * Greater economic diversity
- * *Travel increased by 30 percent*

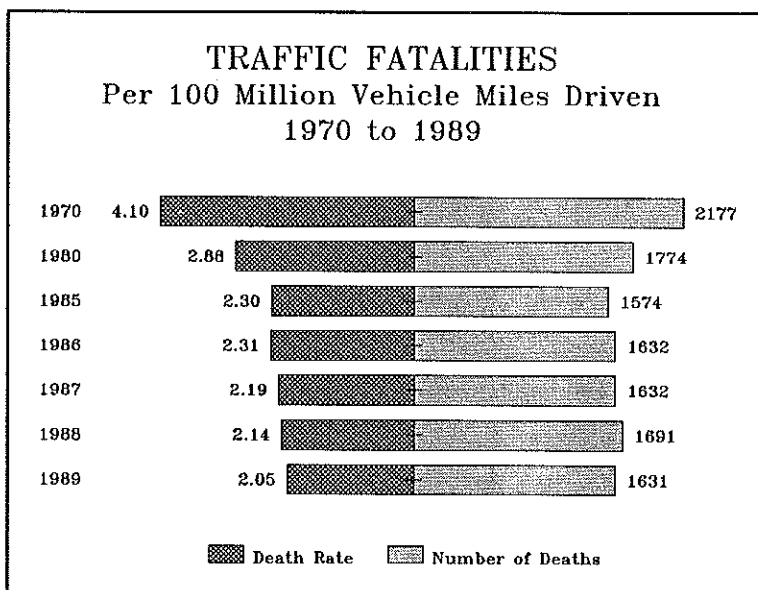
Michigan's success, however, has brought some new challenges. Seven years of economic growth has stretched road and airport capacity to the limit and increased the need to improve alternative modes of transportation, such as mass transit, and water and rail transportation. For example, travel on Michigan roads increased by 30 percent between 1983 and 1989, while capacity was only increased by one percent. In 1983, vehicles traveled about 60 billion miles on Michigan roads. By the year



2001 that number is expected to climb to 100 billion. Between 1983 and 1988, total air passenger traffic in Michigan increased by 62 percent. Now, we are faced with doing more than simply preserving the existing system. We must also expand it, otherwise we risk letting down our customers and harming the economy.

IMPROVING SAFETY ON CONGESTED SYSTEMS

Safety has always been the primary concern of the MDOT, but as our transportation system becomes more and more crowded, it becomes more difficult to maintain the



same level of safety. Signs and pavement markings must be improved, intersections must be widened, guard rails must be improved, and signals must be modernized in areas of increasing congestion. Over the past few years traffic fatalities per 100 million vehicle miles driven has declined even as vehicle miles traveled continues to set new records. However, as the death rate on our highways declines, the number of deaths is still too high. From 1987 to 1989, the number of deaths per 100

million vehicle miles driven declined from 2.19 to 2.05. Still, 1631 people lost their lives on Michigan roads in 1989. The facts show that we have improved the level of safety, but we must continue to work toward reducing the absolute number of lives lost--even in the face of an increasingly congested system.

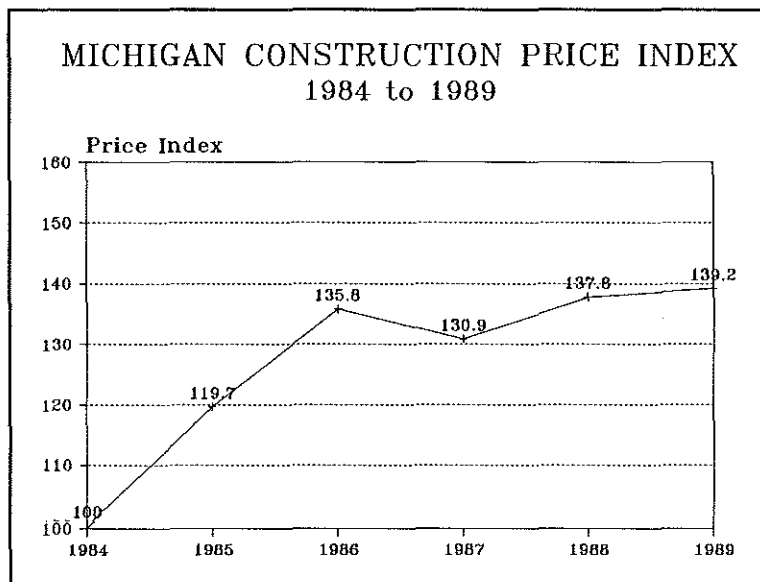
BALANCING COMPETING QUALITY OF LIFE ISSUES

