

**FIELD HEARINGS FOR FISCAL YEAR
2010**

HEARINGS
BEFORE THE
COMMITTEE ON THE BUDGET
UNITED STATES SENATE
ONE HUNDRED ELEVENTH CONGRESS
FIRST SESSION

**May 28, 2009 (9am)—HOW INFRASTRUCTURE INVESTMENTS CAN
BOLSTER NORTH DAKOTA'S ENERGY AND AGRICULTURE ECONOMIES:
THE U.S. 85 CORRIDOR**

**May 28, 2009 (1pm)—HOW INFRASTRUCTURE INVESTMENTS CAN
BOLSTER NORTH DAKOTA'S ENERGY AND AGRICULTURE ECONOMIES:
THE U.S. 85 CORRIDOR**

**July 2, 2009—FIELD HEARING TO CONSIDER HOW INFRASTRUCTURE
INVESTMENTS CAN FOSTER ECONOMIC DEVELOPMENT AND THE
AGRICULTURE ECONOMY: US 52**

**November 12, 2009—FIELD HEARING ON INFRASTRUCTURE
INVESTMENT: CREATING JOBS AND FUELING ECONOMIC GROWTH**

**November 13, 2009—FIELD HEARING ON COMMUNITY ECONOMIC
DEVELOPMENT**



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HOW INFRASTRUCTURE INVESTMENTS CAN BOLSTER NORTH DAKOTA'S ENERGY AND AGRICULTURE ECONOMIES: THE U.S. 85 CORRIDOR

THURSDAY, MAY 28, 2009

U.S. SENATE,
COMMITTEE ON THE BUDGET
Williston, ND

The Committee met, pursuant to notice, at 9:04 a.m. in the Williston Community Library, 1302 Davidson Dr., Williston, ND 58801.

Hon. Kent Conrad, Chairman of the Committee, presiding.
Present: Senator Conrad
[presiding].

OPENING STATEMENT OF SENATOR CONRAD

The CHAIRMAN. The hearing will come to order. I want to welcome everyone to this hearing of the Senate Budget Committee. This is an official hearing of the committee, so we will be operating under the rules of the U.S. Senate and an official record of this hearing will be kept.

I especially want to welcome our outstanding witnesses here today. They include Williston Mayor Ward Koeser; Williston City Commissioner, Dr. Brad Bekkedahl; the Director of North Dakota's Department of Transportation, Francis Ziegler; Watford City Council President, Brent Sanford; Power Fuels President, Mark Johnsrud; and the Director of the Williston Research Extension Center, Dr. Jerry Bergman.

We will have two panels today. I'll ask each of the witnesses to make a statement. I'd ask them to hold it to approximately 5 minutes. Full statements will be made part of the official record. That will leave us some time for questions to each of the panels.

And this is especially important because what we are trying to do is build a case for improvements that I think we all know need to be made to Highway 85 as we prepare for the next transportation bill that will go through the Congress either later this year or sometime next year.

This hearing will focus on how infrastructure investments in Highway 85 can foster the energy, agriculture, and manufacturing economies in this part of the State. We need to ensure that Highway 85 has the capacity to handle the increased economic activity in this region.

The energy development in this part of the State, particularly with the oil boom in the Bakken formation, is crucial to North Dakota's economy. And, I might add, the importance of this corridor

goes well beyond our own borders. This region is now of significant national importance and needs to be seen in that way.

Our State is already one of the leading energy producers in the Nation and the expansion of energy production in this region will play an increasingly important role in the national effort to reduce our dependence on foreign energy. Highway 85 represents a critical lifeline for this energy development.

This map shows why Highway 85 is so important to the energy production in our State. We have major gas plants and oil fields scattered up and down this road. You can see there the green line is Highway 85 and we have depicted on this map—at least those of you in the first rows will be able to see it—the oil fields, the gas fields that are close-by this highway.

Specifically, 400,000 barrels of oil a day are produced in the corridor region and a large percentage of that—of that is hauled over Highway 85 to tank farms for transport via pipeline. The highway connects six major east-west highway systems that service these energy developments. And the highway serves as a major route for the transport of oil rigs, pipe, steel, and supplies.

We also have significant and growing manufacturing and agricultural businesses in this area that similarly rely on Highway 85 to transport their products. Unfortunately, as we all know, Highway 85 was never designed to handle the increasing number of heavy trucks and oversized loads currently traveling on it. The highway simply must be repaired to foster continued growth in these industries, to ensure a safe travel route, and to better serve the communities in the area.

Let me say that a key reason that I'm holding this hearing today is because last fall I traveled on Highway 85 and, I'll tell you, it made quite an impression on me. It's very clear that the condition of that road has to be addressed; that there are safety issues and safety concerns that have to be attended to; and that there is simply a volume of traffic that has to be addressed as well. Highway 85 was never designed for this level of development. I think all of us who have traveled on that road know that those statements are true.

Improvements to Highway 85 will also pay dividends for agriculture in the region. It will enhance the transportation of crops and livestock. It will help increase export opportunities with enhanced access to Canada, and it will help further diversify western North Dakota agriculture with the ability to attract more value-added agriculture businesses to the region. The manufacturing businesses in the region will also benefit from improvements to Highway 85.

The North Dakota Department of Transportation's ongoing study of the corridor will form the basis for determining the necessary investments that must be made. Let me emphasize that. There is a process that is set up in the State of North Dakota, under the direction of Mr. Ziegler, who is the head of our Department of Transportation, to prioritize needs in the State and to determine what kind of upgrades are necessary. We are not prejudging that process here today.

I got called yesterday by a former State legislator who is very concerned that we are holding a hearing focusing on Highway 85

when there are so many roads in the State that have been adversely affected by flooding. And we told him that you have to keep in mind what we're talking about with Highway 85 is future transportation program funding. The moneys that are used to address the damage to roads from flooding are FEMA public assistance funds. That is an entirely different pot of money. And, in fact, earlier this week I was in Lisbon and La Moure working on that separate pot of money, the FEMA disaster assistance funds that flow as a result of the Presidential declaration that deal with the flooded roads that have been dramatically impacted all across the State of North Dakota. But what we're focusing on here today is a separate pot of money, the money that will flow to the State as a result of the transportation legislation that will be considered by Congress either later this year or next. I think it's very important that we make that distinction.

I intend to continue to work at the Federal level to bring resources to address the needs here in North Dakota, both the needs in those areas that have been affected by flooding and the opportunities that exist for improving transportation so we improve the economic opportunity for a region like this one.

Highway 85, as I indicated earlier, is a key lifeline, not just for this community, but, really, for the national effort to reduce our dependence on foreign energy.

North Dakota benefited greatly from the last highway bill, which was completed in 2005. As a negotiator of that bill, I worked to make sure that North Dakota received significant funding increases for our highways and transit needs. Specifically, I worked to secure one and a half billion dollars for North Dakota, a 31 percent increase over the previous bill. Annually, that averages over \$230 million a year for highways, with additional funding provided for transit systems.

We did very well in comparison to other States. We received two dollars for every dollar in gas tax money we send Washington. That put us in the top four States in the entire United States in terms of our return on our tax dollar sent to Washington.

I also worked to have Highway 85 designated as a high-priority corridor. The designation means Highway 85 is eligible for special corridor funding from the Federal Highway Administration to help expand the area into an even greater trade corridor.

Here are some of the priorities that I intend to work on as we begin consideration of the next transportation bill. The next bill, I believe, must identify sufficient funding so that infrastructure investments are secure and robust over the length and term of that legislation. States and communities must be able to rely on this source of funds.

Next, any new transportation bill must maintain recognition that rural transportation needs are absolutely vital to the Nation. After all, most of the energy production for this country, most of the agriculture production is in rural areas.

And, finally, I will fight very hard to secure funding for long-term investments for our nationally important corridors like Highway 85. I am particularly interested in hearing from our witnesses on the immediate investments that are needed in Highway 85 and what future investments are needed to support the energy, agri-

culture, and manufacturing enterprises so important in this part of the State.

I am also interested in learning whether any of the \$170 million in Federal stimulus funds provided to the State for roads have reached this corridor or are planned for this corridor.

And with that, we will turn to our witnesses that are here today. Again, I want to thank them for their attendance and their participation.

We have with us today, as I indicated, Williston Mayor Ward Koeser; Williston City Commissioner, Dr. Brad Bekkedahl; and the Director of North Dakota's Department of Transportation, Francis Ziegler.

Francis, I'd like to start with you, if we could. It is very important that at this hearing we make the case on the needs for this highway corridor. There is no one better to do that than our Director of Transportation in the State of North Dakota who enjoys a reputation as someone who makes these decisions based on a process that prioritizes the transportation needs of the State of North Dakota.

Let me just say that while most of the funding for roads and bridges comes from the Federal Government, we look to the State Department of Transportation to set the priorities. In other States, they do it differently. They have a political process. We have not done that in this State. We try to follow in priority order the needs that are determined by the State Department of Transportation.

And let me just indicate that we have a high degree of confidence in the State Department of Transportation to make these judgments in a professional and objective way. We work closely with Governor Hoeven. I note that his Chief of Staff is here, Lance Gaebe. We appreciate very much his participation. I think that sends a signal that the Governor takes us seriously.

Senator Dorgan and Congressman Pomeroy, who were with me yesterday, said that they wanted to make certain that the record from this hearing is made available to them and that they will do everything they can to support the conclusions that we reach as a basis—as—as a result of this hearing.

Again, Mr. Ziegler, thank you very much for your being here and I think based on my previous dealings in the previous transportation bills, the credibility that the North Dakota Department of Transportation has, not only here, but around the country, serves us very well.

Thank you, and please proceed.

STATEMENT OF FRANCIS ZIEGLER, P.E., DIRECTOR, NORTH DAKOTA DEPARTMENT OF TRANSPORTATION, BISMARCK, NORTH DAKOTA

Mr. ZIEGLER. Thank you, Senator. I certainly appreciate the opportunity to be here before your budget committee.

I'd like to address the following three items: Federal transportation legislative issues, Senator, that you had already talked about, how critical that is for the future; how infrastructure investments can bolster North Dakota's economy; and the US 85 corridor.

Federal investment in North Dakota's highways is in the national interest and it is imperative that the reauthorization of the

Federal highway program continue to serve the needs of rural States, allowing us to continue to meet the demands being placed on our highway network, including US 85.

This year, I know we have some legislators in the audience here, but we had an unprecedented sum of nonmatching general Federal fund dollars that came from our legislative body to help with the program.

The CHAIRMAN. Let me just ask you to stop for a minute, Francis. Obviously, we're having some problems with that microphone. Why don't we do this? Why don't we, Tracee—we'll give you this microphone. OK.

Mr. ZIEGLER. Testing. OK.

Earlier this month, the legislative body passed a \$1.35 billion budget and that was—it's a highlight of what the department had received this year. Of that, about \$750 million was Federal aid, and so we certainly appreciate that. But the infrastructure certainly needed it for the immediate assistance to cities, counties, and townships, and to the State DOT to help with our infrastructure. So that's what we're all about.

Senator I did provide you with a full document. In the interest of brevity this morning, I will just highlight a few of the items.

The Department of Transportation is very, very concerned about the highway account of the highway trust fund approaching a zero balance this summer. It will be highly disruptive to States if FHWA begins to delay payment of State claims to reimburse costs. As a zero balance gets closer, States will begin to curtail bid openings and work to avoid the risk of not having funds to pay for that work. If the program is disrupted, we certainly are going to be in trouble. We hope that Congress can address that and we appreciate anything that you could do to help with that.

The other thing is that a multi-year highway and surface transportation authorization bill is also needed. The bill would recognize the benefit the entire Nation receives from a strong Federal investment in surface transportation. And it's important under this legislation that rural States be able to get their fair share. We do have a large population base, a lot of highway—excuse me, a lot of highways, a large infrastructure base with few people to pay for it, and so it gets—the Federal aid is very important to us.

Federal-aid highways in our state, not just those in highway—not just those on the national highway system, No. 1, serve as a bridge for truck and personal traffic between other States, enable Ag exports and serve the nation's ethanol production and energy extraction industries, which are located largely in rural areas. They're a lifeline for remotely located and economically challenged citizens. They enable people and businesses to traverse the vast tracts of sparsely populated land, and they provide access to scenic wonders, and enable and enhance investments to address safety on these rural roads, such as Highway 85.

Highway transportation between our country's major metropolitan areas is simply not possible without excellent roads that bridge these vast distances. FHWA data on tonnage origins and destinations shows that just over 59 percent of the truck traffic using North Dakota's highways does not either originate or terminate within the State. So we're a bridge State.

A significant portion of the economy in our State is based on Ag, energy production, and natural resource extraction. In fact, the Governor's economic package has identified Ag and energy and advanced manufacturing, technology-based businesses, and tourism as growth industries, for which we need a good infrastructure.

Ag is one sector of the economy where the United States has consistently run an international trade surplus.

North Dakota is a major contributor of energy production in the nation. Our State is currently fifth in oil production and contains a large amount of coal reserves. Good roads throughout the State are paramount to the Nation becoming energy independent.

Over the last three decades, tens of thousands of rural rail branch lines have been abandoned. The reduced reach of the rail network means that many areas, particularly rural areas, must rely more heavily on trucks. With this increased truck traffic in North Dakota and much of the upper Midwest, we are challenged with our ability to continue to move the products. The challenge is compounded by the necessity to impose spring load restrictions. Like congestion, load restrictions slow down commerce and add greatly to the cost of doing business.

We have a chart over there, Senator. I know it's pretty hard to read, but you can see the red lines on chart one, and that shows the number of roads that we have load restrictions on in the spring of the year. So for a 3-month period of time in North Dakota, the commerce that can move on those roads is very limited because of the fact that we are limited to—because of the load restrictions.

Rural States like North Dakota face a number of serious obstacles in preserving and improving the Federal-aid highway system within their borders. We are rural, geographically large, have low population densities and extensive highway networks.

Our road network has few people to support it. The per capita contribution to the highway account of the highway trust fund contributed—or attributed to North Dakota is \$161 that North Dakotans put in, compared to the average of \$109 per person nationally.

These factors make it challenging for rural States to provide and maintain and preserve a modern system. I'll just give you an example. In our system, our orange plow trucks to remove snow and to seal the cracks that they have to seal costs \$9,200 per year per mile. It takes about 2,000 cars a year just to maintain the snow-plow operations and those maintenance operations in and around the State. So a Federal investment is certainly an important element.

As it relates specifically to the Highway 85 corridor, transportation provides a vital link to our State's economic growth and is critical to almost all freight movements: Connecting manufacturers to retailers; farms to markets; shippers to pipelines, railroads, airports, and seaports. For this reason, the State has proceeded with a number of improvements on the TRE roadway or corridor that are part of the Statewide Transportation Improvement Program.

On chart two, you can see it. It's in your testimony, Senator. It's probably pretty hard to see that on chart two. But all the way from the border of South Dakota up to Highway 2, the department has, in the last decade, done quite a bit of work on this facility and is intending to do considerably more. The green portion from the top

down on that chart shows the most recent efforts that are going to be made on some safety initiatives that we have going.

We are also currently working on the—we have cosponsored a corridor study, as you already indicated, with the Teddy Roosevelt Expressway Coalition. And that's to study the whole 197 miles of the TRE. The overall objective is to find out what is necessary, and it's done in three phases: To identify current to projected needs; to develop primary corridor improvement alternatives; and to refine preferred alternatives and prepare the required environmental documents.

While we're doing that, we are, in concert, doing these safety efforts and making these safety efforts to make sure that the corridor is safe while we look to the future as to what it's going to be looking like down the road.

Some of the main topics that have been brought up at some of the meetings and some of the hearings are everybody's interested in making improvements. Everyone is interested in safety. And so widening shoulders, lowering hills, adding turning lanes are all very important on this corridor.

There are concerns about changes to 85 that could result in communities being bypassed. People fear that. So as we develop corridors, we have to recognize that, and our engineers will be looking at that as a concern that's been expressed. Residents living along the road have concern about losing land to the right-of-way, and so on. So those are just some of the things we're—we have been hearing.

Phase one of the study is scheduled to be completed on May 2010. And as each phase is completed, we'll determine what to do with the next phase.

Senator I know you've always worked with us and we really appreciate the working relationship we have as we work to prioritize our projects, and we certainly hope to work with you again on this project to prioritize it and, as you said earlier, to put it in our list of high priorities that we have in our State. And as you can see from the red on chart one, there are a lot of priorities.

In conclusion, Senator, we consider it essential that Congress, through the reauthorization process, recognize that significantly increased Federal investment in highways and surface transportation in rural States is, and will remain, important to the national interest. The citizens and businesses of our nation's more populated areas, not just residents of rural America, benefit from a good transportation network in and across rural States like North Dakota. With such legislation, we will be better equipped to address our statewide needs, which includes the US 85 corridor.

Senator that concludes my testimony and I'll certainly be willing to answer any questions that you might have.

[The prepared statement of Mr. Ziegler follows:]

**U.S. SENATE BUDGET COMMITTEE HEARING
How Infrastructure Investments Can Bolster North Dakota's Energy
and Agriculture Economies and the U.S. 85 Corridor**

**Francis Ziegler, Director of the North Dakota Department of Transportation
Williston and Dickinson, North Dakota
May 28, 2009**

Mr. Chairman. I am Francis Ziegler, Director of the North Dakota Department of Transportation. Thank you for the opportunity to appear before the Budget Committee today.

Today, I would like to address the following:

- Federal transportation legislative issues,
- How Infrastructure Investments can bolster North Dakota's Economy; and the
- US 85 Corridor

Federal investment in North Dakota's highways is in the national interest and it is imperative that the reauthorization of the federal highway program continue to serve the needs of rural states, allowing us to continue to meet the demands being placed on our highway network, including US 85.

That said, this year for the first time ever, the state of North Dakota was able to commit an unprecedented sum in non-matching state General Fund dollars to help build North Dakota's transportation infrastructure.

Earlier this month, we passed a \$1.35 billion landmark transportation funding bill in North Dakota. This is a comprehensive package. This legislation will fund maintenance and enhancements of the state's infrastructure, as well as grants for immediate assistance to cities, counties and townships working to address weather- and flood-related damage to their roads.

In addition to increases in our normal highway funding, which is based on the state gas tax plus federal matching funds, we have added funding that will take us from about \$903 million in the current biennium to about \$1.35 billion.

Combined with the estimated \$150 million in federal disaster aid we are pushing for, we will be devoting about \$1.5 billion to transportation, including almost \$600 million more to rebuild our roads and help cities, counties and townships recover from statewide flooding.

Federal Transportation Legislative Issues

The Highway Account of the Highway Trust Fund is projected to have a zero balance this summer. It will be highly disruptive to states if FHWA begins to delay payment of state claims to reimburse costs. As a zero balance gets closer, states will begin to curtail bid openings and work, to avoid the risk of not having funds to pay for the work. Furthermore, North Dakota already has contracts in place for which the Federal Highway Administration may not be able to provide reimbursement of funds. For the public at large, the jobs and transportation benefits of the program would be denied, or at least delayed, if the program is disrupted. We hope the Congress will pass appropriate legislation soon, so that the Trust Fund will have the resources to pay for highway work.

A multi-year highway and surface transportation authorization bill is also needed. This bill would recognize the benefits the entire nation receives from a strong Federal investment in surface transportation. Under this legislation it is important for rural states like ours to receive at least its current overall share of formula and other funds. Certainly, that result would be in the national interest.

In support of that result, we would like to emphasize a few reasons why investments in transportation infrastructure in rural states like North Dakota serve important national interests.

The Nation Benefits from Federal Transportation Investment In and Across Rural States

Federal-aid highways in our state, not just those on the National Highway System --

- serve as a bridge for truck and personal traffic between other states, advancing interstate commerce and mobility;
- enable agricultural exports and serve the nation's ethanol production and energy extraction industries, which are located largely in rural areas;
- are a lifeline for remotely located and economically challenged citizens, such as those living on tribal reservations;
- enable people and business to traverse the vast tracts of sparsely populated land that are a major characteristic of the western United States; and
- provide access to scenic wonders and facilitate tourism.

In addition, the scope of the Federal-aid system, extending beyond the NHS, enables enhanced investment to address safety needs on rural routes.

Further, Federal investment in rural transit helps ensure personal mobility, especially for senior citizens and the people with disabilities, connecting them to necessary services. Federal public transportation programs, both transit and Amtrak, must continue to include funding for rural states and not focus entirely on large metropolitan areas.

Let me amplify a few of these points.

Bridge States Serve a National Connectivity Interest for People and Business

Highway transportation between our country's major metropolitan areas is simply not possible without excellent roads that bridge those vast distances. This connectivity benefits the citizens of our nation's large metro areas because air or rail frequently will not be the best option for moving people or goods across the country. The many commercial trucks on our rural interstate highways demonstrate every day that people and businesses in the major metropolitan areas benefit from the nation's investment in highways in rural states.

The most recent FHWA data on tonnage origins and destinations shows that just over 59 percent of the truck traffic using North Dakota's highways does not either originate or terminate within the state. This is well above the national average of about 45 percent, underscoring that North Dakota serves to help connect the nation in a way that benefits other states.

Essential Service to Agriculture, Natural Resources, Energy

A significant portion of the economy in our State is based on agriculture, energy production, and natural resource extraction. In fact, the governor's economic strategic plan has identified agriculture, energy, advanced manufacturing, technology-based businesses, and tourism as growth industries, because North Dakota holds a competitive advantage in those areas. These have been the focus of much of the North Dakota's investments in economic development.

Agriculture is one sector of the economy where the United States has consistently run an international trade surplus, not a deficit. Over the last two decades roughly 30 percent of all U.S. agricultural crops were exported.

Apart from its value to the state, there is a strong national interest in ensuring that agricultural, value-added agricultural products and natural resources have the road network that is needed to deliver product to markets, particularly export markets. In 2008, North Dakota led the nation in the production of wheat, barley, canola, sunflowers, flaxseed, all dry edible beans, pinto beans, navy beans, dry edible peas, lentils, and honey. North Dakota last year was the fastest growing export state in the nation. A key part of that total road network is the roads below the National Highway System, where export crops begin their journey from point of production to destination.

North Dakota is a major contributor of energy production in the nation. Our state is currently fifth in the nation in oil production and contains a large amount of coal reserves. Good roads throughout the state are paramount to the nation becoming energy independent and providing agricultural products to feed a hungry world.

It is also worth noting that, over the last three decades, tens of thousands of rural rail branch lines have been abandoned nationwide. In North Dakota, since 1980, over 1,500 miles of railroad branch lines have been abandoned. The reduced reach of the rail network means that many areas, particularly rural areas, must rely more heavily on trucks to move goods.

With increased truck traffic in North Dakota and much of the upper Midwest, we are challenged with our ability to continue to move these products. That challenge is compounded by the necessity to impose spring load restrictions. The underlying reason for putting on spring load restrictions is inadequate roadway thickness. During the spring thaw, the ground is waterlogged and can't support a fully laden 18-wheeler on a highway of standard thickness. Many states especially those in the north, have little choice, given their current funding, but to limit the amount of weight on highways in the spring. Like congestion, load restrictions slow down commerce and add greatly to the cost of doing business. Chart #1 illustrates how many of the state's roads were affected by load restrictions this spring. Notice that because of the investments made in US Highway 85, the majority of this route was not subject to road restrictions.

Tourism Access

Without a strong road network in rural states, access to many scenic destinations would be limited. Tourism is vital to the economy of North Dakota, and in fact, is now North Dakota's second largest industry.

Funding and Financing Considerations

Rural states like North Dakota face a number of serious obstacles in preserving and improving the Federal-aid highway system within their borders. We:

- are very rural,
- are geographically large,
- have low population densities, and
- have extensive highway networks.

Our large road network has few people to support it. In North Dakota there are about 16 people per lane mile of federal aid highway. The national average is approximately 129 people per lane mile. Our per capita contribution to the Highway Trust Fund also exceeds the national average. The per capita contribution to the Highway Account of the Highway Trust Fund attributed to North Dakota is \$161 compared to the national average of \$109 per person.

These factors make it very challenging for rural states to provide, maintain, and preserve a modern transportation system that connects to the rest of the nation. Our low population and traffic densities also mean that tolls are not an answer to funding transportation needs in rural areas. For example, our budget to maintain (plow snow and seal cracks) the state transportation system is approximately \$9,200 per mile each year. It takes approximately 2,000 vehicles per mile per day to generate this amount of revenue from state motor fuel taxes. Very few state highways average 2,000 vehicles per mile per day in North Dakota.

In summary, our ability to address highway needs throughout the state depends in part on the resolution of some broader transportation legislative issues. Accordingly, we set forth today some of the many reasons why it is in the national interest for the Federal Government to continue to make substantial investments in transportation in a state like ours. A continued strong Federal funding role is appropriate.

Theodore Roosevelt Expressway (US 85 Corridor)

Transportation provides a vital link to our states' economic growth and is crucial to almost all freight movements – connecting manufacturers to retailers, farms to markets, and shippers to pipelines, railroads, airports, and seaports. For this reason the state has proceeded with a number of improvements on the Theodore Roosevelt Expressway (US 85 Corridor) that are part of the Statewide Transportation Improvement Program (STIP). See Chart 2. The Theodore Roosevelt Expressway (TRE) is vital to serving these needs in western North Dakota and beyond our borders.

The TRE is part of the Great Plains International Trade Corridor, which extends from Mexico to Canada. The TRE begins in Rapid City, S.D., and follows US 85 north to Williston, N.D., and continues west along US 2 to Montana Highway 16 and proceeds north to the Port of Raymond at the Montana/Canada border.

The State of North Dakota and the Theodore Roosevelt Expressway coalition are sponsoring a corridor study on the 197 miles of the TRE located in North Dakota.

The overall general objective of this study is to prepare a TRE Corridor Master Plan. The study is planned to be conducted in three phases.

- **Phase 1:** Identify current and projected needs within the corridor;
- **Phase 2 (if necessary):** Develop preliminary corridor improvement alternatives;
- **Phase 3 (if necessary):** Refine preferred alternatives and prepare required environmental documents.

Kadmas, Lee & Jackson and Ulteig Engineers have been selected to conduct the study. Phase 1 of the study is currently underway. Public input meetings have been held in Bowman, Belfield, Watford City, and Williston.

Some of the main topics that have been brought up at the meetings are:

- Interest in making improvements such as widening shoulders, lowering hills and adding turning lanes.
- Concern about changes to US 85 that could result in communities being bypassed and traffic not stopping at their businesses.
- Residents living along roadway concerned about losing land to the right of way.
- Surprise that car and truck traffic volumes aren't larger. Traffic on some segments has grown, while traffic volumes on other segments have decreased.
- Improvements don't need to be the same for the entire corridor.

Phase 1 of the study is scheduled to be completed in May of 2010. As each phase of the study is completed a determination will be made if it is necessary to proceed with the next phase.

Moving forward, we feel that federal funding for a substantial expansion of Highway 85 needs to be an enhanced appropriation, rather than an earmark within the state's normal federal highway

allocation. Such earmarks, worthy as they may be, often divert funding from other important investments across the state.

We regard this as an important initiative, with potential benefits for North Dakota's economy, and we will work with the coalition, as well as community leaders in the cities along the route and our neighboring states to advance the project in a reasonable timeframe.

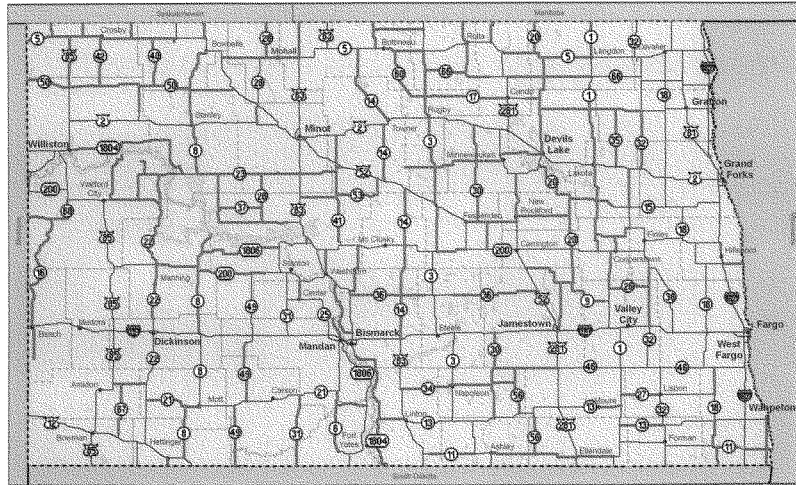
Conclusion

In conclusion, we consider it essential that the Congress, through the reauthorization process, recognize that significantly increased federal investment in highways and surface transportation in rural states is, and will remain, important to the national interest. The citizens and businesses of our nation's more populated areas, not just residents of rural America, benefit from a good transportation network in and across rural states like North Dakota. With such legislation, we will be better equipped to address our statewide needs, which includes the US 85 corridor.

That concludes my testimony. I'd be happy to respond to any questions you may have.

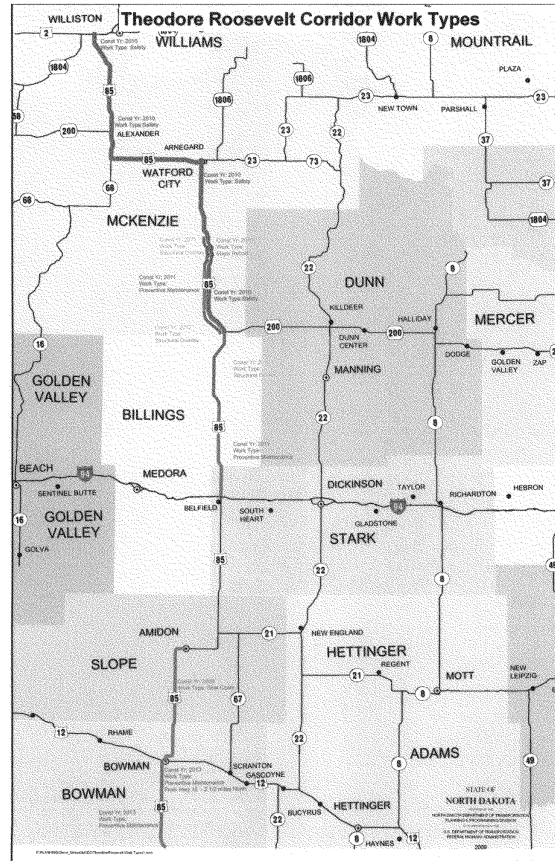
North Dakota Highways with Spring Load Restrictions

CHART 1



——— - Highways requiring spring load restrictions

CHART 2



The CHAIRMAN. Thank you. Is this working?

Voice. Like it was before.

The CHAIRMAN. Well, perhaps you can hear me even if it's not working perfectly. Francis, I think what we'll do is proceed with the rest of the panel. Then we'll come back to you. I do want to try to determine as best we can if there are matrix that apply to Highway 85 that tell us what kind of increases we're facing in terms of traffic through the corridor from what we have experienced in previous years. And that will be important to us in making the case.

Before I come back to you on questions, I'd like to next go to Mayor Koeser and thank him for being here and ask you to proceed. It looks like we have got all kinds of microphone issues here.

**STATEMENT OF HON. E. WARD KOESER, MAYOR, CITY OF
WILLISTON, NORTH DAKOTA**

Mr. KOESER. Thank you.

The CHAIRMAN. Welcome. Good to have you here. Thanks for the leadership you've provided on this issue over many years. I'd note

that, Mayor, you and Brad and others were just in Washington talking to us about the future of this region and the priorities that you've put on transportation needs.

Mr. KOESER. Thank you.

Good morning. My name is Ward Koeser and I have served for 15 years as the President of the Board of City Commissioners for Williston. That would be commonly what we call mayor.

Thank you, Senator Conrad, for coming to our city to hold this hearing so that you and the budget committee can better understand the issues relevant to our community.

Although we're trying hard to diversify our economy, agriculture and oil remain as the main pillars holding up our economic base. Agriculture has played a key role ever since the settlers moved here more than a hundred years ago, while oil has been a part of our lives since oil was first discovered near Tioga in the early 1950's. The vast majority of our citizens in northwest North Dakota have ties to at least one of these two industries, with over 20 percent of Williston workers being employed in the oil field.

The city of Williston has worked hard to provide the infrastructure needed for these and other industries to thrive. Improvements have been made to our water system, schools, airport, streets, and roads. We recognize that for our city to grow and prosper, adequate infrastructure must be in place and well-maintained.

As we look to the years ahead and evaluate what needs to be done to position our community for a bright and prosperous future, we recognize that improving the connections of our city to the rest of North Dakota and the world needs to be a high priority. This is why we wholeheartedly support the development of the US Highway 85 corridor.

Communities with strong agriculture and oil industries require a tremendous amount of transportation for the products produced. Thousands of truckloads of farm products, such as durum, wheat, peas, lentils, corn, potatoes, and sugar beets, need to find their way from the field to the elevator or processing plant. The farm trucks hauling these commodities need good, solid roads capable of handling heavy loads.

The oil industry requires even more truck hauling. Pickups, trucks, and semis fill our roads as drilling, service, and production oil companies haul heavy equipment, water, diesel fuel, and crude oil from Williston to well site and well site to pipeline-loading facilities. Convoys of large and heavy trucks move oil rigs and travel to wells for production stimulation and other service jobs. Moving convoys of trucks on two-lane roads create safety issues, as travelers become impatient to pass slow-moving vehicles and risk their own safety, as well as those they meet on the road. A four-lane corridor in the heavily traveled areas would be of great benefit.

Infrastructure improvements in the US Highway 85 corridor will help our oil and Ag industries grow to meet an increasing world demand. Our region has the potential to feed and fuel America. As the corridor improves, so will the speed and safety with which our products move to market. The Highway 85 corridor travels through the breadbasket of America and the energy beltway of the United States.

It's common to see pickups and trucks with Texas, Oklahoma, and Colorado license plates in our community, and it's common for our oil field workers to travel south to other oil production regions of the country. A good road system for these workers to travel on saves time and money and provides for a safe arrival.

The Bakken oil formation has the potential for us to meet a greater portion of America's demand for energy, but it will require an investment in infrastructure. As the benefits will be nationwide, it's fitting that the Federal Government should be involved in the funding of these improvements. An improved Highway 85 corridor will be good for Williston and especially good for America.

Thank you again, Senator Conrad, for coming to Williston to hear from those most impacted by the oil and Ag industries.

[The prepared statement of Mr. Koeser follows:]

Investing In Our Future – The Role of Infrastructure
May 28, 2009

Good Morning! My name is Ward Koeser and I have served for 15 years as the President of the Board of City Commissioners for Williston. Thank you Senator Conrad for coming to our city to hold this hearing so that you can better understand the issues relevant to our community.

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The CHAIRMAN. Thank you, and thanks for your testimony and thanks for the effort that you've made over the years.

Is that working? You know, sometimes the technology just doesn't want to cooperate.

Again, thank you, Mayor.

Next, we have Dr. Brad Bekkedahl. Brad has been deeply involved in this effort for as long as I can remember and always is helpful on the insights he provides on the need for transportation improvements in the region.

Brad, please proceed with your testimony.

**STATEMENT OF BRAD BEKKEDAHL, D.D.S, CITY
COMMISSIONER, CITY OF WILLISTON, NORTH DAKOTA**

Dr. BEKKEDAHL. Thank you, Senator Conrad. Good morning to you and your staff.

One point I would make is that we need to invest in our infrastructure of microphones in the library, I think. So we would—we will correct that for your next hearing, sir. Thank you.

My name is Brad Bekkedahl. I am currently the Finance Commissioner for the city of Williston. I want to thank you for bringing this Senate Budget Committee Field Hearing to Williston and allowing me the opportunity to present testimony on the importance of infrastructure investments for the US 85 corridor. It is a crucial link in producing and moving the commodities produced in our agriculture and energy economy here in North Dakota. I hope my testimony of a success story for infrastructure investment will be an asset to the other testimony provided here today.

My background for this presentation is my involvement in economic development issues for western North Dakota. In my role as an elected official, I have worked cooperatively with other local, State, and Federal officials and agencies to promote the development and diversification of our economies. In my research to perform these duties in 1996, I discovered the importance of infrastructure, particularly four-lane highway systems, to moving goods and services safely and efficiently from points of production, to manufacturing and adding value, and, finally, to distribution to destinations and final markets.

In 1997, I was elected president of the Communities for a Modern Highway 2, a North Dakota communities group seeking to complete a four-lane corridor on US Highway 2 that was planned to go from Grand Forks in eastern North Dakota to Williston in western North Dakota, but had only been completed from Grand Forks to Minot. Working as an advocacy group to promote infrastructure de-

velopment, we were able to get the last 100 miles of this four-lane corridor completed in 2008. It was the successful coordination of planning and commitment at the state and Federal elected and agency levels that saw this completion in less than 7 years.

At the time, no one could have predicted what would happen to the economy of North Dakota, particularly northwest North Dakota, but a crystal ball could not have even put the infrastructure in place at a better time. The development of legume crops on our summer-fallow ground has substantially increased our agricultural production capability, and investments by private capital have reacted with facilities to add value to these crops in our local communities. This increase in production has also increased our need for fuel, fertilizer—fertilizer, and equipment. Highway 2 has been the corridor for much of that transit of goods in and out of our area, and its presence as a completed corridor has been a stimulus for our economy.

We have also seen the largest expansion of our oil and gas industry east, west, and south of Williston due to the Bakken formation development. Again, Highway 2 has been a corridor that has facilitated the safe and efficient development of that resource play without risking the lives of local citizens that also use the highway system for their transportation needs.

The relevance of where we stand today with the development of the Highway 85 corridor reminds me of where we were in 1996, partnering with you, Senator Dorgan, and Congressman Pomeroy as well at that time, and I see great potential for another success story for infrastructure investment in North Dakota.

As a board member of the Theodore Roosevelt Expressway Association formed to promote infrastructure development on US Highway 85, I have been acutely aware of both corridors and their potential. In comparing the corridors, the one area of difference is the history of traffic we have that shows the already significant growth of industrial and commercial traffic on Highway 85 corridor. According to data provided by the North Dakota Department of Transportation, we have seen an increase in truck average daily traffic, ADT, from a testing location 5.1 miles north of Belfield of approximately 100 percent from the period of time from 2004 to 2008, a 4-year doubling of traffic and trucks. It is apparent from the data that exists that this corridor is already seeing growth higher than the rest of North Dakota, which indicates our traffic numbers on the corridor are also being raised by the transport of goods and services south and north of our corridor area.

The development of our partner corridors, the Ports-to-Plains Corridor and the Heartland Expressway, are now impacting the Highway 85 system in North Dakota, which raises the significance of the infrastructure investment to a level of national importance.

We see increasing movement of our agriculture commodities north and south of our corridor, as well as the majority of our equipment and production transportation related to oil and gas development at a time when we need to increase our domestic production capability to reduce our foreign oil dependency.

Production of food and energy are critical to the strength and independence of our country, and this entire corridor is an infrastructure investment that makes sense to further promote that

goal. Our partnership of three federally designated high-priority corridors with nine States involved have significant national credibility at this time. Our nine States currently produce 14 percent of the total U.S. gross production—gross domestic production.

We embrace seven of the top ten States for installed and potential wind energy, with currently producing 45 percent of the total U.S. wind production, and we transport 22 percent, or almost \$45 billion, of United States agricultural goods, and contain 25 percent of the U.S. current ethanol refining capacity.

This is a corridor properly positioned for infrastructure investment to build upon the success already occurring. Since 2004, North Dakota has led the Nation in percentage growth of exports and Highway 85 is an important corridor to that statistic. And as the statistics show, it is already a corridor with connections to transportation of a national significance.

Senator Conrad, I appreciate the opportunity to be here today and thank you and your staff for your interest and involvement in such an important issue as infrastructure investment for the future of not only our State, but our corridor and our nation. Thank you, sir.

[The prepared statement of Dr. Bekkedahl follows:]

**How Infrastructure Investments Can Bolster North Dakota's Energy and
Agriculture Economies: The US 85 Corridor**

A Future Success Story

Good morning Senator Conrad and Staff! My name is Brad Bekkedahl, and I am currently the Finance Commissioner for the City of Williston. I want to thank you for bringing this Senate Budget Committee Field Hearing to Williston and allowing me the opportunity to present testimony on the importance of infrastructure investments for the US 85 Corridor. It is a crucial link in producing and moving the commodities produced in our agriculture and energy economy here in North Dakota. I hope my testimony of a success story for infrastructure investment will be an asset to the other testimony presented here today.

My background for this presentation is my involvement in economic development issues for western North Dakota. In my role as an elected official, I have worked cooperatively with other local, state, and federal officials and agencies to promote the development and diversification of our economy. In my research to perform these duties in 1996, I discovered the importance of infrastructure, particularly four lane highways, to moving goods and services safely and efficiently from points of production, to manufacturing and adding value, and finally to distribution to destinations and final markets. In 1997, I was elected President of the Communities For a Modern Highway 2, a North Dakota communities group seeking to complete a four lane corridor on US Highway 2 that was planned to go from Grand Forks in eastern North Dakota to Williston in western North Dakota, but had only been completed from Grand Forks to Minot. Working as an advocacy group to promote infrastructure development, we were able to get the last 100 miles of this four lane corridor completed in 2008. It was the successful coordination of planning and commitment at the state and federal elected and agency levels that saw this completion in less than 7 years. At the time, no one could have predicted what would happen to the economy of North Dakota, particularly northwest North Dakota, but a crystal ball could not have even put the infrastructure investment in place at a better time. The development of legume crops on our summer fallow ground has substantially increased our agricultural production capability, and investments by private capital have reacted with facilities to add value to these crops in our local communities. This increase in production has also increased our need for fuel, fertilizer, and equipment. Highway 2 has been the corridor for much of that transit of goods in and out of our area, and its presence as a completed corridor has been a stimulus for our economy. We have also seen the largest expansion of our oil and gas industry east, west, and south of Williston due to the Bakken formation development. Again, Highway 2 has been a corridor that has facilitated the safe and efficient development of that resource play, without risking the lives of local citizens that also use the highway system for their transportation needs.

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I appreciate the opportunity to be here today, and sincerely thank you, Senator Conrad, for your interest and involvement in such an important issue as infrastructure investment for the future of not only our State, but our Corridor and our Nation.

Submitted for testimony Thursday, May 28th, 2009 in Williston, North Dakota

The CHAIRMAN. Thank you. OK. Is that working?

The Audience. Yes.

The CHAIRMAN. I'm not quite sure what the trick is with this, but it's working for the moment. Let's get right to it.

Maybe I can start with you, Brad, and go right down the line on the witnesses on this panel. What are your views of the condition of Highway 85 currently? How would you describe the condition of Highway 85?

Dr. BEKKEDAHL. I think, Senator, as you said in your opening statement, it's obvious that the road was never designed for the traffic level or the loads that are being placed on the surface at this time. We have significant rutting, and hydroplaning is becoming an issue in wet or rainy weather events. We have a significant number of people from this area and from Dickinson as well that just don't travel the road anymore because of the safety concerns.

I think the mayor pointed out that the traffic that we see, particularly with the oil industry, it's a little slower moving because of the loads and the sizes that they take, but it also tends to run in convoys. And what happens is people become very impatient.

They don't want to sit behind a convoy for 30 miles when they could be going 65 miles an hour and they're doing 45. And they tend to take risks because of that.

As a personal note, about 3 weeks ago I was going to Bismarck for the weekend for National Guard duty, and I was traveling the road. And I was coming up a hill and on the other side of the hill, when I reached the peak of this small hill obstruction, there was a convoy of oil trucks coming toward me in their lane and three cars coming directly at me in the passing lane, which forced me into the shoulder and part of the ditch to actually let them pass at that time. And I'm sure that has happened to many people.

So those instances have impacted the safety of the citizens using that road. So I would say that you're correct, the base is in bad condition at this time, needs significant overhaul.

I know that the DOT has worked with us in identifying those concerns and reacting to them as best they can. In fact, I can't believe they reacted as well as they have with the funding and the issues that they have for planning on this road. So I commend them for that. But I think in the long-term pattern, we need to do much more.

The CHAIRMAN. Mayor, what would be your assessment of the condition of Highway 85?

Mr. KOESER. It would be similar to Dr. Bekkedahl's. I'm not an engineer, so I don't necessarily understand the basis and, you know, that part of the road structure, but I just know that people have a lot of concerns when they travel that road.

I was speaking to someone not too long ago who actually was working in Watford City at the time and he was saying how you really have to plan extra time. Now, there's nothing wrong with that, but when people don't always plan extra time, then they take chances. So the safety issue, I think, is probably the biggest concern that I would have on the road, whether that be the—you know, the grooving and the hydroplaning or whether it would just simply be the fact that traffic in many times is moving in convoys, as has been stated already. People take chances.

And when you mix the oil and agriculture together, it creates some challenges. So I just—I recognize that the road, when the road was initially built, I don't think anyone understood what agriculture would involve, the size of the equipment that's used as it is now, and, obviously, when the road was built initially, they didn't understand that there was going to be an oil industry developed in there. So what's happened over the years is these two industries have developed and they've both put great demands on roads. You know, you can have some industries that don't impact roads too much, but those certainly do.

The CHAIRMAN. All right.

Francis, how would you describe the condition of 85?

Mr. ZIEGLER. Well, certainly, the Department of Transportation has recognized that it needs work. There's no doubt. And that's why we have chart two up there to indicate that we're looking at doing some safety work, providing some passing lanes and some turning lanes and those types of things.

We have those types of issues statewide and, as my testimony indicated, not only the load restrictions, but we have load issues and

can I—we do have—you asked about the matrix earlier. I do have a map with me today that talks about, yes, in some areas, certainly, the traffic has gone up. From Bowman north to the I-94, it's actually gone down considerably. And we can provide that information to you, Senator.

But there are some other States—other parts of the State, I should say, that—I'll give you an example. North of Jamestown, we have those same situations, and so the department is looking at the funding that it has available and is prioritizing all that we have to do in this State to keep the system going.

It's a daunting challenge some days when you—this past spring, we had an unbelievable amount of damage to our roadway system, and we attribute it to the fact we started out with a wet fall and a long winter, which got very cold, and so we had some freeze-thaw issues, and then this spring, we had a wet spring. And so the loads that were out there, and on Highway 85, the same type of thing, those heavy loads really did a tremendous amount of damage to the roads. So we're struggling right now.

The stimulus money couldn't have come at a better time. Our legislative body, along with Governor Hoeven's initiative to put \$140 million into the system, couldn't have come at a better time. So we are equipped to date to help ourselves, but for the long run, we're going to need a good, strong Federal aid program.

The CHAIRMAN. Well, thank you, and we have always worked in strong partnership on a plan that is responsive to North Dakota's needs and I know we'll do that again, Francis.

Let me ask you this: Has the State received stimulus funding for roads, I think somewhere in the range of \$170 million?

Mr. ZIEGLER. [Nods].

The CHAIRMAN. Is some of that being deployed to this part of the State? Can you give us some sense of whether any of that stimulus money is coming into this corridor?

Mr. ZIEGLER. Senator, I believe it is. We have some we did some microsurfacing last year and we're going to be doing some of the same type of work where Brad Bekkedahl indicated there's some rutting. So, yes, it is. We're going to be looking at doing some of that immediate repair so that—you know, we don't want cars hydroplaning on our roads, and that's concerning, and that's caused by heavy loads, though. Certainly going to put that money to use.

And, in fact, Senator, we have about 50 percent of our stimulus money already obligated and ready to go. Sixty-eight million dollars will be done this year and then the remainder up to the 170 million will be done in 2010.

The CHAIRMAN. Can I just say this? That in my driving on that road last fall, the rutting was very apparent. I mean, and I must say, there were places there that I was very concerned about. We were driving in a van.

And the other thing I really noticed is people taking risks. And I think it's born of impatience when they're dealing with these convoys and you've got a—you know, truck after truck after truck and, you know, there are places where it's hill, truck, curve. I remember that's how my grandfather used to describe driving through Wisconsin: Hill, truck, curve, (expletive deleted). And so I think we know we have got issues.

Francis, can you tell us and, look, we understand fully the extraordinary challenges that you confront because the cost, especially last year, of all of your inputs skyrocketed. When oil goes to \$140 a barrel, asphalt skyrockets. Steel skyrockets. All of your diesel, all of your input costs jump dramatically; correct? And that's what you were faced with last year.

Mr. ZIEGLER. That's correct, Senator. The asphalt prices were in the neighborhood of three to four hundred dollars a ton. After the as—the oil barrel price went up, it was at 800 to 900 dollar a ton. So it about doubled.

The CHAIRMAN. Yeah, so this is the reality of what we're having to confront.

Do you have any estimates at this point of what kind of money would be necessary to address the concerns that we have all identified in the Highway 85 corridor?

Mr. ZIEGLER. At this time, I don't have an exact number for you, Senator. We are—and that's one of the reasons we're doing the study, so that we know what the future holds and then what kind of repairs are needed. And that would be in addition to what you see on this—on chart two.

