troops from Cyprus, end the human rights abuses there and provide a full accounting of those who are missing.

It's time we let Turkey know that a peaceful resolution to this crisis is tragically overdue.

ISTEA REAUTHORIZATION AND THE FALLACY OF THE STEP 21 PROPOSAL

HON. NICK J. RAHALL II

OF WEST VIRGINIA

IN THE HOUSE OF REPRESENTATIVES

Tuesday, July 23, 1996

Mr. RAHALL. Mr. Speaker, the Subcommittee on Surface Transportation has been holding a series of hearings on the reauthorization of the Federal Highway and Transit Programs as embodied in the Intermodal Surface Transportation Efficiency Act of 1991 [ISTEA], which expires at the end of fiscal year 1997.

One of the most contentious issues raised so far involves the formula by which Federal highway funds are distributed to the States. Since the inception of modern Federal Highway Program in 1956 when the Highway Trust Fund was established, there have always been some States which contribute more into the Fund than they receive back, known as donor States, and others which receive back more than contributed, known as donee States. This arrangement is necessary because a national highway system simply cannot be constructed and maintained without it.

In this regard, there are basically two delivery mechanisms through which Federal highway money is distributed to the States: Funds are either apportioned or allocated. Apportioned funds are divvied out by formula, and each State is assured of a minimum 90 percent return on the amount of its estimated contributions to the Highway Trust Fund.

It is important to note that out of all of the Federal highway funds available to States in a given year, the vast majority—89 percent—are apportioned by formula for such major programs as the NHS, Interstate Maintenance, the Surface Transportation Program and the Bridge Program.

Allocated funds, on the other hand, are discretionary in nature. Allocated funding categories include such items as the Bridge Discretionary Program and the Interstate Maintenance Discretionary Program. These monies, which only account for 11 percent of the amount of Federal highway funds available to the States, are primarily allocated on a needs basis.

A group of donor States, however, are seeking to change the existing highway funding distribution formula. Their basic contention is that while they receive back 90 percent of apportioned funds, when the discretionary (allocated) funds are taken into account they allege that they often receive back less than 90 percent of their contributions to the Highway Trust Fund. These States, which have organized as the step 21 coalition, are seeking a number of changes in ISTEA, including a new formula that assures them a 95-percent return on payments made to the Highway Trust Fund.

It should be noted, however, that the step 21 proposed formula for distributing funds to the States is based on using a percentage of a percentage. In other words, each State would receive 95 percent of its share of contributions to the Highway Trust Fund without requiring that the total amount distributed in a given year equal the total amount received. Shades of voodoo economics. Of course the step 21 formula paints such a rosy picture for donor States. It is premised upon a formula which has as an assumption that more money could be paid out than received into the Highway Trust Fund.

The more appropriate and fiscally prudent way of measuring how each State is faring under the Federal highway program is to calculate the ratio of its payments to the Highway Trust Fund against what it receives. This is the method that has traditionally been used and is the most widely accepted.

Recently, the Federal Highway Administration calculated the amount each State has received compared to its contributions under ISTEA to date, fiscal years 1992 through 1995. It is interesting to note that of the 22 States who are members of step 21, only two, Georgia and South Carolina, received back less than 90 cents on the dollar contributed to the Highway Trust Fund.

Morever, seven step 21 coalition States received back a dollar or more on each dollar contributed: Arizona, Minnesota, Nebraska, Ohio, Oregon, Virginia, and Wisconsin. And another six step 21 coalition States—Louisiana, Michigan, Mississippi, Missouri, North Carolina and Oklahoma—are receiving back between 95 cents and 99 cents on the dollar. The other 7 States all received at least 90 cents on the dollar. These calculations, it should be noted, include returns with the discretionary accounts factored in.

It seems to me, then, that the only step 21 coalition States who have a bona fide beef with the current highway funds distribution formula are Georgia and South Carolina.

If you believe that there is still a national interest in the highways of this country—the Interstate System and the new National Highway System—then the step 21 proposal poses some danger to the integrity of that system.

Not only is the step 21 formula based on unrealistic assumptions, but it would deprive the ability of the Nation to construct the new high-priority corridors authorized by ISTEA as part of the National Highway System as well as other NHS routes of an interstate nature. Simply put, under step 21, there would not be funds available to construct and maintain roads of an interstate nature, highways of a national interest, as well as to fulfill other Federal obligations, such as building and improving roads in units of our National Park System.

I would urge all of my colleagues to consider these facts when deliberating the reauthorization of ISTEA.