Clearly, transportation projects add to the quality of life in Michigan. It is important, however, that as we select and carry out projects, we respect a myriad of other factors that also contribute to the quality of life. The department must be sensitive to the loss of wetlands and vital agricultural land, the control of lead based paint being removed during bridge maintenance, the noise generated by capacity improvements, and the feelings of some neighborhoods that simply do not want a new highway in their back yard. To ignore any of these considerations when planning a transportation project would be counter-productive to our goal to improve the quality of life in Michigan. Yet, these all add to the cost of projects. Few transportation projects are designed that do not run into such issues. We will be challenged in the 1990s to balance these competing goals so that the net benefit is a higher quality of life for Michigan residents.

GROWING RIGHT-OF-WAY AND CONSTRUCTION COSTS

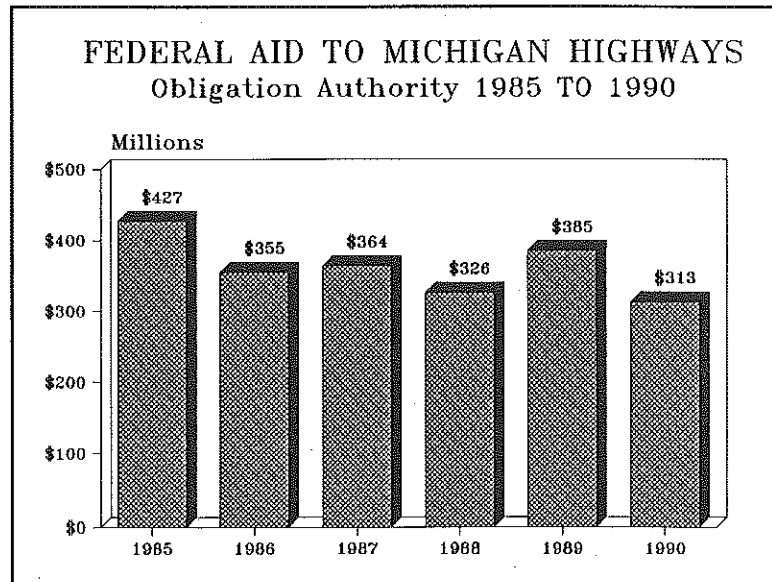
Escalating costs present a challenge for us, just as they do for businesses and individuals. Particularly acute for us, however, is the increasing cost of obtaining the land on which to build projects and also the projects' cost of construction.

Growing suburban areas often require transportation improvements to cope with congestion. But the right-of-way to build in these areas is difficult to obtain and particularly costly. In addition, the Michigan Construction Price Index, the measure of the cost of building roads in Michigan, has increase by nearly 40 percent between 1984 and 1989. That means that we can only buy a little more than half of what we could buy just 6 years ago for the same amount of money.