But we certainly can get a better handle on those numbers and get those to you.

The CHAIRMAN. OK. That would be hugely helpful because we're facing another crisis with our highway program, as you identified. We have, for this year alone, a five to seven billion dollar shortfall in the trust fund. We estimate the shortfall for next year to be in the nine to ten billion dollar range. There is going to have to be a source of funding to fill in that shortfall or States will be compelled to cut back; isn't that correct?

Mr. ZIEGLER. That's correct.

The CHAIRMAN. So we have to fill in that shortfall. In the budget that I presented to my colleagues that's now passed the Congress, we filled in that shortfall. We called for the committees of jurisdiction to come up with the money so that that shortfall would be met. And we called for it in both this year and next. And the committees of jurisdiction, especially the Finance Committee on which I also sit, are not very eager to take on that challenge, come up with that amount of money in this short a period of time, with all the other demands, but I think there's a general recognition it's got to be done.

And this is important in terms of the functioning of our economy as well because it makes no sense to, on the one hand, provide a stimulus funding to provide more jobs and jobs that will be in this country, as well as improve the efficiency of our economy by addressing some of these transportation needs, and then have the states have to cut back because the trust fund is running a deficit. That doesn't make any sense to you, does it, Francis?

Mr. ZIEGLER. I certainly agree with you.

The CHAIRMAN. So that's something that we have to try to address.

One other question I'd ask. If—Brad, if you—you've been involved in this for so many years. You did really tremendous work on Highway 2. What is—in your mind's eye, what do you think the

future needs to be for this 85 corridor? What are the kinds of upgrades that you think are going to be necessary?

Dr. BEKKEDAHL. Well, I think, Senator, the immediate upgrades would involve the safety considerations we have already brought to the DOT's attention and they're addressing at this time, which are turning capacities at major junctions; you mentioned the six major east-west highways that intersect this corridor, and those need to be addressed, and they're—I'm told they're using safety dollars for that at this time.

The other would be to identify the safety issues in terms of obstructions, hills, curves, as you mentioned as well, and that would—in my mind, would involve passing lane capacity, at least to a route around those traffic areas and obstruction areas.

I could see the traffic building, because it's becoming a corridor of national significance, north and south to the level of where someday a possible divided highway scenario could be in place as well. We see a divided corridor highway system south of us. Of the 2,300 miles already in this corridor, which are existing highway systems—this is not a new system—approximately 1,400 miles of that is already a four-lane or a divided highway system. So we are part of that.

And as I see that traffic growing south of us and north of us and passing or traversing through us, I think that could be an eventuality. So my issues would be safety, obstruction removals, rebuilding the base of the system to handle the loads, and possibly even acquiring right-of-way properties for possible expansion to a four-lane or divided system as the traffic and the need dictates.

That would be where I'd go, sir.

The CHAIRMAN. Mayor, what would be your observation? What's your vision for the future of 85?

Mr. KOESER. I've always felt that, as mayor, one of my jobs is to look to the future. I need to spend as much time as I can saying, "What's going to happen 5 years and 10 years down the road?" And as I look at the region and, you know, if we take the agriculture and oil, if you look at agriculture, we have a very bright future. This is one part of the country that actually has water available for irrigation. So I see the Ag industry developing exponentially where you will find several times the amount of products being produced as they are to—as there are today. Whether that takes 5 years or 10 years or 20 years, I don't know that.

When I look at the oil industry, we recognize that this Highway 85 corridor sits right at the heart of the Bakken formation and we already recognize that there's, you know, four to five billion barrels of oil in that area, and maybe more than that. And although we're very supportive of the green initiatives and trying to find other ways to provide for the energy needs, that's going to take some time. It doesn't happen overnight. And even as it does happen, I think there will be a great demand and there will be a demand for oil energy that would exceed what we could produce in America.

So I see that only growing. And what—it's hard to predict. Even those in the industry are hesitant to say what's going to happen.

But when you combine the two, you know, as we commented earlier, it's one thing if you have a strong Ag industry and you have all the combines and the wide—the heavy equipment, the air seed-

ers and whatever moving down the road. And it's another thing when you have an oil industry. But when you put those two together, I really see, in my mind, a need for a four-lane road system. That may start by having areas where you have four-lane segments. I've been on roads in Alaska where they do that, which allows—when there's a convoy, it allows people to get past them for several miles and it goes back to the two-lane. Maybe it would be phased in that way.

But I see a very bright future for this region. It's kind of the last frontier of America and has tremendous potential. When you look at the water resources that we have here in the Missouri River and when you look at the oil resources we have, those are two commodities that the demand is not going to decrease for.

The CHAIRMAN. Thank you very much. Let me—Francis, if I could ask you on a technical basis because you're our technical expert here, and this is something I very much want to get in the hearing record, from a technical standpoint, when this road was constructed and when improvements have been made previously in years past, I assume that this was built to a certain standard, certain engineering standard. When that was done, when this road was designed, when it was originally built, I assume that the standard that applied then did not contemplate what has developed. I mean nobody could have foreseen the development of the Bakken formation. Nobody could have foreseen what's happened with farm equipment, bigger, heavier. So help us understand so that when we talk to the technical people at the committees of jurisdiction, whom you know well—I'm thinking about the EPW committee now—help us with the language of how we would explain the standards that this road was built to and what would be required now. If we didn't have a road there, we had the current demands, what kind of a standard would be required?

Mr. ZIEGLER. First of all, Senator, when we design a project or any road, let's say we start from zero, like we did on Highway 2 with those added lanes, that is a design life of 20 years. And so what we do is we look at the anticipated traffic, both vehicular and truck traffic, and we I'm not going to get into a lot of details, but we use ESALs, and that's equivalent single-axle loading, that is going to be on that road. And so you can only project what you know. We can only design for what we know.

So when you look out 20 years, you have to be very visionary to try to figure out what's out there and what's going to happen. So as that system was built, it was built on the basis that we could incrementally add more pavement to build structural stability to it. And, as you can tell, we have had to do that. We have gone back in and added structural stability to it.

There comes a point in time where you have to go back and just redo it because the asphalt pavements that are out there have deteriorated to the point, due to loading and weather factors, to where you can't do it anymore. You go back and remill and start over.

So the second part of your question, how would we look at it today, we would use the same parameters. We look out 20 years, project what the truck traffic is going to be, what the—all traffic is going to be, and then go back and deal with that same criteria

as we look ahead to the visions of what's going to happen. We would have to incorporate those heavier loads that are there today. And we're finding that—

The CHAIRMAN. Is it fair to say—if I can interrupt, is it fair to say that nobody could have anticipated the energy and agriculture development that is—that has occurred in this corridor when that highway was originally designed and constructed?

Mr. ZIEGLER. There was no way of noting—knowing that. It used to be, for those who are from the Ag world, we drove around with small single-axle trucks, and now you don't find very many farmers that don't have at least a tandem axle, and most of them have semis, to move their goods and services. So that's a big change for the Department of Transportation to take care of that kind of loading.

The CHAIRMAN. You know, I've been driving on this road for 40 years, and I tell you, the changes, I think they're the most dramatic of any place that I drive in North Dakota. You know, the energy development alone has just transformed the traffic pattern on on parts of 85. You referenced Bowman to 94, that the traffic has actually been reduced there, as I heard you say it. But north of 94, do your traffic counts show a significant increase in traffic by trucks?

Mr. ZIEGLER. Senator, there are increases in segments. There are actually decreases in some of the segments. I have the information in front of me. 85 south of Watford City, that did have a decrease. But, in general, there has been an increase in traffic. It is in that neighborhood of a thousand to 2,000 vehicles a day.

The CHAIRMAN. A thousand to 2,000 a day.

And what percentage of that is truck traffic? Do you have that?

Mr. ZIEGLER. Yes, I do. It's approximately 20 to 30 percent.

The CHAIRMAN. Truck traffic?

Mr. ZIEGLER. That's correct.

The CHAIRMAN. And, Brad, when you gave the numbers of, on a segment, a hundred percent increase in truck traffic, what segment did that involve?

Dr. BEKKEDAHL. Senator, it was a—there was a marker placed about 5.1 miles north of Belfield, so I'm assuming it would be a traffic count that would be going north and south at that point.

The CHAIRMAN. At Belfield?

Dr. BEKKEDAHL. Just north of Belfield. So it would be whatever traffic was going out of Belfield north and coming to it south.

The CHAIRMAN. As I heard you say it, this is a 2004-to-2008 comparison?

Dr. BEKKEDAHL. That's correct.

The CHAIRMAN. OK. All right. Anything that any of these panelists would want to add to their testimony at this point before we go to the second panel?

Mr. ZIEGLER. I would, Senator.

The CHAIRMAN. Please proceed, Francis.

Mr. ZIEGLER. Thank you.

I would simply add, Senator, that whatever we do in transportation, we certainly ask that you and your committee work hard on the new highway bill. We would like the opportunity to work with you on that. Our State is very dependent on its Federal aid for its

transportation system and we look to a bright future here in North Dakota. Our visions are very bright. A lot of good things happening in our State, and, certainly, pulling together with the Federal Government and the State Government, we can build an infrastructure system that will serve our citizens.

The CHAIRMAN. Francis, maybe you could just tell us for the record, what percentage of your funding is from Federal sources?

Mr. ZIEGLER. We are at 55 percent.

The CHAIRMAN. Fifty-five percent Federal.

And as we go into this next transportation bill, I think it's critically important that we, as we have done in the past, work together on a strategy and plan on how to maximize those Federal resources. You know, we are a very large State. We're a relatively low population State, but we're a State that is critically important to the economic future of the country because we have the greatest combined energy resources. If you look at all of the elements to reducing our dependence on foreign energy, our oil, our gas, our coal, our wind energy potential, our various fuel replacement potentials that we have in this State for biofuels, North Dakota really is an energy hub for the rest of America. And the 85 corridor is central to that energy hub.

So there is a clear Federal responsibility here and, obviously, we have partnerships with the State and the local units of government. It requires all of us pulling together to get a result. And we'll need to be talking.

Director Ziegler, I think very quickly, will be wanting to be talking to the Governor and Senator Dorgan and Congressman Pomeroy, as well, as we fashion our strategy for going forward with the highway bill. It is now very clear because of the shortfalls in the trust fund that these decisions are going to come sooner rather than later and so we need to be prepared.

We always look forward to working with you.

Mr. ZIEGLER. Thank you.

The CHAIRMAN. Thank you, all.

Mayor Koeser, delighted to have you here.

Brad, thanks, as always, for the commitment that you've made to improvements in our transportation sector.

Next, we'll go to our second panel, Watford City Council President, Brent Sanford; Power Fuels President, Mark Johnsrud; and the Director of the Williston Research Extension Center, Dr. Jerry Bergman. I'd call you to the witness table and thank this group of witnesses as well.

As they're coming to the table, I'd just like to, for a moment, describe the witnesses that are part of this panel. Mr. Sanford is the president of the Watford City Council. Mr. Sanford is also a third-generation owner of S & S Motors, which is one of the oldest continuous businesses in Watford City.

Mark Johnsrud is the president of Power Fuels, which is an oil field transportation company.

And Mr. Jerry Bergman, Dr. Bergman, is the director of the North Dakota State University-Williston Research Extension Center and superintendent of the MSU Eastern Agricultural Research Center at Sidney, Montana. We'll forgive him for that.

You know, I was with Senator Tester and I told him last week, I said, "If you've got a Montana driver's license, in North Dakota, you're guilty." OK. That's a joke. Don't be writing me letters about how I'm picking on Montana. I was picking on Senator Tester.

Jerry coordinates the research activities of the two stations that serve seven million crop acres.

So what we wanted to do with this panel is to get kind of a diverse view. We have heard from elected officials and we have heard from our Director of Transportation. Now we wanted to hear from some of our private sector partners and those who have an involvement in the other major categories of economic activity on the corridor, and that's why this panel was selected.

Brent, why don't we start with you. Again, the President of the Watford City Council. Welcome and good to have you here.

STATEMENT OF BRENT SANFORD, PRESIDENT, WATFORD CITY COUNCIL, WATFORD CITY, NORTH DAKOTA

Mr. SANFORD. Thank you, Senator Conrad. I appreciate the opportunity to speak on behalf of the people of our region regarding the importance of Highway 85 to our communities.

My name is Brent Sanford. I'm on the panel today representing Watford City and McKenzie County as a local business owner and as the city council president. I was born and raised in Watford City, the county seat of McKenzie County, which is directly south of Williston, along Highway 85. I graduated from the University of North Dakota, lived and worked as a CPA in Fargo, North Dakota; Phoenix, Arizona; and Denver, Colorado.

In 2004, my wife and I decided to move home and become third-generation owners of S & S Motors, a 60-year-old automobile dealership. My grandfather started the business in Watford City in 1946 when he returned home from serving in the Navy during World War II. He owned the business for 28 years. Then my father owned the business for 30 years. The faces and franchises have changed over the years, but one thing has stayed the same. Our main customers are dryland farmers, ranchers, oil field service companies, utility companies, and their employees.

Another thing has stayed the same: Highway 85 is the only way the people of Watford City receive their goods and services. With no rail and no major airport, every kernel of wheat and every calf are hauled out by truck. Every egg and strawberry, every nut, bolt, and two-by-four are hauled into Watford City by truck. If you drove to this meeting along Highway 85 today, it probably wouldn't surprise you to know that our local grocery stores have extreme produce losses compared to their competitors along interstate highways.

But people from McKenzie County don't dwell on this. We make do with what we have. We're a hardy people. We're independent people. Our grandparents crossed the Missouri River and hauled their children over the bluffs and prairies to homestead where there were no roads and railroads. We're used to solving problems and challenges for ourselves. But with oil and clean water supply tightening worldwide, other people may be interested in what we have here in McKenzie County, and we're seeing that interest right now.

We can grow food in McKenzie County without irrigation and we have some of the best oil reserves in the U.S. So our narrow, bumpy, potholed, rutted Highway 85 has become the concern of others from outside of our county.

In western North Dakota we share the same concerns with the rest of the Highway 85 corridor from West Texas through New Mexico, Oklahoma, Kansas, Nebraska, Colorado, South Dakota, Wyoming, and Montana. These ten States make up the energy and agricultural production center of our nation. We share common characteristics in the sizes of our towns, the types of people living in our communities, the ways we make our living, and the types of goods we produce. We also share a common bond in that we are somewhat the forgotten region in regard to interstate transportation. You can go 300 miles east or west to reach a north-south-running interstate highway system in many parts of this Highway 85 corridor. This commonality has resulted in the alliance of three highway associations: The Theodore Roosevelt Expressway, the Heartland of North Dakota and South Dakota; the Heartland Expressway of Nebraska; and the Ports-to-Plains Alliance of Texas to Colorado. We are hoping our combined voice and unified vision will help bring attention to the challenges we face conducting our lives and our business along our existing highways. We also hope our combined voice and vision can bring light to the importance of the Ag and energy corridor and help convince Congress that development of our own Ag production and our own energy production is of vital national importance.

As a sidenote, I was an active observer of the Highway 85 problems on my last career stop before returning home to North Dakota. The last position I held before returning home was as the chief financial officer for Transwest Trucks in Commerce City, Colorado. My office overlooked the busy divided four lanes of Highway 85 as it entered the Denver metro area from the northeast. People's lives are affected every day by the bottleneck of traffic fighting through the middle of Denver as Highway 85 converges with I-25. The normal course of commerce in the entire west central region of the United States from Salt Lake City to Kansas City is hampered and disrupted by the lack of a seamless north-south route through eastern Colorado, away from I-25. While living and working in Colorado, the importance of moving Highway 85 to the east of Denver became very apparent to me.

The people here today from the North Dakota DOT, the Ports-to-Plains Alliance, and the Theodore Roosevelt Expressway have a storehouse full of information and statistics on what type of traffic is currently moving up and down our disjointed north-south roads on the Highway 85 corridor. Although the existing levels of traffic warrant discussion and consideration for infrastructure improvements, when planning the next highway bill and transportation bill, I would urge you to have the vision of what could be moving over improved north-south routes on our highway system. I would urge you to hold the vision of wind turbines and drilling rigs being safely transported down four-lane highways rather than limping down potholed two-lane highways with no shoulders. I would urge you to hold the vision of thriving communities that appear along the interstate systems adjacent to Highway—I-25 in northern Col-

orado, like Windsor, Fort Collins, Loveland, Longmont, and Westminster, as opposed to the dying communities along Highway 85 only 10 to 20 miles away running parallel to I-25 in northern Colorado and eastern Wyoming.

I'd urge you to envision a vibrant Highway 85 Ag and energy corridor up and down the center of our country as visionary leaders did when developing the east-west routes of the Federal rail system and the Federal interstate highway systems. We need the support of Congress in this endeavor. This is larger than individual States and individual counties. We're asking for visionary leadership from you, Senator Conrad.

Thank you for your time and consideration of this issue. This concludes my testimony.

[The prepared statement of Mr. Sanford follows:]

Senators Conrad and Gregg:

Thank you for this opportunity to speak on behalf of the people of our region regarding the importance of Highway 85 to our communities.

My name is Brent Sanford. I am on the panel today representing Watford City and McKenzie County as a local business owner and as the City Council President for Watford City. I was born and raised in Watford City, the county seat of McKenzie County which is directly to the south of Williston along Highway 85. I graduated from the University of North Dakota and lived and worked as a CPA in Fargo, ND, Phoenix, AZ and Denver, CO. In 2004, my wife and I decided to move home and become the 3rd generation owner of S&S Motors, a 60 year old automobile dealership. My grandfather started the business in 1946 when he returned home from serving in the Navy during World War II. He owned the business for 28 years, then my father owned the business for 30 years. The faces and franchises have changed over the years, but one thing has stayed the same. Our main customers are dryland farmers, ranchers, oilfield service companies, utility companies and their employees. Another thing has stayed the same. Highway 85 is the only way the people of Watford City receive their goods and services. With no rail and no major airport, every kernel of wheat and every calf are hauled out by truck and every egg and strawberry, every nut, bolt and 2x4 are hauled in by truck. If you drove to this meeting along highway 85 today, it probably wouldn't surprise you that the grocery stores in Watford City suffer from extreme produce losses compared to their competitors along interstate highways. But people from McKenzie County don't dwell on it. We make due with what we have. People will tell you that "the road is fine the way it is" and it helps "keep the riff-raff out". We are an independent, hearty people whose grandparents crossed the Missouri River and hauled their children over the bluffs and prairies to homestead where there were no roads and no railroads. We are used to solving problems and challenges ourselves. But with oil and clean water supply tightening worldwide, other people may be interested in what we have here. We can grow food without irrigation and we have some of the best oil reserves in the US. So our narrow, bumpy, pot-holed Highway 85 has become the concern of others from outside of our county.

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currently moving up and down our disjointed north-south roads in the Highway 85 corridor. Although the existing levels of traffic warrant discussion and consideration for infrastructure improvements, when planning the next highway bill, I would urge you to have the vision of what could be moving over an improved north-south highway system. I would urge you to hold the vision of wind turbines and drilling rigs being safely transported down four lane highways rather than limping down pot-holed two lane highways with no shoulders. I would urge you to hold the vision of the thriving communities along the interstate highway system adjacent to I-25 in northern Colorado like Windsor, Fort Collins, Loveland, Longmont and Westminster as opposed to the dying communities along Highway 85 only 10-20 miles away running parallel to I-25 in Northern Colorado and Eastern Wyoming. I would urge you to envision a vibrant Highway 85 Ag and Energy Corridor up and down the center of our country as visionary leaders did when developing the east-west routes of the federal rail system and federal interstate highway systems. We need the support of congress in this endeavor. This is larger than individual states and individual counties. We're asking for visionary leadership from you.

Thank you.

The CHAIRMAN. Thank you very much, Brent, for really excellent testimony. I appreciate it very much, and I think we're establishing a record here that will help us persuade our colleagues and others who will participate in the decisionmaking that we have got to address certain high-priority areas in the country. This really is an interest that goes beyond the interest of a region, a state. These really have become national issues, especially with the development of the Bakken formation and the further development of American agriculture turning a way that is far more reliant on heavy machinery than it was when this highway system was originally designed.

With that, we'll go to Mark Johnsrud, the president of Power Fuels, which is an oil field transportation company. Welcome to you, sir, and please proceed.

**STATEMENT OF MARK JOHNSRUD, PRESIDENT, POWER
FUELS, WATFORD CITY, NORTH DAKOTA**

Mr. JOHNSRUD. Good morning, and thank you for inviting me to testify at this hearing this morning. My name is Mark Johnsrud and I am the president and owner of Power Fuels and Landtech Enterprises, which are companies that provide fluid handling transportation and services to oil companies in the Williston Basin.

We currently employ roughly 30 people in western North Dakota and eastern Montana. And in the last years, our business has grown from roughly 60 employees to our current base of roughly 300 today. Our growth has been fueled by the expansion of the Bakken formation, which was started in Richland County several years ago and has moved into western North Dakota.

The US Highway 85 corridor is a very important initiative to serve the growing energy industry. Highway 85 is the primary artery that provides essential access to the inflow and outflow of products to support the oil and gas industry. This includes a broad range of products, including drilling rigs, well casing, drilling fluids, frac sand, pipeline components, and the movement of crude oil.

From the energy industry's perspective, we see the benefits of the US 85 corridor in the following categories: The long-term planning and growth for our State, the safety aspect, and a tax base that is extremely important for North Dakota.

2008 was a monumental year for the North Dakota petroleum industry. In April of last year, the U.S. Geological Survey released

a report that estimates the Bakken formation to have between three to four and a half billion barrels of undiscovered, technically recoverable oil. This is a 25-fold increase from the amount of oil that can be recovered compared to the agency's 1995 report of 151 million barrels of oil.

In 2008, North Dakota produced more oil than they have since the State established the measure to report. The State reported production of over 62 million barrels, which is up 39 percent, compared to 45 million barrels extracted the year earlier. The 2008 shatters the previous record, which was set in two thousand—or, excuse me, in 1984, at which time we produced 52 million barrels.

The CHAIRMAN. Mark, can I stop you right there because—

Mr. JOHNSRUD. Yes.

The CHAIRMAN [continuing]. I want to rivet the point in your testimony right here that you're making. You've just testified that the oil production in North Dakota went up almost 40 percent in 1 year, and I think this is a statistic that would be especially powerful with those that we need to convince. We all know that we are importing almost 60 percent of the oil that we use in this country. There is a strong consensus, in fact, rarely do I see a stronger consensus in Washington than exists on this issue, that it's absolutely in America's interest to reduce our dependence on foreign energy. That's what we're doing right here in this region, increasing oil production 40 percent. I don't think there's another part of the country that has had that kind of increase year over year.

And if that kind of increase is going to be supported, you've got to have the infrastructure to move the product.

Mr. JOHNSRUD. That's correct.

The CHAIRMAN. And so I want to make certain that this part of the testimony is clear and that we direct some of our colleagues' attention to this specific point and some of their staff members as well.

Thank you.

Mr. JOHNSRUD. The next thing I'd like to address is the safety issue. Safety and safety training has become a primary focus of the energy industry. We currently participate in three safety-related data bases that our customers use to evaluate us. And the first thing they look at is our historical safety rating; No. 2 is they evaluate our training programs; No. 3 is they evaluate our written manuals to see what kind of a safety program we're developing. They come up with a total score.

The larger companies today are using this scoring mechanism for vendor selection, and that's why we have to be very cautious as to where we're sending our employees, what we're asking them to do, and the conditions they're working in.

The increase in traffic on Highway 85, especially truck traffic, and the fact the highway is a two-lane road increases the potential for more accidents. In addition, the combination of agricultural traffic, trucks, combines, and tractors, tourism traffic, and oil field traffic using a busy two-lane highway is a recipe for disaster.

The Highway 85 corridor has become a critical component of the movement of oil to existing pipeline systems. Almost 59 percent of the state's increase in oil production was from Mountrail County last year. A significant amount of that was trucked from Mountrail

County to pipeline stations in Richey, Montana, and Fryburg, North Dakota. Trucks hauling oil will continue to be a major part of the movement of oil from the wells to the pipeline locations.

The CHAIRMAN. Can I stop you again because, again, you've provided testimony here that is very, very important for my colleagues to hear and their staffs to understand.

This oil, much of it is not being moved initially by pipeline. I find my colleagues have, in their mind's eye, this notion that the oil all moves by pipeline. In the first instance, gathering lines that then go to major pipelines. But that isn't the way it works, is it?

Mr. JOHNSRUD. No.

The CHAIRMAN. What really is happening is this oil is produced and then it is trucked to lines; isn't that—

Mr. JOHNSRUD. That is correct. And part of it is is that over time we'll see more gathering lines that are put together. But because of how rapid this expansion has been and especially the other factor that most people don't realize is that when the oil boom was here several years ago, it took three to 4 months to drill a well. Now they're drilling a well in 30 days or less.

The CHAIRMAN. You know, I've found my colleagues—I just had a discussion the last week we were in session before coming home for this work period, and I was really kind of surprised how surprised they were. One of my colleagues said to me, "Well, Kent, don't you have"—in getting ready for this hearing, we were talking about it. And he said to me, "Well, don't you have"—"Aren't those existing oil fields out there?" I said, "Yes, they are." He said, "Well, why don't you have existing gathering lines?" I said, "Well, because we have got new wells that are being drilled that don't have gathering lines extend to them, and we have also got issues of pipeline capacity."

So you've got a lot of oil that is being trucked here, and being trucked for a considerable distance. How far would it be to the stations, the Fryburg station and the other one that you referenced?

Mr. JOHNSRUD. From Mountrail County, we're somewhere between 120 and 170 miles.

The CHAIRMAN. So this is really not what they think is happening; OK?

Mr. JOHNSRUD. Correct.

The CHAIRMAN. This is not in their head that this oil is being trucked those distances.

Mr. JOHNSRUD. Mm-hmm.

The CHAIRMAN. So this is also a very important point that I want to make certain is highlighted in the testimony.

Mr. JOHNSRUD. And, you know, the I-85 corridor both going south from Watford City and then also going north to the Alexander leg for the Enbridge pipeline are extremely busy.

The CHAIRMAN. Would you know how heavy these trucks are once loaded?

Mr. JOHNSRUD. Yes. Most trucks today, because they're trying to maximize volume, weigh 105,000 pounds.

The CHAIRMAN. One hundred five thousand pounds, so that's over 50 tons?

Mr. JOHNSRUD. That is correct.

The CHAIRMAN. OK.

Mr. JOHNSRUD. And——

The CHAIRMAN. I'm sorry to interrupt you, but I want to——

Mr. JOHNSRUD. No, not at all. And this is——

The CHAIRMAN [continuing]. I want to make certain that this—that people pay attention to this part of the testimony because it makes the case why you've got to deal with this differently than I think a lot of people are thinking about.

Mr. JOHNSRUD. Well, I'm sure when this road was built, an 80,000-pound truck was, you know, a tractor-trailer or something of that configuration, but 80,000 pounds was all that was contemplated at that time.

The CHAIRMAN. All right.

Mr. JOHNSRUD. I guess the next part I'd like to mention is our State infrastructure needs to continue to be a priority item for the Federal Government, for all that we have talked about. If North Dakota wants to continue to grow its energy business, we need to move this project to the top of the list. The oil and gas production taxes for 2008 was nearly \$400 million, up from \$68 million in 2003.

As a North Dakota resident, I'm pleased to see our State have an economic surplus in our budget. As we look at the challenging economy today and other States with deficit problems, we need to invest in projects like the US 85 corridor to keep the energy industry investing in North Dakota energy production.

Thank you.

[The prepared statement of Mark Johnsrud follows:]

**Statement of Mark Johnsrud
President and Owner of Power Fuels and Landtech Enterprises
Regarding
The US 85 Corridor
Before the Committee of the Budget
United States Senate
Williston, ND
May 28, 2009**

Mr. Chairman:

Good morning and thank you for inviting me to testify at this Senate Budget Hearing. My name is Mark Johnsrud and I am the President and Owner of Power Fuels and Landtech Enterprises, which are companies that provide fluid handling transportation and services to oil companies in the Williston basin.

We currently employ roughly 300 people in Western North Dakota and Eastern Montana. In the last 3-years, our business has grown from roughly 60 employees to our current employee base of 300. Our growth has been fueled by the expansion of the Bakken exploration that was started in Richland County several years ago and that has moved into Western North Dakota.

The US 85 Corridor is a very important initiative to service the growing energy industry. Highway 85 is the primary artery that provides essential access to the inflow and outflow for products to support the oil and gas industry. This includes a broad range of products to include: drilling rigs, well casing, drilling fluids, frac sand, pipeline components and movement of crude oil. From an energy industry perspective, we see the benefits of the US 85 Corridor in the following categories:

- Long-term planning.
- Safety.
- Tax base for North Dakota.

2008 was a monumental year for the North Dakota Petroleum industry. In April, the US Geological Survey Assessment released a report that estimates the Bakken formation has 3.0 to 4.3 billions of barrels of undiscovered,

technically recoverable oil. This is a 25-fold increase in the amount of oil that can be recovered compared to the agency's 1995 estimate of 151 million barrels of oil.

North Dakota produced more oil in 2008 than in any year since commercial production was established in the state in 1951. The State reported production of 62,776,123 barrels, up 39% compared to the 45,121,983 barrels extracted a year earlier. 2008 shatters the previous record, which was set in 1984, when the State produced 52,658,396 barrels.

Safety and safety training have become a primary focus by the energy industry. We participate in three safety-related data base services that: (i) rates our historical safety record, (ii) evaluates our current training program and (iii) reviews our written policy manual to come up with a total score. Companies are using this score to for vendor selection. The increase in traffic on Highway 85, especially truck traffic, and the fact that the highway is a two lane road increases the potential for more accidents. In addition, the combination of agricultural traffic (trucks, combines and tractors), tourist traffic and oilfield traffic using this busy two lane highway is a recipe for disaster.

The Highway 85 Corridor has become a critical component in the movement of oil to existing pipeline systems. Almost 59% of the stats increase in oil production was in Mountrail County last year. A significant amount of oil was and will be trucked from Mountrail County to pipeline stations in Richey, MT and Fryburg, ND. Trucks hauling oil will continue to be a major part of the movement of oil for the well to the pipeline.

Our state's infrastructure needs to continue to be a priority item for the Federal Government. If North Dakota is to continue to grow its energy business, we need to move this project to the top of the list. The oil and gas production tax for FY 2008 was nearly \$400 million this is up from \$68 million in 2003. As a North Dakota Resident, I am pleased to see our State have a surplus. As we look at today's challenging economy and other states with deficit problems, we need to invest in projects like the US 85 Corridor to keep our energy industry investing in North Dakota energy production.

Senator Conrad, thank you for the opportunity to share these comments with the Senate Budget Committee.

The CHAIRMAN. Thank you. That's very, very useful testimony. I think it will help us a lot.

Jerry, do you want to proceed? Thank you so much for being here. We appreciate it very much. Jerry Bergman.

**STATEMENT OF JERRY BERGMAN, Ph.D., DIRECTOR,
WILLISTON RESEARCH EXTENSION CENTER, WILLISTON,
NORTH DAKOTA**

Dr. BERGMAN. Thank you, Senator Conrad.

The Mon-Dak region of eastern Montana and western North Dakota has a three-million-acre land base. A dramatic growth in Mon-Dak agriculture production has resulted from the reduction of fallow acres due to conservation tillage systems and crop diversification. And as a result, we have two million additional crop acres since 1990.

The Mon-Dak region is the No. 1 producing area in the United States in durum, wheat, peas, and lentils for both export and domestic markets. The Mon-Dak region is the last irrigation frontier in the United States and has the potential to develop up to one mil-

lion new acres of irrigated agriculture to support expanded production and area processing of high-value and value-added crops, both for food and energy and industrial uses.

The CHAIRMAN. Let me interrupt you, too, because this is another key point. This whole hearing is about energy and agriculture and manufacturing, how they impact this corridor. You just used a statistic here that I want to make certain gets paid attention to. Two million acres, crop acres, increase since 1990?

Dr. BERGMAN. Correct.

The CHAIRMAN. OK. That is massive. And that involves the Montana and the North Dakota side?

Dr. BERGMAN. Yes, and about 1.5 million of that's on the North Dakota side.

The CHAIRMAN. Great. Well, that's a powerful point.

Dr. BERGMAN. Yes.

The CHAIRMAN. Please go ahead.

Dr. BERGMAN. New large-scale agricultural processing industries are needed in the Mon-Dak region to support irrigation and economic development and job creation through growth in both dryland and irrigated agriculture. Investment in a four-lane divided US Highway 85 will be a key factor in attracting agricultural processing industries into our region and to allow us to fully capitalize and develop our water and land resources.

The potential of the Mon-Dak region to develop our resources will be greatly enhanced with the completion of the US 85 corridor for safe, efficient transportation of our agricultural crops, livestock, and renewable energy products.

And I thank you again for allowing me to testify in support of the US 85 corridor project.

[The prepared statement of Dr. Bergman follows:]

**How Infrastructure Investments Can Bolster North Dakota's Energy and
Agriculture Economies: The US 85 Corridor**

**Testimony Prepared for:
U.S. Senate Budget Committee
by**

**Jerald W. Bergman, Director
NDSU Williston Research Extension Center
14120 Hwy 2
Williston, ND 58801-8629
May 27, 2009**

Mr. Chairman and Members of the U.S. Senate Budget Committee:

The MonDak region (eastern Montana and western North Dakota) has a 30 million acre land base. A dramatic growth in the MonDak agriculture production has resulted from the reduction of fallow acres due to conservation tillage systems and crop diversification with an increase of 2 million additional crop acres since 1990. The MonDak region is the number one producing area in the United States in durum wheat (2.5M acres), peas (776,000 acres) and lentils (250,000 acres) for export and domestic markets. The MonDak region is the last irrigation frontier in the United States and has the potential to develop up to 1 million new acres of irrigation agriculture to support expanded production/processing of value-added/high-value food and industrial products.

New large-scale agricultural processing industries are needed in the MonDak region to support irrigation and economic development and job creation through growth in irrigated agriculture. The investment in a 4-lane divided US 85 highway will be a key factor in attracting agricultural processing industries into the MonDak region and to allow us to fully capitalize and develop our water and land resources. The potential of the MonDak region to develop our natural resources will be greatly enhanced with the completion of the US 85 Corridor for safe, efficient transportation of our agricultural crops, livestock, and renewable energy products.

The CHAIRMAN. Thank you very much. This has been a very helpful panel. I appreciate it. I'd like to ask you a few questions, if I could, to further flesh out the record.

Maybe, Mark, I can start with you and ask you how have conditions on US 85 been impacting the oil industry and its development? What would you say if one of my colleagues here—a group of my colleagues were here and, say, they ask you the question that they asked me, “What’s the condition of this road? How has it impacted oil field development and the movement of oil in this corridor?”

Mr. JOHNSRUD. I guess I believe that, to this point, I would not say that it has necessarily hampered the development, but, as you look forward, it's going to start to hamper problems, such as if you have more accidents, if you have more issues. Some of the companies that we work for are extremely sensitive with regards to safety and one problem takes just a significant amount of time. One accident can create a small company like ours just heartache that will last forever.

So, you know, how—it's really hard to define how you'd say how does it impact you, but it does, without any question.

As I look at the next 3 months, at every safety meeting, I tell our drivers, "This is the most dangerous time of the year because you're having people up here on"—"that are tourists, are looking, and when there's a buffalo or something else, they will just stop or pull over to the side of the road." And that just creates more problems.

And, you know, if there's an accident, it's an unfortunate event for everybody involved.

The CHAIRMAN. You know, you make a very good point.

And this corridor—I think that's another point we need to make for our colleagues' understanding. Not only is this critical for energy and agriculture, not only for our State and region, but the country, this is also a major tourist destination in North Dakota.

Mr. JOHNSRUD. Yes.

The CHAIRMAN. Medora is—may be the leading tourist attraction in our State and it's right in the center of this region. So that adds a complicating factor.

Brent, maybe you could help us. What would you say in terms of if I had colleagues here and they're saying, "Why should we be concerned about this Highway 85 corridor?" What would you say to them?

Mr. SANFORD. I guess I'll continue beating the drum on the Ag and the oil infrastructure that's necessary to continue developing those industries. It's fathomable to believe we can continue at current levels of production, which the two gentlemen on the panel have showed us an increase exponentially with what we have with basic safety improvements.

But to have a vision for what it could be, I think takes the next step. To envision where we could go to facilitate a hundred percent growth again in oil production. The reserves, apparently, are there. The technology is here. The people that know how to get it out is here. The bottleneck is the transportation.

And the same goes with agriculture as well. The know-how is here. The land is here. The bottleneck is transportation.

That hasn't even touched on other opportunities that we in McKenzie County—Gene Veeder is here today. We have looked at economic development projects of all different types in McKenzie County. We really can't support light manufacturing in McKenzie County when we have no rail, no major airport, no port. The only way that goods are getting in and out is by Highway 85. We have given up on that. We can do tourism, we can do oil, we can do Ag. But there's no reason to say we couldn't do light manufacturing up here if there were a four-lane highway.

The vision of what could be is—that's what I'm saying, it's going to take visionary leadership. It's exponential compared to what it is now.

The CHAIRMAN. All right. Jerry, I'd like to go back to you. What specific benefits do you see accruing to this area's agricultural economy with improvements along the corridor? You've already made the case, which I think is a very, very important one, two million additional crop acres in this Mon-Dak region, a million and a half of those in North Dakota alone, because of the change in

planting patterns and the change of agricultural economics. What do you see as the role of Highway 85 in the future development as a result of those increased crop acres?

Dr. BERGMAN. Well, one of the first questions when we visit with food processing companies is, "Do you have a four-lane divided highway?" And that is a very—

The CHAIRMAN. And why is that important to them?

Dr. BERGMAN. To move their finished products, both to export markets and to the east. Two-thirds of the population of the U.S. is east of the Mississippi and we actually have a great freight advantage to move product there compared to the West Coast. And to do that, we need good four-lane divided highways.

The CHAIRMAN. OK.

Any other points any member of this panel would want to make for the record?

Mr. JOHNSRUD. I have one.

The CHAIRMAN. Yeah.

Mr. JOHNSRUD. I guess—

The CHAIRMAN. Go ahead.

Mr. JOHNSRUD. One more thing, I guess, I'd like to just comment on. We have talked about what's happened in the last year, a hundred percent increase in the traffic on Highway 85. Currently, there's 36 rigs drilling in the State and we're anticipating somewhere in the neighborhood of another, you know, 10 to 15 that will start drilling after load limits come off. So if we kind of interpolate that we're going to end up with 50 rigs drilling an average of this year, most of these rigs today are going to drill ten wells. That's adding an additional 500 wells.

In the last couple years, we have seen a tremendous increase in the frac'ing and the stimulation of these wells as far as the amount of recoverable oil. And so as you take a look at, you know, this year and next year and 2 years, we can see that we're going to create a real problem just getting oil out of this area. But the additional stress that we're going to put on the highways is going to be monumental because while we see a 60 percent increase over the last year, we won't see that kind of increase again, but we're going to see—on a pure barrels produced per year, we're going to see the same kind of increase or more versus what we have in the past.

The CHAIRMAN. Well, that's a very powerful point. All right. I'm going to thank this panel.

And we have just got a few minutes remaining here. I want to—if there's somebody in the audience that would like to make a brief statement on this issue, we'd be happy to entertain it at this point.

Again, I want to recognize that the Governor's Chief of Staff is here. I had a chance to speak directly to the Governor yesterday about this hearing and thanked him for having his Director of Transportation here and also sending his Chief of Staff. We appreciate that very much.

If there's anybody that would want to make a statement for the hearing record, we'd certainly be willing to recognize them.

Yes, sir. If you'd identify yourself for the record and tell us what you do.

**STATEMENT OF DWIGHT VANNATTA, NORTHEAST MONTANA
LAND AND MINERAL OWNERS ASSOCIATION, BAINVILLE,
MONTANA**

Mr. VANNATTA. Excuse me. First of all, I am guilty. I'm from Montana. And I thought I should lend a perspective here.

The CHAIRMAN. If you would—

Mr. VANNATTA. First of all, I'm Dwight Vannatta from Bainville, Montana, which is just across the line.

The CHAIRMAN. Could you help us with the spelling for the record?

Mr. VANNATTA. Dwight, D-w-i-g-h-t, Vannatta, V-a-n-n- a-t-t-a.

The CHAIRMAN. OK.

Mr. VANNATTA. And I'm with the Northeast Montana Land and Mineral Owners Association, excuse me, which lends to the oil production. I'm also with the Montana Farm Bureau. That has to do with the Ag end of it.

The CHAIRMAN. OK.

Mr. VANNATTA. There's some statistics I think that would lend greatly to your efforts here because I also am retired from the railroad and I was in train service for 40 years. So I have knowledge about the amounts of grain, oil, fertilizer, and other products that have been distributed or hauled from this area. I worked out of Havre, Montana; from there to as far east as St. Paul, Minnesota, and as far west as Spokane, Washington.

In those 40 years, there have been hundreds of miles of railroad that have been abandoned. And as a typical example, because I know personally of it, I saw the stats on it—in fact, at a Federal Railroad Administration hearing—where when the—what we call the north branch from Bainville, Montana, to Opheim, Montana, was abandoned or allowed to abandon, except for the bottom 50 miles, in 1978, we hauled an average of 20,000 tons of grain per week off of that branch. That is a smaller production than you have over here where you get a little more rain.

The—when—

The CHAIRMAN. And all that I assume the point is that's moved to the roads now.

Mr. VANNATTA. Exactly. Twenty thousand tons of grain represents in excess of 600 18-wheelers, typical grain-hauling vehicles. So when you talk about the rutted roads, when you take that many vehicles of that size and put them on the roads, you're going to have ruts.

Also—

The CHAIRMAN. What is the—do you know—by off chance, do you know what the grain truck—typical grain truck would weigh?

Mr. VANNATTA. Very close to what Mark said an oil rig—or an oil crude-hauling truck would.

The CHAIRMAN. Yeah, he was talking 50 tons for—

Mr. VANNATTA. Yeah. And, of course, when you're coming from the grain bin off of the farm 50 to a hundred miles to a grain terminal, a rail terminal, and you don't have the means to calibrate and weigh and everything, they're probably in excess of 160,000, you know. I would—that's the reality. I'm not trying to be derogatory or anything. It's just a reality.

The CHAIRMAN. Francis, you keep your ears shut now.

Mr. VANNATTA. But like it was alluded to earlier about the only access in and out of Watford City was rail or highway. And that's very true because that rail line in there has been abandoned for some years now. And so all that production has been put on the road as well. None of these things were anticipated or could have been anticipated when the engineers that designed these highways did so.

The CHAIRMAN. Can I just say this to you, Dwight? You may be from Montana, but you're a darn good witness.

Mr. VANNATTA. Well, OK. The Montana side of this is going to be interesting because I also belong to the Mon-Dak Energy Alliance that we have been working on to complete an energy complex. And because of that, it—there's going to be some more significant impact on our roads. And, also, because of that, there are going to be increased productions of agriculture, like Dr. Bergman alluded to earlier about the significant increase already.

The Fort Peck Tribes on the Fort Peck Indian Reservation, the council told me that they have between 250,000 to 500,000 acres available for production in oilseed and/or corn and other grains that they intend to implement because it's just been—

The CHAIRMAN. Are those acres that are not being produced on now?

Mr. VANNATTA. Right. They have not been produced. They're just grazing and so forth.

The CHAIRMAN. Grazing.

Mr. VANNATTA. Yes.

The CHAIRMAN. And they're intending to turn that over to production?

Mr. VANNATTA. Exactly.

The CHAIRMAN. So that would be very significant additional that's big.

Mr. VANNATTA. Yeah.

And like Dr. Bergman also alluded to, the irrigation potential, because they also have significant water rights, they could just put vivid irrigation—

The CHAIRMAN. Yeah.

Mr. VANNATTA [continuing]. And irrigate and increase their production over a normal dryland production system. OK?

The CHAIRMAN. All right.

Mr. VANNATTA. Now, that portion of the corridor that goes to Culbertson and then into Canada, that will be impacted significantly by this increased production and by other entities, such as the CRP programs that will be coming out and not being allowed back in because they're a different—

The CHAIRMAN. Ah—very, very good point. This is a point that's not yet been made at this hearing and I want to make sure this gets on the record. Thank you for saying it, Dwight.

We know that because of the changing economics, land that has been in CRP has not been productive, at least not productive for crops that go to market, that a significant chunk of that land is going to come out of CRP and go back into production, meaning there will be even more demand on these road systems.

Mr. VANNATTA. And, also, like Jerry also alluded to is the various different crop varieties and species to be implemented into their

crop rotation systems in order to offset the need for expensive fertilizer by implementing the legumes will make a significant impact, too, because there you have another source of another product that has to go in a different direction and a different way than when it is normally, you know, to Yakima or the West Coast or——

The CHAIRMAN. Yeah.

Mr. VANNATTA [continuing]. To Chicago or otherwheres. It's going to go all over. And so that, too, will increase the——

The CHAIRMAN. Yeah.

Mr. VANNATTA [continuing]. Impact on the roads.

The CHAIRMAN. Yeah. You're exactly right. All right. Thank you, Dwight——

Mr. VANNATTA. Thank you.

The CHAIRMAN [continuing]. Anyone else that would like to add a perspective to the record here before we close out? Jerry? Absolutely.

Dr. BERGMAN. I have one more.

The CHAIRMAN. Yes, sir. Maybe, Brent, you can pass him that mike.

Dr. BERGMAN. A fuel for thought, not food. We have the potential on our CRP acres to convert a portion of that to biomass for energy once that technology is available. And when that's harvested, it can be dead-ripe and it would have no influence on habitat. So you could take a third of your acres of CRP for biomass for energy without infecting the habitat that's crucial to many of the people in our country.

The CHAIRMAN. Well, thank you for that. Let me just say that we've just had hearings in Washington on this question of biofuels, and they tell me, I was just with the Secretary of Energy, that he believes they're very close to a breakthrough on biofuels that is also going to change the economics of that opportunity. So we have got a lot of food for thought here about likely changes that are going to have a big impact.

Dwight, I'm so glad you mentioned the railroad situation because, you know, you think about those volumes that used to move on the rails that have now been pushed over onto these road networks. That's a big deal.

Any other—yes, sir.

**STATEMENT OF MILT HANSON, PRESIDENT, NORTH DAKOTA
BED & BREAKFAST ASSOCIATION, ARNEGARD, NORTH DA-
KOTA**

Mr. HANSON. My name is Milt Hanson. I'm the owner of Old School Bed & Breakfast down in Arnegard and also the president of the North Dakota Bed & Breakfast Association.

The CHAIRMAN. Welcome.

Mr. HANSON. One thing that has been mentioned very slightly is tourism. Tourism is North Dakota's No. 2 industry. This part of the State is prime for tourism. Our Sara Otte Coleman, Director of North Dakota Tourism, is very active in increasing that. And what I see from my guests is they're competing with Mark's trucks. You know, they're out looking at the buffalo. They're out looking at the antelope and all of a sudden there's a hundred thousand-pound semi roaring up behind them, you know, by no fault of the semi

driver. He's doing his job. But that tourist, he's come to see our country, see our beautiful country, see the Theodore Roosevelt Park.

And hopefully with our State tourism's efforts, that the volume of traffic—you know, these guys up here are—you know, they talk about the weight limits on the traffic. Tourism depends on volume. You know, we talk about maybe a thousand vehicles a day. If—during the summertime, it's probably much greater than that going by my facility down in Arnegard. So to—an increase in the condition of Highway 85 directly benefits that segment of North Dakota's economy, which is, again, our No. 2 industry in the State.

The CHAIRMAN. Very good point, and I'm glad you—very good point. I'm glad you made it.

We're about at the end of our time here because I've got to go down to Dickinson for meetings there and we're going to have a similar hearing down there because we want to make sure we make the case in that community as well, in that region.

So any we'll have one more that we can take. Yes, sir.

**STATEMENT OF ALLEN DOMAGALA, HULSING & ASSOCIATES,
DICKINSON, NORTH DAKOTA**

Mr. DOMAGALA. Allen Domagala. One—

The CHAIRMAN. Could you just spell your name for our transcriptionist, so we get it correct on the record?

Mr. DOMAGALA. D-o-m-a-g-a-l-a. I'm with the architectural office Hulsing & Associates.

One thing that all of this brings up is the Williston area is busy in construction processes, but you go to the eastern part of the State and everything is slowing down. We haven't experienced that, so our truck traffic continues trying to bring construction materials. We have got the other problem that without the increased capability of our highway system, we can't get trucks here. "I go on four lanes."

So with that, a delivery comes to Bismarck. Then it shuttles off into a smaller truck. That might get to Minot and shuttles off to a smaller truck. Now with the four-lane there, it's making a little bit of a change.

But we have had a recent project over the last year that the delivery was transferred four different times to get to a truck capable of getting to Williston.

The CHAIRMAN. Wow.