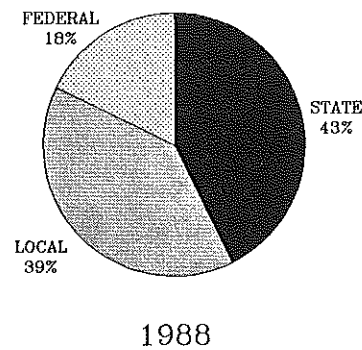
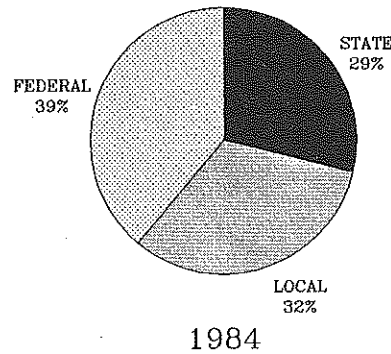
DECLINING FEDERAL SUPPORT

During the last five years, including 1990, state and local receipts from the federal highway program for Michigan highways have averaged around \$80 million lower than the amount received in 1985. In fact, if we had received the same amount in the following five years that we received in 1985, we would have had an additional \$400 million to spend on Michigan roads.



The story is the same for public transit. In 1984, the federal government's share of public transit was 39 percent. By 1988, it had fallen to 18 percent. Local governments have increased their share from 32 percent to 39 percent and state government's share grew from 29 percent to 43 percent.

MICHIGAN TRANSIT FUNDING



The federal government has been reducing its support of transportation programs for the past eight years and state and local governments have had to pick up the difference. This is becoming increasingly difficult for Michigan to do with the many other challenges we face. State and local governments have stepped up in the past, but if the trend continues, it is likely that the increased burden will result in additional cutbacks in services.

M.DOT'S RESPONSE TO THE CHALLENGE

The MDOT is attacking the obstacles before us on many fronts. Considering even the least ambitious estimates for the long term, it is clear that we will not be able to simply build our way out of our congestion problems. Adding lanes is expensive and, in congested areas, where the lanes are most needed, lack of space has rendered it impractical. In the 1990s it will be necessary to promote alternate modes of transportation and new technology, improve cooperation and communication among governmental units, and--above all--plan for the future. The MDOT is making every effort to target, stretch, reduce the demand for, and improve the efficiency of our transportation dollar.

THE INVESTMENT PLANS

The MDOT's long-range investment plans for highways, aeronautics, and comprehensive transportation (local transit services, specialized services for seniors and handicappers, intercity passenger services, and freight services) compare transportation needs with anticipated revenues and then targets our investments to the areas of need with the highest priority.

For example, the highway investment plan focuses our roadway investments on the 4,400 miles of trunkline that are the most important to Michigan's economy. Classified as the Priority Commercial Network, this 44 percent of our highway system carries over 90 percent of the economic value of all goods and services produced in Michigan. It is absolutely essential to Michigan's economic competitiveness that this system be preserved and improved.

ALTERNATIVE SOURCES OF FUNDING

The investment plans also call for using available dollars to attract additional transportation dollars whenever possible. The Transportation Economic Development Fund (TEDF) and federal discretionary funds represent two areas where we have had demonstrated success.

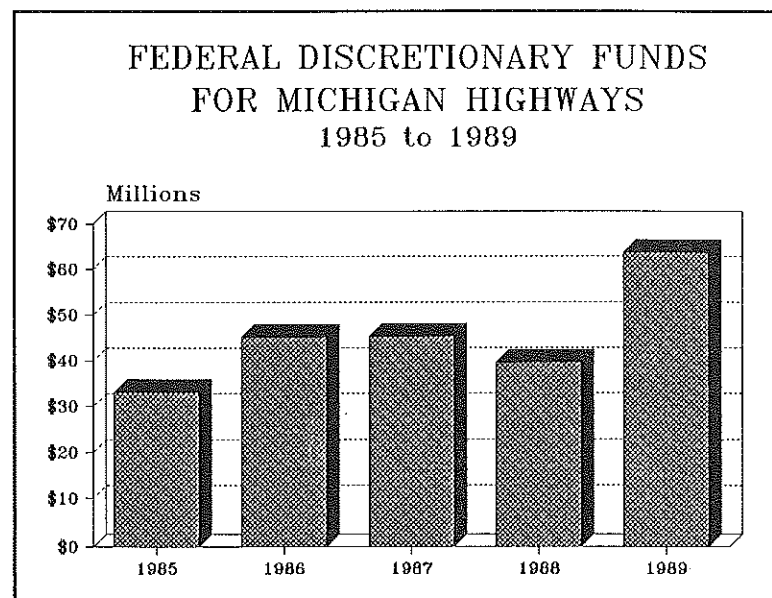
Transportation Economic Development Fund

In 1987 the Governor and the Michigan Legislature created the TEDF with revenues from the Michigan Transportation Fund and the state's general fund. The purpose of this innovative fund is to provide some of the revenues required by the state and local governments to meet the economic development demands placed on highways, roads, and streets.

Since the TEDF was created, the Michigan Transportation Commission has approved over \$151.6 million that has supported over \$3 billion in private investment and assisted in the creation or retention of more than 43,000 jobs.

Federal Discretionary Funds

Since 1985 the department has received over \$225 million in federal discretionary funds for Interstate completion and reconstruction. These funds are awarded based on the merit of applications submitted to the FHWA. The MDOT will continue to vigorously pursue discretionary funds whenever they are available.



GROWTH MANAGEMENT

Without careful planning, the economic growth we encourage can be the very thing that renders our transportation investment obsolete. A capacity improvement on a roadway may encourage development, which in turn



causes congestion, which may require additional investment--and so on. Growth management is the process by which growth at the local or regional level is encouraged, but is also balanced with environmental concerns, individual rights, and the cost of providing new water, sewers, utilities, and transportation services.

Managing growth properly requires developing a philosophy toward land-use, formulating a policy that embodies that philosophy, and implementing the policy through growth management tools, such as zoning restrictions, local tax sharing, and development impact fees. The philosophy, policy, and specific tools used depends on the particular competing interests of the area.

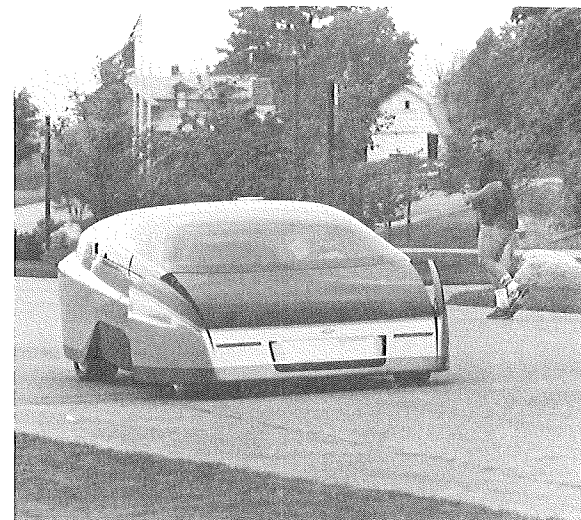
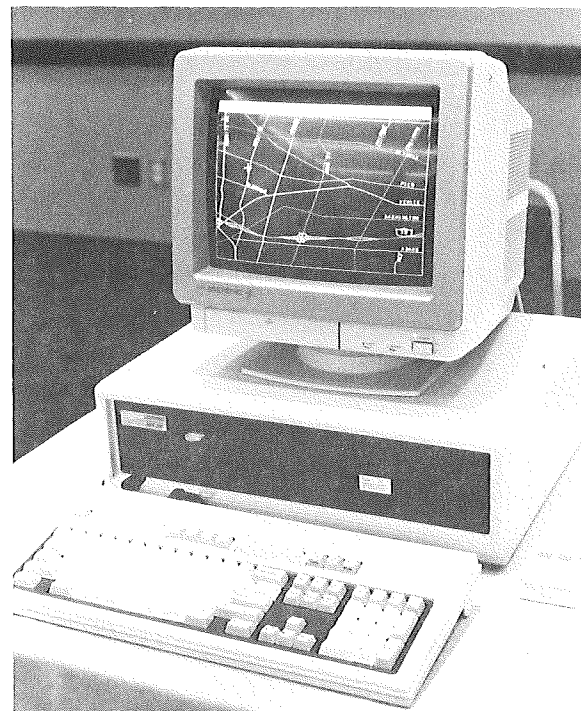
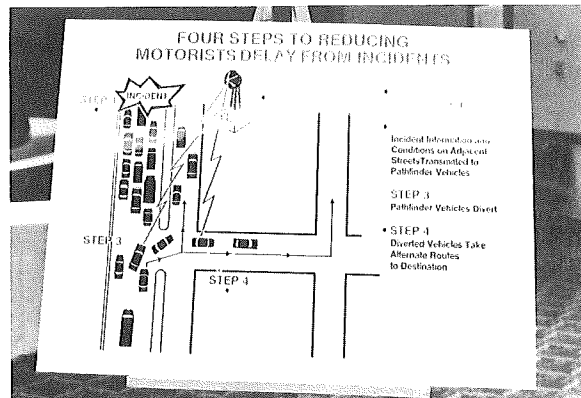
In Michigan, land-use issues are largely the responsibility of local units of government. Local decisions, however, often impact state highways. So, the MDOT has made a commitment to encouraging the planning process at the local level and becoming a participant during the early stages of that process. It is not our goal to dictate policy to local units, but to help protect transportation investments and to aid communities in attaining their economic goals. A collaborative effort between the Michigan departments of transportation and commerce and local units of government in southeast Michigan is underway. Pilot projects have been initiated in Wayne, Oakland, and Macomb counties and in the City of Detroit to test a tentative growth management policy for the region. Feedback from local business and community leaders will be used to refine policy before it is actually implemented.