Mr. DOMAGALA. We're in a construction boom and this is creating a problem that's always been there. If we can find a way to alleviate that problem, we'll continue on with our boom and bring the businesses back into town to be able to support them.

The CHAIRMAN. Well, that must add a—very, very good—very interesting point. I've not heard that before from anyone. That must add a lot of cost when you've got to make all these shifts.

Mr. DOMAGALA. Absolutely.

The CHAIRMAN. All right. Thank you very much—very much for that.

Let me just indicate we have run out of time. We thank everyone for participating, all of our witnesses. I especially want to thank this panel, Brent, Mark, Jerry. I appreciate very much your partici-

pation. It was terrific. You did really an outstanding job that I think is going to be very helpful to us.

To others who provided testimony here in the audience, thank you as well. It was, all of it, excellent comments. I just am very, very pleased with this hearing. I don't think it could have gone any better.

So thank you very much, and we have got to keep working on this together. Thank you, all.

The meeting will stand adjourned.

[Whereupon, at 10:48 a.m., the hearing was adjourned.]

HOW INFRASTRUCTURE INVESTMENTS CAN BOLSTER NORTH DAKOTA'S ENERGY AND AGRICULTURE ECONOMIES: THE U.S. 85 CORRIDOR

THURSDAY, MAY 28, 2009

U.S. SENATE,
COMMITTEE ON THE BUDGET
Dickinson, N.D.

The Committee met, pursuant to notice, at 1:02 p.m. in the Student Center Ballroom, Dickinson State University, 900 Campus Drive, Dickinson, ND, 58601.

Hon. Kent Conrad, Chairman of the Committee, presiding.

Present: Senator Conrad [presiding].

OPENING STATEMENT OF SENATOR CONRAD

The Chairman. Welcome, everyone, to this hearing of the Senate Budget Committee. This is an official hearing of the committee, so we will be operating under the rules of the U.S. Senate, and an official record of this hearing is being kept.

I especially want to thank our distinguished witnesses today. They include Dickinson Mayor Dennis Johnson and our Director of North Dakota's Department of Transportation, Francis Ziegler. They will be on our first panel, followed by a panel that will include the Executive Director of the Stark Development Corporation, Gaylon Baker; the Missouri Basin Well Service COO Chuck Steffan; and TMI President Dean Rummel. I look forward very much to hearing from this distinguished group of witnesses and taking their concerns and ideas back to Washington to share with my colleagues.

This hearing will focus on how infrastructure investment in Highway 85 can foster the energy, agricultural, and manufacturing economies in this part of the State. We need to ensure that Highway 85 has the capacity to handle the increased activity in this region.

The energy development in this part of the State, particularly with the oil boom associated with the development of the Bakken Formation, is crucial not only to our economy, but is important to the national effort to reduce our dependence on foreign energy.

Our State is already one of the leading energy producers in the nation, and the expansion of energy production in this region will play an increasingly important role in the national effort to become less dependent on foreign sources. Highway 85 represents a critical lifeline for this energy development, and in that context, it is not just a regional issue or a State issue; it becomes a national concern.

This map shows why Highway 85 is so important to the energy production in our State. We have major gas plants and oilfields scattered up and down this road. Specifically, 400,000 barrels of oil a day are now produced in the corridor, and a large percentage of it is hauled over Highway 85 to tank farms for transport via pipeline.

The highway connects six major east-west highway systems that service these energy developments, and the highway serves as a major route for the transport of oil, pipe, steel, and other supplies. We also have significant and growing manufacturing and agricultural businesses in this area that rely on Highway 85 to transport their products.

Unfortunately, Highway 85 was not designed to handle the increasing number of trucks and oversized loads currently traveling on it. The highway needs repairs to foster continued growth in these industries, to ensure a safe travel route, and to better serve the communities in the area.

Let me just say—and I'm intimately familiar with this because one of the key reasons I'm holding this hearing is because I was on Highway 85 last fall, and it was not a happy experience. And I think anybody who's traveled that road knows what I'm talking about. I'm talking about the wash-boarding, talking about the extremely heavy truck traffic, talking about the delays in movement in some parts of that roadway, talking about safety concerns that are raised.

We certainly heard this at the hearing in Williston this morning, in what was really an outstanding hearing, I thought. Director Ziegler was there, and we had excellent witnesses there, and I think we are going to hear much the same in Dickinson.

Improvements to Highway 85 will also pay dividends for agriculture in the region. It will enhance the transportation of crops and livestock. It will increase export opportunities with enhanced access to Canada and will help further diversify western North Dakota agriculture with the ability to attract more value-added agriculture to the region.

The manufacturing businesses in the region will also benefit from improvements to Highway 85. Let me indicate that the North Dakota Department of Transportation's ongoing study of the corridor will form the basis for determining the necessary investments that must be made. We are not prejudging this process. In fact, we are relying on the North Dakota Department of Transportation's analysis to determine what direction should be taken for the future. That's the only—as I see it, the only reliable, objective way to determine what needs to be done for the future.

North Dakota has benefited greatly from the last highway bill, which was completed in 2005. As Chairman of the Budget Committee and as a senior member of the Finance Committee, I was included in the final group that negotiated the differences between the House and the Senate on that transportation bill, and I worked hard in that conference committee to make certain that North Dakota received significant funding for our highways and transit systems.

Specifically, I worked to secure \$1.5 billion for North Dakota, a 31 percent increase over the previous bill. Annually, that averages

out to over \$230 million a year for our highways and bridges, with additional funding provided for transit programs across the State, as well.

We did very well overall by securing two dollars for every dollar in gas tax money collected in our State, ranking us among the top four States in the Nation for return on our tax dollars. And I'm proud of that, and I don't think we have anything to apologize for. We have a very large State, relatively sparsely populated.

We are critical to the national infrastructure because of our agricultural production, our energy production, and tourism, all of those components. North Dakota has got to receive more than we send in if we're going to maintain a national network of roads.

I also worked to have Highway 85 designated as a high-priority corridor. That makes us eligible for special corridor funding from the Federal Highway Administration to help expand the area into an even greater trade corridor.

Here are some of the priorities I will focus on as we begin consideration of the next highway bill. The new legislation must identify sufficient funding. This is something that Director Ziegler, our distinguished administrator of the Transportation Department in North Dakota, has brought to our attention repeatedly. There has got to be a reliable source of funding for highway and bridge work all across the country.

The current trust fund is insufficient. In fact, we know we're going to run out of money this year. We're going to have to have an injection of \$5 to \$7 billion this year to prevent withholding from States of the ability to go forward with contracts that have already been entered into. States and communities must be able to rely on their Federal partners.

Next, any new highway bill must maintain recognition that rural transportation needs are vital to the nation. And finally, I will fight to secure funding for long-term investments for our nationally important corridors, like Highway 85.

I am particularly interested in hearing from our witnesses today on the immediate investments that are needed for Highway 85 and what future investments should be. Agriculture, manufacturing, energy, all of them will benefit by wise investments in our infrastructure. I'm also interested in learning whether any of the \$170 million in Federal stimulus funds provided to the State for roads have reached the corridor or if they will.

I want to again just indicate that I have enjoyed the working relationship we've had with the State. Mr. Ziegler, in my judgment, has been an absolute professional. He enjoys credibility, not only here in the State, but he certainly does with the congressional delegation. And I am happy to report with the people that we are trying to persuade in Washington of the special needs that attach to a State like ours, the special needs that surround Highway 85.

With that, I want to turn to Mr. Ziegler for his testimony, and then we'll go to Mayor Johnson. I again just want to thank Mr. Ziegler for his leadership and for his partnership as we've worked to provide the kind of important funding that's necessary to move the economy forward.

**STATEMENT OF MR. FRANCIS G. ZIEGLER, P.E., DIRECTOR,
NORTH DAKOTA DEPARTMENT OF TRANSPORTATION, BIS-
MARCK, NORTH**

DAKOTA Mr. Ziegler. Thank you, Senator. I'm Francis Ziegler, Director of the North Dakota Department of Transportation, and I want to thank you for the opportunity to appear before the Budget Committee today. Today, I'd like to address the following: Federal transportation legislative issues; how infrastructure investments can bolster North Dakota's economy, especially along U.S. Highway 85 corridor.

The Federal investment in North Dakota's highways is in the national interest, and it's imperative that the reauthorization of the Federal Highway Program continue to serve the needs of the rural States, allowing us to continue to meet the demands being placed on our highway network, including Highway 85.

That said, this year, for the first time ever, the State of North Dakota was able to commit an unprecedented sum of non-matching State general fund dollars to help build North Dakota's transportation infrastructure. This year, we passed a \$1.35 billion landmark transportation funding in North Dakota, which included about \$750 million of Federal aid.

This money will be used to fund maintenance and enhancements of the State's infrastructure, as well as grants for immediate assistance to cities, counties, and townships, in working to address weather- and flood-related damage to their roads.

The highway account, Senator, as you indicated, of the Highway Trust Fund is projected to have a zero balance this summer. It will be highly disruptive to States if FHWA begins to delay payment to the State claims as we ask for reimbursement of costs. As a zero balance gets closer, States will begin to curtail bid openings and work to avoid the risk of not having funds to pay for the work.

Furthermore, North Dakota already has contracts in place for which the Federal Highway Administration may not be able to provide this reimbursement of funds. The public may not be able to provide—the public at large, the jobs and transportation benefits of the program, would be denied, or at least delayed, if the program is disrupted. We hope that Congress can pass appropriate legislation soon so the trust fund will have those resources, as you indicated, Senator.

A multiyear highway and surface transportation authorization bill is also needed. This bill would recognize the benefits the entire nation receives from strong Federal investment in surface transportation. Under this legislation, it's important for rural States like ours to receive at least its current overall share formula in other funds. Certainly, that result would be in the national interest.

In support of the result, we'd like to emphasize a few reasons why investment in transportation infrastructure in rural States such as ours serve important national trends. First, North Dakota serves as a bridge for truck and personal traffic between other States. We need to enable agricultural exports and serve the nation's ethanol production and energy extraction industries, which are located largely in rural States.

They're a lifeline for remotely located and economically challenged citizens; enable people in businesses to traverse the vast

tracts of sparsely populated land that are major characteristics of the western United States; to provide access to scenic wonders, and to facilitate tourism. Also, to enable to enhanced investment to address safety needs in rural routes.

Highway transportation between our country's major metropolitan areas is simply not possible without excellent roads that bridge those vast distances. The FHWA data on tonnage origins and destinations shows that just over 59 percent of the truck traffic using North Dakota's highways does not either originate or have a destination in North Dakota. A significant portion of the economy in our State is based upon agricultural and energy production, and that—

THE CHAIRMAN. Francis, could I stop you on that point? Excuse me for interrupting, but you just made a point that I think we should highlight. What is the percentage of traffic going through here that does not originate in North Dakota?

MR. ZIEGLER. Fifty-nine percent.

THE CHAIRMAN. So almost 60 percent of the traffic here does not originate here. So when we're talking about a national transportation bill, if we're going to have a national system, we've got to have national support. And, you know, I get hit with this all the time, that North Dakota is getting a bigger share of the Federal Treasury than our population justifies, and we plead guilty to that. We get \$1.80 back for every dollar we send Washington. I'm talking overall. On highways, we get two dollars back for every dollar we send. But there's a reason for that.

If we're going to have a national system, we've got to have national support. And given our population density, and given the size of our State, if we don't get a disproportionate benefit with respect to roads and bridges, we would have a very bad system. Isn't that the case, Francis?

MR. ZIEGLER. That is correct, Senator.

THE CHAIRMAN. In your judgment, is the current formula sufficient? We know that there will be people coming after the formula, and they won't be looking to give us more. They'll be looking to take money that has traditionally come here. And in your judgment, is the current formula, is it critically important to maintain that?

MR. ZIEGLER. Senator, in my judgment, it's very critical that North Dakota maintain the current formula.

THE CHAIRMAN. Well, one of the things we're going to have to do soon after this hearing concludes is get together and work on our strategy for this next transportation bill, because we face, as I indicated at the outset, a shortfall of \$5 to \$7 billion this year. That's going to have to be addressed.

In the budget that I just wrote and my colleagues passed, we provided for that funding, and we provided for funding for the next transportation bill that is significantly in excess of what the trust fund will provide, because the hard reality is, the trust fund, if we just rely on the revenues of the current trust fund, we will not be able to come anywhere near matching the need that exists. Is not that the case, Director Ziegler?

MR. ZIEGLER. Senator Conrad, that is very much the case. In fact, our National Association has told us that the trust fund cur-

rently brings in approximately \$32 billion, and the spend is approximately \$40 to \$41.5 billion, so there's a significant shortfall there.

THE CHAIRMAN. Well, let me just say that the budget that I wrote that my colleagues have agreed to is designed to meet that need at that higher level, understanding that that gap is going to have to be filled, and it requires the committees of jurisdiction to come up with the money to make up the difference so we're not just adding to the deficit.

And I took a significant amount of heat for that insistence, but I think with our current financial situation as it is, we've got to insist that the next highway bill be paid for, and there is that gap. So the trust fund revenues are not going to be adequate.

MR. ZIEGLER. OK. I'll continue. A significant portion of the economy in our State is based on agricultural, energy production, and natural resource extraction. In fact, the government's economic strategy plan has identified Ag, energy, advanced manufacturing, technology-based businesses, and tourism as growth industries, because North Dakota holds a competitive advantage in those areas.

These have been the focus of much of North Dakota's investments in economic development. Ag is one sector of the economy where the United States has consistently run an international trade surplus, not a deficit. Over the past two decades, roughly 30 percent of all U.S. Ag crops were exported. North Dakota is a major contributor of energy production in the nation. Our State is currently fifth in the Nation in all oil production and contains a large amount of coal reserves.

Good roads throughout the State are paramount to the Nation becoming energy independent and providing Ag products to feed a hungry world. It's also worth noting that over the past three decades, tens of thousands of miles of rural branch lines have been abandoned nationwide. The reduced reach of the rail network means that in many areas, particularly rural areas, must rely more heavily on trucks to move goods.

With increased truck traffic in North Dakota, much of the upper Midwest, we're challenged with our ability to continue the products. This challenge is really compounded by the necessity to pose spring load restrictions. Like congestion, load restrictions slow down commerce and add greatly to the cost of doing business.

We moved the chart this afternoon to your left, Senator, so you can read it a little bit better, but if you will look at those lines on that chart, one, you'll see where we have load restrictions in our State, and it's pretty significant—

THE CHAIRMAN. Director Ziegler, I noticed immediately upon entering the room how you cleverly moved the charts to this side. I told them, we've got to get these charts blown up, because when they're over on that side, I couldn't read them, but here, I can see them clearly.

MR. ZIEGLER. Well, we want you to see them.

THE CHAIRMAN. You know I like charts.

MR. ZIEGLER. We've heard that. OK. Rural States like North Dakota face a number of serious obstacles in preserving and improving the Federal-aid highway system within our borders. We're very

rural, geographically large, have low population densities, and have extensive highway networks.

Our large road network has few people to support it. The per-capita contribution to the highway account of the Highway Trust Fund attributed to North Dakota is \$161, compared to the national average of \$109 per person. These factors make it very challenging for rural States to provide, maintain, and preserve a modern transportation system that connects the rest of the nation.

Our budget to maintain—just to maintain, plow snow, seal cracks, and do some pothole patching, takes the transportation system about \$9,200 per year per mile. It takes about 2,000 vehicles a mile per day to generate that amount of revenue from the current motor fuel taxes. In fact, very few of our roads actually hit the 2,000 per day. In summary, our ability to address highway needs throughout the State depends in part on the resolution of some broader transportation legislative initiatives. We set forth today some of the many reasons why it's in the national interest for the Federal Government to continue to make substantial investments in transportation in a State like ours. A continued strong Federal funding role is appropriate.

More specifically, on the Highway U.S. 85 corridor, transportation provides a vital link to our State's economic growth and is critical to almost all freight movements, connecting manufacturing to retailers, farms to markets, shippers to pipelines, railroads, airports, and seaports. For this reason, the State has proceeded with a number of improvements on the Teddy Roosevelt Expressway, U.S. 85 Highway corridor, that are part of the Statewide Transportation Improvement Program, or STIP, and that's on Chart 2. It shows all the improvements that we're looking to make on it.

The Teddy Roosevelt Expressway is vital to serving the needs of western North Dakota and beyond our borders. The State of North Dakota and the Teddy Roosevelt Expressway Coalition are sponsoring a corridor study on 197 miles of the TRE located in North Dakota. The overall general objective is to prepare the TRE corridor master plan. It's scheduled to be conducted in three phases.

The first phase is to identify the current and projected needs within the border or within the corridor. Phase two is to develop primarily corridor improvement alternatives to get ready to see what we need to do on it. And then third, to refine preferred alternatives and prepare required environmental documents.

Kadrmas, Lee, Jackson, and Ulteig engineers have been selected to conduct the study, and phase one is underway. We've had some public hearings in Bowman, Belfield, Watford City, and in Williston, and some of the main topics that have been brought up at the meetings, there's an interest in making improvements, definitely, and safety is a big factor, that everybody talks about widening shoulders, lowering hills, addressing turning lanes, and so on.

Concern about to changes to U.S. 85, though, that there's some concern about that it could result in communities being bypassed. Residents living along the roadway are concerned about losing land to the right-of-way. So on and on, but we're getting good input on those public hearings in addressing the corridor needs.

Phase one of the study is scheduled to be completed in May of 2010. Senator, I know you've always worked with us, with the Department of Transportation, with our State, and with our Governor to develop a list of priorities as the Department of Transportation sees the needs, and we hope that you would do that again on this corridor and work with us to develop the priorities as they come out of the study.

In conclusion, Senator, we consider it essential that Congress, through the reauthorization process, recognize that significantly increased Federal investment in highways and surface transportation in rural States is and will remain important to the national interest. The citizens and businesses of our nation's more populated areas, not just residents of rural America, benefit from a good transportation network in and across rural states like North Dakota.

With such legislation, we'll be better equipped to address our statewide needs, which includes the U.S. 85 corridor. This concludes my testimony. I'm certainly willing to answer any questions that you might have.

[The prepared statement of Mr. Ziegler follows:]

**U.S. SENATE BUDGET COMMITTEE HEARING
How Infrastructure Investments Can Bolster North Dakota's Energy
and Agriculture Economies and the U.S. 85 Corridor**

**Francis Ziegler, Director of the North Dakota Department of Transportation
Williston and Dickinson, North Dakota
May 28, 2009**

Mr. Chairman. I am Francis Ziegler, Director of the North Dakota Department of Transportation. Thank you for the opportunity to appear before the Budget Committee today.

Today, I would like to address the following:

- Federal transportation legislative issues,
- How Infrastructure Investments can bolster North Dakota's Economy; and the
- US 85 Corridor

Federal investment in North Dakota's highways is in the national interest and it is imperative that the reauthorization of the federal highway program continue to serve the needs of rural states, allowing us to continue to meet the demands being placed on our highway network, including US 85.

That said, this year for the first time ever, the state of North Dakota was able to commit an unprecedented sum in non-matching state General Fund dollars to help build North Dakota's transportation infrastructure.

Earlier this month, we passed a \$1.35 billion landmark transportation funding bill in North Dakota. This is a comprehensive package. This legislation will fund maintenance and enhancements of the state's infrastructure, as well as grants for immediate assistance to cities, counties and townships working to address weather- and flood-related damage to their roads.

In addition to increases in our normal highway funding, which is based on the state gas tax plus federal matching funds, we have added funding that will take us from about \$903 million in the current biennium to about \$1.35 billion.

Combined with the estimated \$150 million in federal disaster aid we are pushing for, we will be devoting about \$1.5 billion to transportation, including almost \$600 million more to rebuild our roads and help cities, counties and townships recover from statewide flooding.

Federal Transportation Legislative Issues

The Highway Account of the Highway Trust Fund is projected to have a zero balance this summer. It will be highly disruptive to states if FHWA begins to delay payment of state claims to reimburse costs. As a zero balance gets closer, states will begin to curtail bid openings and work, to avoid the risk of not having funds to pay for the work. Furthermore, North Dakota already has contracts in place for which the Federal Highway Administration may not be able to provide reimbursement of funds. For the public at large, the jobs and transportation benefits of the program would be denied, or at least delayed, if the program is disrupted. We hope the Congress will pass appropriate legislation soon, so that the Trust Fund will have the resources to pay for highway work.

A multi-year highway and surface transportation authorization bill is also needed. This bill would recognize the benefits the entire nation receives from a strong Federal investment in surface transportation. Under this legislation it is important for rural states like ours to receive at least its current overall share of formula and other funds. Certainly, that result would be in the national interest.

In support of that result, we would like to emphasize a few reasons why investments in transportation infrastructure in rural states like North Dakota serve important national interests.

The Nation Benefits from Federal Transportation Investment In and Across Rural States

Federal-aid highways in our state, not just those on the National Highway System --

- serve as a bridge for truck and personal traffic between other states, advancing interstate commerce and mobility;
- enable agricultural exports and serve the nation's ethanol production and energy extraction industries, which are located largely in rural areas;
- are a lifeline for remotely located and economically challenged citizens, such as those living on tribal reservations;
- enable people and business to traverse the vast tracts of sparsely populated land that are a major characteristic of the western United States; and
- provide access to scenic wonders and facilitate tourism.

In addition, the scope of the Federal-aid system, extending beyond the NHS, enables enhanced investment to address safety needs on rural routes.

Further, Federal investment in rural transit helps ensure personal mobility, especially for senior citizens and the people with disabilities, connecting them to necessary services. Federal public transportation programs, both transit and Amtrak, must continue to include funding for rural states and not focus entirely on large metropolitan areas.

Let me amplify a few of these points.

Bridge States Serve a National Connectivity Interest for People and Business

Highway transportation between our country's major metropolitan areas is simply not possible without excellent roads that bridge those vast distances. This connectivity benefits the citizens of our nation's large metro areas because air or rail frequently will not be the best option for moving people or goods across the country. The many commercial trucks on our rural interstate highways demonstrate every day that people and businesses in the major metropolitan areas benefit from the nation's investment in highways in rural states.

The most recent FHWA data on tonnage origins and destinations shows that just over 59 percent of the truck traffic using North Dakota's highways does not either originate or terminate within the state. This is well above the national average of about 45 percent, underscoring that North Dakota serves to help connect the nation in a way that benefits other states.

Essential Service to Agriculture, Natural Resources, Energy

A significant portion of the economy in our State is based on agriculture, energy production, and natural resource extraction. In fact, the governor's economic strategic plan has identified agriculture, energy, advanced manufacturing, technology-based businesses, and tourism as growth industries, because North Dakota holds a competitive advantage in those areas. These have been the focus of much of the North Dakota's investments in economic development.

Agriculture is one sector of the economy where the United States has consistently run an international trade surplus, not a deficit. Over the last two decades roughly 30 percent of all U.S. agricultural crops were exported.

Apart from its value to the state, there is a strong national interest in ensuring that agricultural, value-added agricultural products and natural resources have the road network that is needed to deliver product to markets, particularly export markets. In 2008, North Dakota led the nation in the production of wheat, barley, canola, sunflowers, flaxseed, all dry edible beans, pinto beans, navy beans, dry edible peas, lentils, and honey. North Dakota last year was the fastest growing export state in the nation. A key part of that total road network is the roads below the National Highway System, where export crops begin their journey from point of production to destination.

North Dakota is a major contributor of energy production in the nation. Our state is currently fifth in the nation in oil production and contains a large amount of coal reserves. Good roads throughout the state are paramount to the nation becoming energy independent and providing agricultural products to feed a hungry world.

It is also worth noting that, over the last three decades, tens of thousands of rural rail branch lines have been abandoned nationwide. In North Dakota, since 1980, over 1,500 miles of railroad branch lines have been abandoned. The reduced reach of the rail network means that many areas, particularly rural areas, must rely more heavily on trucks to move goods.

With increased truck traffic in North Dakota and much of the upper Midwest, we are challenged with our ability to continue to move these products. That challenge is compounded by the necessity to impose spring load restrictions. The underlying reason for putting on spring load restrictions is inadequate roadway thickness. During the spring thaw, the ground is waterlogged and can't support a fully laden 18-wheeler on a highway of standard thickness. Many states especially those in the north, have little choice, given their current funding, but to limit the amount of weight on highways in the spring. Like congestion, load restrictions slow down commerce and add greatly to the cost of doing business. Chart #1 illustrates how many of the state's roads were affected by load restrictions this spring. Notice that because of the investments made in US Highway 85, the majority of this route was not subject to road restrictions.

Tourism Access

Without a strong road network in rural states, access to many scenic destinations would be limited. Tourism is vital to the economy of North Dakota, and in fact, is now North Dakota's second largest industry.

Funding and Financing Considerations

Rural states like North Dakota face a number of serious obstacles in preserving and improving the Federal-aid highway system within their borders. We:

- are very rural,
- are geographically large,
- have low population densities, and
- have extensive highway networks.

Our large road network has few people to support it. In North Dakota there are about 16 people per lane mile of federal aid highway. The national average is approximately 129 people per lane mile. Our per capita contribution to the Highway Trust Fund also exceeds the national average. The per capita contribution to the Highway Account of the Highway Trust Fund attributed to North Dakota is \$161 compared to the national average of \$109 per person.

These factors make it very challenging for rural states to provide, maintain, and preserve a modern transportation system that connects to the rest of the nation. Our low population and traffic densities also mean that tolls are not an answer to funding transportation needs in rural areas. For example, our budget to maintain (plow snow and seal cracks) the state transportation system is approximately \$9,200 per mile each year. It takes approximately 2,000 vehicles per mile per day to generate this amount of revenue from state motor fuel taxes. Very few state highways average 2,000 vehicles per mile per day in North Dakota.

In summary, our ability to address highway needs throughout the state depends in part on the resolution of some broader transportation legislative issues. Accordingly, we set forth today some of the many reasons why it is in the national interest for the Federal Government to continue to make substantial investments in transportation in a state like ours. A continued strong Federal funding role is appropriate.

Theodore Roosevelt Expressway (US 85 Corridor)

Transportation provides a vital link to our states' economic growth and is crucial to almost all freight movements – connecting manufacturers to retailers, farms to markets, and shippers to pipelines, railroads, airports, and seaports. For this reason the state has proceeded with a number of improvements on the Theodore Roosevelt Expressway (US 85 Corridor) that are part of the Statewide Transportation Improvement Program (STIP). See Chart 2. The Theodore Roosevelt Expressway (TRE) is vital to serving these needs in western North Dakota and beyond our borders.

The TRE is part of the Great Plains International Trade Corridor, which extends from Mexico to Canada. The TRE begins in Rapid City, S.D., and follows US 85 north to Williston, N.D., and continues west along US 2 to Montana Highway 16 and proceeds north to the Port of Raymond at the Montana/Canada border.

The State of North Dakota and the Theodore Roosevelt Expressway coalition are sponsoring a corridor study on the 197 miles of the TRE located in North Dakota.

The overall general objective of this study is to prepare a TRE Corridor Master Plan. The study is planned to be conducted in three phases.

- **Phase 1:** Identify current and projected needs within the corridor;
- **Phase 2 (if necessary):** Develop preliminary corridor improvement alternatives;
- **Phase 3 (if necessary):** Refine preferred alternatives and prepare required environmental documents.

Kadmas, Lee & Jackson and Ulteig Engineers have been selected to conduct the study. Phase 1 of the study is currently underway. Public input meetings have been held in Bowman, Belfield, Watford City, and Williston.

Some of the main topics that have been brought up at the meetings are:

- Interest in making improvements such as widening shoulders, lowering hills and adding turning lanes.
- Concern about changes to US 85 that could result in communities being bypassed and traffic not stopping at their businesses.
- Residents living along roadway concerned about losing land to the right of way.
- Surprise that car and truck traffic volumes aren't larger. Traffic on some segments has grown, while traffic volumes on other segments have decreased.
- Improvements don't need to be the same for the entire corridor.

Phase 1 of the study is scheduled to be completed in May of 2010. As each phase of the study is completed a determination will be made if it is necessary to proceed with the next phase.

Moving forward, we feel that federal funding for a substantial expansion of Highway 85 needs to be an enhanced appropriation, rather than an earmark within the state's normal federal highway

allocation. Such earmarks, worthy as they may be, often divert funding from other important investments across the state.

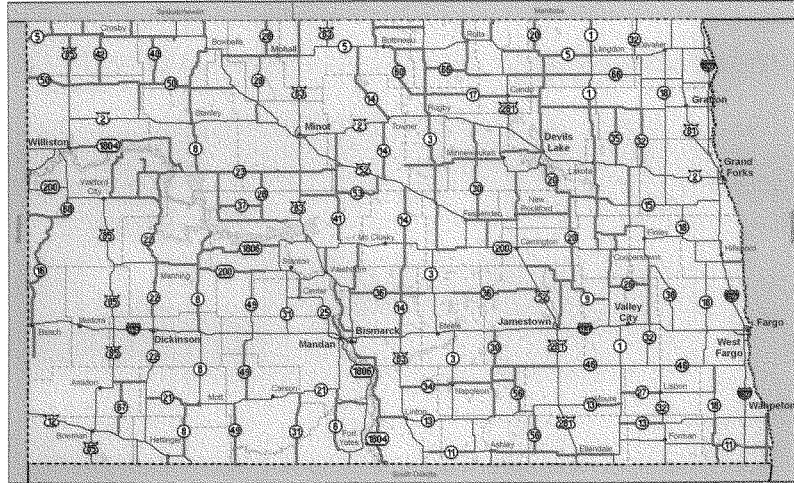
We regard this as an important initiative, with potential benefits for North Dakota's economy, and we will work with the coalition, as well as community leaders in the cities along the route and our neighboring states to advance the project in a reasonable timeframe.

Conclusion

In conclusion, we consider it essential that the Congress, through the reauthorization process, recognize that significantly increased federal investment in highways and surface transportation in rural states is, and will remain, important to the national interest. The citizens and businesses of our nation's more populated areas, not just residents of rural America, benefit from a good transportation network in and across rural states like North Dakota. With such legislation, we will be better equipped to address our statewide needs, which includes the US 85 corridor.

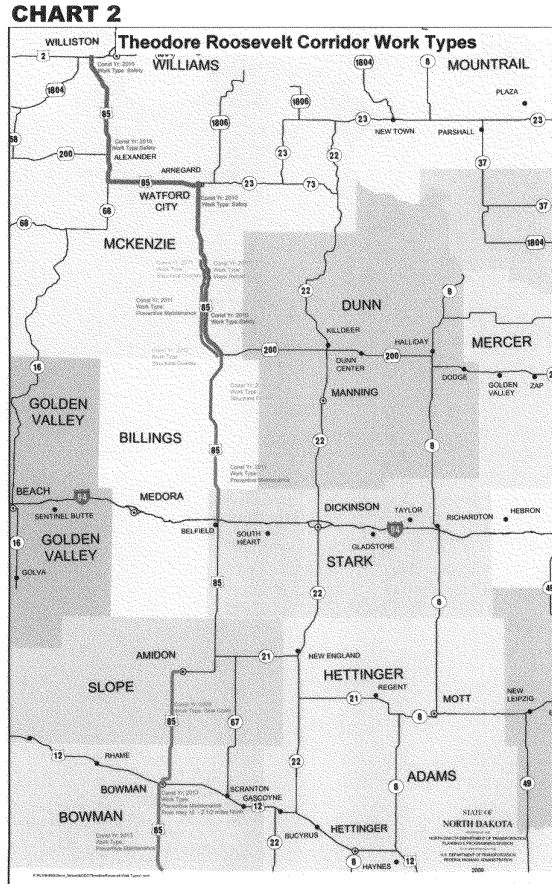
That concludes my testimony. I'd be happy to respond to any questions you may have.

North Dakota Highways with Spring Load Restrictions



——— - Highways requiring spring load restrictions

CHART 1



The CHAIRMAN. Thank you, Director Ziegler. I want to take just a moment and recognize Lance Gabe, the Governor's Deputy Chief of Staff who is with us. We appreciate Lance very much for being here. In Williston, I introduced him as the Governor's Chief of Staff. On my trip down here from Williston, I was contacted by the Governor's Chief of Staff, who asked me if I knew something that he did not. He wanted to know if he'd lost his job and Lance was taking over, and I assured him that, as far as I knew, he was secure at his job, but I was happy to promote Lance, at least for the morning. Thank you very much, Lance, for being here.

Next, we'll turn to Mayor Johnson, Dennis Johnson, our good mayor. We very much appreciate the leadership he provides in this community. Mayor Johnson, why don't you proceed?

STATEMENT OF HON. DENNIS W. JOHNSON, MAYOR, CITY OF DICKINSON, NORTH DAKOTA

MR. JOHNSON. My name is Dennis Johnson. I presently serve as President of the Dickinson City Commission. This is my ninth year in that capacity. I am a western North Dakota native and have

lived in Dickinson the past 35 years. On behalf of the citizens of Dickinson and southwest North Dakota, it is my honor to extend to Senator Conrad a warm welcome to our community. We are pleased that you are here to hold this hearing regarding the U.S. 85 corridor.

Dickinson is home to about 18,000 people. It is the largest city in the southwest quadrant of North Dakota. Dickinson, of the larger North Dakota cities has the most diversified economy and may be the most entrepreneurial city in North Dakota. Dickinson's economy is not overly dependent upon one economic sector. It participates in multiple economic sectors. There is a solid agricultural economy in southwest North Dakota consisting of both production agricultural and ranching. There is a robust energy economy in western North Dakota. Western North Dakota has oil, natural gas, lignite coal, and ethanol production. Currently, the Bakken Formation is one of the largest oil plays in the lower 48 States. The formation covers portion of western North Dakota, eastern Montana, and southern Saskatchewan.

While much of our commerce historically travels east and west, the oil industry in western North Dakota travels predominately north and south, connecting the cities of Houston, Denver, Gillette, Dickinson, Sydney, and Williston. In addition to the oil and coal industry, this region also has electrical generation capacity that includes coal and natural gas-fired plants and wind generation.

Dickinson has a growing manufacturing economy. There are in excess of 1,300 manufacturing jobs in our community. This is a high concentration, considering the size of our city. The manufacturing companies are a diverse group producing institutional furniture, food products, gravel handling equipment, electric thermal storage heaters, oil storage tanks, aircraft, electrical harnesses and circuit boards, and solar-powered water mixing equipment.

A very large majority of their manufactured products are marketed outside of North Dakota. Dickinson has a vibrant service economy. It serves a regional area that extends into Montana and South Dakota, providing education, retail, financial, medical, recreation, and other professional services.

Dickinson State University's 2,800 students come from a large geographical area. The tourism economy is a significant contributor to the area's economy. Dickinson is the gateway community to the Theodore Roosevelt National Park and the historic town of Medora. Both are located within the scenic North Dakota Badlands, about 30 miles west of Dickinson. About 500,000 people annually travel to the national park to enjoy sightseeing, camping, hiking, biking, and horseback riding in the Badlands. About 100,000 people during the summer attend the Medora musical in its outdoor amphitheater.

People visit Medora and the Badlands because of its historical connection with Theodore Roosevelt. This area also attracts those who hunt and fish. Western North Dakota is well-known for its world-class pheasant, water fowl, and mule deer hunting. Lake Sacagawea, located north of Dickinson, has excellent walleye fishing, boating, and other water recreation.

Dickinson has a solid construction economy that services the local building needs of the region. Last year, the city issued 285

building permits totally just over \$45 million in value. Housing values continue to rise within the city. While the Dickinson area economy consists of many diverse segments, an important common need for each segment is truck transportation. We are fortunate to be serviced by the Burlington Northern Santa Fe Railroad for inbound and outbound transportation for major commodities. However, most of the area's inbound and outbound transportation needs are met by trucks.

A sparsely populated rural area such as western North Dakota is highly dependent upon the trucking industry. We are fortunate to be located on Interstate 94. I-94 provides area businesses with a safe and efficient outbound east-west corridor to markets. The I-94 corridor also provides Dickinson with quality inbound transportation service for goods and materials consumed by area businesses and citizens.

It would be a great economic boost to this area if we had a highway similar to I-94 that would provide equally safe and efficient transportation in a north-south direction. In my opinion, it would make markets north and south of us more accessible. It would also be easier for our area to import goods from the north-south direction into our area. I also believe it would be safer for motorists moving in a north-south direction.

I would encourage developing U.S. Highway 85 into either a super two or four-lane format. That concludes my testimony.

[The prepared statement of Mr. Johnson follows:]

Senate Budget Committee Testimony
Dennis W. Johnson
City of Dickinson
May 28, 2009

My name is Dennis Johnson. I presently serve as President of the Dickinson City Commission. This is my ninth year in that capacity. I am a Western North Dakota native and have lived in Dickinson the past 35 years. On behalf of the citizens of Dickinson and Southwest North Dakota it is my honor to extend to Senator Conrad a warm welcome to our community. We are pleased that you are here to hold this hearing regarding "The U.S. 85 Corridor".

Dickinson is home to about 18,000 people. It is the largest city in the southwest quadrant of North Dakota. Dickinson, of the larger North Dakota cities, has the most diversified economy and may be the most entrepreneurial city in North Dakota. Dickinson's economy is not overly dependent upon one economic sector. It participates in multiple economic sectors.

There is a solid agricultural economy in Southwest North Dakota consisting of both production agriculture and ranching.

There is a robust energy economy in Western North Dakota. Western North Dakota has oil, natural gas, lignite coal, and ethanol production. Currently, the Bakken formation is one of the largest oil plays in the lower 48 states. The formation covers portions of Western North Dakota, Eastern Montana, and Southern Saskatchewan. While much of our commerce historically travels east and west, the oil industry in Western North Dakota travels predominately north and south connecting the cities of Houston, Denver, Gillette, Dickinson, Sidney, and Williston. In addition to the oil and coal industry this region also has electrical generation capacity that includes coal and natural gas fired plants and wind generation.

Dickinson has a growing manufacturing economy. There are in excess of 1300 manufacturing jobs in our community. This is a high concentration considering the size of our city. The manufacturing companies are a diverse group producing institutional furniture, food products, gravel handling equipment, electric thermal storage heaters, oil storage tanks, aircraft electrical harnesses and circuit boards, and solar powered water mixing equipment. A very large majority of their manufactured products are marketed outside of North Dakota.

Dickinson has a vibrant service economy. It serves a regional area that extends into Montana and South Dakota providing education, retail, financial, medical, recreation, and other professional services. Dickinson State University's 2,800 students come from a large geographical area.

The tourism economy is a significant contributor to the area's economy. Dickinson is the gateway community to the Theodore Roosevelt National Park and the historic town of Medora. Both are located within the scenic North Dakota Badlands about 30 miles west of Dickinson. About 500,000 people annually travel to the National Park to enjoy sightseeing, camping, hiking, biking and horseback riding in the Badlands. About 100,000 people during the summer attend the Medora Musical in its outdoor amphitheatre. People visit Medora and the Badlands because of its historical connection with Theodore Roosevelt.

This area also attracts those who hunt and fish. Western North Dakota is well known for its world class pheasant, water fowl, and mule deer hunting. Lake Sakakawea located north of Dickinson has excellent walleye fishing, boating, and other water recreation.

Dickinson has a solid construction economy that services the local building needs of the region. Last year the City issued 285 building permits totaling just over \$45,000,000 in value. Housing values continue to rise within the city.

While the Dickinson area economy consists of many diverse segments an important common need for each segment is truck transportation. We are fortunate to be serviced by the Burlington Northern Santa Fe Railroad for inbound and outbound transportation for major commodities. However, most of the area's inbound and outbound transportation needs are met by trucks. A sparsely populated rural area such as Western North Dakota is highly dependent upon the trucking industry.

We are fortunate to be located on Interstate 94. I-94 provides area businesses with a safe and efficient outbound east west corridor to markets. The I-94 corridor also provides Dickinson with quality inbound transportation service for goods and materials consumed by area businesses and citizens.

It would be a great economic boost to this area if we had a highway similar to I-94 that would provide equally safe and efficient transportation in a north south direction. In my opinion it would make markets north and south of us more accessible. It would also be easier for our area to import goods from a north

south direction into our area. I also believe it would be safer for motorists moving in a north south direction. I would encourage developing U.S. Highway 85 into either a super two or four lane format.

The CHAIRMAN. Thank you very much, Mayor Johnson. I hope you'll let me call you Mayor. I know that you're really the President of the City Council, but let me ask you—turn to you first and ask you, how would you describe the condition of Highway 85? And remember, if you will, that we're trying to persuade people 1,500 miles away in Washington, colleagues, staffers, that there is a need for greater Federal funding for this corridor, as well as the highway needs of the entire State.

I mean, if we're trying to describe so that a staff person on the EPW Committee in Washington can kind of get a sense of what we're dealing with if you drive up and down 85, how would you describe it?

MR. JOHNSON. Well, I'd be most familiar with the section from Belfield, North Dakota to Williston, North Dakota. I would describe it as being busy, with lots of truck traffic. You'll see a lot of trucks relates to the energy industry, of course, but it's not just industry.

You'll see a lot of dry vans that are moving up and down that highway.

I would describe it very similar to the way you described it from your trip last fall. It's rough and the shoulders are narrow. If you're traveling—and we travel at speeds of—right at 65 miles an hour—

THE CHAIRMAN. Right at 65?

MR. JOHNSON. Yeah, not above it. When I'm sitting next to the DOT Director, I'm right at 65. But at those speeds, with a two-lane highway with lots of truck traffic, the director noted that there's hills and curves, and so you'd have visibility issues. There are real safety issues there, and so I'd be very concerned about the safety aspect of it. And it's—when you're out traveling on the highway in a sedan and you have that much truck traffic there, it's I think a dangerous condition.

THE CHAIRMAN. You know, I described my grandfather going through the State of Wisconsin when I was a kid, and he'd call it a hill truck curve, and I added expletive deleted. And that was sort of my experience last fall on 85, hill truck curve—I won't say the expletive deleted. But, you know, it was very clear to me that we've got serious work that's got to be done there.

MR. JOHNSON. Let me add one thing, too. People who aren't familiar with North Dakota, most of what they've perhaps seen in the media about us is they viewed eastern North Dakota, which is very flat, has tremendously rich farmland. But out here in western North Dakota, we have buttes and hills, and we don't have that same flatness. And so there is a real safety element here in the west.

THE CHAIRMAN. Yeah, I'll tell you, it's one of the things that I experienced, that people get behind trucks. And we were in the situation where there were trucks going maybe 40, 45 miles an hour, and people get impatient. And then you've got a hill, you've got a curve, and people take—they get impatient and they start to do risky things. And we certainly saw that last fall.

MR. JOHNSON. Well, and living in the Northern Great Plains, we do experience winter from time to time.

THE CHAIRMAN. We've been denying that, Dennis.

MR. JOHNSON. But when you're on a two-lane highway and you meet an oncoming truck and there is some snow on the highway or snow on the shoulder, you get a tremendous amount of snow fog also, which is a very dangerous condition.

THE CHAIRMAN. Let me ask you this. When you described, Dennis, a super two—those are the words I heard you use, as options and alternatives for the future, a super two or a four-lane, what do you mean by that? What comes to your mind's eye when you describe a super two?

MR. JOHNSON. Well, when I think of a super two highway, I would perhaps think of one where there's say some controlled access to the highway. I would think of a two-lane highway that has wider shoulders. I would—there would be areas where there would be passing lanes, some of those hills or curves that we've talked about. But something that is certainly a noticeable step up from an ordinary two-lane highway.

THE CHAIRMAN. OK. Director Ziegler, what terminology do you apply? Obviously, that's a two-lane road now. How do you term it within the department in describing that road facility now? Do you just call it a two-lane? Is it a certain type of two-lane? Do you have this super two terminology that the mayor is using, or how would you describe the options?

MR. ZIEGLER. Senator, currently, Highway 85 is a two-lane facility. It has some control access in the newer areas where—what we consider control access on a corridor like this or a roadway like this is that we have no more than five approaches per mile. That's the control we've used. We've actually bought that when we buy right-of-way.

As it relates to a super two concept, the mayor described it very well. Fundamentally, it's a wider segment of roadway. It provides passing, it provides climbing lanes where necessary, and it addresses those safety needs that we need to address on this corridor. I've personally—

THE CHAIRMAN. Is there any rule of thumb to how much cost that adds to go to that kind of improved road?

MR. ZIEGLER. Senator, to go to a super two on this corridor—I'd have to do some mathematic. We'll have our engineers do some mathematical efforts. But typically, we would need to add some shoulders, six, eight, ten-foot wide shoulders, and then an additional lane in the middle where necessary. It doesn't have to be a third lane or a passing lane continuously. You provide that at intervals.

I have had the opportunity to drive on what is called a super two in Nevada between Laughlin and Vegas, and it's a very comfortable feeling, and what it allows is when cars get bunched up or trucks get bunched up, you can do passing at regular intervals. So that's the super two concept that the Mayor talked about.

THE CHAIRMAN. Could you provide for the committee kind of a rule of thumb—I'm not asking for it here, but could you give us some idea what cost that would add?

MR. ZIEGLER. To add to the shoulders and an additional lane, passing lane, at intervals, would in all likelihood be in the neighborhood of a million dollars for every mile that you would do that on.

THE CHAIRMAN. And so as a percentage, would we be talking about 120 percent of a typical two-lane, or can you give us some rough rule of thumb?

MR. ZIEGLER. If a typical two-lane is 24 feet plus 6-foot shoulders, which would bring that to a 36-foot roadway, this one would have to be at least 50-plus feet, and so you could just proportion of those costs. A typical two-lane—and the most current we have is the highway two-four laning. That cost us over a million dollars a mile, and we had owned the right-of-way.

And so if you took a million dollars a mile for a typical roadway if we started all over from scratch on this, I'm going to estimate that it would be \$1.5 to \$1.75 million dollars per mile.

THE CHAIRMAN. OK. That's very helpful. Let me ask you this. I asked you this question in Williston—I get asked, not infrequently, stimulus, we had \$170 million of stimulus funds for highways in North Dakota that were allocated by Congress earlier this year.

What's been the disposition of those funds? Are any of those funds flowing to this corridor, or will they? What can you tell us about that?

MR. ZIEGLER. Senator, first of all, we appreciate the stimulus funding. It came at a perfect time, when we had a tough winter, we have had a tough spring, a very wet spring, and our roadways have certainly shown a lot of damage. And it was good that our legislative body was able to help us out with that.

But the stimulus money that we've put into place statewide has been to address a lot of the load-carrying capacity issues that would relate to that map with all the red roads. So we're doing overlays to help us with the spring activities, to keep that flowing.

We believe that—Grant is going to be checking this afternoon with staff—that we have a micro-surfacing job coming onto this corridor to help with the redding and some of the loading issues.

THE CHAIRMAN. Let me just indicate that I was called yesterday actually by a former state legislator, and he was concerned that I was holding these hearings, putting a focus on Highway 85, when there are so many other road issues around the State, especially as a result of the extraordinary flooding we've experienced.

And my staff shared with them that it's important to understand that those roads that have been affected by flooding are covered by FEMA funding under public assistance. So that's a separate pot of money. What we're talking about here in this hearing is a future transportation bill and the need to address key corridors as well as the road and bridge network across the State of North Dakota.

But we need to put a focus on all of the priorities of this State, and very frankly, Highway 85 is a key priority, not only for this State, but for the country, because of the energy and agricultural production that moves on this highway. And as a gentleman said this morning in Williston, you've got to remember that a lot of this traffic that used to move on the rails is no longer moving on rails because many of these rail lines have been abandoned that has pushed a substantial additional load onto the road networks.

So we've got kind of a triple whammy going on here with 85. We've got, No. 1, the dramatically increased energy traffic that is on this road, and these are 50-ton trucks. Then we've got the agricultural loads. We had testimony this morning that since 1990, a million and a half acres have been added to the crop base just in the North Dakota part of this region. A million and a half crop acres added. All of that production is being put on this road network.

And then, No. 3, because of the removal of certain rail assets, an additional burden has been put on this road network. So you put that all together, it is like a triple whammy, and we've got to respond to it.

And Director Ziegler, who I have high regard for, I think we have to put ourselves in his shoes as well. He faced dramatic increases in all the input costs to road and bridge construction in this State last year. You think of what happened when oil went to \$145 a barrel. What happened to asphalt costs? What happened to all of the other inputs? What happened to diesel costs? What happened to the cost of steel?

In fact, I'd ask you, Director Ziegler, for the record, maybe you could just give us some examples of the kind of input cost increases that you were faced with last year.

MR. ZIEGLER. Senator, they were significant. Asphalt prices were in the neighborhood of \$300 to \$400 per ton just before 2005. From 2005 to 2008 and now again in 2009, we're seeing \$700 to \$900 a ton, but in that average of \$800 a ton. So that—

THE CHAIRMAN. So more than a doubling just there.

MR. ZIEGLER. It's more than doubling just in that commodity. The steel prices have leveled off. We're currently building a bridge at Drayton, North Dakota, and we've got some good steel prices on that project, and so we're happy about that.