SMART CARS AND SMART HIGHWAYS

Looking toward the future, Michigan has established itself as an innovator and leader in Intelligent Vehicles/Highway Systems (IVHS) or "smart cars" and "smart highways". IVHS are computerized systems that monitor traffic and direct traffic flow or inform drivers so they may respond to changes in the roadway environment. The ultimate benefit of these systems is that they reduce congestion and greatly increase safety by making existing systems work more efficiently.

Michigan is a natural leader in IVHS technology because our state took an early interest in the field. We have four major research universities and a growing high technology industry. In addition, Michigan is the home to the Big Three auto makers' corporate offices and many of their product research and development centers.

In 1991, MDOT will open the Michigan Mobility Center in downtown Detroit. The center will house a laboratory for developing IVHS and the system know as SCANDI (Surveillance Control and Driver Information). SCANDI, built in the late 1970s and early 1980s, is a network that includes on-ramp meters and stop lights, TV monitors, and electronic bulletin boards for reducing congestion on some Detroit freeways. An upgrading of the SCANDI system is already underway. The Michigan Mobility Center will provide the MDOT, the University of Michigan, and our private sector partners with the ability to work together in a field laboratory with access to real traffic data. We are well positioned to turn Michigan into the IVHS capital of America.



OPPORTUNITY FOR THE 1990s AND BEYOND

Since the early 1900s, America's highways have been the responsibility of a federal, state and local government partnership. In 1956, the federal government directed the nation to build the National System of Interstate and Defense Highways. That goal, the centerpiece of the Federal-Aid Highway Program, has been the dominant force in state transportation programs ever since. Roughly, 40 percent of Michigan's entire highway budget and 75 percent of our road construction program is financed out of the federal Highway Trust Fund (HTF), the funding mechanism for the federal program. The HTF is comprised of federal user fees, primarily the 9 cents-a-gallon federal gasoline tax and the 15 cents-a-gallon federal diesel fuel tax. One penny of the 9 cent gasoline tax goes into the Mass Transit Account (part of the HTF) for public transportation systems.