Cement prices have leveled off, and actually dropped some. But it's the asphalt commodity that we use so much on these types of roads that has really driven up our costs.

THE CHAIRMAN. And, actually, last year, before this leveling off in cement and a leveling off in steel, you faced big run-ups in those input costs, as well, did you not?

MR. ZIEGLER. Yes, we did. Cement had gone well over \$100 a ton when it had been about \$80, and steel prices had gone up at least 25 to 30 percent, but they've leveled off and actually come down.

THE CHAIRMAN. So we've got to understand if we're going to maintain the same road network and improve upon it, and the input cost for every mile go up dramatically, we've got to put more resources into the system if we're going to do just the same job that we've been doing. And if we want to make improvements and enhancements, the money's going to have to come from somewhere.

I would just say to you, it's very clear that the revenue base of the trust fund is not going to be adequate to meet the needs. Isn't that the case, Director Ziegler?

MR. ZIEGLER. That is correct, Senator. In our National Association discussion, we're really concerned about that very point, is the fact that the 18-cent gas tax or 18.4-cent gas tax is only generating \$32 billion, and we're spending at more than that, and we need more than that, Senator.

THE CHAIRMAN. Do you have any assessment from your National Association of what kind of expenditure will be required in the next transportation bill? Would you expect somewhere in the range of \$42 billion to be required to meet the needs nationally?

MR. ZIEGLER. Senator, our association has done a neat study, and we're looking at in the neighborhood of \$450 billion for a 6-year program.

THE CHAIRMAN. For a 6-year program?

MR. ZIEGLER. That's correct.

THE CHAIRMAN. Well, Director Ziegler, you've just given me a very sobering number.

MR. ZIEGLER. Those are the needs as our States see them. They're significant. Senator, as you recognize the fact that when the stimulus was addressed, the fact that infrastructure was valued in this country, and that's how we get people to jobs. That's how we get jobs for people.

And so the infrastructure—like I always say, the infrastructure is the engine that drives the economy. And a good economy cannot be sustained without a good transportation system.

THE CHAIRMAN. No, and that's absolutely true. And it's, No. 1, building these roads and bridges and maintaining them creates jobs, and they're jobs right here in America. No. 2, it also has the added benefit of proving the economic efficiency of America up against the competition we face internationally.

So I argued in the stimulus package for far more for infrastructure. I argued for \$200 billion of the package to be for infrastructure, because to me, it makes the most sense. You really get a big bang for the buck, not only in jobs, but in increased economic efficiency.

Let me go back over these numbers, if I could. I heard you say for a 6-year bill, your National Association has now calculated that we would require somewhere in the range of \$470 billion?

MR. ZIEGLER. Senator, \$450 billion.

THE CHAIRMAN. Four fifty. So that would be \$75 billion a year on average. Seventy-five billion a year, and the trust fund is throwing off on about \$32 billion a year, if I'm right.

MR. ZIEGLER. So that is a gap of \$43 billion a year. Now, is your National Association—honestly, this is the first time I've heard these numbers, and honestly, it almost takes my breath away, I have to tell you honestly. So we're talking about a \$43 billion gap. Has your National Association come up with options on how to close that gap?

MR. ZIEGLER. We have. In fact, our association did testify to the Policy Commission and the Infrastructure Funding Commission. In fact, there have been two of those types of commissions. Of course, one of the things that is almost taboo is to keep talking about gas tax, so there's public-private partnerships that are being talked about. There's bond banks that are being talked about. VMT is being talked about, as well as—

THE CHAIRMAN. What is that?

MR. ZIEGLER. It's basically a user fee, vehicle miles traveled user fee. And that is to say—

THE CHAIRMAN. What do you call that?

MR. ZIEGLER. Vehicle miles traveled user fee, a VMT fee.

THE CHAIRMAN. V—I see, it's V for Victor, VMT.

MR. ZIEGLER. VMT.

THE CHAIRMAN. Oy, oy, oy. This is worse than I thought. OK. Now I'm sorry I held this hearing. Well, I personally don't believe that gas tax is going to do it. I don't see the support for increasing the gas tax, with gas prices where they are and with gas prices where they've been, to the level that would close that gap, and so I think we're going to have to be thinking very, very seriously about other options.

Do you have any good news that you could give me? Forty-three billion, 6 years. That's a \$258 billion hole that we've got to fill. Two hundred and fifty—that's real money, even in Washington. And what is—can you help us understand, that amount of money is to achieve what result?

MR. ZIEGLER. Senator, that amount of money is to achieve the result to take care of the needs that the States are seeing in the infrastructure condition of today. There are thousands of bridges out there that are structurally deficient. I'm talking about the entire country now.

THE CHAIRMAN. Yeah, yeah.

MR. ZIEGLER. Thousands of bridges that are deficient, roads that are in bad shape, and there's an infrastructure that has tremendous needs. And as you travel around the country—which I don't do all that much of, but had an opportunity last week to be in Pennsylvania for one of our spring meetings with our association, there's a lot of work that needs to be done.

You know, our interstate system is just over 50 years old, and it was designed for 20 to 30 years. And so it's right there. It needs to be basically reconstructed. And obviously, the capacities have to be increased. The pavement thicknesses have to be increased because of the heavier loads that we carry today. I hated to ruin your day here, but I guess that's really—those are some of the realities.

THE CHAIRMAN. You know, honestly, this is the first that I've heard these numbers. I've been working on a gap, but it was a gap much smaller than this one. Let me ask you this. Do you believe that in any way, these numbers are gilding a lily or gold plating? Do you believe that there are savings we could achieve out of that amount and still have a responsible program?

MR. ZIEGLER. Senator, in every study and every needs and wants assessment, one has to take a look at the priorities and have to go back and reprioritize what it takes to really keep this economic engine going. And certainly, as an association, they've looked at that. But I couldn't say today what kind of a cutback we could make in order to still meet the needs and wants of some of the States that have put those dollars together.

THE CHAIRMAN. Well, let me just say this to you. And, again, I'm coming at this cold, because this is the first I've heard these numbers. But I've got to tell you, it is going to be extraordinarily difficult to meet those numbers. And I think we're going to have to look at cutting back. We're clearly going to have to look for additional revenue sources. But, honestly, we're going to have to cut, because I don't think there's an appetite for filling that big a hole, not with the economy in the situation that it's in.

MR. ZIEGLER. We certainly recognize that as an association and are working toward providing options how these things could be funded.

THE CHAIRMAN. OK. Mayor Johnson, any last thoughts or observations on what you've heard here today or anything that you'd want to make certain is included in the record?

MR. JOHNSON. No, sir.

THE CHAIRMAN. All right. Thank you. I want to thank you both for, again, excellent testimony. I've certainly heard some things here that are new to me, but important for me to know.

MR. ZIEGLER. If I could, Senator, make some closing comments.

THE CHAIRMAN. Yes.

MR. ZIEGLER. Highway 85 corridor is very important to us, as you can see from the chart. We are moving forward with quite a number of projects in the next few years, and so most of those are safety-type projects to make sure that we have a safe corridor. And I look forward to working with you and your staff to work together to help create the basis for the next highway bill. I know that you've worked very closely with us and the Governor's office, and we certainly appreciate that and thank you for it.

THE CHAIRMAN. Well, I have appreciated very much our working relationship, and I think very soon after these hearings have concluded, we need to get together and put together our strategy for this next transportation bill, because, especially after what I've heard here today, we've got—I knew we faced tough challenges, but I must say, after hearing your testimony and what the National Association has determined as what the needs are, we've got a much bigger problem than I had previously heard in testimony. All right. Thank you. Thank you so much, Mayor Johnson. Thank you, Director Ziegler. We appreciate it.

Our next panel is made up of Gaylon Baker. Mr. Baker is the Executive Director for the Stark Development Corporation. He also serves on the Board of Directors for the Theodore Roosevelt Expressway. Chuck Steffan of Belfield, North Dakota. Mr. Steffan is the COO of Missouri Basin Well Service, which is a trucking operation for oil and gas field services. And Dean Rummel of Dickinson, North Dakota. Mr. Rummel is the President of TMI in Dickinson, which is a leading manufacturer of laminate casework products for schools, laboratories, and healthcare facilities.

Welcome. It's good to have you here. I appreciate very much your participation in this hearing. Please know that your entire statements will be made part of the official record of this hearing, and we'd ask you to proceed and give us your thoughts on the opportunities that exist in the Highway 85 corridor. Gaylon, welcome.

**STATEMENT OF GAYLON BAKER, EXECUTIVE DIRECTOR,
STARK DEVELOPMENT CORPORATION, DICKINSON, NORTH
DAKOTA**

MR. BAKER. Thank you, Senator Conrad. My name is Gaylon Baker. I am Executive Vice President of Stark Development Corporation, the economic development office serving Stark County and its surrounding market area.

I've been in this position for 14 years, having prior experience and training in metro area redevelopment, marketing, land use planning, business planning, housing rehabilitation, and regional planning. I'm a member of the Theodore Roosevelt Expressway Association Board of Directors. The Theodore Roosevelt Expressway Association is a part of the Ports-to-Plains Alliance. The goal of a safer, more efficient corridor highway that spans our nation from north to south is shared by all of the alliance.

Such a corridor highway will improve the future of North Dakota and its neighbors on several fronts. Our association could cite an impressive list of statistics that support the economic impact of north-south trade.

North Dakota alone trades over \$2 billion domestically with the other eight States in the Ports-to-Plains Alliance. Our State also realized \$1.8 billion in exports by truck to Canada and \$15 million in exports by truck to Mexico in 2008. Both of these export numbers are up over 200 percent since 2004. North Dakota's leading manufactured export is machinery, followed by transportation equipment, processed foods, and chemical products.

North Dakota's exports of goods has risen sharply in recent years as more and more companies are finding markets across our coun-

try's borders, and as they have more grown more sophisticated in their marketing.

Many of our local companies rely on U.S. Highway 85 for moving the equipment and goods that tie us to the large markets in the southwestern United States, in addition to Canada and Mexico. However, this movement is currently hampered by the condition and design of this critical roadway. Pavement conditions, lack of lane separations in critical locations, access points, lack of turning lanes, pathways through residential and commercial areas, and other concerns effectively restrict the potential of this roadway to meet the growing demand we are seeing.

Western North Dakota is fortunate to be home to a number of businesses with the capability to sell extensively into out-of-state markets. As a State located in the middle of the continent, our strength as an essential manufacturing and distribution point increases when we are connected to our free market partners to the north and south.

Our area businesses, including agricultural, energy, and manufacturing, are leaders in research and development of methods and processes that add value and bring new money into North Dakota. They have studied potential markets thoroughly and subsequently focused on the specific segments to achieve success, in spite of what most of the country regards as a remote location.

Adding value in specialization, I believe, are the future of American manufacturing, but we will see mass volume, repetitive production often go overseas. In mass volume production, other transportation methods are more efficient. Conversely, in specialized manufacturing done in smaller quantities, trucks are the most appropriate transportation choice. U.S. Highway 85 is a major trucking corridor for us.

Several years ago, in 2001, Dickinson was chosen to host a population symposium, largely because at that time, we were recognized as an epicenter of out-migration, particularly among our young people. Key experts were hosted in an academic assessment of this problem, and many potential solutions were put forth.

For local leaders, this was an opportunity to take stock of their situations in their communities. Fortunately, they did not just listen and walk away. They asked themselves, what can we do to become the place people want to live? The answer is multifaceted and includes recognition of cultural diversity, community recreation improvements, development of new housing, adding shopping opportunities, good-paying jobs, and improving our connections to the world around us.

The diagram that you can't see below illustrates some of the many investments communities have connected to the U.S. Highway 85 corridor that they have made in themselves to become more attractive. Allow me to verbalize what's in the diagram, and my apologies for not having charts. The diagram illustrates the relative layout of Watford City, Belfield, Bowman, Dickinson, Richardson, Medora, and flags those many improvements that these communities have invested in for themselves. It's things like the Rough Rider Motel, the amphitheater, and the golf course out in Medora; the visitor center and the main street project in Watford City; the pavilion, the fire station, the veterans memorial, and the recreation

area in Belfield; the library, the Dakota Winds Arena, and the Four Seasons Pavilion in Bowman; the West River Community Center, the Theodore Roosevelt Presidential Library, the downtown library remodel, and the Badlands Activity Center in Dickinson; the retro energy project, the highway incubator that's being planned, and the Cenex expansion, and the healthcare facility—thank you, by the way—in Richardson.

And those are just some of the top-of-the-mind things that came to me as I wrote this. These investments have produced results. The net out-migration has either slowed or reversed for a number of communities. Today, Dickinson's population is climbing, not because the town has become a retirement haven, but because young families are choosing to stay or relocate here.

The birth rates at St. Joseph's Hospital and at other hospitals in our area have been on the rise. Students are finding Dickinson State University and its proud host city to be attractive. Dickinson State University brings young people to the area for a period of their life, and they are staying because they like the upbeat tone and the social and cultural offerings.

In turn, the economic development momentum of our area businesses has provided them with opportunity to visualize a prosperous future here. I have a couple more charts on paper, one of Dickinson State University fall enrollment, which has grown from around 1,800 in 1998 to 2,730 in 2008. Dickinson area total employment has climbed from about 9,700 in 1998 to 12,200 in 2007, the last number I have available. That's about 2,500 in about 9 years.

So while our baby rate has improved, challenges do remain. Young families need to be confident that they themselves and the businesses they work for are connected to urban centers and markets. Any sense of remoteness and isolation on either of those fronts is frightening to them. Good connections, which are what we see as the future of U.S. Highway 85, are critical to sustaining our youthful population. That concludes my testimony.

[The prepared statement of Mr. Baker follows:]

May 28, 2009

Honorable Senator Kent Conrad and Members of the Committee,

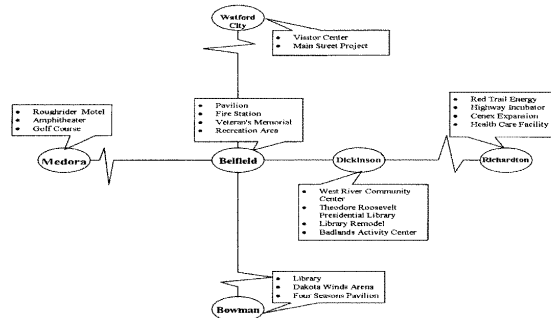
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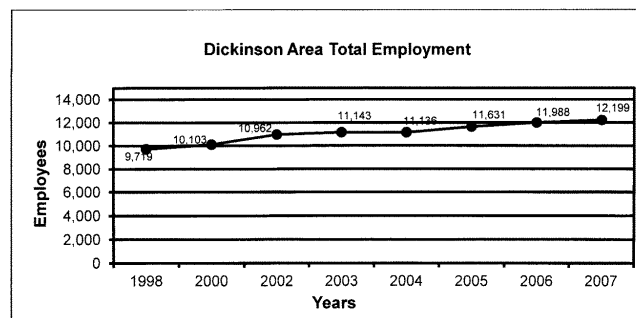
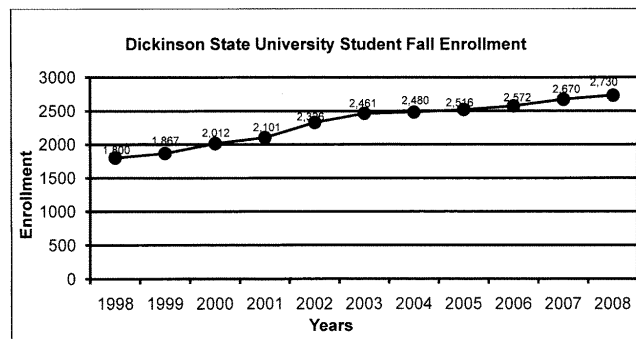
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Western North Dakota is fortunate to be home to a number of businesses with the capability to sell extensively into out-of-state markets. As a state located in the middle of the Continent, our strength as a central manufacturing and distribution point increases when we are connected to our free market partners to the north and south. Our area businesses, including agriculture, energy and manufacturing are leaders in research and development of methods and processes that add value and bring new money into North Dakota. They have studied potential markets thoroughly and subsequently focused on the specific segments to achieve success in spite of what most of the Country regards as a remote location. Adding value and specialization, I believe, are the future of American manufacturing, while we will see mass volume, repetitive production often go overseas. In mass volume production other transportation methods are more efficient. Conversely, in specialized manufacturing done in smaller quantities, trucks are the most appropriate transportation choice. US Highway 85 is a major trucking corridor for us.

Several years ago, in 2001, Dickinson was chosen to host a Population Symposium, largely because at that time we were recognized as an epicenter of out-migration, particularly among our young people. Key experts were hosted in an academic assessment of this problem and many potential solutions were put forth. For local leaders, this was an opportunity to take stock of the situations in their communities. Fortunately, they did not just listen and then walk away. They asked themselves "what can we do to become the place people want to live". The answer is multi-faceted, and includes recognition of cultural diversity, community recreation improvements, development of new housing, adding shopping opportunities, creating good-paying jobs, and improving our connections to the world around us. The diagram below illustrates some of the many investments communities connected to the US Highway 85 corridor have made in themselves to become more attractive.



These investments have produced results. The net out-migration has either slowed or reversed for a number of communities. Today Dickinson's population is climbing. Not because the town has become a retirement haven, but because young families are choosing to stay or to relocate here. The birth rates at St. Joseph's Hospital and at other hospitals in our area have been on the rise. Students are finding Dickinson State University and its proud host City to be attractive. Dickinson State University brings young people to the area for a period of their life, and they are staying because they like the upbeat tone and the social and cultural offerings. In turn the economic development momentum of area businesses has provided them with opportunity to visualize a prosperous future here.



While our "baby rate" has improved, challenges do remain. Young families need to be confident that they themselves and the businesses they work for are connected to urban centers and markets. Any sense of remoteness and isolation on either of those fronts is frightening for them. Good connections, which are what we see as the future of US Highway 85, are critical to sustaining our youthful population.

The CHAIRMAN. Thank you very much, Gaylon. Next, we'll hear from Chuck Steffan, the COO of Missouri Basin Well Service. Welcome. Good to have you here.

MR. STEFFAN. Thank you.

THE CHAIRMAN. Please proceed.

STATEMENT OF CHUCK STEFFAN, COO, MISSOURI BASIN WELL SERVICE

MR. STEFFAN. Good afternoon. My name is Chuck Steffan. I'm actually the Chief Operating Officer for Missouri Basin Well Service, but I accept your generous promotion, Senator, at least for the afternoon.

THE CHAIRMAN. I'm not sure pay will follow, but—

MR. STEFFAN. We have locations at Belfield, North Dakota and also Ross, North Dakota. We're primarily a transporter of produc-

tion water, crude oil, and drilling mud in western North Dakota. We've been in existence since 1979. We have over 300 employees, of which 270 of those are full-time drivers. We operate 175 tractor-trailers, which consist of double bottoms, bobtails, A trains, fifth wheels on the water side, and mostly tractor tank and pup trailers hauling oil.

Our trucks will run 68 to 95 feet in length and could potentially haul payloads of 40 to 50 tons. The proposed Theodore Roosevelt Expressway is the primary corridor for our day-to-day business, as it is for most of the oil production in North Dakota.

Most recently, the Bakken oil discovery is conservatively estimated at 3.65 billion barrels of oil and could be the largest oil deposit found in the U.S. next to the Alaskan oilfields. The T.R. Expressway lies in the heart of what the U.S. Geological Survey calls the largest continuous oil accumulation it has ever assessed.

Most recently, the Sanish/Three Forks Formation, which lies directly under the Bakken, could potentially add additional barrels of production in the shadow of the T.R. Expressway. With time and technology, more of the estimated 167 billion barrels of Bakken oil in place could be recovered.

THE CHAIRMAN. Is that 167, that just in North Dakota? 21MR. STEFFAN. I believe it is.

THE CHAIRMAN. Because we've got—I have a much bigger number in my head for the entire Bakken, but that includes Montana and Canada.

MR. STEFFAN. Exactly. Best estimates given normal rates of exploration say this play will be in place for several decades, and production curves will obviously continue beyond exploration. We are currently hauling oil and production fluids from wells that have been in place since the 1950's. Given the lack of pipeline infrastructure and the infeasibility of pipelining all the products of oil production to their final destination, trucking fluids will continue to be an ongoing use for Highway 85.

Our primary concern for Highway 85 is safety. Given the nature of the current oil exploration industry, and specifically, the Bakken, including the normal traffic generated by production, Highway 85 is the host to rigs bringing heavy equipment, drilling units, oilfield pipe, tankage, frac tanks, and fracing equipment to oil well sites throughout the Williston basin.

Unlike North Dakota geological discoveries of the past, fracing has been used extensively to improve the recovery of oil and gas in the Bakken. It's typical to have 26 to 46 frac tanks in transit to each frac job. In order to fill one of those tanks, it usually takes two loads of a truck to fill those frac tanks, so there's a lot of activities going on when you have a fracing going on.

In addition, fracing crews create their own convoy in transit to frac jobs, adding to existing traffic generated by the North Dakota oil industry. This traffic, added to the normal tourism traffic, Ag traffic, and other commerce, presents a safety concern that could be reduced by an expanded highway.

Our second reason for support of the expansion of Highway 85 is the efficiencies it would create in traffic flow, many of which were talked about earlier today, including turnout lanes and passing lanes that would be beneficial to all who travel this corridor.

Finally, oil and gas revenues provide significant support to the current and rare budget surplus in the State of North Dakota. It seems logical that the State would consider it a sound investment to provide a thoroughfare to enhance future revenue production from the oil industry and to better holster commerce that would continue to support the State's budget.

Just to give you an idea, since 2007, our company has grown 250 percent in terms of our fleet and 400 percent in terms of the number of drivers that we employ. We project that if the current oil prices would happen to increase, we would see a continued growth in both our fleet and the number of drivers that we have.

[The prepared statement of Mr. Steffan follows:]

Good Afternoon, My name is Chuck Steffan and I am the Chief Operating Officer for Missouri Basin Well Service, Inc. located at Belfield and Ross, ND. MBWS has been in existence since 1979 as a transporter of production water, fresh water, crude oil and drilling mud in Western North Dakota. We have over 300 employees of which 270 are full time drivers. We operate 175 tractor trailers which consist of double bottoms, bob tails, A trains, fifth wheels on the water side and mostly tractor tank and pup trailers hauling oil. Our trucks will run 60 to 95 feet in length and could potentially haul 40 to 50 tons of payload. The proposed Theodore Roosevelt Expressway is the primary corridor for our day to day business as it is for most of the oil production in North Dakota.

Most recently, the Bakken oil discovery is conservatively estimated to be a 3.65 Billion barrels of oil resource and would be the largest oil deposit found in the US next to the Alaska oil fields. The TR expressway lies in the heart of what the US Geological Survey calls the largest continuous oil accumulation it has ever assessed, the Bakken. Most recently the Sanish/Three Forks formation which lies directly under the Bakken, potentially adds additional barrels of production in the shadow of the TR Expressway.

With time and technology more of the estimated 167 billion barrels of Bakken oil in place could be recovered. Best estimates given normal rates of exploration, this play will be in place for several decades and production curves will obviously continue beyond exploration. Given the lack of pipe line infrastructure and the infeasibility of pipelining all of the products of oil production to their final destination, trucking fluids will continue to be an on going use for the TRE.

Our primary concern for the TRE is safety. Given the nature of the current oil exploration industry and specifically the Baaken, including the traffic generated by production, the TRE is host to rigs bringing heavy equipment, oil field pipe, tankage, frac tanks and fracing equipment to oil well sites

throughout the Williston Basin. Unlike ND geological discoveries of the past, fracing has been used extensively to improve the recovery of oil and gas in the Bakken. It is typical to have up to 26 to 46 frac tanks in transit for each frac job. Fracing crews create their own convoy in transit to frac jobs adding to the existing traffic generated by the ND oil industry. This traffic added to the normal tourism traffic and traffic of other commerce presents a safety concern that could be reduced by the proposed TRE.

Our second reason for support of TRE is the efficiencies that would be created in traffic flow. Turn out lanes and passing lanes would be beneficial to all who would use the TRE.

Finally as oil and gas revenues provide a significant support to the current and rare budget surplus in the State of ND, it seems logical that the State of ND would consider it a sound investment to provide a thoroughfare to enhance future revenue production from the oil industry and to better host the commerce that would continue to support the state's budget.

The CHAIRMAN. Chuck, could I ask you—I sat up in Williston and I was talking to a colleague before coming out, and I was talking about this hearing and what's happening in the oil play out here. He was kind of intrigued about the Bakken, and he'd seen some of the news reports about it.

And what really surprised him—and it was interesting, his reaction—was that this oil is trucked so far, because in his head, you've got existing oilfields, so that would mean to him you'd have existing gathering systems going to existing pipelines.

How would you explain it to somebody who thinks that's what's out here, that you have existing production, existing gathering lines going to existing pipelines? How long would your average run be with one of your trucks to haul oil?

MR. STEFFAN. Our average run would probably be about 70 miles, but we do have one run where we were actually taking oil out of the Monmouth area up to Alexander, which about a 170-mile haul. What's happening in some cases is that we're mixing oil of lower quality with oil of higher quality, creating a blend that's worth more money, so the economics are driving that situation.

THE CHAIRMAN. And how would you explain to people like my colleague, who was very surprised by this notion that we don't have existing gathering lines and pipelines to move this oil? How would you explain it to—

MR. STEFFAN. Well, we have a play that's really in an area that's different than what we've previously had before, when you talk about what's going on in the Kildeer area and heading north. We have, of course, in Montreal County, a very—one of the discovery fields in North Dakota, but some of that infrastructure has also seen the value of its time and it's had its usefulness.

But a lot of that production is coming out of a new area, and it has to be pipelined or trucked to facilities actually that were just

created. And the other thing is we've had enhancements in technology, so some of the existing infrastructure is not as efficient and productive as it once was.

THE CHAIRMAN. And what percentage of the oil, in your estimation, would be being trucked, versus moved through gathering lines and existing pipelines?

MR. STEFFAN. You know, off the top of my head, I would say about 50 percent of it's being trucked.

THE CHAIRMAN. So a very large percentage of the oil that needs to be moved is not moving through pipelines and gathering lines, it's moving on the road network?

MR. STEFFAN. Basically, what we're doing is taking it from the source of origination to a lack unit or a unit that's going to pump it out of State or to another destination. So you will never have a pipeline system from every well to a lack unit because of the cost of it. It's just more efficiently handled through trucks.

THE CHAIRMAN. Through trucks. OK. Very good. Thank you very much. Next we'll hear from Dean Rummel, the President of TMI in Dickinson. Dean, I hope you really are the President. I mean, I've been getting these—I've been inflating people's positions all day here.

MR. RUMMEL. You could certainly name me the CEO, if you'd like, Senator Conrad.

THE CHAIRMAN. That may come with certain resistance from other circles here.

MR. RUMMEL. Exactly.

THE CHAIRMAN. I don't want to get crosswise with the mayor.

STATEMENT OF DEAN RUMMEL, PRESIDENT, TMI, DICKINSON, NORTH DAKOTA

MR. RUMMEL. Thank you, Mr. Chairman. Good afternoon. My name is Dean Rummel, President of TMI Systems Design Corporation and TMI Transport Corporation. TMI is the nation's largest manufacturer of institutional-grade laminated cabinets, countertops, and architectural woodwork, with consolidated sales exceeding \$52 million in 2008. We've been providing products for education, healthcare, laboratory, and other commercial projects throughout North America for over 40 years.

In addition to schools, hospitals, and laboratory projects across the United States, TMI's products are being utilized on projects, including the J. Paul Getty Museum in Los Angeles, the Bank One Ballpark in Phoenix, the Denver International Airport, the Cleveland Browns Stadium, and the Georgia Dome.

TMI products are produced in modern state-of-the-art factories on our campus right here in Dickinson, consisting of over 150,000 square feet of manufacturing space. TMI Transport is a company-owned trucking company with 25 semi tractors and 44, 53-foot trailers that deliver our products to each project site, and we haul other products back into this region for a number of different customers. We currently employ 360 full-time, year-round employees and 45 seasonal college interns.

TMI would strongly support, and we believe the area would benefit greatly, from the investment in the U.S. 85 corridor. As a manufacturer, we need to move our products to the various markets in

the U.S. and western Canada. On the average, TMI Transport travels 1,300 miles to our first delivery in each truck. Our growth and success is dependent on roads, such as Interstate 94 that has provided easy access to the markets in the east and southeast United States.

The U.S. 85 corridor would benefit the movement of product to Texas, Arizona, California, Colorado, New Mexico, Nevada, Oklahoma, and Wyoming. In 2008, TMI averaged about 1,000 outbound loads, and nearly a third of our deliveries were to those eight States. There is no comparable infrastructure like Interstate 94 going north and south, and that can be, at times, a detriment to our success.

Just last week, TMI Transport had a major accident en route to a delivery to two school projects in the state of Wyoming. Our driver took North Dakota Highway 22 South to Highway 79, and we rolled the truck—he rolled the truck while navigating a curve in the road just south of Reeder, North Dakota, just ten miles into the State of South Dakota.

The road is narrow and it's unforgiving, and the driver wandered too close to the edge of the road. The conditions were good. The road was dry. It was during daylight hours. But the shoulder was soft and the damage to the truck, the trailer, and the cargo was extensive. We're thankful that our driver had but minor injuries and was released from the hospital the same day. If the U.S. 85 corridor were to become a reality, we probably could avoid an accident like that, because our trucks would utilize a more truck-friendly route.

TMI has to rely on truck deliveries because it's not feasible to deliver to school and hospital job sites utilizing other modes of transportation, like rail. Institutional building contractors and construction managers operate under very compacted time schedules and they require deliveries on specific phases of the projects, along with special deliveries for breakages and shortages.

Rail does work well for transportation of TMI's major raw materials, primarily particle board and plywood panels. That material is high-volume, heavy in weight, and is produced, of course, in forested areas of the country. We receive five to six carloads per week, and the freight costs are slightly less than by truck. Rail would not work for our outbound deliveries.

On behalf of TMI, I would like to encourage the Senate Budget Committee to support this investment in the U.S. 85 corridor. That concludes my testimony, Mr. Chairman.

[The prepared statement of Mr. Rummel follows:]

May 28, 2009

Senator Kent Conrad, Chairman and
Senator Judd Gregg, Ranking Member
United States Senate
Senate Budget Committee

RE: Senate Budget Committee hearing on "How Infrastructure
Investments Can Bolster North Dakotas's Energy and Agriculture
Economies: The US 85 Corridor."

Good afternoon Mr. Chairman:

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The U.S. 85 corridor would benefit the movement of product to Texas, Arizona, California, Colorado, New Mexico, Nevada, Oklahoma, and Wyoming. In 2008 TMI averaged about 1,000 outbound loads and nearly a third of our deliveries were to those eight states. There is no comparable infrastructure like Interstate 94 going north and south and that can be at times a detriment to our success. Just last week TMI Transport had a major accident en route to a delivery to 2 school projects in Wyoming. Our driver took ND Highway 22 South to Highway 79 and rolled the truck while navigating a curve in the road just south of Reeder, North Dakota about 10 miles into the state of South Dakota. The road is narrow and unforgiving and the driver wandered too close to the edge of the road. Conditions were good, the road was dry and it was during daylight hours but the shoulder was soft and the damage to the truck, trailer and cargo was extensive. We are thankful that our driver had but minor injuries and was released from the hospital the same day.

If the U.S. 85 corridor were to become reality we probably could avoid an accident like that because our trucks would utilize a more truck friendly route. TMI has to rely on truck deliveries because it is not feasible to deliver to school and hospital job sites utilizing other modes of transportation like rail. Institutional building contractors and construction managers operate under very compacted time schedules and they require deliveries on specific phases of the projects along with special deliveries for breakages and shortages. Rail does work well for transportation of TMI's major raw materials primarily particleboard and plywood panels. That material is high volume, heavy in weight and is produced in forested areas.

We receive 5 to 6 car loads per week and the freight costs are slightly less than by truck. Rail would not work for outbound deliveries.

On behalf of TMI I would like to encourage the Senate Budget Committee to support the investment in the U.S. 85 corridor.

The CHAIRMAN. Thank you very much, Dean. Dean, do you believe TMI would be even more successful if you were the CEO? You don't have to answer that. In fact, it's probably better if you don't answer that.

MR. RUMMEL. Thank you.

THE CHAIRMAN. Well, we've got to have a little laugh along the way. Let me ask you this. Dennis, would you like to come back to the witness table?

MR. JOHNSON.—I was just commenting on what I might do—Dean was the CEO.

THE CHAIRMAN. Oh, I get it. I get it. Let me ask you this. If you were to describe to my colleagues and their staffs the condition of Highway 85 now, how would you describe it, Dean? If we're just in conversation with them, as I am with my colleagues, trying to per-

suade them of something, what words would you use to describe Highway 85 and what's happening there?

MR. RUMMEL. Senator Conrad, I did talk to one of our drivers who drove a whole lot and kind of asked him that question because I kind of anticipated that you'd be asking me some tough things that I couldn't answer, because I don't drive U.S. 85 as much as, of course, they would.

Usually, they actually try to avoid it. That's why our truck was going south on Highway 22. And it's just because of the amount of traffic that is on it. They choose to try and avoid that road. It is no better than all the other two-lane roads, and actually, they can cutoff 15 miles getting to I-90 by going straight south on 22 and cutting across on 79. And so for 15 miles, they say it really does not make any difference. They would prefer, of course, to have a four-lane U.S. Highway 85, because they would definitely use it. But they actually try and avoid it right now.

THE CHAIRMAN. OK. Chuck, how would you describe it? If you were visiting with my colleagues in Washington, trying to help them understand what conditions are like there, how would you try to describe it?

MR. STEFFAN. I believe there's segments of the highway that are definitely in need of improvement. We've got heavy loads going up and down that road. We've got many loads that are wider than normal. Even if you take a look at what's happened in agriculture, the economies of scale, we've got bigger equipment all the time. So one of the primary concerns we deal with is traveling down that road with heavy loads and working with the existing traffic that's out there, be it big Ag equipment or even big oilfield equipment and the visibility issues that are there.

And we understand too that we create some traffic hazards ourselves from the standpoint of the size of our rigs and the number of rigs going down the road. And actually, a wider road with turnout lanes would be beneficial from the standpoint that we know that if we travel slower, we actually create efficiencies from fuel economy. And so turnout lanes and passing lanes would be beneficial for everyone on that highway.

The Chairman. You know, this isn't particularly relevant to this hearing, but I'd just be interested, what is the optimum speed from a fuel usage perspective? Do you do studies on that kind of thing?

MR. STEFFAN. For most of our trucks, it's about 60 miles an hour.

THE CHAIRMAN. Sixty miles an hour. Gaylon, how would you describe it? If you were trying to persuade one of my colleagues that Highway 85 needs more investment and specifically here, we're talking about Federal investment, how would you describe it?

MR. BAKER. Well, in a word, I would describe it as unsafe, and that is because of the—not just because of Chuck's trucks or Dean's trucks, it's unsafe because of the visibility problems, the length of view you have on curves, that sort of thing, the rutting of the roadway, the narrow shoulders, where—and part of—we're fortunate to have part of Highway 85 go through some pretty scenic areas. The problem is that people pull off and want to look, and you can come upon something like that pretty suddenly. Sadly, there have been some tragic accidents on Highway 85 in recent years. We don't like losing especially our young people that way, and that has hap-

pened, and we—the safety of that roadway I think is our primary concern. Certainly for tourism-type traffic, they too choose to avoid it because of the amount of traffic and especially heavy trucks.

THE CHAIRMAN. You know, I've got to tell you, after—I drove on it quite a bit last fall, and it made a very strong impression on me. I thought it was the worst road in the State, and I mean from every standpoint. The amount of traffic, I find really striking. When I was on it, the volume of trucks—and I don't know if that was just the couple of days I was on it were unusual, but it was really striking, the truck traffic, and the very heavy truck traffic, both energy and agriculture.

The other thing that struck me is the rutting. I mean, there were places where you were in like grooves in the road, it was so worn down. And that is not safe. The other issue is the hills and the curves, because you—I remember very well going around a curve and running into one of these—I don't know if it was a convoy, but it was a series of trucks moving closely together, and they were moving at quite a slow speed, for whatever reason. You know, it was just an unsafe situation.

Absent going to a four-lane, which I think has to be an option on the table here, especially if we're looking down the road to the additional development in the Bakken Formation, it seems to me four-laning, at least in parts of it, have to be on the table for consideration.

Mayor Johnson talked about what he termed a super two. Well, I can see where that would be tremendously helpful in places in that road too. Passing lanes, wider turnoffs, broader shoulders, all of those things would certainly help. I think passing lanes would be enormously helpful and beneficial.

I remember going up one of the hills as we were going up to Williston on 85 and again getting caught behind a whole series of trucks. You couldn't get past them. And there was just—there were too many blind spots. You couldn't get past them. And they were going I'd say 45 miles an hour. At least it seemed like 45 to me.

Actually, we wound up getting late to our next appointment because we spent so much time—and we had, we thought, plenty of time—on 85. But people that were in our group all wound up being late because of the conditions on 85.

Anything else this panel—anything else you'd want to say for the record?

MR. BAKER. Senator, as far as you were asking how do you fund something like this, and how do you refund the Highway Trust Fund, certainly, our transportation methods are moving somewhat away from pure gasoline and, of course, diesel fuel, which generates all the taxes. And, of course, the efficiencies in automobiles has helped us a lot in that way.

There are other things that vehicles consume on a regular basis—tires or something like that—that a person could, I suppose, tack a small tax on. Certainly, it sounds to me like the solution will have to be multifaceted more so than just the reliance on a single source.

THE CHAIRMAN. I believe that, Gaylon, and I'll tell you, the numbers that our Director delivered today that the National Association sees as the need for the next highway bill if it's a 6-year bill,

I mean, that's a really striking number. And if we have a gap anywhere close to that, we're going to have to think outside the box on where the money is going to come from.

And there's no question in my mind the trust fund revenue is grossly inefficient to meeting the need that's out there. I have no doubt about that. So we've got a lot of work to do.

I thank the three of you very much. I want to open it up now to those who are in the audience, if there's anybody here that would like to make a statement for the record. If you'd give your name and spell it so our transcriptionist is able to capture that for the record, and you tell us who you're representing, if you're representing an interest or an organization, and if not, just say that you're here as an interested, concerned citizen. Yes, sir?

MR. BRACKEL. Lynn Brackel, Bowman County Commissioner. One thing to consider on this corridor, we have received wind propeller—wind generators—the propellers coming down—85, the way I understand it, they cannot drive on an interstate system like 25 or 29. They have to get off on these side roads.

Please consider trying to pass one of these trucks with this propeller out the back. We need to have something on this Highway 85, because we're seeing a lot of propellers coming through here, because they're manufactured in North Dakota.

THE CHAIRMAN. Yeah. Well, that's a very good point.

MR. BRACKEL. One thing to consider is the way the—in to corridor 85.

THE CHAIRMAN. Yeah. No, that's a very good point. Yes, sir. Other—yeah?

MR. ROLFSTAD. Senator, thank you for coming here to Williston. We appreciate it. Tom Rolfstad, Economic Development Director, Williston. Just a couple—

THE CHAIRMAN. Well, we're in Dickinson now though, Tom.

MR. ROLFSTAD. I know, but it's—town. But just a couple of things that I wanted to talk about. And he is the CEO. But a couple of things I wanted to mention was—one is as you look at the new highway bill, and I think particularly in these kind of tough times—and I'm sure you've seen some shocking numbers and a lot of—but it's not just DoT, and we appreciate your diligence on that. I think a lot of our folks are pretty excited about having you there on the Budget Committee and kind of adding the balance. So I applaud you for that.

THE CHAIRMAN. Not all of my colleagues have that view of me.

MR. ROLFSTAD. And that's why we appreciate it. You give it some balance.

THE CHAIRMAN. Well, thank you.

MR. ROLFSTAD. You give up—a lot of—you know, Will Rogers said the problem with common sense is that it's not so common. And we think you have common sense.

THE CHAIRMAN. Thank you for that.

MR. ROLFSTAD. But I did want to mention, as we look at the new highway bill, particularly in this environment, we've got to look at job creation. That is part of the highway package. But I guess I was actually surprised when the whole stimulus came out maybe how little of it was really infrastructure-related. And there's other things, too. There's need for transportation lines and pipelines and

various things if you look at our future, but so I think that's something we need to think about in terms of this highway bill. It certainly could be a way of helping to get the economy back on track.

And as we restructure the country, our highway system and our railroads and our transportation runs east west and part of it is to make these more solid connections. And I guess I was quite intrigued when I heard Bill Dickinson speak at Senator Dorgan's energy conference last year. But it makes a lot of sense, and I don't know if it's getting traction in Washington or not, but I do see a lot of wind development in North Dakota, and as you look at the maps, this corridor is a wind corridor all the way to Texas, and we're all kind of oil and gas country, so natural gas for the off cycle kind of a solution.

But we need to also have those transmission lines, just like we're not getting oil out of here by pipelines. That's probably our handicap with developing this kind of thing. But it might be better to put some of those wind towers through the middle section of the country than trying to go outside of Martha's Vineyard, put it out there where people don't want to look at them.

But so anyway, I just feel like this is kind of an energy corridor, and we could be a big part—you know in terms of solving U.S. energy economies, but also start to diversify into greener ones.

THE CHAIRMAN. Well, thank you for those observations. I think many of us have this view that we can be an energy hub for the country, that we really have got it all. We've got the oil and gas. We've got the coal resource, we've got the wind energy potential, got the biofuels, all of it here. So North Dakota really is going to play I think an increasingly important role in this country's energy future.

With that said, you reference in the stimulus package somewhat disappointed that there wasn't more for infrastructure. Let me just say, as somebody who argued for dramatically more infrastructure expenditure within the amount of the stimulus package—I argued strenuously for \$200 billion of infrastructure, and the argument that was used against us was the delay, that it takes longer to do infrastructure projects and to get the money moving in the economy.

My answer was, wait a minute. When they built the Pentagon, they built it in 9 months. And the answer that came back, well, you've got all these rules and regulations now that prevent you from moving as quickly. I said, "Waive them." That's exactly what was done when we dealt with the flooding in Grand Forks, North Dakota. The one reason James Lee Witt is a hero in northeastern North Dakota is because he came in and he waived the things that prevented us from moving quickly, just waived them.

They now say we didn't have the authority to do it. Well, too late. It's done. And I urge the administration and I urge my colleagues, put somebody in charge who has the ability to override rules and regulations that, yes, in normal circumstances, make perfect sense, but when you're in an emergency, just don't make any sense.

Well, that wasn't very well-received, but that was my own view, is we would have been better off putting more money into infrastructure—roads, bridges, highway, rail, airports, movement of

goods on our rivers, and even through our ports—that all of that creates jobs right here at home, and in addition to that, improves our economic efficiency as a nation.

You know, when you start racking up the cost to our country of all the delays because you've got these truck fleets, you've got Dennis's truck sitting out on the beltway in Washington, DC, you go out there during rush hour, everything is stopped dead. You know? There is an economic cost to that. It reduces our efficiency as a nation. It reduces our competitiveness as a country. So those are considerations as well.

Any other comments? Yes, ma'am?

MS. THIEL. I'm Terri Thiel. I'm the Director of the Convention and Visitors Bureau here in Dickinson, and I want to address two—

THE CHAIRMAN. Terri, could you just spell your last name for the record?

MS. THIEL. T-H-I-E-L.

THE CHAIRMAN. All right. Thank you.

MS. THIEL. And I want to address the economic impact that you're going to have, but also some of the safety issues. The economic impact is that we have two national parks within this corridor system, and the park that is directly to the west of us is actually 100 miles between that north and south unit. Looking at the people that are traveling up and down this whole corridor, up and down, the majority of our visitors are from out of State, and that's how our State markets, is to bring these people from out of State. Well, we have in-State visitors as well.

The amount of money that brings in is astronomical, and just reviewing that national park, is over 500,000 visitors a year. So that corridor also feeds all of these smaller communities. When you're starting up in Williston, Fort Buford, going down through Arnegard, down to Watford City, and down to Bowman or to Fort Hills[ph] and to the park and on, that all brings in those dollars.

And when you're talking tourism, you're not talking just people who go see these attractions. You're also talking about people that are traveling for the visitor industry and the support systems that travel. Those are the trucks that are going to support that tourism industry, the ones that are going to the hotels or to these places that feed on them just for that industry alone.

So it's a whole web of different things that go into tourism. This is why I often say we should really refer more to it as our industry. The tourism division markets heavily out of State and they also market internationally. We have people coming in from Norway, Germany, all of those on our road systems, where they're accustomed to—typically when you're taking vacations a much safer, more prudent system for visiting.

So all that comes into that part of it, leading us, and then we're also looking at that safety factor. Part of the safety factor that has become very important is with the motor coach industry. You know, a few years ago, about 4 years ago, we had the Family Motor Coach Association come in to Minot for their State convention. During that time, we had these other clubs that are associated with that going into pockets of our State.

These motor coaches are large, very large, and they're typically at an age that's probably a little bit more advanced, and they're a lot of times having also—

THE CHAIRMAN. What age would that be, that more advanced—

MS. THIEL. —at a very wise age, but at a—

THE CHAIRMAN. Is this—

MS. THIEL. Larger—

THE CHAIRMAN. Is this a shot at Director Ziegler?

[Laughter.] Ms. Thiel. But at the same time, we've also got vehicles behind them. So if you're looking at these things going down the road—and some of it's like a motor coach, a vehicle, and a boat. They're long. Now here comes the oil industry. They've got their large vehicles going, and that really does become a concern with that. And I know we've talked about safety with that.

THE CHAIRMAN. Yeah. No, I'll tell you, it is a point that bears repeating, because it really—it does matter. You know, we had testimony this morning up in Williston, a gentleman that runs transportation for the oil sector, and he said—he went through the safety rating system that companies who are their customers apply to them, and it was a very stringent comparison that they apply to their potential suppliers, those who provide services to them, on what their safety record is, what their training is for safety, and what the steps they've taken to make improvements. And they make a decision on who they're going to hire based in part on their safety record.

And he was very clear. He said, "Look, this is very important to our competitive position and our continuing success as a company." Thank you. Yes, ma'am?

MS. STEINER. Vicki Steiner. I'm Executive Director for the North Dakota Association of Oil and Gas Producing Counties, and our counties support this project. On a personal note, I took a trip at the end of April, and I'd like to underscore the comments about unsafe. I know that my vehicle hydroplaned a few times, and I watched an oil tanker truck ahead of me. The water was coming down the ruts because of the hills, and it was pooling at the bottom. And when he was ahead of me, when he hit that water, the water shot up both sides, higher than his vehicle, and hit two oncoming vehicles, passenger cars, and for a split second, they couldn't see, and I was behind them. At that point, I thought—I was about—I thought, "Maybe I should just go back." Then I thought, "But, no, where do I turn around in this heavy rain? Maybe I should just go slower." So I took—put one wheel on the shoulder, one on the high part of the road, and I tried to take that as best I could, but when you would hit those pools, then you would find your vehicle kind of skidding.

So it's definitely unsafe, and I think the path—a super two would be great, and in some places, I think a four-lane would be great.

THE CHAIRMAN. Yeah. I'll tell you, I had some of that same experience, hydroplaning. One of the days that we were on 85, it was raining heavily, and I also experienced this—I don't know what you'd describe it as, the water coming off those trucks, blinding cars coming the other way. I found that the most kind of concerning. OK. Yes, sir?

MR. KLEWIN. Senator Conrad, we do appreciate your interest in this project, and we've been out to your office in Washington, DC a couple of different times. I just wanted to explain—

THE CHAIRMAN. If you'll give your name for the record?

MR. KLEWIN. Excuse me. It's Cal Klewin, K-L-E-W-I-N, Executive Director of Theodore Roosevelt Expressway. We've been in your office several different times talking about our project, and one of the things that I think, and you're aware of, is we have a partnership, a nine-state partnership, and now including possibly two Canadian provinces.

And one of the things that we've noticed all the way through the corridor in the center of the United States is we have energy in common, renewable fuels in common, and also agriculture. And we kind of are growing ourselves on those particular assets that they have going through the corridor of our country.

And I think it's proven very positive that we have some strengths, and I think it's going to drive particularly real development in those strengths. And that's what our corridor partnership is about, and we do appreciate your interest.

THE CHAIRMAN. You bet. Thank you so much. Yes, ma'am?

MS. KOUBA. I'm Marlene Kouba, from Regent. Farmer.

THE CHAIRMAN. Could you spell your name, too?

MS. KOUBA. K-O-U-B-A.

THE CHAIRMAN. Thank you.

MS. KOUBA. I represent North Dakota Women Involved in Farm Economics.

THE CHAIRMAN. Oh, very good.

MS. KOUBA. And I'm wondering about the eminent domain and the easements involved in expanding this road. I know it's a bad road. I've been on it the last couple of years. And I'm also wondering if this could be another corridor between Mexico and Canada to make us another North American Union.

THE CHAIRMAN. Well, I don't think we're talking about any North American Union here. That's not really what we're talking about here. We're talking about specifically the needs on this road. And I tell you, the public input we've received is just overwhelming on the need to address the concerns on 85, and from really every element of the North Dakota community.

I've heard it from the business community. We had testimony both here and in Williston. From the agriculture community, strong testimony on that in Williston. I've heard it from governmental officials up and down Highway 85. With the questions of eminent domain, those are really questions we should direct to Director Ziegler in the scoping process and the development of their plans, because they are best positioned to answer those questions. And I'm sure those are part of your considerations, are they not, Director?

MR. ZIEGLER. Yes, they are.

THE CHAIRMAN. Yes, we had—yes, this woman, and then the gentleman—first of all, I want to thank you for your patience, sir.

MR. KOPPINGER. No problem.

THE CHAIRMAN. OK.

MS. JAMES. I'm Lyn James, and I'm the Mayor of Bowman—

THE CHAIRMAN. Yes. Good to see you, again.

MS. JAMES.—here in the southwestern corner. Thank you. Good to see you. And I wanted to just piggyback onto Terri Thiel's testimony regarding tourism. Not only do we see North Dakota tourism, but being in the southwestern corner, we also see that there are a lot of tourists from Canada, as well as eastern Montana and North Dakota. We're kind of the funnel that takes people to the Black Hills. And there's a great economic impact there, too, just with them stopping in the different communities.

And so there's not only North Dakotans using this road, but other people, and it's very important that we see an improvement. So we appreciate your support.

THE CHAIRMAN. You bet. Thank you very much. Yes, sir? Again, thanks for your patience.

MR. KOPPINGER. My name's Mike Koppinger. I'm here on behalf of SolarBee and SolarBee Transportation. We, as a training company, we know that probably the most dangerous aspect of our job is our travel. We spend about 60,000 miles a year traveling. And as the manager of transport, where we kind of MapQuest everything out and find what the best route to go for the highway.

The Colorado market is probably our biggest market, along with Texas, Arizona, Nevada, California. So I would say 75 percent of the time, when we leave Dickinson, we turn south at Belfield, and we head up 85. So on behalf of Solarbee, I just want to say that we totally support this corridor to that market area for so long.

THE CHAIRMAN. OK. Thank you very much. Anyone else, final words? Brock?

MR. LANDBLOOM. Brock Landbloom, Director of Roosevelt Custer Regional Council. I think we should also note that when we developed this country, railroads went east and west. There was no connection to carry goods north and south. And the other thing is that it's only a partial interstate system on the front range by interstate 25, that goes from north to south. I think those are two items that I probably should throw out there are well.

The Chairman. That's a very good point, very good point. We had a gentleman that came that was in the audience in Williston that stood up, and he'd been on the railroad for 40 years, and he described how abandonment of certain rail lines had moved a staggering amount of traffic onto the road networks. And so we've had really good contributions, not only from our formal witnesses, but people in our audience, as well, and we certainly appreciate that very much. Tom?

MR. ROLFSTAD. Yes. Senator, just one more comment, that—but I think, as you—negotiate with urban states, and how we justify expenses in the rural areas, I kind of read back at all as my state commissioner, and I substituted for time to time, and I just happened to be at one of the meetings that this corridor had in Colorado. And it was early on in my learning of this thing, but talk about that I-25 corridor in Denver, that's—really, initially, that's where we want to run this through.

Colorado kind of went through a paradigm shift when they recently expanded the I-25 highway from four lanes to six lanes, \$100 million a mile to build that stretch. And their philosophy is now, "We don't want traffic through I-25. We want it around the city." And Colorado looked at this alignment about the time I got

involved in looking at eastern, central, and I-25 corridors. And they said, "We're going to go 60 miles east of Denver alignment, and that's going to be our alignment heading up to Scott's Bluff, Nebraska."

And similar to the area up here, we can build four-lane highways for \$2 million a mile to go to Denver just to expand for \$100 million a mile. And I think somewhere I've heard about our counterparts have to get thinking about how do they get—and that's just the traffic congestion, but there's a lot of other—every Federal agency had more complicated budgets when you congest the situation.

THE CHAIRMAN. It is a very good point, and I'm glad you made it, because, you know, I hear a lot, "Well, North Dakota, North Dakota, North Dakota. You guys are getting a disproportionate share of Federal money for your population." And I hear it a lot.

You know, the reality is there are reasons for it. We're going to be part of a national system. We've got a lot of territory to cover here with a relatively sparse population. So the Federal Government is going to have to have a disproportionate share. And that extends to many other parts of life here.

And, you know, they've got to also look on the other side of the ledger. What are they getting from this State? Vast agricultural production, critically important energy production, oil, natural gas, coal, and, increasingly, renewable types of energy.

So this country, we're the fifth largest oil producer in the United States. Most people don't think of North Dakota that way. Most people don't think of North Dakota as a State that produces electricity for nine States, but we do. Most people don't think of North Dakota as the place that's got the greatest wind energy potential of any State in the nation, but we do, and I think, as we go forward, it's going to be increasingly apparent that North Dakota has an awful lot of the things that America needs, and to get it, and to get it efficiently, is going to require some additional investment. And I don't think we can shrink from that. I think we have to be very direct about it, and we have to make the case, and that's what this hearing is about.

And I especially want to thank the witnesses here today, the formal witnesses and those in the audience who stood up to provide their observations as well. With that, we'll declare the hearing adjourned, and thank you very much. The hearing is adjourned.

[Whereupon, at 2:54 p.m., the hearing was adjourned.]

**FIELD HEARING TO CONSIDER HOW INFRA-
STRUCTURE INVESTMENTS CAN FOSTER
ECONOMIC DEVELOPMENT AND THE AGRI-
CULTURE ECONOMY: US 52**

THURSDAY, JULY 2, 2009

U.S. SENATE,
COMMITTEE ON THE BUDGET
Jamestown, N.D.

The Committee met, pursuant to notice, at 3 p.m. in the Jamestown College Furness Multipurpose Room, Reiland Fine Arts Center, 6000 College Lane, Jamestown, North Dakota

Hon. Kent Conrad, Chairman of the Committee, presiding.

Present: Senator Conrad

[presiding].

OPENING STATEMENT OF SENATOR CONRAD

The CHAIRMAN. Thanks everybody for being here. I apologize for being late. It's all that construction out on the highway. We were earlier today going from Grand Forks to Fargo and I'm delighted to see those Federal and State dollars at work on the Eastern Corridor, and we had healthcare forums in Grand Forks and Fargo. So again I apologize for being late but I'm delighted to be here because I think this is an important hearing.

This is an official hearing of the Senate Budget Committee, so we'll be operating under the Rules of the U.S. Senate and an official record of this hearing is being kept.

I especially want to welcome our very distinguished witnesses today. They include the Director of North Dakota's Department of Transportation, Francis Ziegler, who we very much admire for his professionalism.

The Jamestown City Council President Pat Nygaard. Thank you, Pat, so much for being here.

Jamestown/Stutsman Development Corporation CEO Connie Ova, who will be on the second panel, as well as Dakota Growers Pasta Vice President of Manufacturing David Tressler who will also be on the second panel, and the Farmers Union District Director, District VI, Ellen Linderman.

Thank you all for your willingness to participate and testify.

There is a discussion right now in Washington on how to proceed with respect to the reauthorization of surface transportation programs. As Francis knows very well, the Trust Fund is running out of money, will run out of money, we estimate, in August. We need about an \$8 billion infusion to make it through the rest of the year.

Next year, we think we're about \$10 billion short in the Trust Fund of meeting the requirements from the previous transportation bill.

So it is critically important that we gather information and evidence to present to our colleagues because I suspect what is going to happen is a short-term reauthorization.

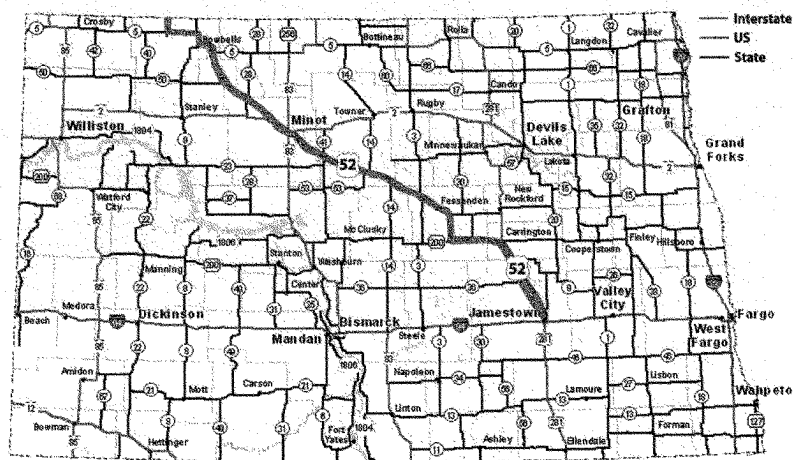
It looks to me, Francis, like perhaps an 18-month extension, and in all likelihood a straight extension of the last transportation bill but nonetheless with room for special projects in States that can demonstrate a need that is supported by evidence. That's why this hearing is important today.

I earlier did a hearing on Highway 85 out in Western North Dakota. Francis was good enough to participate in that.

What we're attempting to do here is to make a record, an official record for presentation to the staff and members of the relevant committees, because they've made clear to us the only things that have any chance of being included, and I want to emphasize this, the only things that have any chance of being included are things that have a hearing record and things for which there is a demonstrated need. That's why this hearing is important here today.

We believe that Highway 52 is a critical artery in the State of North Dakota. You all know—if we could go to that, Tim—Highway 52 goes from the Canadian border and comes down, connecting in Jamestown to 94 and then is jointly signed with 94 going east. It is a key artery in North Dakota.

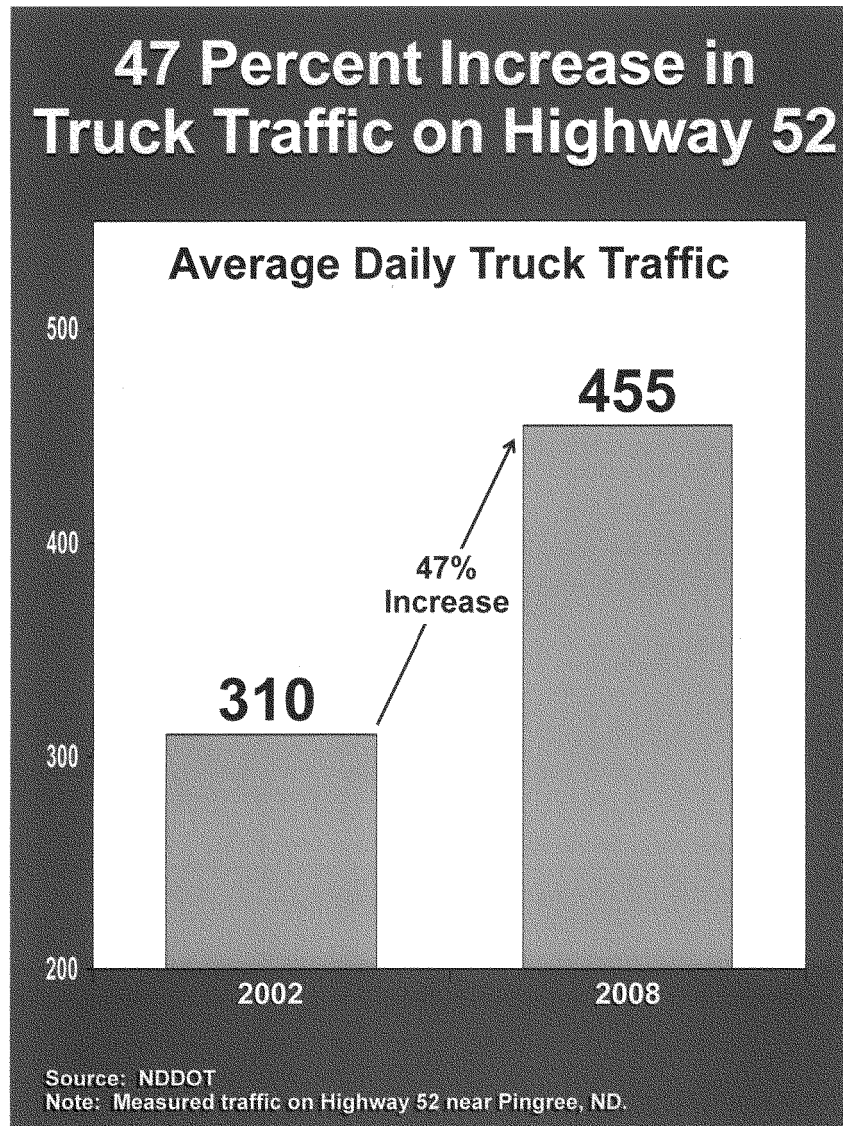
North Dakota Highway 52



De cembre 1, 2007

Let's go to that next slide, if we could. Highway 52, in particular, has seen a large spike in truck traffic. Just 20 miles to the north here, Highway 52 near Carrington, truck traffic has increased 47

percent from 2002 to 2008, and in the next 10 years commercial trucking in North Dakota is expected to increase by 42 percent.



This is all part of the record to demonstrate the need for additional investment of Federal and State in Highway 52.

The agriculture industry is reliant on the State's road network to move products and services. I think we all know that. Significant in growing agricultural businesses in this region rely heavily on Highway 52 to receive raw goods and transport their finished products to market. However, the continued growth of these value-

added businesses is dependent on a transportation system that is both efficient and reliable.

Similarly, our ability to track new companies and businesses to this region will depend on a quality transportation system. Unfortunately, Highway 52, like many of our nation's highways, is deteriorating. Heavy truckloads associated with our agriculture and manufacturing businesses have put added strain on this crucial roadway. The highway needs repairs to foster continued growth in these industries, to ensure a safe travel route, and to better serve the communities along its route.

Let's go to the next slide, if we can, Tim. Improvements to Highway 52 will pay dividends for agriculture in the region. It will enhance the transportation of crops and livestock. It will increase export opportunities with enhanced access to Canada, and it will help further diversify North Dakota's agriculture and manufacturing economy by attracting more value-added agricultural businesses to the region.

The North Dakota Department of Transportation is responsible for determining the priorities for road investments across the State. We rely on their prioritization process and have—that has high credibility with us.

Importance of Highway 52 Improvements to North Dakota Agriculture

- **Enhance transport of crops and livestock**
- **Improve export opportunities**
- **Further diversify Central North Dakota agriculture**

I want to emphasize I'm going to continue to work at the Federal level to bring additional resources to address the needs here. The reauthorization of the transportation bill will be an important vehicle for those Federal resources.

If we could go to the next slide, Tim? North Dakota benefited greatly from the last highway bill which was completed in 2005. As a conferee on that bill, I made certain that North Dakota received significant funding for our highways and transit systems.

North Dakota Benefitted Greatly from Last Highway Bill

- **\$1.5 billion for North Dakota – 31% increase over previous highway bill**
- **North Dakota received \$2 for every \$1 in federal gas tax collected in state – among top four states**
- **Secured High Priority Projects for North Dakota**

We do know that it pays to have seniority in Washington because the most senior members are in the room when the bill is finally drafted and I had the privilege and the honor of being in that position in the last transportation bill.

There, I worked to secure a billion and a half dollars for North Dakota, a 31 percent increase over the previous legislation. Annually, that averages out to \$234 million for highways with additional funding provided for transit programs.

We did very well in a competitive basis with other States, getting \$2 for every dollar we send to Washington. That ranked us in the top four States in terms of a return on our gas tax dollars.

I also worked to direct investments to Highway 52, including the Jamestown Bypass, and other high-priority North Dakota projects in the previous highway legislation.

Here are some of the priorities that I intend to focus on as we begin consideration of the next highway bill. The next legislation must identify sufficient funding so that our infrastructure investments are secure and robust for the longer term. States and communities must be able to rely on them.

Priorities for Next Highway Bill

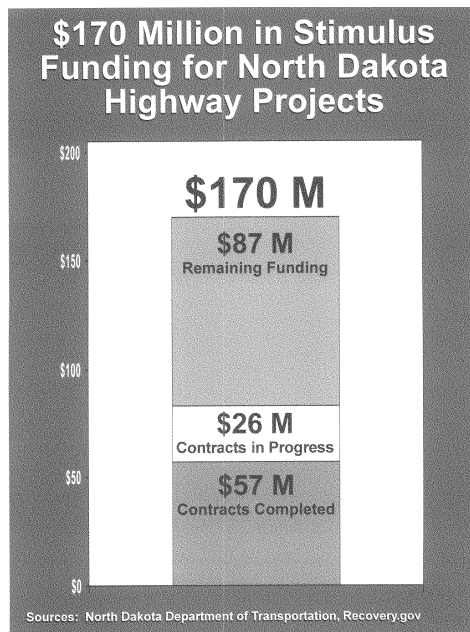
- **Identify sufficient funding for secure, robust investment over long-term**
- **Maintain recognition that rural transportation needs are vital to national commercial interests**
- **Continue to recognize the importance of a nationally-connected highway system**

Next, any new highway bill must maintain recognition that rural transportation needs are absolutely vital to the entire country. We are a United States of America, not a divided states of America. It is critically important that these rural areas get the funding that they need.

And I also want to fight to secure funding for the critical arteries in our State, like Highway 52, to ensure that we maintain a nationally connected system.

I'm particularly interested in hearing from our witnesses on the immediate investments that are needed to Highway 52 and what future investments are needed to support economic development and the agricultural economy so important in this part of our State.

I'm also interested in learning whether any of the 170 million in Federal stimulus funds provided to the State for roads have reached this highway. That's important for the record, as well, because that's part of what we're asked by the committees of jurisdiction.



Let me conclude as I began by saying what is critically important at this hearing is that we set a record to take to our colleagues and to take to the staffs of our colleagues on the committees of jurisdiction. They have made abundantly clear to me that as we move toward a short-term reauthorization to meet the shortfall in the Trust Funds, that the only additional investments will be in areas that have held hearings and have demonstrated specific needs. That's the purpose of this hearing, and I'm delighted that we have outstanding witnesses to provide that evidence to the committees and their staffs in Washington.

With that, I will turn first to our excellent Director of North Dakota's Department of Transportation Francis Ziegler, somebody who we've worked closely with in the past and we have high confidence in Director Ziegler and his entire team.

I want to emphasize he has a team and they are well regarded not only in North Dakota but I want to say well regarded nationally and as we set these hearings, I can tell you the staffs of the Transportation Committees, the relevant committees of jurisdiction, were especially interested in hearing your testimony, Francis, and I think that's frankly a tribute to you.

With that, if you'd go ahead and proceed with your testimony, and then we'll go to Mr. Nygaard before the second panel.

**STATEMENT OF MR. FRANCIS ZIEGLER, P.E., DIRECTOR,
NORTH DAKOTA DEPARTMENT OF TRANSPORTATION**

Mr. ZIEGLER. Thank you, Senator. Mr. Chairman, good afternoon. I'm Francis Ziegler, Director of the North Dakota Department of Transportation.

Thank you for the opportunity to appear before you and your Budget Committee today.

Senator our testimony is available and it's a little bit lengthy, but I will paraphrase today in the interest of time.

US 52 is an important highway for moving people and commodities in North Dakota and it's part of the National Highway System. However, before discussing 52, I'd like to address some important broader transportation issues, those which you've already touched on.

Number 1 is solvency of the Highway Account of the Highway Trust Fund and the continuity of the Highway Program in North Dakota and in the nation.

Number 2, that rural states like North Dakota must participate at least proportionately in any future growth of the Federal Highway Transportation Program.

Number 3, that additional issues with reauthorization legislation, and 4, the importance of the 52 corridor supporting North Dakota's economy.

I cannot stress enough that Federal investment in North Dakota highways is in the national interests. It's imperative that legislation reauthorizing the Federal Highway Program continue to serve the needs of our rural states, as you have already said, Senator, allowing us to continue to meet the demands being placed on our highway network, including Highway 52.

Here's some background on what we're going here in the State to improve transportation. This year, the State of North Dakota committed an unprecedented sum in non-matching State General Fund dollars to help strengthen North Dakota's transportation infrastructure.

Governor Hoeven recently signed into law a landmark \$1.35 billion transportation funding bill. While the state is doing its share, Federal investment in transportation is critically important.

Let me turn to some of the Federal issues that we're concerned about. Again, as I mentioned, Senator, the Highway Account of the Highway Trust Fund is projected to reach a zero balance this coming summer, in August. It will be highly disruptive to states if the Federal Highway Administration begins to delay payment of state claims to reimburse us for the costs.

Compounding North Dakota's situation is that, like other states, we already have contracts in place for which the Federal Highway Administration may not be able to provide reimbursements. This would create a financial crisis for the North Dakota Department of Transportation.

Therefore, we certainly hope that Congress will pass appropriate legislation in July so that the Trust Fund will have resources to pay the highway work this summer that's under construction.

Secretary of Transportation Ray LaHood recently proposed that solving the Highway Trust Fund shortfall be combined with the Highway Program extension of 18 months and an enactment of some reforms. We believe legislation to replenish the Highway Trust Fund and provide an extension to reinsure program continuity while Congress works on the long-term legislation should not be combined with reforms. We're concerned it might delay it

and so we're pretty—quite frankly, Senator, very nervous about the financing of the——

The CHAIRMAN. Can I stop you on that point and just to indicate we have expressed to the Secretary our concern about that, as well.

We've urged the Secretary to consider a separation here. Do the extension on one track and the reforms that they propose on another track, so we don't slow down the necessary 18-month reauthorization.

I think it would be unfortunate, given all of the other legislative agenda, now a Supreme Court nominee, all of the legislation that's moving, healthcare reform, energy legislation, and all the rest, to—I'm afraid add some of the reform provisions might unduly delay the legislation that's absolutely imperative which really buttresses your point.

Mr. ZIEGLER. Thank you. We appreciate that, appreciate hearing that.

The next highway transportation authorization bill needs to at least provide proportionate funding for rural states like North Dakota.

A multiyear highway transportation authorization bill is needed. There's broad consensus that increased investment will serve the national interests. Many ideas have been advanced in recent years and Congress is now starting to shape that legislation.

Currently, our department and others in rural states have clearly stated to Congress and various commissions that this next authorization must provide a rural state like North Dakota at least its current overall share of Federal formula and other funds.

In addition to preserving our share of overall funding, I'd like to address some issues that concern us that are being proposed in the reauthorization process.

Additional planning and reporting requirements and Federal oversight. The current Highway Transportation Program is very complex. We'd like to see processes streamlined so we can deliver projects more efficiently.

Tying climate change to transportation legislation. Both the climate change legislation that passed the House of Representatives last week and the legislation reported by the House Highways and Transit Subcommittee last week would require all states to develop targets to reduce transportation-related greenhouse gases.

States will be required to make efforts to increase transit ridership, walking and biking. While we in North Dakota have made great strides in this area, our state's very rural and have some winter seasons to deal with here and there's only so much we can do to promote biking and walking.

The CHAIRMAN. First of all, Francis, don't we deny that we have a severe winter?

Mr. ZIEGLER. Sometimes it gets kind of cold, Senator.

The CHAIRMAN. I call it seasonably cool.

Mr. ZIEGLER. OK. I like that. We'd like to ensure that the administration of the statute does not force a state like ours to undertake unrealistic efforts to reduce greenhouse gas control.

National performance standards and targets. Performance measures are important and the State of North Dakota uses them in our project selection process. We believe that national performance

standards should be general in nature and that each state should be allowed to establish its own specific performance measures with the broad general guidance from the Federal Government regulations.

Let me now turn to reasons why the authorization legislation should continue to provide rural states, like ours, with at least their current share of the Highway and Surface Transportation Programs.

First of all, we serve as a bridge state for truck and personal traffic. According to the most recent Federal Highway Administration data on 22 origins and destinations show that just over 59 percent of the truck traffic using North Dakota's highways doesn't originate here or it doesn't have a destination here.

We also need to enable ag products that serve the nation's ethanol production and energy extraction industries which are located largely in rural states. A significant portion of the economy in our state is based on agricultural, energy production, and natural resource extraction.

Ag is one sector of the economy where the United States has consistently run an international trade surplus, not a deficit. Over the last two decades, roughly 30 percent of all the U.S. ag crops were exported.

Some other reasons are that the highways are a lifeline for remotely located and economically challenged citizens. It also enables people and business to traverse the vast tracts of land in sparsely populated areas and to provide access to scenic wonders and facilitate tourism.

North Dakota is a major contributor of energy production in the nation. Our state is currently fifth in oil production and contains a large amount of coal reserves. Good roads throughout the state are paramount to the Nation becoming energy independent and providing ag products to feed a hungry world.

Over the last three decades, over 1,500 miles of railroads have been abandoned and the reduced reach of the rail network means that many areas, particularly rural areas, must rely more heavily on trucks to move goods. With increased truck traffic in North Dakota and much of the Upper Midwest, we're challenged with our ability to continue to move these products. That challenge is compounded by the necessity to impose load restrictions.

Attachment 1, which, Senator, is over your left should, shows how many of the state's roads were affected by load restrictions this spring. The US 52 did not have load restrictions and we're happy to note that. We worked very hard to make sure that that piece of roadway which we know carries a lot of commerce did not have a load restriction on it.

Our large road network has a few people to support it. In North Dakota, there are about 16 people per lane mile of Federal aid highway. The national average is about a 129 people per lane mile. Per capita contribution to the Highway Account of the Highway Trust Fund attributed to North Dakota is a \$161 per person compared to the national average of a 109.

Our budget to maintain, that is plow snow, seal cracks and do summer work, is approximately \$9,200 per mile per year. It takes

about 2,000 vehicles per mile per day to generate that kind of revenue from state motor fuel taxes.

In summary, our ability to address highway needs throughout the state depends in part on the resolution of some broader transportation legislative issues. Accordingly, we believe that's why the national interest is for the Federal Government to continue to make substantial investments in the transportation of rural states like ours.

Now I'd like to be very specific about the US 52 Corridor. Transportation provides a vital link to our state's economic growth and is critical and crucial to many great movements, connecting manufacturers to retailers, farms to markets, shippers to railroads, airports to seaports. The transportation infrastructure plays a key role in supporting the growing needs of the business industry and traveling public.

The US 52 Corridor is important in serving these needs in the Northwest and Central part of North Dakota. In addition, the corridor also plays an essential role in supporting international trade with Canadian provinces. These two provinces have the fastest-growing economies in Canada.

The DOT has recognized the importance of 52. From 1994 to 2008, about a 143 million was invested in preserving this corridor. Major improvements include numerous projects in truck climbing and turning lanes from Minot north to the Canadian border.

In the late '90's, there were major improvements in the segment from Fessenden to Carrington to improve the load-carrying capacity. In the late '90's, four miles of four-laning was completing southeast of Minot and major reconstruction to the county line from there.

In 2002, as you indicated, Senator, a truck bypass around Jamestown was constructed to improve the traffic flow, safety, and alleviate truck traffic through the city of Jamestown.

In 2009, there are three projects scheduled along the corridor costing about 4.1 million. In addition, there are about eight million worth of projects scheduled for the years 2010 through '12, and those are shown on Attachment 2 which is that second chart, Mr. Chairman, shows in color coding in green some of the major projects that we're going to be undertaking.

Based on distress scores, rutting, and ride data, the information that we collect on all our systems, the corridor is in relatively good shape with the exception of two locations, Burlington to Minot and Fessenden south, and those need work and there's no doubt about it and that's why we selected those projects to go to work on.

Traffic volume in the corridor ranges from just over 1,200 vehicles a day near the Canadian border to just over 3,000 vehicles near Velva. Most of the corridor carries about 500 trucks per day. The largest truck volumes, up to 700 vehicles per day, are in the segment between Jamestown and Carrington.

Attachment 3, that's pretty hard to read for you, Senator, that's the third chart, shows the total traffic in truck volumes along the 52 corridor and that's in our written document.

Attachment 4 provides a graphic comparison of the total traffic on the major corridors in the state and that's the fourth chart up there.

Truckers proceeding south on US 52 bypass around Jamestown must travel on I-94 which has an 80,000 pound load limit subject to certain exceptions. To enhance the movement of commodities, state legislation was passed allowing truckers to purchase a single trip or annual permits to carry loads up to a 105,500 pounds on I-94. This state legislation is within the exception allowed by Federal law.

We feel that Federal funding for substantial expansion on US 52 Corridor needs to be an enhanced appropriation. We're concerned about the earmarks and we want to make sure that we, like in the past, are allowed to work with and pull that all together for the new bill. We appreciate that opportunity.

We continue to monitor the traffic, roadway conditions, and safety concerns along US 52 to ensure the safe movement of people and commodities.

Mr. Chairman, in conclusion, we consider it essential that the Congress, through the reauthorization process, recognize that significantly increased investment in highways and surface transportation in rural states is and will remain important to the national interests.

The citizens and the businesses of our nation's more populated areas, not just residents of rural America, benefit from good transportation network in and across the rural states, like North Dakota.

With such legislation, preserving program share for states like North Dakota, we will be better equipped to address our statewide needs, which include the needs of US 52.

Mr. Chairman, that concludes my testimony, and I'd certainly be happy to answer any questions that you might have.

One more thing, Senator. I know that you did a lot of work and we appreciate your efforts. There are projects that are now going into the Devils Lake Area that we'll be working on much quicker now that that little roadblock has been taken out of the picture.

[The prepared statement of Mr. Ziegler follows:]

**U.S. SENATE BUDGET COMMITTEE HEARING
How Infrastructure Investments Can Foster Economic Development
and the Agriculture Economy: US 52**

**Francis Ziegler, Director of the North Dakota Department of Transportation
Jamestown, North Dakota
July 2, 2009**

Mr. Chairman:

Good Afternoon. I am Francis Ziegler, Director of the North Dakota Department of Transportation. Thank you for the opportunity to appear before the Budget Committee today.

US 52 is an important highway for moving people and commodities in North Dakota and is part of the National Highway System. However, before discussing US 52, I would like to address some important broader transportation issues, including Federal legislation. Specifically, I want to discuss:

- The solvency of the Highway Account of the Highway Trust Fund and continuity of the highway program in North Dakota and the Nation;
- That rural States like North Dakota must participate at least proportionately in any future growth of the Federal highway and transportation program;
- Additional issues with reauthorization legislation; and
- The importance of the US 52 Corridor in supporting North Dakota's economy.

I cannot stress enough that Federal investment in North Dakota's highways is in the national interest. It is imperative that legislation reauthorizing the federal highway program continues to serve the needs of rural states, allowing us to continue to meet the demands being placed on our highway network, including US 52.

Here is some background on what we are doing here in the state to improve transportation.

This year, for the first time ever, the State of North Dakota committed an unprecedented sum in non-matching state General Fund dollars to help strengthen North Dakota's transportation infrastructure. Governor Hoeven recently signed into law a landmark \$1.35 billion transportation funding bill. This is a comprehensive package for North Dakota. This legislation will fund maintenance and enhancements of the state's infrastructure, as well as provide immediate assistance to cities, counties and townships working to address weather and flood related damage to their roads.

In addition to increases in traditional highway funding, which is based on the state motor fuel tax and vehicle registration fees, funding was added that will take us from about \$903 million in the current biennium to about \$1.35 billion.

Combined with the estimated \$150 million in federal disaster aid about \$1.5 billion in state and

federal funding will be devoted to transportation. This includes almost \$600 million more to rebuild our roads and help cities, counties and townships recover from statewide flooding.

While the state is doing its share, Federal investment in transportation is critically important. Let me turn now to Federal issues.

Ensure Highway Trust Fund Solvency and Program Continuity

The Highway Account of the Highway Trust Fund is projected to reach a zero balance this summer, possibly in August. It will be highly disruptive to states if FHWA begins to delay payment of state claims to reimburse costs. As a zero balance gets closer, states will begin to curtail bid openings and work, to avoid the risk of not having funds to pay for the work. Compounding the situation, North Dakota, like other states, already has contracts in place for which the Federal Highway Administration may not be able to provide reimbursement of funds. This would create a financial crisis for the NDDOT. For the public at large, the jobs and transportation benefits of the program would be denied, or at least delayed, if the program is disrupted.

Therefore, we hope the Congress will pass appropriate legislation in July, so that the Trust Fund will have the resources to pay for highway work this summer under current funding levels. USDOT and AASHTO estimates are that \$5 to \$8 billion must be added to the Highway Account to finish FY 2009 at current funding levels and that an additional \$8 to \$10 billion is needed to continue current program levels through FY 2010. This is needed just to continue programs at current levels, avoid disruption to the program, and avoid job losses and cutbacks in construction.

Secretary of Transportation Ray LaHood recently proposed that solving the Highway Trust Fund shortfall be combined with a highway program extension of 18 months and enactment of some reforms. He asked for "making better use of cost-benefit analysis investment decisions, creating a new program to improve the movement of people and goods in metropolitan areas, and promoting livable communities." We are concerned that benefits will be incorrectly equated to high volumes, which would result in a shift of funding away from states like North Dakota with lower traffic volumes. We are also concerned that the undefined concept of livability could result in increased regulation or reduced discretion for a state to focus investments where they are most needed. We are pleased that the Chairman of the Environmental and Public Works Committee has responded by saying that reforms will not be part of short-term extension legislation to ensure that the Highway Trust Fund is solvent.

We believe legislation to replenish the Highway Trust Fund and provide an extension to ensure program continuity while Congress works on long-term legislation should not be combined with reforms.

The Next Highway and Transportation Authorization Bill Must Provide at Least Proportionate Funding Growth for Rural States Like North Dakota

A multi-year highway and surface transportation authorization bill is also needed. There is a

broad consensus, at least in the transportation community, that increased investment would serve the national interest. In March 2009, the American Association of Transportation Officials (AASHTO) testified before the U.S. House of Representative Committee on the Budget proposing a \$375 billion program for the six-year period 2010-2015 and \$93 billion for transit.

Many ideas have been advanced in recent years and Congress is now starting to shape such legislation. Certainly our department and others from rural states have clearly stated to Congress and various Commissions that **this next authorization bill must provide a rural state like North Dakota at least its current overall share of Federal formula and other funds.** Certainly, that result would be in the national interest.

It is not a foregone conclusion that Congress will agree to provide such support to ours and similar states.

For example, we are concerned about the legislation under development in the House authorizing committee. While legislation with specific funding levels has not yet been introduced, Committee leaders have outlined their proposal. It apparently calls for an increase in Federal highway program authorizations from the Highway Trust Fund of about \$110 billion over the next 6 years compared to the last 6 years (\$337 billion compared to \$227 billion).

Yet, the bill is said to ensure that at least \$50 billion of that \$110 billion is reserved for a new program **only** for metro areas with a population of 500,000 or more. We understand that congestion is an issue in many cities. But, we disagree with committing so much new money to a program that will benefit only large metropolitan areas. There is also a program where at least \$25 billion is reserved for large nationally significant projects to be picked by USDOT. Those projects would have to be at least \$500 million or 75 percent of a state's apportionment. In North Dakota, that means a single project of more than \$150 million would be needed just to be able to apply for these discretionary funds.

In addition, the bill proposes an infrastructure bank, probably supported from outside the Trust Fund. We are not certain how much funding will be committed to the bank's activities but we do foresee these funds as not accessible to rural states like ours.

So, we see a minimum of \$75 billion of the \$110 billion in additional trust fund authorizations for highways dedicated to programs that are not available to our state in any practical way. In addition, large non-trust funded programs for rail and an infrastructure bank are geared for other parts of the country.

The bill would also provide an increased share of its overall funding to transit, relative to highways. North Dakota's share of Federal transit dollars is far less than its share of highway dollars.

In short, even without knowing the details of any proposed formula changes, we see the emergence of structural changes in the highway program that would emphasize new outside the formula programs that address urban issues. This approach will dramatically reduce our state's share of the overall program. So, while details of this bill are not set we currently expect that the

broad consensus, at least in the transportation community, that increased investment would serve the national interest. In March 2009, the American Association of Transportation Officials (AASHTO) testified before the U.S. House of Representative Committee on the Budget proposing a \$375 billion program for the six-year period 2010-2015 and \$93 billion for transit.

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House legislation would provide North Dakota with a reduced share of the transportation bill's programs compared to current law, perhaps a considerably reduced share. We will appreciate your efforts, Mr. Chairman, to avoid any such result in the final legislation.

In addition to preserving our share of overall funding, I would like to address some issues that concern us that are being proposed through the reauthorization process.

- Additional planning, reporting requirements, and federal oversight. The current highway and transportation program is complex. We would like to see processes streamlined so we can deliver projects more efficiently. We see proposals for additional requirements as counterproductive. It takes three to four years to complete a project that requires full environmental process clearance. Additional rules and regulations will add time to this process and add additional costs to projects.
- Tying climate change to transportation legislation. Both the climate change legislation that passed the House of Representatives last week and legislation reported by the House Highways and Transit Subcommittee last week would require all states to develop targets to reduce transportation-related greenhouse gas (GHG) emissions. States will be required to make efforts to increase transit ridership, walking, and bicycling. While we in North Dakota have made great strides in this area, our state is very rural in nature and there is only so much we can do to promote walking and bicycling. Performance measures will be required, and in some versions states not meeting targets could have funds withheld. There are several proposals with new planning requirements that would compel states to reduce greenhouse gas emissions. These may be viable options in metropolitan areas, but due to our low population density they are not realistic options for rural states that do not have air quality issues. We would like to ensure that the administration of the statute does not force a state like ours to undertake unrealistic efforts to reduce transportation-related GHG emissions.
- National performance standards and targets. Performance measures are important, and the state of North Dakota uses them in our project selection process. However, we are concerned that national performance measures will not fit all states' needs and may result in a disproportionate amount of funding to be diverted from rural states like ours. We believe that national performance standards should be general in nature and that each state should be allowed to establish its own specific standards.

We face both funding and regulatory challenges in this legislation. We ask that you will continue working to ensure that rural states like North Dakota receive at least their current share of transportation dollars through the reauthorization process without undue regulatory burdens.

Let me turn now to reasons why the authorization legislation should continue to provide rural states like ours with at least their current share of the highway and surface transportation programs.

The Nation Benefits from Federal Transportation Investment In and Across Rural States

Federal-aid highways in our state, not just those on the National Highway System --

- serve as a bridge for truck and personal traffic between other states, advancing interstate commerce and mobility;
- enable agricultural exports and serve the nation's ethanol production and energy extraction industries, which are located largely in rural areas;
- are a lifeline for remotely located and economically challenged citizens, such as those living on tribal reservations;
- enable people and business to traverse the vast tracts of sparsely populated land that are a major characteristic of the western United States; and
- provide access to scenic wonders and facilitate tourism.

In addition, the scope of the Federal-aid system, extending beyond the NHS, enables enhanced investment to address safety needs on rural routes.

Further, Federal investment in rural transit helps ensure personal mobility, especially for senior citizens and the people with disabilities, connecting them to necessary services. Federal public transportation programs, both transit and Amtrak, must continue to include funding for rural states and not focus entirely on large metropolitan areas.

Let me amplify a few of these points.

Bridge States Serve a National Connectivity Interest for People and Business

Highway transportation between our country's major metropolitan areas is simply not possible without excellent roads that bridge those vast distances. This connectivity benefits the citizens of our nation's large metro areas because air or rail frequently will not be the best option for moving people or goods across the country. The many commercial trucks on our rural interstate highways demonstrate every day that people and businesses in the major metropolitan areas benefit from the nation's investment in highways in rural states.

The most recent FHWA data on tonnage origins and destinations shows that just over 59 percent of the truck traffic using North Dakota's highways does not either originate or terminate within the state. This is well above the national average of about 45 percent, underscoring that North Dakota serves to help connect the nation in a way that benefits other states.

Essential Service to Agriculture, Natural Resources, Energy

A significant portion of the economy in our State is based on agriculture, energy production, and natural resource extraction. In fact, Governor Hoeven's economic strategic plan has identified agriculture, energy, advanced manufacturing, technology-based businesses, and tourism as growth industries, because North Dakota holds a competitive advantage in those areas. These have been the focus of much of North Dakota's investments in economic development.

Agriculture is one sector of the economy where the United States has consistently run an international trade surplus, not a deficit. Over the last two decades roughly 30 percent of all U.S. agricultural crops were exported.

Apart from its value to the state, there is a strong national interest in ensuring that agricultural, value-added agricultural products and natural resources have the road network that is needed to deliver product to markets, particularly export markets. In 2008, North Dakota led the nation in the production of wheat, barley, canola, sunflowers, flaxseed, all dry edible beans, pinto beans, navy beans, dry edible peas, lentils, and honey. North Dakota last year was the fastest growing export state in the nation. A key part of that total road network is the roads below the National Highway System, where export crops begin their journey from point of production to destination.

North Dakota is a major contributor of energy production in the nation. Our state is currently fifth in the nation in oil production and contains a large amount of coal reserves. Good roads throughout the state are paramount to the nation becoming energy independent and providing agricultural products to feed a hungry world.

It is also worth noting that, over the last three decades, tens of thousands of rural rail branch lines have been abandoned nationwide. In North Dakota since 1980, over 1,500 miles of railroad branch lines have been abandoned. The reduced reach of the rail network means that many areas, particularly rural areas, must rely more heavily on trucks to move goods.

With increased truck traffic in North Dakota and much of the upper Midwest, we are challenged with our ability to continue to move these products. That challenge is compounded by the necessity to impose spring load restrictions. The underlying reason for putting on spring load restrictions is inadequate roadway thickness. During the spring thaw, the ground is waterlogged and can't support a fully loaded 18-wheeler on a highway of standard thickness. Many states, especially those in the north, have little choice given their current funding, but to limit the amount of weight on highways in the spring. Like congestion, load restrictions slow down commerce and add greatly to the cost of doing business. Attachment1 illustrates how many of the state's roads were affected by load restrictions this spring. US 52 did not have load restrictions on its route.

Tourism Access

Without a strong road network in rural states, access to many scenic destinations would be limited. Tourism is vital to the economy of North Dakota and, in fact, is now North Dakota's second largest industry.

Funding and Financing Considerations

Rural states like North Dakota face a number of serious obstacles in preserving and improving the Federal-aid highway system within their borders. We:

- are very rural,
- are geographically large,
- have low population densities, and

- have extensive highway networks.

Our large road network has few people to support it. In North Dakota there are about 16 people per lane mile of federal aid highway. The national average is approximately 129 people per lane mile. Our per capita contribution to the Highway Trust Fund also exceeds the national average. The per capita contribution to the Highway Account of the Highway Trust Fund attributed to North Dakota is \$161 compared to the national average of \$109 per person.

These factors make it very challenging for rural states to provide, maintain, and preserve a modern transportation system that connects to the rest of the nation. Our low population and traffic densities also mean that tolls are not an answer to funding transportation needs in rural areas. For example, our budget to maintain (plow snow and seal cracks) the state transportation system is approximately \$9,200 per mile each year. It takes approximately 2,000 vehicles per mile per day to generate this amount of revenue from state motor fuel taxes. Very few state highways average 2,000 vehicles per mile per day in North Dakota.

In summary, our ability to address highway needs throughout the state depends in part on the resolution of some broader transportation legislative issues. Accordingly, we set forth today some of the many reasons why it is in the national interest for the Federal Government to continue to make substantial investments in transportation in a rural state like ours.

US 52 Corridor

Transportation provides a vital link to our states' economic growth and is crucial to many freight movements—connecting manufacturers to retailers, farms to markets, and shippers to railroads, airports, and seaports. Transportation infrastructure plays a key role in supporting the growing needs of the business industry and traveling public. The US 52 Corridor is important in serving these needs in the northwest and central part of North Dakota. In addition, the corridor also plays an essential role in supporting international trade with the Canadian provinces of Saskatchewan and Manitoba. These two provinces have the fastest growing economies in Canada.

The NDDOT has recognized the importance of the US 52 Corridor (252 miles) running from Jamestown northwest to the Canadian border. From 1994 to 2008 approximately \$143 million (\$10 million per year) was invested in preserving and improving this corridor. Some of the major improvements include:

- Numerous projects (including truck climbing and turning lanes, reconstruction and overlays) on the corridor from the Canadian border to Minot to improve safety and load carrying capacity.
- In the late 90s there were major improvements to the segment from Fessenden to Carrington to improve load carrying capacity. With these improvements the entire corridor is capable of carrying 105,500 lb. loads with the proper axle configurations.
- In the late 90s four miles of four-laning was completed southeast of Minot with major reconstruction continuing on to the county line.
- In 2002, a truck bypass around Jamestown was constructed to improve traffic flow, safety, and alleviate truck traffic through the city of Jamestown.

In 2009, there are three projects scheduled along the corridor costing approximately \$4.1 million. In addition, there are about \$8 million worth of projects scheduled for the years 2010 – 2012, as shown in Attachment 2. Based on distress scores, rutting, and ride data collected by the NDDOT the overall condition of the corridor is very good, with the exception of two locations. The data shows that the segment from Burlington to Minot is in poor condition. However, there is a thin lift overlay project scheduled on this segment in 2010, which will improve the overall condition ratings. This \$2.1 million project will be funded with money North Dakota received from the American Recovery and Reinvestment Act (ARRA) of 2009. The segment of the corridor running from Fessenden south to the junction of ND 200 shows some distress and lower ride quality. A thin lift overlay is scheduled for 2009, which will improve this segment of roadway.

Total traffic volume on the corridor ranges from just over 1200 vehicles per day near the Canadian border to just over 3,000 vehicles near Velva. Most of the corridor carries about 500 trucks per day. The largest truck volumes, up to 700 vehicles per day, are on the segment between Jamestown and Carrington. Attachment 3 shows the total traffic and truck volumes along the US 52 Corridor. Attachment 4 provides a graphic comparison of total traffic on the major corridors in the state.

Truckers proceeding south on the US 52 bypass around Jamestown must travel on I-94, which has an 80,000 pound load limit subject to certain exceptions. To enhance the movement of commodities state legislation was passed allowing truckers to purchase single trip or annual permits to carry loads up to 105,500 pounds on I-94. That state legislation is within an exception allowed by Federal law but, without permits, trucks over 80,000 pounds cannot travel on I-94.

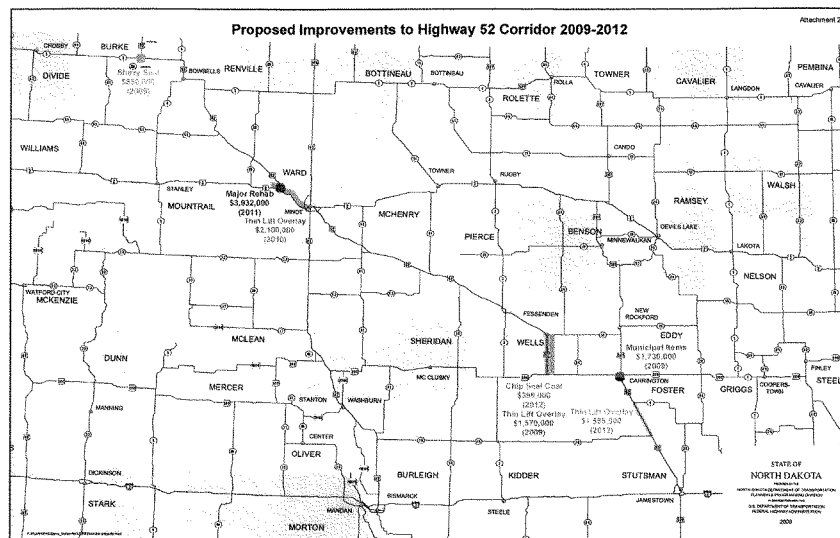
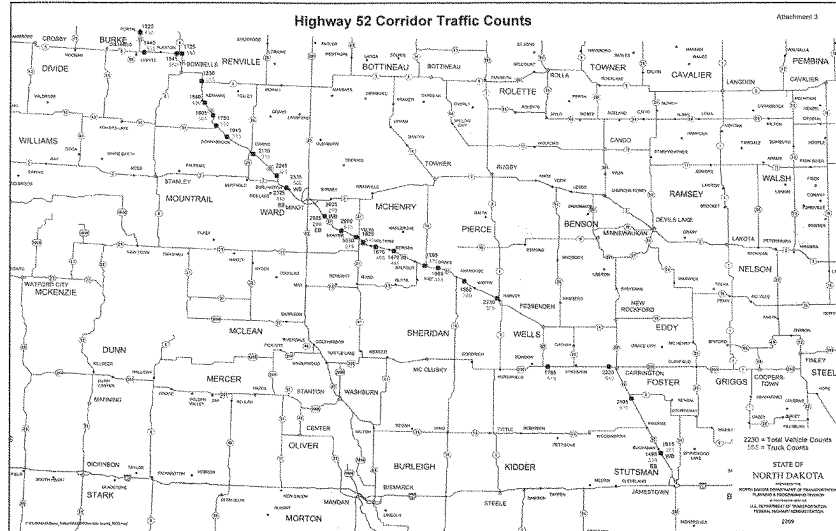
We feel that federal funding for a substantial expansion of the US 52 Corridor needs to be an enhanced appropriation, rather than an earmark within the state's normal federal highway allocation. Such earmarks, worthy as they may be, often divert funding from other important investments across the state.