A NEW FEDERAL PROGRAM

On September 30, 1991, the statutory authorization for the federal highway and transit programs, the 1987 Surface Transportation and Uniform Relocation Assistance Act (STURAA), will expire. This act focused on completion of the Interstate Highway System. In Michigan, two segments of I-69, one just north of Lansing and the other near Charlotte, are all that remain unfinished. They will be completed in 1991. With the entire Interstate due for completion in 1992, a great many changes to the act are anticipated. This realignment of the Federal Highway Program is an opportunity for the nation to strive toward maintaining America's transportation system as the best in the world.

THE PRESIDENT'S POLICY

On March 8, this year, President Bush and Transportation Secretary Skinner announced the release of the National

Transportation Policy. The document offers the administration's recommendations for the new act and proposes the future direction of the nation's transportation system with six major themes.

The major themes are:

- Maintain and expand the nation's transportation system
- Foster a sound financial base for transportation
- Keep the transportation industry strong and competitive
- Ensure that the transportation system supports public safety and national security
- Protect the environment and the quality of life
- Advance U.S. transportation technology and expertise

There is much within the President's recommendations that we can embrace. Certainly, we are pleased to hear the administration publicly acknowledge the importance of maintaining an effective

transportation system: In President Bush's words, "our competitive success in a global economy depends on it." We agree wholeheartedly with the directions established in the six major themes. In addition, the new policy calls for the federal-aid program to focus on the systems and projects of national significance and to allow states greater flexibility in achieving national goals. The policy also recommends additional resources be devoted to research and development. We support both of these positions.

The policy, however, falls short in some critical areas. It does not spell a reversal of the trend toward declining federal support of the last eight years. The policy extols the virtue of having the users pay for services through individual increases in user fees. Yet, it makes no call to release the funds that the users have already contributed to the trust funds and that are being held hostage to the federal deficit. Congress, in recent years, has been withholding a portion of the federal gas tax, and currently, there is over \$10 billion collected for highway improvements that is not going back to the states. The Mass Transit Account and the Aviation Trust Fund have had a similar experience. Together, all of the trust funds carry a balance of over \$30 billion--much more than is necessary to pay outstanding claims against the funds. The cost of withholding funds in the HTF to Michigan's highway program is tremendous. We could have an additional \$75 million to \$100 million each year over the next four years, if Congress would relent and spend down the balance. The number of revenue-supplementing options proposed by the policy to enhance the "user pays" concept will not fill the funding gap.

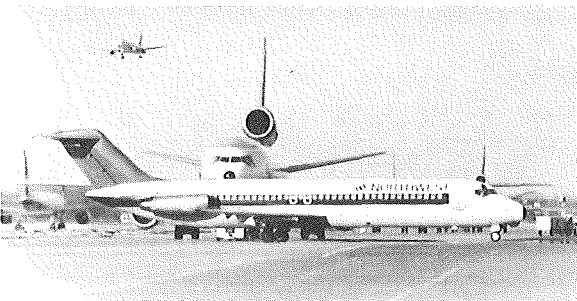
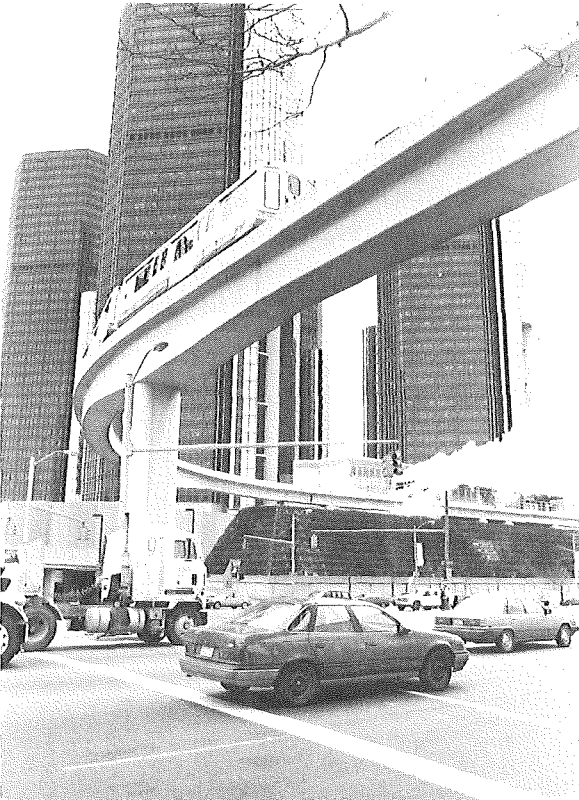
For example, the policy calls for a greater reliance on toll roads as a source of new revenue. However, a peninsular state such as Michigan does not attract the high volumes of through traffic that is necessary to support toll roads, so this option would not generate much new revenue for our state.