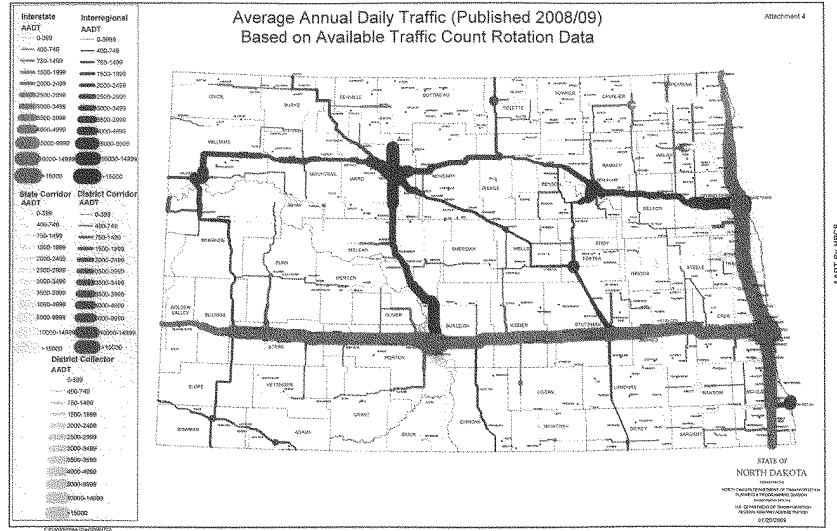
It is essential to preserve and improve our transportation system to ensure that it meets present and future demands. We will continue to monitor traffic, roadway conditions, and safety concerns along the US 52 Corridor to ensure the safe movement of people and commodities.

Conclusion

In conclusion, we consider it essential that the Congress, through the reauthorization process, recognize that significantly increased federal investment in highways and surface transportation in rural states is, and will remain, important to the national interest. The citizens and businesses of our nation's more populated areas, not just residents of rural America, benefit from a good transportation network in and across rural states like North Dakota. With such legislation, preserving program share for states like North Dakota, we will be better equipped to address our statewide needs, which include needs on US 52.

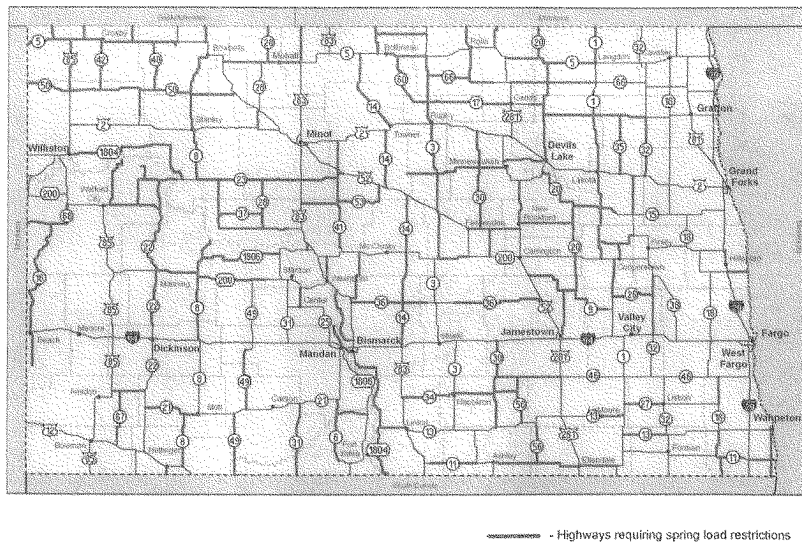
That concludes my testimony. I'd be happy to respond to any questions you may have.





Attachment 1

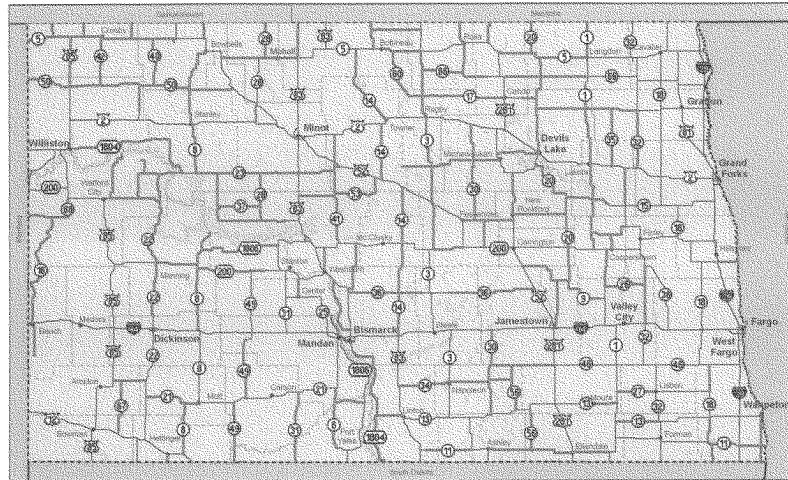
North Dakota Highways with Spring Load Restrictions



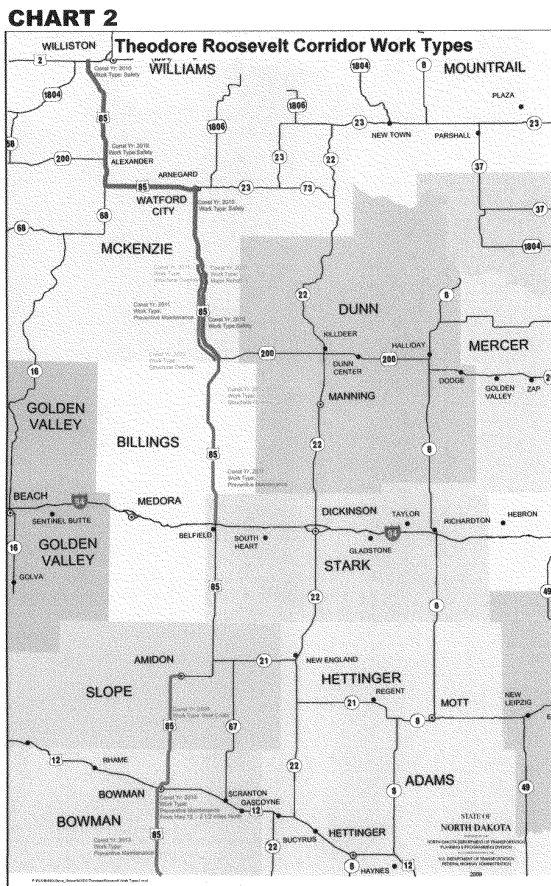
- Highways requiring spring load restrictions

North Dakota Highways with Spring Load Restrictions

CHART 1



----- - Highways requiring spring load restrictions



The CHAIRMAN. Yes, we were able to break that logjam and I think it's going to be very meaningful up there and very important and we appreciate your good work and your help as we had to persuade the department that we had to have a little different policy approach in order to make this work and we appreciate our colleagues for supporting what needs to be done there.

Let me ask you, if I can, Francis, before we go to Pat. Would you support a straight extension, an 18-month extension of the current transportation bill?

Mr. ZIEGLER. Mr. Chairman, I would.

The CHAIRMAN. Number 2, would you support a continuation of the ability to have earmarks as part of that extension?

As you know, there's discussion now on precluding any earmarks.

Would you support a continuation of earmarks in that 18-month extension?

Mr. ZIEGLER. Mr. Chairman, as in the past, we have worked very closely with you and your staff and certainly with that close cooperation, we would support that.

The CHAIRMAN. That's very important and it's one of the key reasons we gotta hold these hearings. We gotta be able to demonstrate within the state that the Department of Transportation believes that that is the appropriate approach to delay some of the or at least put on a separate track the other reform provisions proposed by the Administration.

So I should ask for the record, would you support dual-tracking the reform provisions and the straight extension of the current transportation legislation?

Mr. ZIEGLER. Mr. Chairman, the North Dakota DOT, along with our associations, would be very pleased to work with the dual-tracking program to get the program extended and at the same time be working on any reforms that may be necessary.

The CHAIRMAN. Yeah. I appreciate that very much. I think it's critically important. Time is short.

As I indicated before, our projections are the Trust Fund is going to go cash negative in August and we need an \$8 billion infusion. We need by our estimates about a \$10 billion infusion for next year.

So I want to ask you that, as well. Working through your association, do you have estimates of the shortfall? Are the estimates that I've given roughly in the range of what your understanding is?

Mr. ZIEGLER. Mr. Chairman, our association has reported \$5–8 billion shortfall and that's what you had said earlier, and then for next year, we had heard the same number, \$10 billion shortfall, for the 2010 Fiscal Year.

The CHAIRMAN. I think those are roughly right. I mean, I think, you know, the estimates of the Budget Committee were six to eight. We're looking at the shortfall—excuse me.

We're looking at the shortfall being at the high end with what's happened with miles being down, revenue being down, costs still being—still staying up even though oil prices have come down substantially.

As we look across the cost side of the equation, because we had that bottle-wave effect of a big run-up in energy prices last year, we're still stuck with high input costs.

Is that your experience here? If you could tell us something for the record with respect to what you're experiencing in terms of the underlying costs?

Mr. ZIEGLER. Mr. Chairman, we recently did a look at our inflation factors and from 2001 to 2007, our inflation was in excess of 50 percent. The numbers are in round numbers to over 10 percent a year as far as the inflation factors.

Even though asphalt prices did come down somewhat, Bacon-Davis wages went up, fuel for the trucks that we so much depend on for road construction is up, and so it's just a touch over 10 percent for inflation for each one of those years.

The CHAIRMAN. Yeah. Can you tell us in terms of the last year, again for the record, what is your cost experience? Even though oil prices have dropped down substantially, you still see increased costs flowing through the system?

Mr. ZIEGLER. Mr. Chairman, yes, we do. We're in excess of 10 percent for this past year, also.

The CHAIRMAN. For this year, as well?

Mr. ZIEGLER. That's correct.

The CHAIRMAN. I think that's important to get on the record and I thank you for that.

Anything that you'd want to add?

Mr. ZIEGLER. No, Mr. Chairman. Just appreciate the opportunity to be here today and to work with you on the new transportation bill and certainly hope that the extension can be granted soon.

Thank you.

The CHAIRMAN. This is going to be race and it's critically important. I hope my colleagues across the country are doing—taking advantage of this break to do what I'm doing, to hold these hearings, to get on the record precisely what you have provided here. It's as clear as it can be the need to have an extension, to have it soon, to fill in the hole in the Trust Fund, and to do that, while preserving the ability of individual members to have earmarks based on their state priorities.

Next, we'll turn to Pat Nygaard, the Jamestown City Council President.

Welcome. You might want to separate those two a little bit to prevent feedback.

Welcome, Pat. Thank you.

**STATEMENT OF MR. PATRICK NYGAARD, CITY COUNCIL
PRESIDENT, CITY OF JAMESTOWN**

Mr. NYGAARD. Thank you, Chairman. My name is Pat Nygaard, and I'm the City Council President for the city of Jamestown. My testimony is also available in the back of the room, and I'll speak today as to how vitally important US Highway 52 is to the city of Jamestown and really our surrounding trade area.

Thank you, Senator Conrad, for holding this hearing today and for initiating discussion on the importance of US Highway 52. As you're aware, US Highway 52 is a major highway that stretches over 2,000 miles and passes through 11 states.

From its point along the U.S.-Canadian border at Portal, North Dakota, to the Charleston Harbor in Charleston, South Carolina, this major highway is vitally important and nowhere is it more important than here in Jamestown, North Dakota.

US Highway 52 is one of two major highways that intersect Jamestown and Stutsman County. It serves as a critical roadway through our trade area. A significant amount of truck traffic occurs on this roadway. In fact, so much—so many semi-trucks utilize this highway that the State of North Dakota constructed a bypass around the city of Jamestown in 2002, as Mr. Ziegler alluded to earlier.

The importance of this highway is evident when you examine the effects it has on the various segments of our local and regional economy. This roadway serves the needs of our major industries, including agriculture, tourism, and manufacturing.

As a major farm-to-market transportation route, US Highway 52 is utilized by thousands of farmers throughout the area. During the spring of the year, you'll see many semi-trucks hauling grain from storage bins on the farm to our area elevators.

Additionally, you will see air seeders, many manufactured just 35 miles to the east at Valley City, making their way up and down

this highway. Throughout the summer and fall, you'll see everything from spraying and tillage equipment, combines, tractors and semis moving back and forth along this highway.

During critical times of the year, US Highway 52 becomes even more important as weight limit restrictions prevent farmers from hauling grain on the county roadways. US Highway 52 makes a great deal of this possible for our area farmers so that they may contribute—may continue to contribute to the agriculture industry, a vitally important sector of our local economy and, of course, the largest sector of our state's economy.

While not to the level of Medora and the badlands of Western North Dakota, tourism does hold an important role in our local economy. Every year thousands of tourists visit the Frontier Village and National Buffalo Museum, home to the world's largest buffalo and two rare albino buffalo.

Additionally, Jamestown lays claim to being home to perhaps the greatest Western novelist of all time Louis L'Amour and this alone brings additional tourism opportunities to our area. Also being the rural state that we are, many people visit our region each year to fish our area lakes and take advantage of our excellent hunting opportunities.

Whatever their reason to visit Jamestown and our surrounding area, many of these individuals arrive here by way of US Highway 52.

While the manufacturing sector has been hard hit in many areas of our country over the last decade, Jamestown manufacturers continue to succeed and collectively they employ a significant number of people in Jamestown and the surrounding area.

Goodrich, a cargo system manufacturer, employs over 500 people. Cavendish, a potato processing plant, employs approximately 250 people. Duratech Industries, an ag equipment manufacturer, employs over a hundred people. Agri-Cover, a manufacturer of tonneau covers for pick-up and grain trucks, employs over a hundred people. And Newman Signs, the manufacturer of those highway billboards you saw on your way into Jamestown, employs over a hundred people. I don't know if you flew or drove today, but no doubt you're very familiar.

All these companies receive their raw materials and ship their finished products via our major roadways, including US Highway 52. In the case of Agri-Cover, they're a small town success story.

This company started in the little town of Courtenay, located in Northeast Stutsman County, but the company founders realized that to ensure long-term success, they needed to relocate their company closer to a major transportation route.

Their choice was to relocate the company just north of Jamestown along US Highway 52. In my opinion, this is clear and convincing evidence of the important role this highway plays in our local economy. Two expansions and 100+ employees later, Agri-Cover is a thriving company and wonderful employer.

So whether it is agriculture, tourism, or manufacturing, you can see that this highway is critical to each. Given the important role this highway plays in each of these sectors, our Federal lawmakers should continue to place a high priority on US Highway 52 and

make the infrastructure investments necessary to keep this a viable and structurally sound roadway.

That would conclude my testimony, and if I can answer any questions.

[The prepared statement of Mr. Nygaard follows:]

Testimony of Pat Nygaard, City Council President, City of Jamestown
Senate Budget Committee US Highway 52 Field Hearing
July 2, 2009

Thank you Senator Conrad and also thank you to your fellow committee members for holding this hearing today and for initiating discussion on the importance of U.S. Highway 52. As most of you are probably aware, U.S Highway 52 is a major highway that stretches over 2,000 miles and passes through eleven states. From its point along the U.S / Canadian border at Portal, North Dakota to the Charleston Harbor, in Charleston, South Carolina, this major highway is vitally important, and no where is it more important than here in Jamestown, North Dakota.

U.S. Highway 52 is one of two major highways that intersect Jamestown and Stutsman County, and serves as a critical roadway through our trade area. A significant amount of truck traffic occurs on this roadway. In fact, so many semi trucks utilize this highway that the state of North Dakota constructed a bypass route around the City of Jamestown in 2003. The importance of this highway is evident when you examine the effects it has on the various segments of our local and regional economy. This roadway serves the needs of our major industries, including agriculture, tourism, and manufacturing.

As a major farm to market transportation route, U.S. Highway 52 is utilized by thousands of farmers throughout the year. During the spring of the year, you will see many semi trucks hauling grain from storage bins on the farm to our area elevators. Additionally, you will see air seeders – many manufactured just 35 miles to the east at Valley City's John Deere plant – making their way up and down this highway. Throughout the summer and fall you will see everything from spraying & tillage equipment, combines, tractors & semis moving back and forth along this highway. During critical times of the year, U.S. Highway 52 becomes even more important, as weight limit restrictions prevent farmers from hauling grain on our county roadways. U.S. Highway 52 makes a great deal of this possible for our area farmers, so that they may continue to contribute to the agriculture industry, a vitally important sector of our local economy and the largest sector of our state's economy.

While not to the level of Medora and the badlands of western North Dakota, tourism does hold an important role in our local economy. Every year, thousands of tourists visit the Frontier Village and National Buffalo Museum, home to the world's largest buffalo and two rare albino

buffalo named White Cloud and Dakota Miracle. Additionally, Jamestown lays claim to being home to perhaps the greatest western novelist of all-time, Louis L'Amour. This alone brings additional tourism opportunities to our area. Also, being the rural state that we are, many people visit our region each year to fish our area lakes and take advantage of our excellent hunting opportunities. Whatever their reason to visit Jamestown and our surrounding area, many of these individuals arrive here by way of U.S. Highway 52.

While the manufacturing sector has been hard hit in many areas of our country over the last decade, Jamestown manufacturers continue to succeed, and collectively they employ a significant number of people in Jamestown and the surrounding area. Goodrich, a cargo system manufacturer, employs over 500 people. Cavendish, a potato processing plant, employs approximately 250 people. Duratech Industries, an ag equipment manufacturer, employs over 100 people. Agri-Cover, a manufacturer of tonneau covers for pickups and grain trucks, employs over 100 people. Newman Signs, the manufacturer of those highway billboards you saw on your way into Jamestown, employs over 100 people. All of these companies receive raw materials and ship their finished goods via our major roadways, including U.S. Highway 52. In the case of Agri-Cover, they are a small town success story. This company started in the little town of Kensal, located in Northeast Stutsman County, but the company founders realized that to ensure long-term success, they needed to relocate their company closer to a major transportation route. Their choice was to relocate the company just north of Jamestown, along U.S. Highway 52. In my opinion, this is clear and convincing evidence of the important role this highway plays in our local and regional economy. Two expansions and 100+ employees later, Agri-Cover is a thriving company and wonderful employer.

Whether it is agriculture, tourism, or manufacturing, you can see that this highway is critical to each. Given the important role this highway plays in each of these sectors, our federal lawmakers should continue to place a high priority on U.S. Highway 52 and make the infrastructure investments necessary to keep this a viable and structurally sound roadway.

Thank you.

The CHAIRMAN. Thank you very much for that excellent testimony, and, Pat, let me ask you one of the questions and this is going to sound a little strange but these are questions I get.

Do you know of any local opposition to improvements on Highway 52?

Mr. NYGAARD. No, I wouldn't imagine there would be much. You know, generally, there—obviously the budget and the deficits we're facing are hugely important, but I think most people tend to come to agreement when it comes to infrastructure projects and how necessary they are.

The CHAIRMAN. Well, I thank you for that. The reason I ask is, you know, around the country, especially in the more urban parts of the country, there are now some people who are in opposition to any major highway improvements. I've not found that anywhere near in North Dakota, but the fact is that we do see that in other parts of the country.

Francis, I'm sure you hear that from your colleagues, and so I think it's important for the record. You are a local leader here. You know the sentiment in the community.

Could you give us some sense of support for improvements on Highway 52 in the community as distinct from those who might be in opposition? You're indicating you know of no opposition.

In terms of support, what would you say the level of public support is for improvements to 52?

Mr. NYGAARD. Well, I would say the level of support would be very high, just given the points I touched on in my testimony, given the different areas that it impacts, and then given the real-life examples of a manufacturer moving to be closer to that specific roadway to haul their finished products in and out of. So I think there's a case in point example right there.

The CHAIRMAN. And we've seen testimony from the Department of Transportation with respect to the increase in traffic, traffic count numbers.

Can you testify as to your own experience as a leader in the area for increased traffic and usage of Highway 52?

Mr. NYGAARD. Well, obviously the bypass is a statement right there as to the truck traffic. Obviously, you know, from the city's perspective, we are trying to get trucks to—get traffic to avoid the city, but as Mr. Ziegler pointed out, the greatest number of truck traffic was between Jamestown and Carrington and to just allow that traffic to go around the city was moved better and allow the trucks themselves to not be slowed down by the stop and go traffic of downtown Jamestown is certainly evident.

The CHAIRMAN. I was able to get funding, the Federal share of that funding in the last transportation bill for the bypass.

Can you tell us how the bypass is functioning?

Mr. NYGAARD. I think it's functioning very well. I mean, I know as a long-time Jamestown resident from growing up, it wasn't uncommon at all to see, you know, many semi-trucks throughout the day coming down Main Street which naturally isn't what you want, given somebody hauling hazardous material or anything like that.

But it certainly has taken a lot of the wear and tear off of our local streets.

The CHAIRMAN. Good. Director Ziegler, could you answer that same question in terms of how you assess the success of the bypass?

Mr. ZIEGLER. Mr. Chairman, the bypass has been very successful and the fact is that we were approached—excuse me. We were approached after the bypass was opened with the segment of 94 being a problem, as I indicated in my testimony, where it could only haul 80,000 pounds and we were approached by a lot of truckers and so it gives you an indicator that they wanted to use the bypass. It was working well but for that short piece and so legislatively, we were able to fix that issue and now the truckers can move with a 125,000 pound load.

The CHAIRMAN. Good. Excellent. Anything that either one of you would like to add?

Mr. NYGAARD. No, sir.

The CHAIRMAN. All right. I appreciate very much your testimony, and thank you.

I'll call the second panel to the witness stand. Jamestown/Stutsman Development Corporation CEO Connie Ova, Dakota

Growers Pasta Vice President of Manufacturing David Tressler, and Farmers Union District VI Director Ellen Linderman.

As they're coming to the witness table, I want to thank Jamestown College for allowing us to have this hearing here. I want to say I have a special soft part in my heart for Jamestown College because my wife, when she came to North Dakota, the first place she came was Jamestown College.

She was one of those people who was in the United States Navy and the only other woman in her Air Squadron was from Jamestown, North Dakota, and after their service in the Navy, they went back to New York, it was the midst of the garbage strike, and her friend from Jamestown said, "They don't even pick up the garbage here? I'm going back to North Dakota," and several weeks later, my wife waited to get on a subway train and to go to her work. She was going 2 hours each way each day, and she decided she wasn't getting on the train.

She went to another part of the station and bought a ticket for North Dakota and never even went back to her apartment. She just came here, hooked up with her friend from Jamestown and enrolled in Jamestown College. So I will be forever grateful to Jamestown College.

With that, we want to turn to our second panel. Delighted that you're here. Again, I want to make clear that the purpose here is to establish a record of the need for improvements to Highway 52 and that those improvements be funded to the extent possible in any extension of the transportation bill considered by Congress this year.

With that, we'll go to Connie Ova, again the Stutsman—Jamestown/Stutsman Development Corporation CEO.

Welcome. Please proceed.

**STATEMENT OF MS. CONNIE OVA, CEO, JAMESTOWN/
STUTSMAN DEVELOPMENT CORPORATION**

Ms. OVA. Thank you. It's nice to be here. As a side note, if I could express our thanks to you and to your staff for helping with FEMA to—for—to be able to encourage them to assist the county with the roads, with providing extra assistance for the grades. So very much appreciate it.

The CHAIRMAN. Glad to do it.

Ms. OVA. With that, I'll start my testimony. I also have my testimony available at the back if anybody's interested in it.

I'm Connie Ova. I'm CEO of Jamestown/Stutsman Development Corporation.

Thank you very much for the opportunity to appear before the Budget Committee today.

Today, I would like to address the following. I'll give you a brief overview of Jamestown/Stutsman Development Corporation, JSDC, how good road infrastructure will assist existing business and also foster new economic development in a region.

JSDC was organized to develop employment, to improve business conditions, and to advance the interests of the city of Jamestown and Stutsman County by implementing and sustaining an organized effort to attract new businesses and industries, support existing businesses and industries and encourage new business starts.

The JSDC has an economic development program available to assist with expanding or relocating business. JSDC's mission is in concert with the city of Jamestown and Stutsman County and utilizing their supply of funding. JSDC is dedicated to area economic development, growth and diversification with specific focus on increasing and/or preserving primary sector jobs, business and industrial development, creating, fostering and maintaining business and trade activities, encouraging and providing incentives for business entrepreneurs to locate or relocate to our community.

The Jamestown/Stutsman Development Corporation owns an ag process industrial park with 55 acres of land available for sale or lease directly adjacent to Cavendish Farms potato processing plant.

In addition to that, JSDC owns the I-94 Business Park which has 30 acres available for manufacturing, warehouse distribution, or national services. The I-94 Business Park is home to Stutsman Harley-Davidson, to Infinity Building Services, and this fall will be the new home to Ag Country Farm Credit Services.

In addition, JSDC recently purchased property east of Jamestown in Spiritwood Township. There, JSDC owns 100 acres of prime industrial property in the Spiritwood Energy Industrial Park, co-located with Cargill Malt and Great River Energy.

I've included information in my handouts directly related to those sites and to opportunities available in this community and those sites, as all of our businesses, are reliant on good infrastructure.

The JSDC's Strategic Plan was reviewed and updated most recently in January of this year by the JSDC Board of Directors. The plan for 2009 through 2013 includes seven strategies we are setting our sights on and what Strategy Number 1 is is transportation and distribution.

To achieve that strategy, we are advocating that Jamestown geographic location is ideal to focus on the transportation and distribution of products and services with access to air, ground, and rail, and Highway 52 is a vital link in that whole system for highways.

Our approach will be to gather or has been to gather data details, communicate with companies within the industry, establish criteria, and develop a business plan.

We know that an efficient transportation system is essential for the future economic health of this region and state. Improvements to our public roadway system lower costs for producers and consumers and make North Dakota more attractive in a highly competitive market, highly competitive market for jobs and industry.

Failure to maintain our public roadway system will result in lost jobs and opportunities for economic development to neighboring states. Jamestown is diligently marketing the advantage of its central location at the crossroads of major highways and railroads to attract new and retain existing businesses.

North Dakota must have access to safe transportation services in all areas of the state to ensure personal mobility for work, pleasure and needed services. Maintaining a safe and trouble-free transportation system is critical for all to experience the quality of life we have come to expect in North Dakota.

Without a good roadway system, people could not get to work, there would be no access to healthcare, education, and recreation.

Farmers would not be able to get their goods to market, and manufacturers would be unable to ship their products or receive supplies. In short, the economy would shut down.

But just having a public roadway system is not enough. The system must be well maintained, efficient, reliable, and accessible. Manufacturers rely more and more on just-in-time delivery which means much of the inventory they previously kept in their warehouses is now on trucks on the public roadway system for delivery to the plants at the time the manufacturer needs the supplies.

It is critical to the economy that the roadway system supports consistent and reliable transportation so that this just-in-time delivery is successful. This requires a road system that is in good condition, has adequate capacity, is well maintained, even in inclement weather.

Investments in the public roadway system support the economy through (1) direct job creation through construction activities, (2) indirect and induced job support, and (3) productivity gains.

In addition to job creation and support, productivity gains are realized by investments that reduce travel times, make travel times more consistent, reduce crashes and reduce vehicle operating costs.

Companies across the region, such as those that were talked about and represented here today, attest to the importance of the roadway system in terms of location, capacity, and condition to their ability to succeed in today's economy.

Many areas of the state are seeking public roadway improvements that they believe are critical to support existing and share future economic development. Transportation costs are major costs of doing business which means a high-quality public roadway system is necessary to attract new businesses and support the growth of existing development.

Agriculture is the Number 1 industry in this community and North Dakota. Good transportation is vitally important to those farmers needing to move commodities to markets, to transport equipment from farm to farm and field to field, and to receive goods and services, to provide food and fiber to the world.

One of North Dakota's greatest resources is the quality of life that exists within its borders. Transportation services support North Dakotans with many quality of life benefits. North Dakotans value the ability to move and travel with ease. Our public roadway system provides the primary means to access recreation, education, healthcare and services.

Increasingly, these quality of life issues are also critical to local economic development. Companies want good roads not only for business purposes but to attract and support a stable work force. High levels of accessibility and mobility are key to experiencing the quality of life Jamestown/Stutsman County has to offer.

Most economic development professionals recognize the distinction between growth and development. As a result, our work involves much more than attracting the next big employer or simply increasing the number of jobs in the community. Our concern is also with increasing the quality of jobs available in the community. Doing so requires working to improve the operating environment in which businesses function. That operating environment includes and depends on transportation infrastructure.

In conclusion, we consider it imperative that Congress recognize that significantly increased Federal investment in highways and surface transportation in rural states, such as North Dakota, is vitally important to economic development and to the continued growth of this state and nation.

It is also critical to ensure the growth and delivery of safe and healthy North Dakota-grown food and fiber to the world.

This concludes my testimony.

[The prepared statement of Ms. Ova follows:]

U.S. SENATE BUDGET COMMITTEE HEARING
How Infrastructure Investments Can Foster Economic Development and the Agriculture
Economy: US 52

Connie J. Ova, CEO, Jamestown/Stutsman Development Corporation
Jamestown College, Jamestown ND
July 2, 2009

Mr. Chairman. I am Connie Ova, CEO of Jamestown/Stutsman Development Corporation. Thank you for the opportunity to appear before the Budget Committee today.

Today, I would like to address the following:

- Brief overview of Jamestown/Stutsman Development Corporation (JSDC);
- How Good Road Infrastructure will assist existing business; and
- Foster new economic development in a region.

Background on Jamestown/Stutsman Development Corporation (JSDC)

JSDC was organized to develop employment to improve business conditions and to advance the interests of the City of Jamestown and Stutsman County, North Dakota by implementing and sustaining an organized effort to attract new businesses and industry, support existing businesses and industry, and encourage new business starts.

The JSDC has an economic development program available to assist with expanding or relocating business. JSDC's mission is: *In concert with the City of Jamestown and Stutsman County and utilizing their supplied funding, JSDC is dedicated to area economic development growth and diversification with specific focus on increasing and/or preserving primary sector jobs, business and industrial development, creating, fostering, and maintaining business and trade activities, encouraging and providing incentives for business entrepreneurs to locate/relocate to our community.*

The Jamestown/Stutsman Development Corporation owns an Ag Processing Industrial Park with 55 acres of land available for sale or lease directly adjacent to Cavendish Farms potato processing plant. In addition to that JSDC owns the I-94 Business Park which has 30 acres available for manufacturing, warehouse distribution or national service. The I-94 Business Park is home to Stutsman Harley Davidson, Infinity Building Services and this fall new home to Ag Country Farm Credit Services. In addition JSDC recently purchased property east of Jamestown in Spiritwood Township. JSDC owns 100 acres of prime industrial property in the Spiritwood Energy Industrial Park co-located with Cargill Malt and Great River Energy. I've included information in my handouts directly related to those sites and to opportunities available in this community.

JSDC Strategic Plan 2009-2013

The JSDC Strategic Plan was reviewed and updated most recently in January of 2009 by the JSDC Board of Directors. The JSDC Strategic Plan for 2009-2013 includes seven strategies we are setting our sites on and look at what strategy number one is:

- 1. Transportation/Distribution**
2. Information/Communication
3. Training Center
4. Consumer Services, Marketing Regional Hub
5. Synergistic/Complementary Businesses
6. Alternative Energy Sources
7. Exploration of Grants and other Funding Opportunities

Strategy 1: Transportation/Distribution

Background: Jamestown's geographic location is ideal to focus on the transportation and distribution of products and services with access to air, ground, and rail.

Approach: Gather data details; communicate with companies within this industry (Regionally, USA, and internationally), establish criteria, measure need and interest, develop a business plan, contact investors and receive feedback, support and promote activities.

Economic Development Importance of Transportation

An efficient transportation system is essential for the future economic health of this region and state.

Improvements to our public roadway system lower costs for producers and consumers, and make North Dakota more attractive in a highly competitive market for jobs and industry.

Failure to maintain our public roadway system will result in lost jobs and opportunities for economic development to neighboring states. Jamestown is diligently marketing the advantage of its central location at the crossroads of major highway and railroad systems; to attract new and retain existing businesses.

North Dakotan must have access to safe transportation services in all areas of the state to ensure personal mobility for work, pleasure and needed services. Maintaining a safe and trouble free transportation system is critical for all to experience the quality of life we have come to expect in North Dakota.

Economic Development and Support

Without a good roadway system people could not get to work; there would be no access to healthcare, education and recreation; farmers would not be able to get their goods to market; and manufacturers would be unable to ship their products or receive supplies. In short, the economy would shut down. But just having a public roadway system is not enough. The system must be well maintained, efficient, reliable, and accessible.

Manufacturers rely more and more on just-in-time delivery which means much of the inventory they previously kept in their warehouse is now on trucks on the public roadway system for delivery to the plant at the time the manufacturer needs the supplies. It is critical to the economy that the roadway system supports consistent and reliable transportation so that just-in-time delivery is successful. This requires a roadway system that is in good condition, has adequate capacity and is well-maintained, even in inclement weather.

Investments in the public roadway system support the economy through: 1) direct job creation through construction activities; 2) indirect and induced job support; and 3) productivity gains.

In addition to job creation and support, productivity gains are realized by investments that reduce travel times, make travel times more consistent (critical for just-in-time delivery), reduce crashes, and reduce vehicle operating costs. Companies across the region such as those represented here today, attest to the importance of the roadway system in terms of location, capacity and condition to their ability to succeed because in today's economy, "time is money." Many areas of the state are seeking public roadway improvements that they believe are critical to support existing and assure future economic development. Transportation costs are a major cost of doing business, which means a high-quality public roadway system is necessary to attract new businesses and support the growth of existing developments. Agriculture is the number one industry in this community and North Dakota. Good transportation is vitally important to those farmers needing to move commodities to markets, to transport equipment from farm to farm and field to field and to receive goods and services to provide food and fiber to the world.

Quality of Life

One of North Dakota's greatest resources is the quality of life that exists within its borders. Transportation services support North Dakotans with many quality of life benefits. North Dakotans value the ability to move and travel with ease. Our public roadway system provides the primary means to access recreation, education, health care, and services. Increasingly, these quality of life issues are also critical to local economic development. Companies want good roads not only for business purposes, but to attract and support a stable workforce. High levels of accessibility and mobility are key to experiencing the quality of life Jamestown has to offer.

What Economic Developers Do

Most economic development professionals recognize the distinction between growth and development. As a result our work involves more than just attracting the next big employer, or

simply increasing the number of jobs in the community. Our concern is also with increasing the quality of jobs available in the community. Doing so requires working to improve the operating environment in which businesses function. That operating environment includes transportation infrastructure.

People working in the field of economic development address a wide range of issues. Outwardly it may appear we only spend our time courting major businesses, or are content to simply increase the number of jobs in a region regardless of job quality, in reality we are also concerned with and involved in issues of:

- ✓ labor force quality and quantity
- ✓ **transportation and utility infrastructure**
- ✓ education and business technical assistance
- ✓ physical, psychological, cultural, and entrepreneurial environment; economic structure and efficiency
- ✓ institutional capacity to support economic development and growth

Conclusion

In conclusion, we consider it imperative that the Congress recognize that significantly increased federal investment in highways and surface transportation in rural states such as North Dakota is vitally important to economic development and to the continued growth of this nation. It is also crucial to ensure the growth and delivery of safe and healthy North Dakota grown food and fiber to the world.

That concludes my testimony. I'd be happy to respond to any questions you may have.

The CHAIRMAN. Thank you very much.

Ms. OVA. You're welcome.

The CHAIRMAN. Important testimony and I'm glad to have it on the record.

As we do these hearings, we like to get the testimony of the local economic development leaders because, in our view, this legislation does have the double effect. Yes, it creates jobs and yes, it increases productivity. It enhances the competitive position of these communities and you've testified to that, and I thank you for it.

Ms. OVA. You're welcome.

The CHAIRMAN. Next, we have David Tressler who is the Dakota Growers Pasta Vice President of Manufacturing.

Welcome, David. Please proceed.

STATEMENT OF MR. DAVID TRESSLER, VICE PRESIDENT OF MANUFACTURING/SPECIAL PROJECTS, DAKOTA GROWERS PASTA

Mr. TRESSLER. Thank you, Mr. Chairman.

Thank you for inviting the Dakota Growers to be a part of this U.S. Senate Committee hearing.

Dakota Growers Pasta Company was established in 1993 as a co-operative to add value to each bushel of wheat delivered by the growers by adding profit to each share owned.

The capacity in 1993 was 120 million pounds per year. Today, Dakota Growers is a C corporation with approximately \$300 million in sales with a total company capacity of 500 million pounds per year of dry pasta products. 270 million pounds are produced at the Carrington, North Dakota, location, and 230 million pounds in our New Hope, Minnesota, location.

The current expansion will increase the capacity in Carrington to 330 million pounds per year beginning in 2010. Dakota Growers Pasta is the third largest manufacturer in the U.S. The Carrington, North Dakota, manufacturing plant employs 270 full-time workers.

Dakota Growers Pasta is the only pasta manufacturer with an identity-preserved capabilities, providing field- to-plate traceability. Carrington, North Dakota, is the headquarters of the company.

Markets for our products include all 50 states and some foreign countries. The products that originate in Carrington, North Dakota, must travel over Highway 52 to its final destination. The service provided by Highway 52 is critical in continuing the success of this company.

The use of Highway 52 by trucks and other services to Dakota Growers has grown. It is a vital link in the delivery of items all necessary in making pasta. Incoming traffic includes wheat, fuels, packaging, maintenance materials, operating supplies, support services, and labor to the plant. Outgoing traffic includes feed products and pasta. Total traffic now is over 1,200 trucks per month with an expected increase to 1,500 trucks by the start of 2010 when the current expansion is completed.

Trucks access Highway 52 from Minot to Jamestown for Dakota Growers. The majority of these trucks will return east on Highway 52. Twenty percent of the wheat is delivered by truck each year. Truck access provides a competitive edge by being economical transportation for our neighboring farmers.

Retail shortage during the recent history left many pasta manufacturers without wheat for processing. The ability to access local wheat supply and trucks all year kept the Carrington plant in operation during this time and in business.

Reliable truck delivery of wheat via Highway 52 is a vital link to take advantage of locally grown wheat necessary for maintaining the identity-preserved program that is key to Dakota Growers' success.

In addition, numerous services and support people will be traveling the highway to the Carrington manufacturing plant.

Dakota Growers Pasta's success is directly dependent on the maintenance of Highway 52 as a no-load-restricted road. Safety is a concern as the Highway 52 continues to—use of Highway 52 continues to increase. It services many diverse users, from slow-moving oversized farm equipment being transported from field to field, grain trucks from field to market, families going shopping and services in local towns, tourists enjoying the area, oversized loads transporting large parts to a windmill development in the heart of the state, to a single/double/triple trailer over-the-road semi-services, Dakota Growers is dependent upon many originating in the U.S. and Canada.

All users are competing with nature and the environment for the use of the land that makes up this highway. Dakota Growers Company encourages the development of Highway 52 to encourage trucks to stay on primary roads with minimal stops or restrictions to promote safety.

Improved durability to handle the increased numbers of large weight trucks, maintain high-profile Highway 52 as a primary snow route to be maintained during the winter months, promoting

logical step to encourage continuation of the four-lane road into Carrington. This will provide safe transportation environment for many diverse uses of the highway.

Dakota Growers has gained confidence in its customers to be a viable competitor in pasta manufacturing industry. This is best illustrated by the capacity expansion now in progress. Improvements in Highway 52 will be a key infrastructure investment that will continue to foster economic growth in the agriculture economy and continued success of Dakota Growers Pasta Company.

Thank you for this opportunity.
[The prepared statement of Mr. Tressler follows:]

Testimony of Dakota Growers Pasta Company Presented By David Tressler, Vice President of Manufacturing During The U.S. Senate Budget Committee Hearing July 2, 2009

Thank you for inviting Dakota Growers Pasta Company to be a part of the US Senate Budget Committee Hearing.

Dakota Growers Pasta Company was established in 1993 as a cooperative to add value to each bushel of wheat delivered by the grower-shareholders by adding profit to each share owned.

Capacity 1993: 120 million pounds per year

Today Dakota Growers is a C-corporation with approximately \$300 Million in sales with a total company capacity of 500 million pounds per year of dry pasta products. 270 Million pounds are produced at the Carrington, North Dakota location and 230 million pounds at the New Hope, Minnesota location.

The current expansion will increase the capacity of the Carrington location to 330 million pounds per year beginning in 2010.

Dakota Growers Pasta is the third largest pasta manufacturer in the U.S.

The Carrington, North Dakota manufacturing plant employs 270 full time workers.

Dakota Growers Pasta is the only pasta manufacturer with Identity Preservation capabilities, providing field to plate traceability.

Carrington, North Dakota is the Head quarters for the Company.

Markets for our products include all fifty states and some foreign countries.

The product originating in Carrington, North Dakota and must travel over highway 52 to its final destination.

The service provided by highway 52 is critical to the continuing success of the company.

The use of highway 52 by trucks and others servicing Dakota Growers Pasta Company has grown.

It is a vital link to the delivery of all items necessary to make pasta.

Incoming traffic includes wheat, fuels, packaging, maintenance materials, operating supplies, support, services, and labor to the plant.

Outgoing traffic includes feed products and pasta.

Total traffic is now over 1200 trucks per month with an expected increase to 1500 by the start of 2010

when a current expansion is completed.

Trucks access highway 52 from Minot to Jamestown.

The majority of these trucks will return East on Highway 52.

20 % of the wheat is delivered by truck each year. Truck access provides a competitive edge by being economical transportation for neighboring farmers. Railcar shortage during recent history left many pasta manufacturers without wheat for processing. The ability to access local wheat supply and trucks all year long kept the Carrington operation, during this time, in business.

Reliable truck delivery of wheat via highway 52 is vital to take advantage of locally grown wheat necessary for maintaining the Identity Preserve Program that is key to Dakota Growers success.

In addition, numerous service and support people will be travelling the highway 52 route to the Carrington manufacturing plant.

Dakota Growers Pasta Company's success is directly dependent on the maintenance highway 52 as a NO LOAD RESTRICTION road.

Safety is a concern as the use of highway 52 continues to increase. It services many diverse users from slow moving oversize farm equipment being transported from field to field, grain trucks from field to market, families going to shopping and services in local towns, tourists enjoying the area, oversize loads transporting large parts to a windmill development in the heart of the state, to the single, double, and triple trailer over-the-road semi that services Dakota Growers Pasta as well as many US and Canadian companies in this part of the country.

All users are competing with nature and the environment for the use of the land that makes up the highway.

Dakota Growers Pasta Company encourages the development of Highway 52 to:

1. Encourage trucks to stay on primary routes with minimal stops or restrictions to promote safety.
2. Improve durability to handle the increasing number of large weight trucks.
3. Maintain the high profile of highway 52 as the primary snow route to be maintained during winter months.
4. Promote a logical step in encouraging the continuation of a four lane road from Buchanan to Carrington.

This will provide a safe transportation environment for the many diverse uses of the highway in a

primarily agricultural community.

Dakota Growers Pasta has gained the confidence of its customers to be a viable competitor in the pasta manufacturing industry. This is best illustrated by the capacity expansion now in progress.

Improvements in highway 52 will be a key infrastructure investment that will continue to foster economic development and the agriculture economy and the continued success of Dakota Growers Pasta Company.

Thank you for the opportunity to share this information with the U.S. Senate Budget Committee.

The CHAIRMAN. Thank you, David. If I could just do a followup question with you.

As a business leader, do you believe that in the taxpayers' interests, additional investments in Highway 52 are justified, looking at this from the taxpayers' perspective?

Mr. TRESSLER. Mr. Chairman, I think from the taxpayers' perspective, it is in their best interests because it will help to foster

Dakota Growers and the economy that is strengthened by that area, and I believe that they will get a return on that tax dollar.

The CHAIRMAN. I believe that, as well. I think the record is very clear that these transportation investments not only create jobs, foster economic development, but also improve the competitive position of our country.

We now not only compete domestically, we compete internationally, and if we're going to be competitive, we've got to have the most efficient infrastructure of any company—any country in the world, and these investments in transportation are critically important to our continuing competitive position, and I think it's very useful to have somebody of your business background indicate that you believe these investments pay dividends, as well.

Ellen Linderman, welcome. Good to have you here. District VI Director of the North Dakota Farmers Union.

Why don't you share your perspective on the need for additional investments in Highway 52?

**STATEMENT OF MS. ELLEN LINDERMAN, DISTRICT VI
DIRECTOR, ND FARMERS UNION**

Ms. LINDERMAN. Thank you, Senator.

My name is Ellen Linderman, and I am a farmer and a District Director for North Dakota Farmers Union.

I have farmed with my husband Charles and our family in the Carrington area for the past 33 years. It doesn't seem possible but it is. I have—over the years, we have witnessed many changes in agriculture but one thing has remained constant, the need for a good transportation system in our area so that agriculture can grow and thrive.

This in turn enhances the economic viability of our rural community. An integral part of the transportation system in our area is Highway 52 as it runs diagonally across the state from north of Minot down to Jamestown where it connects up with Interstate 94. It runs through what I consider the agricultural heartland of North Dakota.

While we used to grow just a few crops, such as wheat or barley, at our farm, this is no longer true for us or our neighbors. We have expanded our crop diversity to include such things as corn, soybeans, sunflower, and other specialty crops.

This was done for economic reasons as well as the increased availability of other crops that can now be grown in our region thanks to research and development.

I have attached a list of the crops that can be grown in North Dakota, and I might add that there is ongoing research to hopefully expand this list to create even more economic opportunities for the farmers in our area. We have become very good at producing a wide variety of crops.

Along with these new crops have come some new challenges for our infrastructure system. For example, when we harvest corn, there is a lot more volume per acre than with wheat or other traditional crops. This means that there is more trucking from the field to the farm to the local elevator. As a result, most farmers have switched from using—switched to using semi-trucks for grain transport.

Also, as elevators have become larger and fewer, we often have to haul grain a greater distance to access these elevators.

With a wider variety of commodities on the farm, more trips either to the local elevator or often to a processor at considerable distance are required. With these newer crops, such as corn, there is also an increased need for inputs. While the inputs may be shipped via rail to certain points across the state, from there they are usually shipped by truck to local facilities and to the farms.

I might also add that the machinery which has to be moved on roads from field to field has become larger and takes up more of the roads than it used to. Have you ever tried to pass a combine or a large tractor and farm implement lately?

Actually, my husband, when he was coming in from the farm yesterday, when he came up against Highway 52, he had to sit there and wait for a long line of vehicles that was being slowed down because they were following a tractor with a baler behind it.

Roads have to be built wide enough to accommodate this machinery. Even the local elevators that have access to railroads end up shipping part of their inventory by truck. Bulk commodities, such as wheat and corn, can be shipped on large unit trains, but other commodities are not grown in a large enough quantity or they need to be segregated and can't make use of unit trains. They have to be shipped via our road system.

In some cases the end user of the commodity wants to know where it originated. This requires the use of trucks to take the commodity from the farm storage to the processor or the cleaning plant for bagging and further shipment.

We grow food grade soybeans on our farm. We contract them with SB&B Foods at Castleton which is near Fargo. We have to store them on our farm until SB&B wants them. We were so thankful this spring for Highway 52/281 because there were only normal load restrictions in place so that we could move the beans when we needed to.

We need to be a reliable supplier, as does SB&B, if we want to keep our customers happy. SB&B cleans, bags, and tags the soybeans and puts them in containers which go to the West Coast where they are then shipped to Japan for processing.

This winter, we were among a group of soybean growers that traveled to Japan to visit with the processors. We learned from them how important food safety is to the consumer in Japan. They want to know where the soybeans come from and they want to know how they were grown. We saw bags of soybeans from our farms with the attached labels that indicated their origin.

I believe this is the future of agriculture in the global economy. Highway 52, if it is in good year-round condition, allows us to be part of the global economy in a way that we may not have been—that we may not have considered when we began farming 33 years ago.

SB&B is also considering contracting some identity- preserved wheat for shipment abroad. This again requires segregation so that the producer and the consumer are connected.

Those who grow potatoes in our area also know the importance of Highway 52. Again, they truck potatoes to Cavendish Farms, a processing plant near Jamestown, on an as-needed basis. This is

also true of barley producers in our area who contract with the malting plant at Spiritwood.

We also grow confection sunflowers which are sold in all those little bags you find at convenience stores across the country for human consumption. We haul seeds to the elevator but the elevator hauls them to Grandin for processing.

There is a canola crushing plant near Velva, North Dakota. Some farmers in our area grow canola for shipment to that plant but more often it is grown to the north and west of that plant, again using Highway 52.

While we are adept at producing a wide variety of crops, we have only begun to develop processing facilities which would further enhance rural economic development. In Carrington, we are fortunate to have Dakota Growers Pasta Company that has provided jobs for the community but it has also provided a market for our durum wheat.

Although some durum is grown in our area, most of it is trucked via Highway 52 from the northwest area of the state. Again, the durum is stored on the farm at harvest and then hauled in later.

There are all kinds of economic opportunities opening up in agriculture with the development of biofuels, identity-preserved crops, organic crops, and even new types of feedstocks for livestock which would enhance livestock development in the state.

However, if we do not have a reliable transportation system, all of the research and development in the world will not help us. We have to be able to ship our commodities on demand. If we are to develop processing plants locally, we need dependable roads. If anything, I expect to see an increase in the amount of agricultural goods shipped on our roads.

I consider Highway 52 to be literally a life line to connect us to the global economy. Without it, our present progress may well wither and die as we will be left in isolation from the global markets.

With a well-built modern Highway 52, we will be able to maintain our connection to processors and world markets and then continue to build on what we have already accomplished.

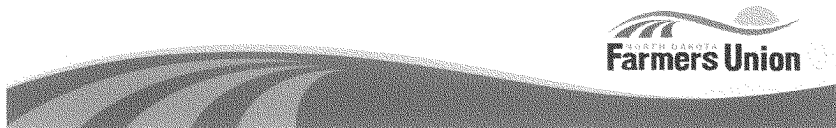
Thank you for allowing me to give my testimony.

[The prepared statement of Ms. Linderman follows:]

TESTIMONY OF ELLEN LINDERMAN

HIGHWAY 52 FIELD HEARING
SENATOR KENT CONRAD

JULY 2, 2009





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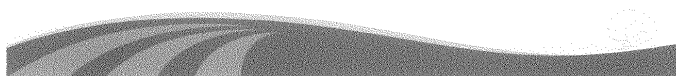
TESTIMONY OF ELLEN LINDERMAN
FARMER, CARRINGTON, ND
TO THE U.S. SENATE BUDGET COMMITTEE
FIELD HEARING – HOW INFRASTRUCTURE INVESTMENTS CAN
FOSTER ECONOMIC DEVELOPMENT AND THE AGRICULTURE ECONOMY:
HIGHWAY 52

Mr. Chairman and members of the committee, my name is Ellen Linderman. I am a farmer and a district director for North Dakota Farmers Union. I have farmed with my husband Charles and our family in the Carrington area for the past 33 years. Over the years we have witnessed many changes in agriculture, but one thing has remained constant: the need for a good transportation system in our area so that agriculture can grow and thrive. This, in turn enhances the economic viability of our rural communities. An integral part of the transportation system in our area is Highway 52, as it runs diagonally across the state from north of Minot down to Jamestown where it connects up with Interstate 94. It runs through what I consider the agricultural heartland of North Dakota.

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Along with these new crops have come new challenges for our infrastructure system. For example, when we harvest corn, there is a lot more volume per acre than with wheat or other traditional crops. This means that there is more trucking from the field to the farm to the local elevator. As a result, most farmers have switched to using semi trucks for grain transport. Also as elevators have become larger and fewer, we often have to haul grain a greater distance to access the elevator. With a wider variety of commodities on the farm, more trips either to the local elevator or often to a processor at some considerable distance are required.

With these newer crops such as corn, there is also an increased need for inputs. While the inputs may be shipped via rail to certain points across the state, from there they are usually shipped by truck to local facilities and to farms. I might also add that the machinery, which has to be moved on roads from field to field, has become larger and takes up more of the road than it used to. Have you tried to pass a combine or a large tractor and farm implement lately? Roads have to be built wide enough to accommodate this machinery.



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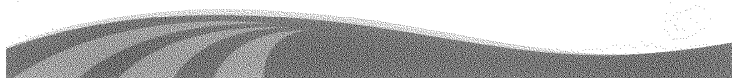
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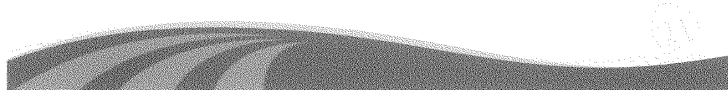
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The CHAIRMAN. Thank you for that excellent testimony.

I want to thank this panel. You've provided important input to the committee and to the Congress and we appreciate it very much.

I want to just—we're about at the end of our time, I know that, but I want to—I noticed the mayors here. Mayor Liechty, if you'd want to say something for the record, I'd invite you to come to the microphone.

If you'd just identify yourself for the record? Certainly we all know you, Mayor Liechty.

Ms. LIECHTY. Mayor Clarice Liechty, Mayor of the city of Jamestown, and I was in Norway visiting on a North Dakotans to Norway trip, so I did not have time to prepare anything, testimony here.

But personally thinking, as a farmer and one who has a collection point for Red River commodities for sunflowers, it's Highway 52 is very important for farmers. It's important for moving product across the state. It's important for the city of Jamestown, also, because our agriculture community is very top in providing economic

development for our community, and it's a life blood for our community.

Thank you very much for coming to Jamestown and holding this hearing.

The CHAIRMAN. Thank you very much for your testimony. I think it's important that the mayor of this community is sending a very clear signal of the importance of this vital roadway.

I also want to recognize Lance Gabe who's here, the Deputy Chief of Staff of our Governor. I think that sends a signal how important the Governor of the state views Highway 52 and its development. Thank you, Lance, for being here, as well.

Anyone else who would like to make a statement for the record? We've just got a few minutes remaining here, but if there's somebody here that would want to be heard publicly, I want to give them that opportunity.

If you'd just identify yourself for the record and indicate what you do, your interest in Highway 52?

Ms. HAGER.

Sure. Mary Hager, Wells County Commissioner and lifelong resident of Harvey, North Dakota, and I just wanted to touch base on how important Highway 52 is going through Wells County.

We have Pheasant Co-op which has expanded over the years and their big push is probably their bean plant which people from all over North Dakota come and, of course, Highway 52 is very valuable.

And again, in Harvey, the Prairie Towers, which is Harvey Elevator, they have expanded, and we have numerous farmers coming on Highway 52. So it's very vital to our county, along with a new organic flour mill and they have contracts over in Korea and it's very vital for Highway 52 for people to bring in their organic products. So Highway 52 is vital to us now.

The CHAIRMAN. If I could ask you just for the record, I've asked others this, do you know of any opposition in your local area or in the county to improvements to Highway 52?

Ms. HAGER. There has been no opposition. Actually, I visited with various community members throughout the county that we were going to be attending this and their big thing was—and I mentioned it to Mr. Ziegler—when are we going to four lane from Minot to Jamestown? They feel it's very vital because of the heavy truck traffic.

The CHAIRMAN. And let me just go the next step. Would you say—well, how would you characterize support for additional investments in Highway 52? How would you characterize the level of support in your community, in your county?

Ms. HAGER. High, very high.

The CHAIRMAN. Very high.

Ms. HAGER. Very positive.

The CHAIRMAN. Yeah. All right. Well, I think we've established a record that's very clear here today.

I want to thank all the witnesses, everyone who's attended. I deeply appreciate it.

You know, these are decisions that are going to be made in the coming weeks. It is very important that we fill the hole in these

next weeks because the Trust Fund runs out of money, our estimates are, in August.

Director Ziegler, I think, has a similar estimate of when that might occur.

So this is a timely hearing and I'm very pleased that we've been able to do it, and I very much appreciate all of the witnesses here today.

Thank you, and the hearing stands in adjournment.

[Whereupon, at 4:11 p.m., the hearing was adjourned.]

FIELD HEARING ON INFRASTRUCTURE INVESTMENT: CREATING JOBS AND FUELING ECONOMIC GROWTH

THURSDAY, NOVEMBER 12, 2009

U.S. SENATE,
COMMITTEE ON THE BUDGET
Michigan, North Dakota

The Committee met, pursuant to notice, at 2:15 p.m. in Michigan, North Dakota

Hon. Kent Conrad, Chairman of the Committee, presiding.

Present: Senator Conrad.

[presiding].

OPENING STATEMENT OF SENATOR CONRAD

The CHAIRMAN. Why don't we begin? The Committee will come to order. I want to welcome everyone to this hearing of the Senate Budget Committee. This is an official hearing of the Committee. So, we will be operating under the rules of the U.S. Senate, and an official record of this hearing is being kept.

This hearing and others like it that I've been holding is especially important as we consider a new transportation bill for the country. As you know, we are operating on short-term extensions of the previous highway legislation, transportation legislation. And many of us believe we now need a longer term extension of that program to provide stability and assurance of funding to the states. We also believe it's critically important for our economy because almost no part of Federal spending does a better job of creating jobs and does a better job of improving the competitive position of our country.

One of the things we know is transportation is absolutely essential to the competitive position of the United States. And so, I especially want to welcome our distinguished witnesses here today. They include the Director of North Dakota's Department of Transportation, Francis Ziegler; Michigan Mayor Allen Orwick; and District 23 State Assembly Representative Ben Vig, who also served on my staff for a time in Washington. It's good to see you again, Ben.

Let me just indicate that the committees of jurisdiction have said, as we consider new highway legislation, unless there have been hearings with respect to specific products—projects, that funding that goes outside the formula, that is, moneys that move outside the formula, that go to so-called demonstration projects, will not be approved unless there have hearings about those projects. That's why we've done a series of projects around the

state with respect to a number of the high-priority transportation corridors in the state.

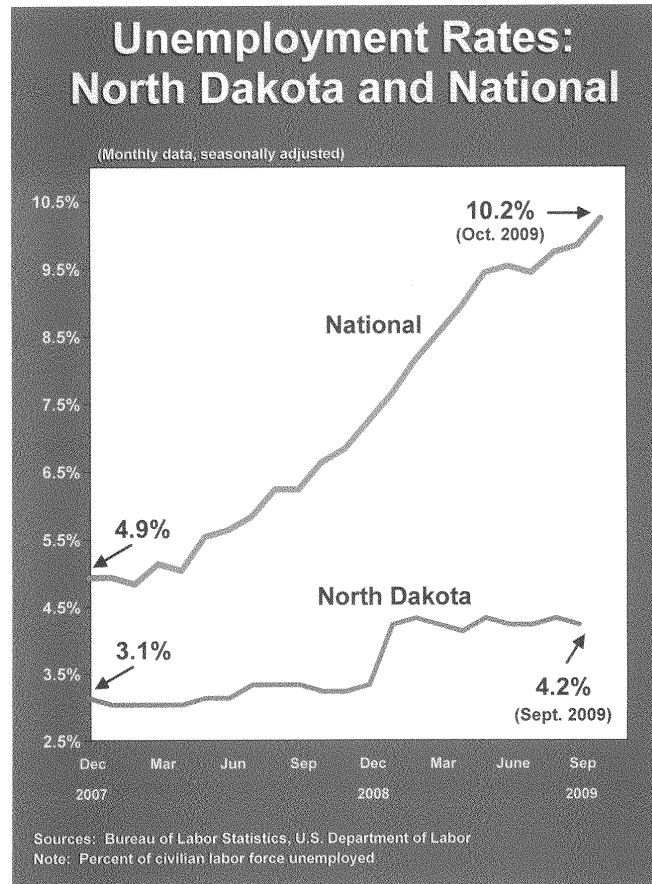
I wanted to come to this part of the state because, obviously, we have issues here as well. I think we'll hear that from our local representatives, and I expect to hear that from the head of our North Dakota Department of Transportation as well.

This hearing will focus on how infrastructure investments, and particularly investments in critical highway projects, can foster economic development and help to produce jobs in our state.

Let me go through a number of slides to make points that I think are critically important to have on the record.

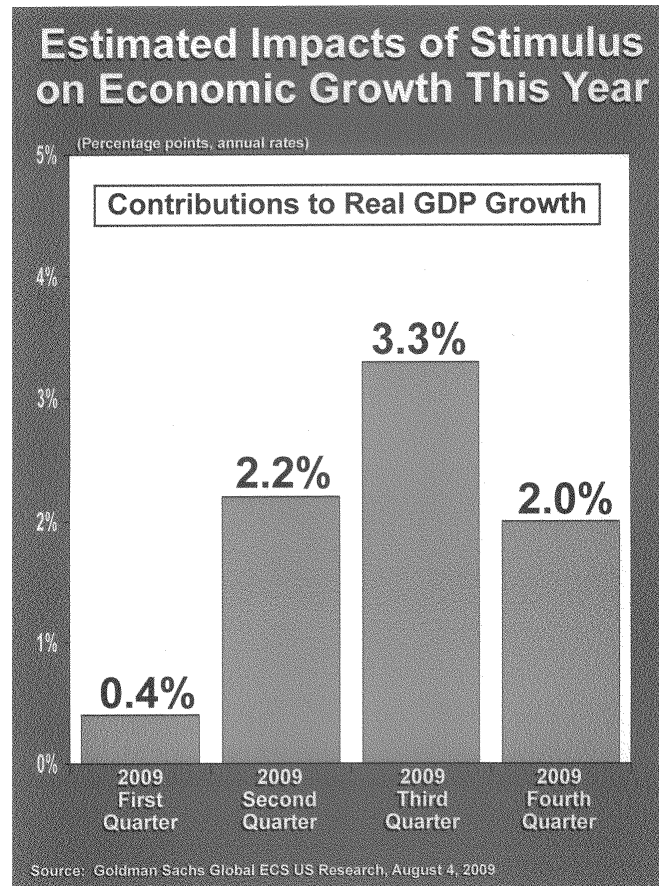
North Dakota, we all know, has fared better than the rest of the country during this recession. When the current recession began in December of 2007, the unemployment rate in North Dakota was 3.1 percent compared to a national rate of 4.1 percent. Since that time, unemployment in North Dakota has risen, although modestly, to 4.2 percent; the national level of unemployment has risen to 10.2 percent.

Even more alarming, nationally, is the statistic that when you combine unemployment with underemployment, the rate rises from 10.2 percent to 17.5 percent—17.5 percent: 17.5 percent of the people in our country either don't have work or don't have sufficient work, don't have the amount of work they'd like to have. That is a serious matter. That means one in every six of our fellow citizens does not have the work they would like to have.



Although North Dakota has not been hit as hard as the rest of the country, we cannot consider ourselves an island. We're not exempt from layoffs. We've seen that in major industries in North Dakota. We have seen Melroe—Bobcat, for example, have significant layoffs because of the international market. So, we're no longer an island unto ourselves, and we've got to pay close attention to what's happening elsewhere.

Let's go to the second one, if we can, Matt.



The stimulus that was passed in February has played an important role in increasing economic output. Economists have estimated that stimulus contributed significantly to economic growth in 2009. Stimulus funds are expected to continue to aid gross domestic product growth into next year as additional funds flow into the economy. Here, you can see, these are the estimates from the economists of the difference that the stimulus package has made.

I'd be the first to say the stimulus package was imperfect, but I also believe it was absolutely essential to prevent a collapse. Last year, I believe, our country and the rest of the industrialized world was on the brink of a financial collapse. I will never forget being called to an emergency meeting in the Leader's office with 15 of the leaders of Congress, Republicans and Democrats, the Chairman of the Federal Reserve, and the Secretary of the Treasury. At that meeting, they told us they intended to take over AIG the next morning, and they were not there to ask our consent; they were there to tell us they were doing it, and they told us the reason they were doing it is, if it was not done, that they believed there would be a global financial collapse. That's about as stark as it can be

made. And they went through in some detail their reasoning as to why there would be extraordinarily serious repercussions if AIG was allowed to go under.

With that, there followed months then of negotiation on an overall rescue package, and I was involved in those negotiations. I—one of the negotiations went all weekend. We went all one Saturday night after going for days before that, and during those deliberations we were told that if we did not reach agreement by 5 or 6 o'clock on Sunday night, that the Asian markets would open and they would collapse, and that would then be followed by our markets opening on Monday and we could expect them to collapse.

You know, when you are told these things by the Secretary of the Treasury of the United States, I take them seriously. I don't think the previous Secretary of the Treasury, whether I particularly agreed with him on other policy matters or not—that's not the issue. He and I had very significant disagreements on fiscal policy, but when he looks me in the eye and looks other leaders of the Congress in the eye and says, we face a global financial collapse unless we act, I'm not going to take the risk of his being wrong about that prediction.

So, we did take action, and I think we did avert a collapse that would have been not just in this country but around the rest of the world as well.

Let's go to that third slide, if we can, Matt.

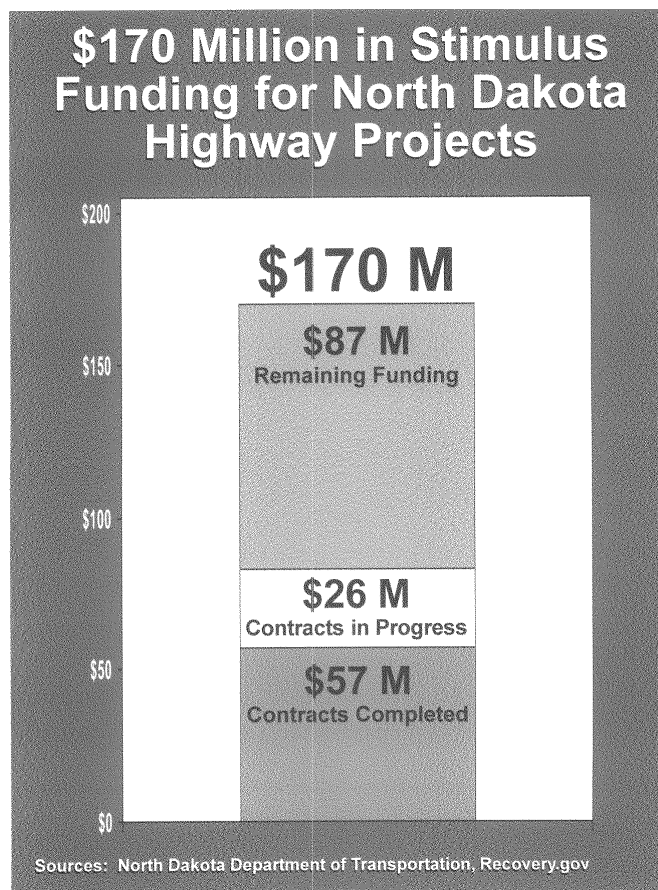
\$700 Million in Stimulus Funding Coming to North Dakota

- **Highways**
- **Infrastructure / Water**
- **Education**
- **Energy**
- **Law Enforcement**
- **Veterans**
- **Housing**

Source: Recovery.gov

North Dakota has been awarded \$700 million in stimulus funds thus far. These dollars will be used to fund high-priority needs across the state. About half of the stimulus funds going to North Dakota will put people to work rebuilding our state's infrastructure. Transportation projects will receive \$188 million, including 170 million to build and improve our highways and bridges. The state will also receive \$168 million for other critical infrastructure needs, including several important rural water projects. Stimulus funds will also go to keep our teachers in the classroom, make our homes and businesses more energy efficient, put cops on the street, and fund many other high-priority needs.

Let's go to the fourth slide, if we could, Matt.



The North Dakota Department of Transportation has awarded about half of its \$170 million in highway stimulus funds to some 94 projects across the state. And I'm sure Mr. Ziegler will update us on this in his testimony. Of the 83 million that has been awarded, 57 million in projects are complete, and about \$26 million, as I understand it, are in progress.

I hope my numbers agree with yours, Francis.

The state Department of Transportation is in the process of identifying projects and awarding contracts for the remaining \$87 million in highway stimulus funding. I will be very interested to hear Mr. Ziegler's testimony with respect to that effort. And let me say how much I respect the professionalism of the Department of Transportation under Mr. Ziegler. We can be very proud of the way North Dakota functions. We do not have the kind of political interference, the kind of corruption that we see in other places. The Department of Transportation, in my experience is first rate, and Mr. Ziegler is a dedicated professional.

Nelson County will receive stimulus funding for two highway projects. This past summer, a stretch of County Road 1, just north

of here, was resurfaced using stimulus funding. Next summer, as I understand it, Francis, Highway 2, just outside of Michigan, east to the county line, will be resurfaced using stimulus funds.



Matt, let's go to the sixth chart, if we can.

North Dakota benefited significantly from the last highway bill, which was completed in 2005. As a conferee on that bill—a “conferee” is just a fancy name for somebody that's designated to work out the differences between legislation coming out of the House of Representatives and the U.S. Senate. Both of the chambers pass separate bills. Then you have to work out the differences. The people who are given the responsibility for working out the differences are called the “conferees.” As Chairman of the Budget Committee, I now have the responsibility and, in many ways, the opportunity to serve on many conference committees to work out differences between legislation from the Senate and the House. So, as a conferee on that bill, I was able to make sure that North Dakota received significant funding for our highways and transit.

And, I might say, we function differently than people—representatives in other parts of the country. We try to adhere to the priorities set out by our own Department of Transportation. So, we don't do what some of our colleagues do in other parts of the country. They tell people: You name the road after me, we'll build the road. We don't do that in North Dakota. The Department of Transportation has a process by which they determine what the priorities are. And in my experience, it's been a pretty objective process, and we follow that process in any funding we are able to get over and above the formula funding. So, we go to Mr. Ziegler and his colleagues, and we say, what are your priorities? We're not in the business of second-guessing them.

In the last highway bill, I worked to secure one and a half billion dollars for North Dakota, a 31 percent increase over the previous bill. Annually, that averages out to \$234 million a year for highways, bridges, and the rest, with additional funding for transit programs. We did very well overall by securing \$2 for every dollar in

gas tax money collected in the state, ranking us among the top four states in the Nation in return for gas tax dollars raised.

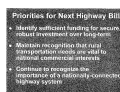
But let me indicate, we thought it was a great triumph when that bill was passed. Subsequently, we've faced hyperinflation in the most important cost elements to building highways and bridges. Concrete, steel, asphalt—all of these increased dramatically in cost, reducing what we thought we were buying, reducing the amount of highway miles, reducing the number of bridges that we could replace. And so, it is critically important now that we have new transportation legislation that deals with the current realities.

Here are some of the priorities I will focus on as we begin consideration of the next highway bill: First of all, the next transportation bill must identify sufficient funding so that the infrastructure investments are secure and robust over the long term and so they are paid for. We simply cannot add more to the debt. The debt has already doubled over the previous 8 years. It is scheduled to double again, rising to more than 100 percent of the gross domestic product of the United States.

That is an unsustainable course. And it is critically important that we, as a nation, face up to this, and this is something we can do. We've done it before. In the nineties, we not only balanced the budget; we stopped the raid on the Social Security Trust Fund. We can do this, and it's critically important that we do it again. States and communities must be able to rely on the funds that are promised to them.

Next, any new highway bill must maintain recognition that rural transportation needs are vital to the nation.

And, finally, I will fight to secure funding for the critical highway arteries in our state to ensure that we maintain a nationally connected system. Ever since President Eisenhower advanced the interstate highway system, there has been a recognition that these systems tie the Nation together and that these systems are critically important not only for the economic health of American but for our national security. And we have to again remind ourselves and remind our colleagues that those are the essential reasons for a national program.



I am particularly interested in hearing from our witnesses today on the importance of highway investments in this region and its effect on economic growth. I'm also interested in hearing about what future investments are needed to support economic development and the agriculture and energy economy so important in this part of the state. And, normally, I would have just talked about agriculture, but I can't anymore because we now have very important energy installations. Earlier today, I was at the wind farm near

Langdon, and we know we are now contributing to this nation's energy needs in this part of the state as well.

With that, we'll turn to our witnesses. I'm delighted to have them here. I'm going to turn first to Mr. Ziegler, our very well regarded head of the North Dakota Department of Transportation.

Francis, I'm delighted that you're here, and please proceed with your testimony. Again, you understand the importance of these hearings because we've got to lay the case before the next transportation bill is written. It is going to have to be done in the early part of next year. And so these hearings are especially important to lay the record and especially the record for rural states like ours. Thank you for being here.

**STATEMENT OF FRANCIS ZIEGLER, DIRECTOR, NORTH
DAKOTA DEPARTMENT OF TRANSPORTATION**

Mr. ZIEGLER. Thank you. Thank you, Mr. Chairman. My name is Francis Ziegler. I'm the director for the North Dakota Department of Transportation. And, Senator, I want to thank you for the opportunity to appear before your committee today.

The title of today's hearing is "Infrastructure Investment: Creating Jobs and Fueling Economic Growth." Let me say at the outset that we believe that transportation infrastructure investment creates jobs and strengthens the economy and provides additional benefits. Transportation—we say this often at the Department of Transportation: Transportation is the engine that drives the economy.

The State of North Dakota has increased its financial commitment to transportation infrastructure. Earlier this year, Governor John Hoeven signed a bill into law that was a landmark bill that provided \$1.35 billion in transportation funding. This includes a significant amount to rebuild roads; help cities, counties, and townships recover from the winter activities and the spring flooding.

The DOT is also working on emergency relief projects, for many projects that are just about 40–50 miles west of here at Devils Lake. The majority of our ER work, our emergency relief work, is in the Devils Lake area.

Senator I probably should have noted that while we have testimony—it's written testimony I will paraphrasing in the interests of time.

The CHAIRMAN. I appreciate that, and your full statement will be made a part of the record.

Mr. ZIEGLER. OK. Thank you.

While the State of North Dakota is doing more than ever, Federal investment in transportation is critically important. Federal aid accounts for 52 percent of the current biennium, and that's without the American Recovery and Reinvestment Act.

In the balance of my testimony, I'll discuss job creation and other benefits from transportation infrastructure investment, and the Federal surface transportation legislation.

Under job creation and benefits, the transportation infrastructure investments create jobs in several ways. First, there are jobs on the site—workers operating heavy equipment, truck drivers, plant operators, flagmen, and others. Next, there are jobs in supplier and support industries. These can include jobs in the aggre-

gates, asphalt plants and factories that make guardrails, signs, and other roadway infrastructure and hardware. In addition, when a contractor or supplier is involved in a project, its headquarters staff is strengthened, whether in job additions or in job retention. There is a general boost to the economy also from the onsite and supplier jobs in the local economy. Contractors and employees are at a local community. They spend their money at the local restaurants, gas stations and so on.

The number of jobs that one project or group of projects creates can be hard to estimate, particularly when one goes beyond the project site jobs. Estimates developed in the last few years by the Federal Highway Administration are that for each \$1 billion of Federal highway program dollars—and that's not taking into account the non-Federal match—results in 27,800 jobs, both direct and indirect. About a third of the jobs—

The CHAIRMAN. Maybe I could stop you on that, and just have you repeat that because this is one of the points—probably the single most important point we're going to need to make to our colleagues. And maybe you can just repeat that so we emphasize it in the record.

Mr. ZIEGLER. The most recent study that was done by the Federal Highway Administration indicates that for every \$1 billion of Federal highway program dollars—that doesn't include any of the state's match on those Federal aid dollars—results in 27,800 jobs, and that's both direct and indirect. And the direct jobs are about a third of that total. So, it would be about 8,000 jobs directly and the rest would be the indirect jobs.

The CHAIRMAN. Thank you.

Mr. ZIEGLER. A very significant number.

We are confident, however, in addition to job creation, positive economic activity follows from transportation infrastructure investment. As you can see from the map, and I will show—my map is a lot harder to read than yours, Senator.

[Laughter.]

Mr. ZIEGLER. But you can see that—these are the ARRA projects—American Recovery and Reinvestment Act projects, and they're both 2009 and 2010. ER projects—as I said, they're mostly in the Devils Lake area. And then STIP projects, which is the general process that you talked about. It's our Statewide Transportation Improvement Program projects. We have them all over the state. And what we do, as you said Senator, we have a prioritization program that identifies the greatest need at the time, and that's where we put our money. And you can see that the entire state benefits from the jobs and—from the roads, first of all, that we schedule, and then from the jobs that come from that.

The CHAIRMAN. Can I ask you, just on that point, Francis' I'm sorry to interrupt. What is the—can you help us understand how you do prioritization? How do you determine where these dollars go—state and Federal—in your prioritization process?

Mr. ZIEGLER. What we do is we have eight districts. There are eight district engineers. One is here today—Wade Swenson from the Devils Lake District.

The CHAIRMAN. Welcome, Wade.

Mr. ZIEGLER. And what they do is they look at each one of the roads, and they're benefited by what we call as a "Pave-Tech Van" that goes out and actually takes pictures of each road, and it records the roughness and it records the distress, the number of cracks, the number of alligator break outs, that are on that road. So, we have that information on what's called our pavement management system, and then we have the judgment calls that each district engineer makes. So, from that, we take the worst of the situations and we say, well, these need to be fixed. And so, we go down this prioritization list and create the project list. From there, we go public with that list. We go out to each one of the media outlets in those areas of the districts, and we say: Here's our plan. Do you have any input?

From there, we get the input from the public, and oftentimes from cities and county commissioners and so on. They will provide their input to us. And from there, we create what's called a "STIP," the Statewide Transportation Improvement Program. And that's how the process works.

The CHAIRMAN. OK.

Mr. ZIEGLER. The other thing that I do want to say is the final product is improved as we go around and do these projects. Logically it also saved money locally. All the cities that have Federal aid highways going through those cities also benefit from the fact that they don't have to tax their local citizens in order to get the roads done. I can speak of quite a few projects. We've done one major project in Devils Lake, and then we've also done major projects like in Bismarck with the ARRA funding, seventh and ninth pair. And we've gone throughout the whole state and made sure that we have accomplished our tasks around the state, rather than just funneling it into one area.

Another benefit that I'd like to highlight is safety. I don't give a talk without having safety as being the No. 1 goal of the Department of Transportation. After all, our mission is to safely move people and goods. And so, rural transportation fatalities have been a concern, and, Senator, we're taking it very serious. Our state now has more fatalities than we've had since the early eighties. And the Department of Transportation has been working with our partners at the Highway Patrol to see what we can do in the area of fatalities. Both a smooth roadway system and a good transportation system is certainly going to help with the fatality issue and the safety issue.

These investments are important to the economic competitiveness of the state. You know, one of the things that our ag sector has always helped the country provide a positive—you know, a very positive export margin. And so, as we send goods abroad, America benefits from it. And so, the transportation is necessary to help make that work.

Better highways and the availability of public transit also help us in our daily lives, ensuring access to school, medical facilities, work, and others. Our planning process at the DOT—we work to direct funding to projects that are prioritized, as I explained earlier, to provide these types of benefits.

I'd like to now move into the surface transportation issues of the new transportation bill. Clearly, our ability to continue to invest in

surface transportation infrastructure in North Dakota will depend in large part on surface transportation funding levels. AASHTO, our Association of State Highway and Transportation Officials, has recommended, for the 6-year period from 2010 to 2015, a \$375 billion program for highways and bridges, and 93 billion for other programs, and most of that is transit.

The CHAIRMAN. So, if we just do the math for our colleagues, \$468 billion in a 6-year program?

Mr. ZIEGLER. That's correct, Senator.

The CHAIRMAN. \$468 billion. When you first shared these numbers with me, I almost fell off the chair, when we were over in Dickinson. You remember that.

Mr. ZIEGLER. I remember.

The CHAIRMAN. It's a tremendous amount of money—\$468 billion. But that is the professional recommendation of the highway and transportation officials around the country?

Mr. ZIEGLER. That's right.

The CHAIRMAN. OK.

Mr. ZIEGLER. Beyond the overall funding level, however, to achieve continued progress in North Dakota, it is essential that rural states like North Dakota participate at least proportionately in any growth of the Federal highway and transportation program, both as to formula and other funds.

In the House authorizing committee, a proposal has been outlined. The outline apparently calls for an increase in Federal highway program authorizations of the highway trust fund of about 110 billion over the next 6 years. That would be 337 billion compared to 227 that the past bill had. The outline suggests that at least 50 billion of that 110 billion is reserved for a new program only for metropolitan areas and that another 25 billion is reserved for large nationally significant projects. We don't believe North Dakota would get any of those, Senator.

The outline also refers to an infrastructure bank. The bank's funds may not be readily accessible to rural states like ours.

So, we see a minimum of 75 billion of the 110 billion that North Dakota may not have access to.

The CHAIRMAN. And this is from the House authorizing committee?

Mr. ZIEGLER. That's correct, Senator.

The CHAIRMAN. Just so people who are listening know, we always have problems with the difference between the House and the Senate. The House is based on population, and of course the big population states dominate. California has over 40 members in the House of Representatives. North Dakota only has one. I've often said I'd rather have our one than all 40 out there in California, but, nonetheless, they get 40 votes, and that creates a real problem. Thank goodness, in the Senate, every state has two. And the way we're able to get a good result is we have a much more favorable formula in the Senate than the House does, and then we go to conference committee, and we negotiate. So, I think it's important to understand that this is coming from the House authorizing committee—frankly, completely expected that they would favor the more populous parts of the country.

Mr. ZIEGLER. Senator, this proposal would also provide an increased share of transportation investment in transit, and we certainly recognized that and use transit to a large extent here in North Dakota. We support instead, however, rather than the increase that they've talked about, a proportional growth in highway and transit programs. We're concerned with the reduced share of the transportation bill's programs compared to our current law. And certainly, Mr. Chairman, we appreciate your efforts to avoid any such result in the final legislation.

I'd also like to address the impact of inflation on our transportation program. And, Senator, you already touched on it earlier. But in the past 8 years, the highway construction inflation in North Dakota has increased by 11 percent per year. And I have a chart here that shows how those percentages are increasing. We have the trend line, and then we have the overall index. And what used to cost \$1 in 2001 costs \$1.88 today.

The nation benefits from Federal transportation investment in and across rural states. I like to say that rural states serve as a bridge for truck and personal traffic between other states; it enables ag exports, as I said earlier, to serve the nation's ethanol production and energy extraction industries. It's a lifeline for remotely located and economically challenged citizens. It enables people and businesses to traverse the vast tracts of sparsely populated land, and it provides access to tourism facilities, which is our second-largest industry.

Senator we have details on each of those points, those bullet points, but in the interest of time, I will move right on to funding and financing considerations in my testimony.

The CHAIRMAN. And your full statement, as we've indicated, will be made part of the record and is very helpful to us.

Mr. ZIEGLER. OK. Thank you.

The CHAIRMAN. Thank you for that additional detail.

Mr. ZIEGLER. Moving on to funding and financing considerations, rural states like North Dakota face a number of serious obstacles in preserving and improving the Federal aid highway system in our borders. We are very rural. We are geographically large, have low population densities and extensive highway networks.

Our large road network has few people to support it. In North Dakota, there are about 16 people per lane mile of Federal aid highway; nationally, it's 129. Our low population and traffic density also means that tolls are not an answer to funding transportation needs in rural areas. Our budget to maintain—that is, to plow snow, seal cracks, do pothole patching—costs about \$9,200 per mile per year. It takes about 2,000 cars per mile per day to generate the amount of revenue from state motor fuel taxes, just to pay for the maintenance. Very few state highways in North Dakota average 2,000 vehicles per mile per day.

A couple other points I'd like to make is that the Department of Transportation has gone into a Pavement Preservation Program. Timely maintenance of the roadway surface improves ride quality and extends the life of the roadway, and it also helps with load-carrying capacity.

While the program has been very effective, thin lift overlays can cause a problem for the future. As we add more thin lift overlays,

what happens is the roadway gets narrower. And our concern with that is that we are getting feedback from the public that they don't like to see the narrower roads, that they like to see more of a shoulder on the road. That adds costs to our process.

I want to move into increases in regulatory requirements. It takes about three to 4 years to complete a project that requires a full environmental review in our state. We have done projects quicker. An example is Memorial Bridge. We had that environmental impact statement finished in 18 months and actually got an award for it. But, fundamentally, it takes quite a while in order to go through the processes. And we'd just ask that we don't have more; we have—we know the process well. We just don't want to get into more regulations.

We have been working with our national association on performance standards and performance measures. We believe they are very important. The State of North Dakota uses performance measures on our own. We have our own report card on how we're doing in our performance. What we would ask of a national bill is that, while we fully expect the performance measures to be developed and be part of a bill, we ask that they be general in nature and that each state be allowed to establish its own specific target for those performances.

My second last point, Senator, is that we would ask that legislation ensuring continuity of the program is important. It's important the funding in such legislation be at levels as high as fiscal year 2009 levels. Without continuity and adequate funding, the highway construction industry loses confidence and possibly reduce employment or postpone equipment purchases.

Senator in conclusion, we consider it essential that the Congress, through the reauthorization process, recognize that significantly increased Federal investment in highways and surface transportation in rural states is, and will remain, important to the national interest. Our entire nation benefits from a good transportation network in and across rural states like North Dakota. With such legislation preserving program share for states like North Dakota, we will be better equipped to generate jobs and economic growth in North Dakota as well as meet statewide transportation investment needs.

Senator that concludes my testimony. I'd be happy to answer to any questions you may have.

[The prepared statement of Mr. Ziegler follows:]

**U.S. SENATE BUDGET COMMITTEE HEARING
Transportation Infrastructure Investment, Job Creation and Economic Growth**

**Francis Ziegler, Director of the North Dakota Department of Transportation
Michigan, North Dakota, November 12, 2009**

Mr. Chairman:

Good Afternoon. I am Francis Ziegler, Director of the North Dakota Department of Transportation. Thank you for the opportunity to appear before the Committee today.

The title of today's hearing is "Infrastructure Investment: Creating Jobs and Fueling Economic Growth." Let me say at the outset that we believe that transportation infrastructure investment creates jobs and strengthens the economy – and provides additional benefits.

Recognizing all these benefits, the State of North Dakota has increased its financial commitment to transportation infrastructure. Earlier this year, Governor Hoeven worked for and then signed into law a landmark \$1.35 billion transportation funding bill. In addition to increases in traditional highway funding, which is based on the state motor fuel tax and vehicle registration fees, funding was added so that overall funding for the current biennium reached about \$1.35 billion, well over the \$903 million provided in the previous biennium.

Additionally, the NDDOT is working on Emergency Relief projects of \$100+ million for roadways statewide, with the majority being in the Devils Lake Basin area.

This comprehensive transportation package for North Dakota funds maintenance and enhancement of the state's transportation system. It includes an unprecedented sum in non-matching State General Fund dollars. It also includes almost \$600 million more to rebuild our roads and help cities, counties and townships recover from statewide flooding.

While the State of North Dakota is doing more than ever, Federal investment in transportation is critically important. Federal aid accounts for 52% of the current biennial budget (without ARRA). In the balance of my testimony I'll discuss:

- I. Job creation and other benefits from transportation infrastructure investment; and
- II. Federal surface transportation infrastructure legislation and rural state concerns.

I. Job Creation and Other Benefits

Transportation infrastructure investments create jobs in several ways. First, there are jobs on site -- workers operating heavy equipment, truck drivers, plant operators, flagmen, and others. Next, there are jobs in supplier and support industries. These can include jobs in the aggregates industry, at asphalt plants, and at factories that make guardrails, signs and other roadway hardware. In addition, when a contractor or supplier is involved in a project, its headquarters staff is strengthened, whether in job additions or retention.

Further, there is a general boost to the economy from the on site and supplier jobs and economic activity.

The number of jobs one project or group of projects creates can be hard to estimate, particularly once one goes beyond on site jobs. Estimates developed in the last few years by the Federal Highway Administration are that each \$1 billion of Federal highway program dollars (not taking into account any non-Federal match) results in 27,800 direct and indirect jobs. Approximately 1/3 of those jobs were direct. The rest were either in supplier industries or from general economic impact. Estimates are always subject to further evaluation but this at least indicates a possible range of job impact.

As to economic benefit I will say that we are confident that there is a positive economic multiplier effect from transportation infrastructure investment -- though we are not here today to advocate for use of a particular model or multiplier number. We are confident, however, that, in addition to job creation, positive economic activity follows from transportation infrastructure investment.

As you can see from the map attached to my testimony (Attachment 1), many projects are completed and planned, with transportation investments covering the entire state, creating jobs and positively affecting economic development throughout North Dakota. In addition, the final product is improved transportation infrastructure that supports jobs and economic growth.

There are other benefits that I would like to highlight.

Safety is certainly one. Rural transportation fatalities are a concern in this country and constructing modern roads with smooth surfaces, appropriate shoulders, guardrails and signage is essential to our mission of providing a safe transportation system.

These investments are also important to the economic competitiveness of North Dakota and the nation. Businesses reviewing whether to stay or locate in North Dakota want to be sure that goods arriving at or leaving their facilities move safely and efficiently.

Better highways and the availability of public transit help us in our daily lives, ensuring good access to school, medical facilities, work, and other important destinations.

In our planning process at the North Dakota DOT we work to direct funding to projects that are prioritized to provide these types of benefits.

II. Federal Surface Transportation Issues

Clearly, our ability to continue to invest in surface transportation infrastructure in North Dakota will depend in part on Federal surface transportation funding levels. The needs are there to warrant increased investment. Various Commissions and reports have called for increased surface transportation infrastructure investment. For example, the

American Association of State Highway and Transportation Officials (AASHTO) has recommended, for the six-year period 2010-2015, proportional increases in the highway and transit programs over the prior six years -- to \$375 billion and \$93 billion, respectively -- plus funding for other programs.

Beyond the overall funding level, however, to achieve continued progress in North Dakota, it is essential that rural States like North Dakota participate at least proportionately in any growth of the Federal highway and transportation program, both as to formula and other funds.

In the House authorizing committee, a proposal has been outlined and partial legislation reported from a subcommittee to the full committee. This outline apparently calls for increases in Federal highway program authorizations from the Highway Trust Fund of about \$110 billion over the next 6 years compared to the last 6 years (\$337 billion compared to \$227 billion).

Yet, the outline suggests that at least \$50 billion of that \$110 billion is reserved for a new program only for metro areas with an urbanized area population of 500,000 or more. Moreover, under another program at least \$25 billion is reserved for large nationally significant projects -- to be picked by USDOT. North Dakota would not receive funding from either one of these programs.

In addition, the outline refers to an infrastructure bank, probably supported from outside the Highway Trust Fund. We are not certain how much funding will be committed to the bank's activities, but we are concerned, based on what we have seen in some infrastructure bank proposals, that the bank's funds may not be readily accessible to a rural state like ours.

So, we see a minimum of \$75 billion of the \$110 billion in additional trust fund authorizations for highways dedicated to programs that are not available to our state in any practical way. In addition, large non-trust funded programs for high-speed rail and possibly for an infrastructure bank are geared for other parts of the country.

The proposal, as outlined, would also provide an increased share of transportation investment to transit. North Dakota supports instead proportional growth in the highway and transit programs.

In short, even though funding formulas for this outline have not been revealed, we see in this outline the suggestion of relatively increased funding for large metropolitan areas. So, while details of this bill are not set, we are concerned that the House legislation could provide North Dakota with a reduced share of the transportation bill's programs compared to current law. We will appreciate your efforts, Mr. Chairman, to avoid any such result in the final legislation.

It is also important to address the impact of inflation on our transportation program. Over the past eight years, highway construction inflation in North Dakota has increased by 11% per year.

Given this construction inflation rate, North Dakota's purchasing power for projects is already significantly reduced. (Attachment 2) A transportation bill without significant growth for North Dakota will severely hurt our ability to invest in transportation infrastructure throughout the state.

Let me turn now to reasons why the authorization legislation should continue to provide rural states like ours with at least their current share of the Federal highway and surface transportation programs.

The Nation Benefits from Federal Transportation Investment In and Across Rural States

Federal-aid highways in our state, not just those on the National Highway System

- serve as a bridge for truck and personal traffic between other states, advancing interstate commerce and mobility;
- enable agricultural exports and serve the nation's ethanol production and energy extraction industries, which are located largely in rural areas;
- are a lifeline for remotely located and economically challenged citizens, such as those living on tribal reservations;
- enable people and business to traverse the vast tracts of sparsely populated land that are a major characteristic of the western United States; and
- provide access to scenic wonders and facilitate tourism.

In addition, the scope of the Federal-aid system, extending beyond the NHS, enables enhanced investment to address safety needs on rural routes.

Further, Federal investment in rural transit helps ensure personal mobility, especially for senior citizens and people with disabilities, connecting them to necessary services. Federal public transportation programs, both transit and Amtrak, must continue to include funding for rural states and not focus entirely on large metropolitan areas.

Let me amplify a few of these points.

Bridge States Serve a National Connectivity Interest for People and Business

Highway transportation between our country's major metropolitan areas is simply not possible without excellent roads that bridge those vast distances. This connectivity benefits the citizens of our nation's large metro areas because air or rail frequently will not be the best option for moving people or goods across the country. The many commercial trucks on our rural interstate highways demonstrate every day that people and businesses in the major metropolitan areas benefit from the nation's investment in highways in rural states.

The most recent FHWA data on tonnage origins and destinations shows that just over 59 percent of the truck traffic using North Dakota's highways does not either originate or terminate within the State. This is well above the national average of about 45 percent, underscoring that North Dakota's highways help connect the nation in a way that benefits other states.

Essential Service to Agriculture, Natural Resources, Energy

A significant portion of the economy in our State is based on agriculture, energy production, and natural resource extraction. Governor Hoeven's economic strategic plan has identified agriculture, energy, advanced manufacturing, technology-based businesses, and tourism as growth industries, because North Dakota holds a competitive advantage in those areas. These have been the focus of much of North Dakota's investments in economic development.

Agriculture is one sector of the economy where the United States has consistently run an international trade surplus, not a deficit. Over the last two decades roughly 30 percent of all U.S. agricultural crops were exported.

Apart from its value to the state, there is a strong national interest in ensuring that agricultural products and natural resources have the road network that is needed to deliver product to markets, particularly export markets. In 2008, North Dakota led the nation in the production of wheat, barley, canola, sunflowers, flaxseed, all dry edible beans, pinto beans, navy beans, dry edible peas, lentils, and honey. North Dakota last year was the fastest growing export state in the nation. A key part of that total road network is the roads below the National Highway System, where export crops begin their journey from point of production to destination.

North Dakota is a major contributor of energy production in the nation. Our state is currently fourth in the nation in oil production and contains large coal reserves. Good roads throughout the State are important to our nation becoming energy independent and providing agricultural products to feed a hungry world.

It is also worth noting that, over the last three decades, tens of thousands of rural rail branch lines have been abandoned nationwide. In North Dakota since 1980, over 1,500 miles of railroad branch lines have been abandoned. The reduced reach of the rail network means that many areas, particularly rural areas, must rely more heavily on trucks to move goods.

With increased truck traffic in North Dakota and much of the upper Midwest, it is a challenge for us to continue to move these products. That challenge is compounded by the necessity of imposing spring load restrictions. The underlying reason for imposing spring load restrictions is inadequate roadway thickness. During the spring thaw, the ground is waterlogged and can't support a fully loaded 18-wheeler on a highway of standard thickness. Many states, especially those in the north, have little choice given their current funding, but to limit the amount of weight on highways in the spring. Like congestion, load restrictions

slow down commerce and add greatly to the cost of doing business.

Tourism Access

Without a strong road network in rural states, access to many scenic destinations would be limited. Tourism is vital to the economy of North Dakota and, in fact, is now North Dakota's second largest industry.

Funding and Financing Considerations

Rural states like North Dakota face a number of serious obstacles in preserving and improving the Federal-aid highway system within their borders. We:

- are very rural,
- are geographically large,
- have low population densities, and
- have extensive highway networks.

Our large road network has few people to support it. In North Dakota there are about 16 people per lane mile of federal aid highway. The national average is approximately 129 people per lane mile. Our per capita contribution to the Highway Trust Fund also exceeds the national average. The per capita contribution to the Highway Account of the Highway Trust Fund attributed to North Dakota is \$161 compared to the national average of \$109 per person.

These factors make it very challenging for rural states to provide, maintain, and preserve a modern transportation system that connects to the rest of the nation. Our low population and traffic densities also mean that tolls are not an answer to funding transportation needs in rural areas. For example, our budget to maintain (plow snow and seal cracks) the state transportation system is approximately \$9,200 per mile each year. It takes approximately 2,000 vehicles per mile per day to generate this amount of revenue from state motor fuel taxes. Very few state highways average 2,000 vehicles per mile per day in North Dakota.

Additional Issues

Before closing, let me very briefly note some additional issues.

Pavement Preservation Program

To help manage the effective use of resources, the department has implemented a pavement preservation program. This program emphasizes timely maintenance of the roadway surface to improve ride quality and extend the life of the roadway surface by using thin lift overlays and seal coats.

While this program has been very effective, the continued use of thin lift overlays

causes the roadway to become narrower. At some point in time, overlays can no longer be used without impacting service of the roadway to the motoring public. We have received some negative feedback from the public. Although they agree the roadway surface has improved, they are concerned about safety due to the narrower roadway and lack of shoulders.

Additional funding would help us carry out this as well as other important programs.

Avoid Increases in Regulatory Requirements

We hope that the next authorization bill does not make the Federal highway program more complicated. The current highway and transportation program is complex. We would like to see processes streamlined so we can deliver projects more efficiently. We see proposals for additional requirements as counterproductive. It takes three to four years in North Dakota to complete a project that requires full environmental process clearance (apparently longer in many other states). Additional rules and regulations will add time to this process and add additional costs to projects.