The new policy irrefutably proclaims that we must invest today to meet tomorrow's transportation needs, but lacks details on how to finance the investment. In summary, the Bush policy is long on good ideas, but short on providing the necessary funding to carry them out.



DIRECTIONS

The National Transportation Policy will guide the administration's proposal for a new surface transportation act. The MDOT believes that the new federal surface transportation act should--**first and foremost**--release the money in the Highway Trust Fund that is being held captive by the federal deficit. These funds, already collected and earmarked for transportation programs, should be spent as they were intended. Diverting HTF dollars to non-transportation purposes jeopardizes the fund's integrity and is unfair to the highway users who paid them.



In addition, the new program should re-establish the federal government's position within the federal, state, and local partnership. Our nation's transportation system crosses all state borders and a national perspective is imperative if we are to have a world-class transportation system. The federal government must take a leadership role in establishing and then supporting national goals for transportation and in researching new technologies.

The nation must have a surface transportation act that does more than just acknowledge the paramount importance of our transportation system to every American's economic well being and quality of life. It must provide state and local governments with the resources to respond. It is important that our local partners are not overlooked, because they control a significant piece of the transportation system. The MDOT's ability to support economic activity and better serve Michigan citizens is tied to the ability of local governments to do the same.

The realignment of federal highway and mass transit programs must be driven by a commitment to America building the best transportation system in the world. Already, legislation has been introduced to implement the President's transportation policy. Many other pieces of legislation that could affect transportation are also being discussed--including one proposal to quadruple the federal gas tax and divert the revenue away from transportation system users to reduce the federal deficit. During the next year or so, some of these proposals will be molded into the next surface transportation act. It is an opportunity help--or harm--a vital system that affects us all.

CONCLUSIONS

The opening of this decade and closing of the interstate era represents a crossroad for state, local, and national transportation policy. It offers an opportunity to establish new and ambitious goals for America's transportation system. In the 1980s, the MDOT's goal was to preserve our transportation system. Our success contributed to Michigan's growth, which has spurred travel and increased congestion on the system. In the 1990s, we must continue to maintain our facilities as we did in the previous decade, and we must find ways to handle the sharp increase in demand for transportation services. We will also be challenged to improve safety and cope with growing costs and declining revenues.

If we do not meet these challenges, Michigan businesses will be at a disadvantage as they compete in the world economy, and the state will not be able to attract the resources necessary to spur a better business climate and an improved job market. Further, the movement of people and goods would be hampered. It would take people longer to get from here to there--wasting both time and money--and would increase the risk of accident and injury.

The MDOT will make every effort to meet the challenges before us through prudent planning and the efficient use of resources. Our success will to some extent depend on how well the newly defined federal, state, and local partnership works. We hope that our national leaders will not let this opportunity to reauthorize a sound surface transportation act slip through their fingers. The act must provide the resources to meet the challenges of the 1990s at the state and local level. It must be a policy that will help Michigan and the nation meet the challenges that our transportation system faces in the 1990s, so that we can continue to build a sturdy foundation for Michigan's future.