One area where new regulation is being actively discussed concerns performance standards and targets. Performance measures are important, and we in North Dakota use them in our state. We believe, however, that national performance standards should be general in nature and that each state should be allowed to establish its own specific targets.

We are also concerned about how climate change issues will be addressed in transportation legislation. Our state is very rural in nature and there is only so much we can do of a practical nature to promote walking, bicycling, transit and other efforts to stabilize, much less reduce transportation-related greenhouse gas (GHG) emissions. While large metro areas likely can invest in such projects and attract users, our low population density and cold weather limit the reasonable options for such projects open to us. So, among our concerns are that legislation in this area should not force (or authorize a Federal agency to force) a state like ours to undertake unrealistic efforts to reduce transportation-related GHG emissions.

Ensure Highway Trust Fund Solvency and Program Continuity

Before closing I also want to emphasize that Congress must continue to enact legislation to ensure that the highway and surface transportation programs continue to function until such time as a long-term authorization bill is passed. Whether the need is for extensions, continuing resolutions, transfers of funds into the Highway Trust Fund or otherwise, legislation ensuring continuity of the program is important. Also important is that the funding in such legislation be at levels at least as high as FY 2009 levels. Without continuity and adequate funding, the highway construction industry can lose confidence and possibly

reduce employment or postpone equipment purchases.

So, while we hope for a multi-year highway and transit reauthorization bill that is good for North Dakota as soon as possible, until that time we need good short-term legislation to carry us through.

Additional funding, and ensuring that rural states like ours achieve proportionate funding growth under the next authorization bill will help us carry out our pavement preservation program most effectively.

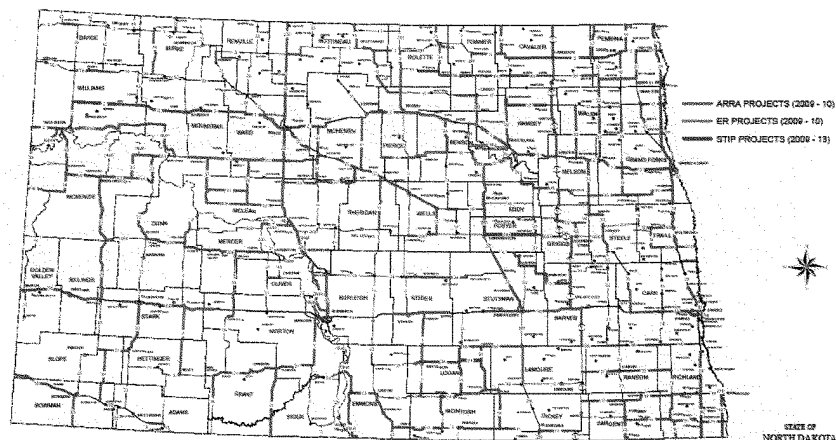
Conclusion

In conclusion, we consider it essential that the Congress, through the reauthorization process, recognize that significantly increased federal investment in highways and surface transportation in rural states is, and will remain, important to the national interest. The citizens and businesses of our nation's more populated areas, not just residents of rural America, benefit from a good transportation network in and across rural states like North Dakota. With such legislation, preserving program share for states like North Dakota, we will be better equipped to generate jobs and economic growth in North Dakota as well as meet statewide transportation investment needs.

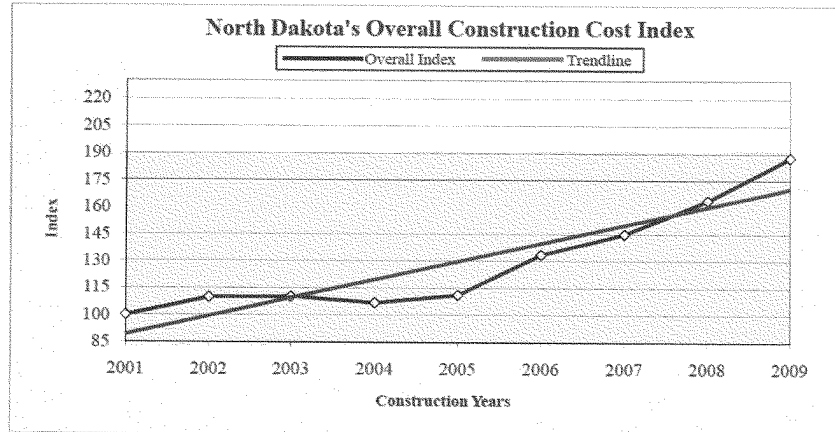
That concludes my testimony. I'd be happy to respond to any questions you may have.

Attachment 1

North Dakota State Highway Projects



Attachment 2



The CHAIRMAN. Thank you very much, Francis. It would be my intention we go to the other witnesses and then come back for questions, but I would want just before we do that, before we go to the Mayor—you indicated that currently Federal aid accounts for 52 percent of the current biennial budget without covering the Recovery Act money. Do you have a calculation of what that percentage would be with the Recovery Act money included?

Mr. ZIEGLER. Yes, I do, Senator. It's 58 percent.

The CHAIRMAN. Fifty-eight percent with the Recovery Act money?

Mr. ZIEGLER. That's correct.

The CHAIRMAN. OK. Because I'm sure I will get that question from my colleagues. Thank you very much for that testimony. I appreciate it very much, and I appreciate your service to the state.

Next, we will go to Mr. Allen Orwick, who is the Mayor here in Michigan.

We are delighted to have you here, Mayor. I appreciate very much your willingness to testify so that we can make our case to our colleagues in Washington about the need for resources for the more rural parts of the country, and delighted that you've taken the time to be here to help us with that task. Please proceed.

**STATEMENT OF ALLEN ORWICK, MAYOR OF MICHIGAN,
NORTH DAKOTA**

Mr. ORWICK. Thank you, Mr. Chairman. I'm Allen Orwick, Mayor of Michigan, North Dakota, a small community of 345 people located in northeastern North Dakota. Our city is honored to host a Senate Budget Committee hearing on Infrastructure Investment: Creating Jobs and Fueling Economic Growth, being held here today, November 12th, 2009. I hope that our city proves to be a gracious host while in attendance. I personally want to thank Senator Conrad for his invitation to testify before your committee.

In 2008, Michigan, North Dakota, celebrated its 125th anniversary. This event commemorated the accomplishments of our community and the individuals who have called this special place

home. When our founding fathers first established Michigan City in 1883, they could not have imagined the world in which we live. However, their sense of adventure, optimism, and community spirit is still found here today. It is with this mind-set that we work on a daily basis to make our community a better place for all who live and work here. Just as these pioneers did more than a century ago, we face the challenge of developing and providing a strong economic community, transportation system, and public infrastructure for our residents.

Michigan is fortunate to have access to a major highway and rail line. These are significant assets to our community. Both are very instrumental in keeping Michigan a vibrant community. We are located on the Burlington Northern Santa Fe Railroad line which includes a transcontinental primary line reaching from Seattle to Chicago. This rail line provides an excellent source of transportation for goods and products being shipped to and from our local communities. Amtrak, North Dakota's only passenger rail service, operates the Empire Builder from Chicago to Seattle and maintains seven North Dakota stations, the two closest being Grand Forks, North Dakota, and Devils Lake, North Dakota. Hopefully, someday our country will invest in a "fast train" system that will provide a quick and affordable transportation alternative to automobile and airplane transportation. This would be an excellent way to save energy and relieve the stress on our current systems.

Our location on U.S. Highway 2, a major four-lane highway, allows those who do not live in our city the opportunity to utilize our retail, manufacturing, and service industries. All these sectors rely heavily on a strong transportation system to survive. We have one of North Dakota's largest John Deere implement dealers located here. The owner feels that without U.S. Highway 2, his business would have a reduction in annual sales in excess of one-third.

As North Dakotans, we need to drive great distances for employment opportunities, medical services, retail shopping, personal and professional services, and entertainment. Our local educational system, the Dakota Prairie School District, includes a majority of Nelson County. The grade school is located in McVille, North Dakota, and the junior and senior high school is located in Petersburg, North Dakota. These communities are 28 miles apart and are considered central locations within the district. Almost every student is transported somewhere daily during the school year.

Maintaining our highway system is crucial to our survival. We cannot afford to neglect the roads on which our children and residents travel, sometimes in extreme weather conditions. Currently, a section of Highway 2 between Michigan and Lakota is in desperate need of repair. Hopefully, this will be addressed shortly.

Within the city of Michigan, we have spent approximately \$80,000 to repair curbs, gutters, and streets over the past 18 months. We were fortunate to receive approximately \$11,000 of economic stimulus funding to help offset this expense. Even with that aid, we have depleted our street fund and are not sure how we are going to address upcoming repair needs. As we look to the future, the City does not see how it will be able to maintain our current street system without funding from Federal and state agencies.

Michigan is currently in the process of a sewer and lagoon repair project that we hope to have completed in 2010. The estimated cost of the project is \$1.3 million. We have been notified that we will receive economic stimulus funding for about 50 percent of the project. This funding will be of a great benefit to our citizens, allowing the City to reduce the cost assessed to our citizens at a more affordable level.

The biggest threat to Michigan's infrastructure and community as a whole at this time is the continual rise of Lake Laretta. Our runoff water is drained to the lake, which is currently at historic levels. Should Lake Laretta continue to rise, the water will move back toward the city causing flooding, loss of property and city infrastructure including our sewer system. We are currently working with the Nelson County Water Resource District to provide for a long-term solution to this problem.

As far as our local economy, we have seen both ups and downs over the past couple of years. Our economy is very dependent upon the agricultural sector, but as we diversify, the national economy becomes more important to our businesses.

The agricultural economy has been very strong with good crops and high prices the past couple of years. However, with current commodity prices, it looks as though that may be changing. This strength has proved beneficial to businesses that provide services and products for agricultural production. Our local implement dealer reports that these good years have resulted in increased sales and growth, allowing him to expand his work force by four positions.

In contrast, when our school closed several years ago we were successful in bringing a wiring harness manufacturing company into our vacated school building. The facility was readied for them with the help of Federal funding. At their peak, the Fargo Assembly Company was running two shifts and employing up to 100 full- or part-time individuals. With the recent downturn in the national economy and increased competition as a result of this downturn, they have had to reduce their work force to 25 employees that are being limited to 16 hours per week.

A recent addition to our business community is Heritage Arts Gallery and Gifts. This cooperative of local artists is located on the frontage road off of U.S. Highway 2. They have seen a decline in business as the national economy has slowed. They market their products to tourists throughout North Dakota but find their location on U.S. Highway 2 is their lifeline. However, restrictions placed on signage along the highway create a real roadblock in marketing their retail store to those same tourists traveling that lifeline. The manager feels that the tourism industry needs the support of state and Federal funds to allow for the establishment of new businesses and growth of those currently in operation. Not only do these funds need to be made available, but the businesses need help in accessing and utilizing the programs established for these purposes.

Our most recent success story was the re-opening of our grocery store. In May of 2008, for the first time in our history, Michigan was without a grocery store. The community took on this project with our local Job Development Authority and raised \$89,110 lo-

cally through public and private donations. In addition, we were successful in applying for and receiving a \$70,000 USDA Rural Business Enterprise Grant. The Michigan JDA purchased the building and equipment from the previous owner, replaced and upgraded equipment, improved the facilities, including making the store handicapped accessible. The JDA now provides the store building and equipment rent free to our new grocer. From October of 2008 to October 31st, 2009, a regional grocer ran the store until a local owner could be found. That local owner took over on November 2nd, 2009, and is celebrating her grand opening on Saturday, November 14th, 2009. This would not have been possible without the financial help of Federal funds.

In closing, I feel that it is important that we have—that we continue to invest in economic development and infrastructure, as they both improve the quality of life of our residents. The investment we make today will yield dividends now and well into the future. North Dakota is fortunate to have a strong economy in comparison to many parts of our country. Now is our chance to bring that to the next level so that our children and grandchildren will have an opportunity to also call North Dakota home.

Thank you for your consideration and the opportunity to speak before you today.

[The prepared statement of Mr. Orwick follows:]

Statement of Mayor Allen I. Orwick, Michigan, North Dakota
Testimony before the Senate Budget Committee
Infrastructure Investment: Creating Jobs and Fueling Economic Growth
Michigan, North Dakota Civic Center
November 12, 2009

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In closing, I feel that it is very important that we continue to invest in both economic development and infrastructure as they both improve the quality of life of our residents. The investment we make today will yield dividends now and well into the future. North Dakota is fortunate to have a strong economy in comparison to many parts of our Country. Now is the time to bring that to the next level so that our children and grandchildren will have an opportunity to once again call North Dakota home.

The CHAIRMAN. Thank you, Mayor—really excellent testimony, really exactly the kind of thing that we need in the record and we're looking for, and you've certainly provided to us. So, I'm very appreciative of the testimony you've provided for the Committee.

Why don't we go next to Ben Vig, and then we'll go back to questions for the panel?

Welcome, Ben. Good to see you.

STATEMENT OF BENJAMIN VIG, REPRESENTATIVE FOR THE TWENTY THIRD DISTRICT, NORTH DAKOTA HOUSE OF REPRESENTATIVES

Mr. VIG. Thanks for coming here, Senator, and good to be here.

I'm Ben Vig. I'm from Aneta, and I'm also State Representative for the 23rd Legislative District, which encompasses Nelson, Griggs, Steele, Eddy, Benson Counties, and Spirit Lake Nation.

I think it's great that you're having these field hearings across North Dakota to see our transportation infrastructure first hand, and to see how some improvements are needed before the next congressional transportation bill is in the Senate or the House. I know you had similar hearings out west along the Highway 85 corridor.

The last 10 days, farmers have been busy to wrap up harvest. In the Legislature, I serve on the Agriculture Committee where I am reminded that farming and ranching is our state's No. 1 industry, with one out of four jobs being agriculture-related. We wouldn't

have a strong industry if it wasn't for the transportation infrastructure that we have.

As I was hauling soybeans to Finley a couple days ago, I was sitting in the line at the elevator surrounded by semi trucks that had Finley and Hope and Sharon and Cooperstown, Town of Hatton, on the side of the trucks. We all haul grain to the Finley farmers' elevator because it is designated a 110-car unit grain elevator by Burlington Northern and Santa Fe. There was a process some 10, 15 years ago where BNSF wanted to concentrate toward larger grain elevators and send longer trains, primarily the 110 units, to these elevators, where in the past, BNSF would send a 54-car train to these elevators. In concentrating on our grain elevators, all the farmers connect on the rural state highways and drive to town, and these are the farm-to-market roads. As time goes on, we need to renew our investment in the farm-to-market roads across North Dakota.

We in the state have over 7300 miles in state highways that our citizens rely on. As the farm trucks get longer, the farm machinery gets wider, and more construction occurs in our region for wind development, our farm-to-market roads need to be rebuilt, wide enough to handle our equipment today.

As I was driving the grain truck home from Finley the other day, a combine went halfway down the road ditch to provide room to pass. In what other industry does a person traveling on our roads have to drive down the ditch to provide room for others? Frankly, I think our farm-to-market roads need more attention. I have seen other states have passing lanes on their highway or wider shoulders so there's no hazard to anyone. If progress was made for efficiencies in the railroad industry hauling our agriculture commodities to market, the ball was dropped when it came to farm-to-market roads and their efficiencies. We need to rebuild the foundation in our farm-to-market roads for safety purposes and for convenience to travelers. I would tremendously like to see this a priority in the next transportation bill.

And I would remiss if I didn't mention our county and township roads. We have had high-volume crops in the past several years, such as more corn production and barley, which resulted in more truck traffic than normal. And with the oil pipeline coming through Nelson County here and wind farm construction, our county and township roads have been getting used a lot and, you know, that's great too.

Last spring, we received a large amount of flooding from the melting snow, and the gravel was washed off the roads. The foundation on our township and county roads was being exposed, rutted up, and are in desperate need of repair. FEMA did provide emergency funds to put gravel back on and replace some culverts, but with over 75,000 miles of county and township roads in North Dakota, I think this is another vital part of our infrastructure that needs more attention.

There are still a great number of people living on the land, working on the family farms, and we need a transportation system that we can be proud of—safe and convenient.

Last week, I attended a conference in Bismarck on economic security and stability, which concentrated on people living in poverty.

The presenters at the conference mentioned that transportation makes up one-sixth of a family's budget—or an individual's budget. Whether a person is commuting to work or going to a ball game or traveling to the doctor's office, transportation is a huge part of the budget. In communities like Michigan and Aneta, people are commuting to work, to school, to the doctor's office, to a hockey game—it seems like we're on the road all the time, and it costs money.

Another aspect of our transportation system—it needs to include public transportation. Across my legislative district, I see people, so many of my constituents, live on a fixed income. Driving is quite expensive at the \$2.80 a gallon for gas. Our communities have established senior citizen buses over the last several decades—our senior citizen buses for people to make trips to Devils Lake, Grand Forks, and Fargo. I know my grandma, like so many senior citizens, boarded the Steele County bus to make trips to Fargo, and the public bus is a necessity for her to go to the mall or to the drug store or an eye clinic as she does not like the urban driving. Public busing is very important for the people in our communities. Ensuring we have funds available for buses, preferably fuel-efficient buses, funds for bus driving and operating budgets should be a huge priority in the next transportation bill.

Portions of our country are working to develop high-speed rail to commute from city to city. As you know, we have Amtrak that travels through Michigan with depots in Grand Forks and Devils Lake. Developing a mass transit system that is efficient to operate for the public entities involved and is friendly to the family's budget is always a tough act to balance, but when public transportation brings less stress on individuals for traveling through crowded city streets or driving long distances—my grandma mentioned, why didn't she take the bus years beforehand? I think we need to start advertising the use of public transportation. With people working longer, working harder, and their income staying relatively stagnant, I think public transportation and mass transit is a way to save money while traveling.

For putting people back to work in a national economic recession, I think rebuilding our infrastructure is a primary place to being. The American Recovery and Reinvestment Act was a great beginning, as it invested in our communities, not overseas; gave new projects to construction crews building the roads and waterways and many projects in our communities. And by rebuilding our farm-to-market roads so they can last another 50 years, we will have created jobs, put people back to work in our local communities, much like what Governor Guy did back in the 1960's, when we built the state highway system in the day and the upgrades that took place across the state.

With that, we need to rebuild the foundations of our county and township roads too. As I mentioned, farming and ranching is still our No. 1 industry in North Dakota, and we need the infrastructure to handle another 50 years or more of prosperity and people living on the land. We also need to look at building up public transportation, mass transit for North Dakota. Building the infrastructure so we can travel with ease to the doctor's office, to school, or

a hockey game, we will have improved the quality of life, cut costs for the family budget.

With all this, we often focus on putting people back to work or creating jobs in our community, but I asked some friends who are still in college and a couple of friends who are in the work force now about what it takes to live in North Dakota and what it takes to live in our communities, and they all said "Money." We all need to have a salary that we can live on. After all, transportation is roughly one-sixth of a family's budget. You know what health care costs on a family's budget and what education costs are on a family's budget. As expenses continue to rise and income remains stagnant, \$10 an hour doesn't pay many bills anymore. You probably have noticed as well the agriculture commodity prices have fallen dramatically too. Cutting expenses is always a priority in families' budgets, and I think working toward efficiency in transportation is a good step in the right direction.

I would like to thank you again for coming to Michigan. The Mayor is here. I know he works hard on keeping the Main Street in town full and people coming to town and a beautiful city. And Francis Ziegler—I thank him for the work at the DOT. I know we've put many projects across the state, some state funding and American Recovery and Reinvestment Act. So, thank you guys for the work here, and I thank everyone for turning out.

[The prepared statement of Mr. Vig follows:]



NORTH DAKOTA HOUSE OF REPRESENTATIVES

STATE CAPITOL
600 EAST BOULEVARD
BISMARCK, ND 58505-0360



Representative Benjamin A. Vig
District 23
12248 15th Street NE
Aneta, ND 58212-9403
bavig@nd.gov

COMMITTEES:
Judiciary
Agriculture

United States Senate
Senate Budget Committee field hearing on Transportation Infrastructure

November 12, 2009

Prepared remarks by Representative Benjamin A. Vig

Good Afternoon Senator Conrad. I am Ben Vig of Aneta, and state Representative for the 23rd Legislative District which covers Nelson, Griggs, Steele, Eddy, Benson Counties and Spirit Lake Nation. I think it's great you are having these field hearings across North Dakota to see our transportation infrastructure and to hear how some improvements are needed before the next Congressional Transportation bill is in the Senate or the House. I know you held similar hearings out west along US Highway 85 corridor.

The last ten days, farmers have been busy to wrap up harvest. In the Legislature I serve on the Agriculture committee where I am reminded that farming and ranching is our states number one industry with one out of four jobs being agriculture related. We wouldn't have a strong industry if it wasn't for the transportation infrastructure. As I was hauling soybeans to Finley a couple of days ago, I was sitting in the line at the elevator, surrounded by semi-trucks that said Finley, Hope, Sharon, Cooperstown, Tolna, and Hatton. We all haul grain to Finley Farmers Elevator because it is designated 110 car unit elevator with Burlington Northern Sante Fe. There was a process that BNSF started some fifteen years ago to concentrate towards larger elevators, and send longer trains, primarily 110 cars to these elevators, where in the past BNSF would send 54 cars to most elevators. In concentrating our grain elevators, all the farmers connect on our rural state highways and drive to town, these are 'farm to market roads.' As time goes, we need to renew our investment in farm to market roads across North Dakota. North Dakota has over 7300 miles of state highways that our citizens rely on. As the farm trucks get longer, farm machinery get wider, and more construction occurs in our region for wind development, are farm to market roads need to be rebuilt wide enough to handle our equipment today. As I was driving the grain truck home from Finley the other day, a combine went halfway down the ditch to provide room to pass. What other industry does a person traveling on our roads have to drive down the ditch to provide room for others? Frankly our farm to market roads need more attention. I have seen other states have passing lanes on their highways, or wider shoulders so there is no hazard to anyone. If progress was made for efficiencies in the railroad hauling our agriculture commodities to market, the ball was dropped when it came to farm to market roads, and their efficiencies. We need to rebuild the foundation on our farm to market roads for safety purposes and for convenience to travelers. I would tremendously like to see this a priority in the next Transportation bill.

I would be remised if I didn't mention our county and township roads. We have had high volume crops in the past several years, such as corn, barley, which resulted in more truck traffic than normal. And with oil pipeline and wind farm construction, our county and township roads have been getting used a lot, and that is great.

Last spring we received a large amount of flooding from the melting snow, and the gravel was washed away. The foundation of our township and county roads were being exposed, rutted up, and are in desperate need of repair. FEMA did provide emergency funds to put gravel back on, and replace culverts, but with over 75,500 miles of county and township roads in North Dakota, I think this is another vital part of our infrastructure that needs more attention. There are still a great number of people living on the land, working the family farms, and we too need a transportation system that we can be proud of. Safe and convenient.

Last week, I attended a conference on economic security and stability, which concentrated on people living in poverty. The presenters at the conference mention that transportation makes up roughly 1/6 of a families budget, or an individuals budget. Whether a person is commuting to work, going to a ball game, or traveling to the doctors office, transportation is a huge part of the budget. In communities like Michigan, and Aneta, people are commuting to work, to school, to the doctors' office, or to a hockey game. We are on the road all the time and it costs money.

Another aspect of our transportation system needs to include public transportation. Across my legislative district, so many of my constituents live on a fixed income, and driving is quite expensive at \$2.80 for a gallon of gas. Our communities have established senior citizen buses, for people to make trips to Devils Lake, Grand Forks, or Fargo. I know my grandma like so many senior citizens, board the Steele County bus to make trips to Fargo, and the public bus is necessity for her to go to the mall or the drug store, or eye clinic as she does not like the urban driving. Public busing is very important for the people in our communities. Ensuring we have funds for buses, preferably fuel efficient buses, bus drivers, and operating budgets should be a huge priority in the next Transportation bill.

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By rebuilding our farm to market roads so they can last another 50 years, we will have created jobs, put people to work in our local communities much like what Governor Bill Guy and President Kennedy did in the 1960s when the last highway construction upgrades took place across North Dakota. With that, we need to rebuild the foundations of our county and township roads too. As I mentioned, farming and ranching is still our number one industry in the state, and we need the infrastructure to handle another 50 years or more of prosperity, with people living on the land.

We also need to look at building up public transportation and mass transit for North Dakota. Building the infrastructure so we can travel with ease to the doctors office, to school or to a hockey game, we will have improved the quality of life, cut costs for a families budget.

With all of this we often focus on putting people to work or creating jobs in our communities. But I asked some friends who are still in college, and a couple of friends who are in the workforce now, about what it takes to live in North Dakota and what it takes to live in our communities. And they all said money. We all need to have a salary we can live on. After all, if transportation is roughly 1/6 of a family's budget, you know what health care is on a family's budget, what education costs are on a families budget. As expenses continue to rise, and incomes remain stagnant, \$10 an hour doesn't pay many bills any more. You probably noticed as well, that agriculture commodity prices have fallen dramatically too. Cutting expenses is always a priority in family budgets and I think working towards efficiency in transportation is a good step in the right direction.

I would like to thank you again for coming in to Michigan. Mayor Allen Orwick is here. He and the community work hard to keep main street full, and looking great, and bringing people to town. Francis Ziegler is here, and thank him for the work the Department of Transportation has done. We have had more projects across the state this year, because of the American Recovery and Reinvestment Act, and our state dedication to roads. I thank everyone for turning out.

The CHAIRMAN. Thank you, Representative Vig—excellent testimony as well. We appreciate it very much.

Let's turn to, quickly, some of the key issues that we're going to face when we get back to Washington, because here's the problem that we've got: Director of Transportation Ziegler has pointed out that the national association of transportation leaders have identified the need in this country over the next 6 years for transportation—highways, bridges, transit, and the rest—at \$468 billion dollars.

Mr. Ziegler, do you have available to you the amount of money that the trust fund, as currently constituted, could provide over that period of time?

Mr. ZIEGLER. Senator, it's my understanding that the trust fund currently brings in, in gas tax, about 32 billion per year. So, taking that times 6, would be \$192 billion.

The CHAIRMAN. And 192 billion subtracted from 468 is 276 billion, right?

Mr. ZIEGLER. Right.

The CHAIRMAN. So, we've got a \$276 billion hole over the next 6 years if we are going to meet the amount that the transportation leaders of the country in all of the states have determined is necessary to continue the program as it is, and expand it for the popu-

lation increases that we have had and that we will continue to have over that 6-year period. Isn't that the basis of the forecast?

Mr. ZIEGLER. That is correct.

The CHAIRMAN. So, we got a big problem here. We've got a hole that is much bigger than the funding source—we've got a need much bigger than the funding source. In fact, the size of the hole is bigger than the funding source.

Mr. ZIEGLER. Right.

The CHAIRMAN. And what would happen, Mr. Ziegler, in your judgment, in the country and specifically in North Dakota, if we were not to have resources of the amount recommended by the transportation professionals around the country?

Mr. ZIEGLER. Senator, given the 32 billion that the trust fund brings in now, if that was the extent of the funding, it would cut our Federal aid approximately in half.

The CHAIRMAN. It would cut our Federal aid approximately in half? And what would that mean—what would that mean to the road and bridge network across the state of North Dakota?

Mr. ZIEGLER. Currently, the Department of Transportation does approximately 200 projects per year, and that's for both roads and bridges, and that includes the county roads under the Federal aid system. If you cut that in half, I think everybody recognizes the fact that we're only going to be able to do half as much. And it's going to provide—it's going to create an infrastructure that's going to have bridges that may have to close; it's going to have roads that are going to be rougher and they're not going to meet the standards of today. But the fact is that the entire transportation system will deteriorate.

The CHAIRMAN. Mr. Ziegler, I have developed great respect for your professionalism over the time we've worked together. You are a straight shooter. If you were to tell the people of North Dakota, on a scale of 1 to 10, the seriousness with which you view cutting the number of projects that you could do in half, what that would mean to the road and bridge system in North Dakota—10 being extremely serious, 1 being not so bad. Where would you put it if—on a scale of 1 to 10, 10 being extremely serious, 1 being not so bad? Where would you put it if we had to cut the funding and the program essentially in half?

Mr. ZIEGLER. Senator, it would be a sliding scale. I would start out by saying, initially we would be in that 6 to 7, as a rating, but it doesn't take very long—two, 3 years down the road, and we're looking at a 10, because what happens is, as time goes on, the infrastructure deteriorates. And so, maybe we can live for a year or two with less funding, but that transportation system keeps deteriorating, it will deteriorate to the point where it becomes a very serious issue, which brings it to that 10.

The CHAIRMAN. And so, help us understand the way the current trust fund works, the funding mechanism that's available. How is the trust fund currently funded?

Mr. ZIEGLER. The trust fund is currently funded with the gas tax of 18.4 cents per gallon on the Federal side, and then within the state, we have a 23 cents per gallon that's added onto that.

The CHAIRMAN. OK. So, the Federal share is funded by 18.4 cents a gallon.

Mr. ZIEGLER. That is correct.

The CHAIRMAN. The state share is 23 cents a gallon. Is that correct?

Mr. ZIEGLER. That is correct. That is correct.

The CHAIRMAN. So—and the reality is that funding level doesn't come anywhere close to meeting the projected need?

Mr. ZIEGLER. That is correct.

The CHAIRMAN. And so, either we are going to have to cut dramatically or we're going to have to find some other funding source or, for example, increase the gas tax substantially. Would that be a fair conclusion?

Mr. ZIEGLER. That's—it's a fair statement to say that a revenue source will have to be found.

The CHAIRMAN. A revenue source will have to be found. Either increasing gas tax or some other source of revenue?

Mr. ZIEGLER. Yes.

The CHAIRMAN. You know, it strikes me, as we study this issue, that the world is changing, and changing rapidly, with respect to funding a transportation system solely with gas tax. And I say that because you look at what's happening to technology. We've got the Chevy Volt coming along—they're not going to use gasoline. They're going to use electricity. We have other cars that are being developed that are also going to use other sources. So, there is not going to be any gas tax revenue from those vehicles. We have vehicles that do exist getting much better mileage. I see almost every night on television one manufacturer after another talking about the fact that their cars get more mileage than their competition and far better mileage than they have in the past. That means reduced revenue for the highway system.

Mr. ZIEGLER. That's right.

The CHAIRMAN. So, you know, if we kind of think ahead here, if we're going to have a lot of cars that run on electricity, not running gasoline, and we're basing all of the funding on a gas tax, does it strike you, Mr. Ziegler, that we'd probably better think about alternatives to a system that is solely financed by gas tax?

Mr. ZIEGLER. Yes, it does, Senator.

The CHAIRMAN. And the professional organization that includes the transportation leaders across the country—you and I were visiting before we began, and I—as I understood it, you were explaining that they have come up with a number of options for additional and different sources of funding. Is that the case?

Mr. ZIEGLER. Senator, that is correct. The Commission on Transportation Policy and Funding that was created—I believe it was a bipartisan commission that did about 2 years of study. They went around nationally and sought input from leaders in transportation. They built a lot of the scenarios to what's going to happen in the future.

Your point about the Chevy Volt is well made, and understand there are new cars coming into the market that will be in that 60-mile-per-gallon range—a significant decrease in utilization of gasoline and energy. While, as a country, that is very positive, we can be energy self-sufficient from a transportation perspective, it puts us in a quandary.

And, therefore, this commission, as they were talking about the issues, went through and created a whole menu of options of what those revenues could be. And I don't have those uppermost in my mind, but some of them are PPPs—public-private partnerships. While North Dakota hasn't used public-private partnerships, which often relate to tolling because you sell the infrastructure and then you have—those investors toll it so that they can get their investment back out of it, tolling in North Dakota wouldn't work because we don't have enough cars to make tolling pay for itself.

North Dakota has used public-public partnerships I'll share with you. We've gone into major cities—Fargo, Minot, Grand Forks—where the local governmental agencies will say, OK, you need some help on this? Interstate will help you. In fact, Fargo next year is going to be helping us pay for one lane of I-94 between 45th and 29. So, they're stepping up to the plate. But not every community can do that. So if—

The CHAIRMAN. Michigan—let's ask the mayor. Could you do that?

Mr. ORWICK. We can't fix our potholes anymore.

The CHAIRMAN. Yes.

Mr. ORWICK. And we're talking—

The CHAIRMAN. I mean, you can't take care of your local situation.

Mr. ORWICK. That's right. That's correct, Senator.

The CHAIRMAN. Well, other ideas that they came up with?

Mr. ZIEGLER. Senator, like I said, I can't remember all, but the public-private partnerships, tolling, was one. VMT—

The CHAIRMAN. And tolling—let's just be very clear. We need it on the record here. In a state like ours, tolling is not going to work, is it?

Mr. ZIEGLER. It's not going to work.

The CHAIRMAN. And it can't possibly work because we don't have the amount of traffic to have the tolls finance the infrastructure investment.

Mr. ZIEGLER. That's correct. They had several other ideas, but the one that comes to mind is the VMT, which is vehicle miles traveled, and what that means is that for every—it becomes more of a user fee, rather than a gallon charge or tax. It becomes a user fee. If you put X number of miles onto your vehicle at so many cents per mile, that would be the charge that you'd have.

The CHAIRMAN. And, you know, we're going to have—it seems to me we're going to have to have that as a component or we're going to have to have some other source dedicated to transportation, or we're going to see a dramatic deterioration in the quality of our transportation system in a state like North Dakota.

Mr. ZIEGLER. That is correct.

The CHAIRMAN. Is that a fair conclusion?

Mr. ZIEGLER. It's a fair conclusion.

The CHAIRMAN. And when we look at this vehicle miles traveled—for example, if somebody buys a Chevy Volt, they would have some kind of gauge or some kind of meter that would say how many miles they've traveled, and then they would get billed for that because otherwise they're not going to contribute at all to the transportation network that they rely on, and that's not fair. It's

not fair to have just those who are on gas-powered vehicles, diesel-powered vehicles paying to provide a network for those of us who might be driving different kinds of vehicles. I mean, I must say I'm kind of intrigued with getting a Chevy Volt when that comes out, but, you know, they've got to be able to contribute, too, to the road network that they're using.

Mayor, they've alerted me we're coming to the end because we've got to go on to New Rockford for an event there this evening. Anything that you would want to add to this discussion? You've said very clearly it's not going to work for you to have public-public partnerships. You have a hard time meeting the needs that you have locally now. And do I—can I conclude from your remarks on the importance of transportation here that you are open to some additional source of revenue to support the transportation system in this state and around the country?

Mr. ORWICK. Senator, I think it's important, especially in a rural state like North Dakota, that we have a transportation system. Without it, we couldn't live here. Physically, we couldn't live here. It has to be some sort of a mechanism put in place to make the process of bringing that revenue into the Treasury a fair method, because those of us who choose or who are able to live here have to drive 60 miles, 120 miles round trip to work, some people. Compare that to somebody living in New York City who doesn't. So—

The CHAIRMAN. My daughter lives in New York, doesn't even have a car.

Mr. ORWICK. Yes. And so, she's not helping at all either, is she?

The CHAIRMAN. No. I will remind her of that.

[Laughter.]

Mr. ORWICK. Tell her the mayor—

The CHAIRMAN. I don't think she'll take it well.

Mr. ORWICK. Tell her it was the mayor of Michigan, not—

The CHAIRMAN. OK. That helps.

Mr. ORWICK. So, I think that that's one of our concerns, is that it's expensive enough to live here now—

The CHAIRMAN. Yes.

Mr. ORWICK [continuing]. And so that we—if it gets to be too cost-prohibitive, we won't be able to maintain—to live here and utilize the roads that are out here.

The CHAIRMAN. Yes. Ben, anything that you would want to add?

Mr. VIG. Well, thank you, Senator. You've covered—you guys have covered quite a bit here with, you know, the whole system is funded right on gas tax, and so we need to look at diversifying some of the funding sources. And I'd reiterate a little bit, we need to work toward efficiencies in transportation so we can cut down on some of the family budgets, because it's expensive to travel to Forks or Devils Lake and round trip some days. Yes. The efficiencies are a priority.

The CHAIRMAN. Yes, it's very clear that public transportation is going to have an increasingly important role.

Mr. VIG. Yes.

The CHAIRMAN. You know, we all love our cars, you know? I'm as guilty of it as anybody. I've got a big, old Buick Park Avenue—a 1999 Buick Park Avenue. And I've put almost as much money in it in the last 3 weeks as the car is worth.

[Laughter.]

The CHAIRMAN. I'm thinking, well, wait a minute, what's happening here?

Let me—we've just got a few minutes left, but I want to make sure that if there's anybody in the audience that would want to comment for the record on transportation, that they have that opportunity to do so. There's a microphone right here. If you'd just go to the microphone, identify yourself for the record so that we capture that in the official record?

Odell, any statement you'd want to make.

Mr. FLAAGAN. Yes, Senator. I'm Commissioner Flaagan from Nelson County here, and—

The CHAIRMAN. Odell Flaagan, for the record.

Mr. FLAAGAN. Yes. And the reaching we do in the counties is very important for the Federal highway bill, because without that, for every county in the state, it would be losing a lot of money, because we can't afford it when we go to Bismarck to reach secondary roads and we get a new Federal highway report, and they say, well, you're going to be short 100,000 this year, it's not helping us out in Nelson County at all. So, I think you've got to work very well in Washington because that's got to be improved somehow. And I think maybe on funding you might have to go to registration on vehicles and maybe raise the gas tax to get other options, because we need the highway bill. It's very important. And not a cheaper one—

The CHAIRMAN. Yes.

Mr. Flaagan—to look forward to, Senator.

The CHAIRMAN. You know—

Mr. FLAAGAN. Thank you.

The CHAIRMAN. I appreciate that, and you can see these options—none of them are very attractive, you know? Honestly—raising the gas tax with the price of gasoline going up as much as it has. Of course, it's back down now some from what it was. But, still—I mean, if we look back historically, these prices are high; they're low compared to what people in other countries pay. You know, in Europe they're paying 4, 5, 6 bucks a gallon. Of course, they have different measurements in those countries. But if you do an equivalent—do you know what the equivalent would be, Francis? What they're paying in Europe for our gallon?

Mr. ZIEGLER. Senator, I've heard that it is 5–6 dollars a gallon—

The CHAIRMAN. Yes, I think so.

Mr. ZIEGLER. And that is the equivalent. They're typically in liters—

The CHAIRMAN. Oh, yes, they're in liters. Right.

Mr. ZIEGLER. But that is—that's already been converted.

The CHAIRMAN. Yes. So, we'd be talking dramatically more that they're paying. And, of course, as a result, as Ben says, they've chosen to go into more systems.

Anybody else from the audience that would want come to the microphone, be identified for the record, and give us your input for the Committee's deliberations on this next transportation bill?

I don't want to close anybody off. I know I'm getting the high sign that we've got to be on the road to get to New Rockford in time.

Let me just close then by thanking especially the witnesses. I'm delighted, Mayor, that you were here. Ben, thank you for your contribution. Francis, as always, I have appreciated so much your input at the hearings we've held around the state. We're going to need to continue to do these because the committees of jurisdiction have again made clear to us that unless we have had hearings with respect to any add-on projects, they're just not going to get considered.

So, anything that you want to bring to our attention, we should make sure we have a hearing on so that we're covered under that rubric. I think we've done some good work around the state out there on 85 and 52, but if there are others that you want to make sure are eligible for any add-ons above formula funding, we should make sure we do hearings on them. So, I'd welcome your input on that.

We also need to think, I think—I think we need to expand our analysis of what options might be best for us, that we are pushing for in the funding fight that's to come.

And thank you all, to people from Michigan and the Michigan area who have come to this hearing. We very much appreciate that, appreciate the hospitality of the community of Michigan in holding this Senate Budget Committee hearing on a topic that's critically important to our region, our state, and to the country itself.

With that, the Committee will stand in adjournment.

[Whereupon, at 3:39 p.m., the hearing was adjourned.]

FIELD HEARING ON COMMUNITY ECONOMIC DEVELOPMENT

FRIDAY, NOVEMBER 13, 2009

U.S. SENATE,
COMMITTEE ON THE BUDGET
Cooperstown, North Dakota

The Committee met, pursuant to notice, at 10 a.m. in Cooperstown, North Dakota

Hon. Kent Conrad, Chairman of the Committee, presiding.

Present: Senator Conrad.

[presiding].

OPENING STATEMENT OF SENATOR CONRAD

The CHAIRMAN. I now call to order this hearing of the Budget Committee. This is an official hearing of the Committee. So we will be operating under the rules of the U.S. Senate, and an official record of this hearing is being kept.

I especially want to welcome our distinguished witnesses today. They include Becky Meidinger, the Development Specialist at the Cooperstown-Griggs County Economic Development Corporation; Beth Berge, the Chief Operating Officer of the Griggs-Steele Empowerment Zone; and Keith Monson, the President of M-Power.

This hearing will focus on how we can encourage economic development in Griggs County and the surrounding region. We'll have a particular focus on the impact of energy investments.

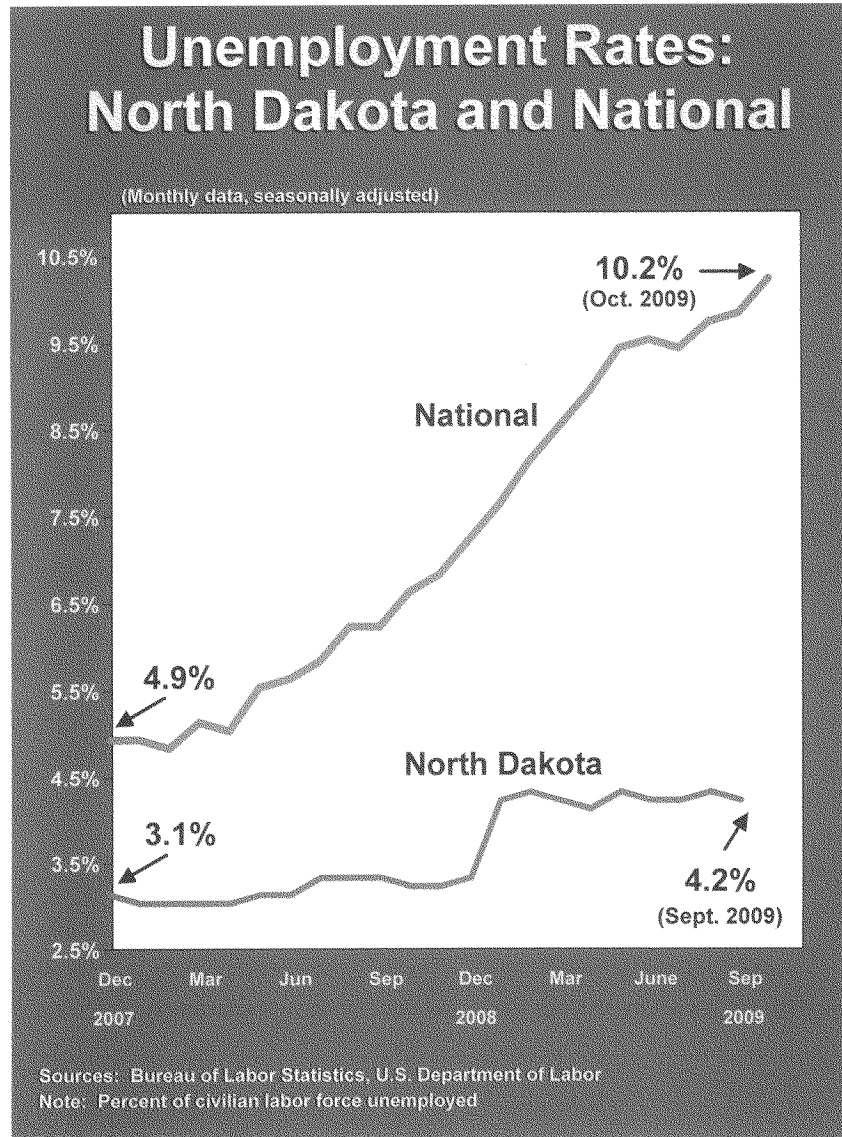
I want to acknowledge the mayor, who is here. We're delighted to see you, Mayor. If you'd like to say a few words, we would certainly welcome that.

The Mayor. Well, just a brief comment. I want to welcome to everyone here to the Senate Budget hearing, and they include the rain in Cooperstown. And I look forward to the information that we're going to receive.

The CHAIRMAN. Well, I thank you for that. I thank you for the welcome to Cooperstown. And I want to say the importance of this hearing is that we establish in the record the reasons and rationale for the continued support—Federal support—for the empowerment zone. As you know, these matters have to be periodically reviewed by the Congress of the United States. And it is important that we establish in the record the reason and rationale for it, what it has accomplished, and what it seeks to do for the future.

I would like to first note that North Dakota has fared better than the rest of the country during this recession. Nationally, the unemployment rate has climbed from 4.9 percent in December of 2007 to 10.2 percent in October of this year. By comparison, in North

Dakota the unemployment rate has risen from 3.1 percent to 4.2 percent over that same period. It is important that we continue to make investments in the critical infrastructure, including highways, to enable North Dakota's economy to continue to grow and diversify.

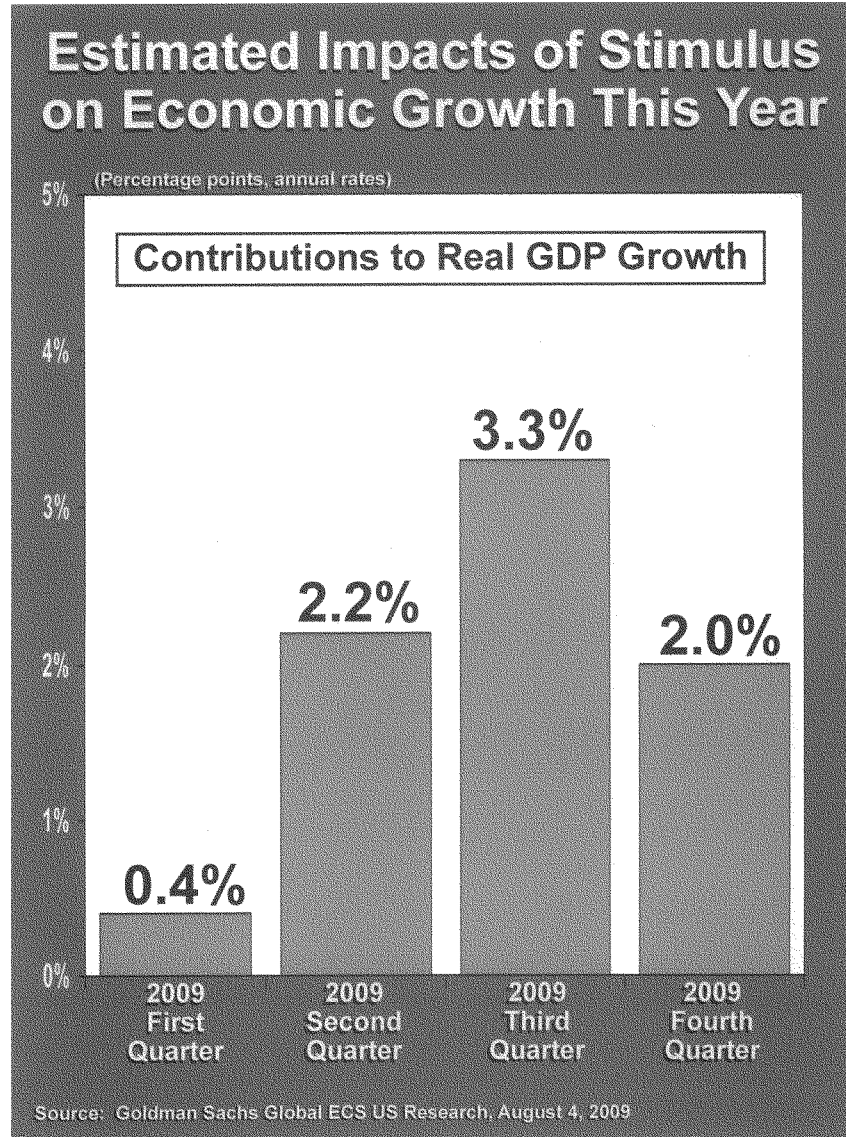


Historically, North Dakota has faced different issues with respect to unemployment. The problem of out-migration has been a distinguishing feature for our state. We need to ensure there are good

jobs to keep our workers, particularly our young people, who represent the future of our state, here in North Dakota.

Let's go to the second slide, if we can. This is John Fuher, by the way. John is my agriculture staffer in Washington. He's from Edgeley, North Dakota, and, I might say, did an outstanding job on the Farm Bill.

The CHAIRMAN. The stimulus package passed earlier this year certainly was not perfect, but it's clearly having a positive impact on economic growth. Economists have now estimated that stimulus contributed significantly to economic growth in 2009. This chart shows what the economists are suggesting was the impact on economic growth of the stimulus package by quarter. Stimulus funds are expected to continue to aid economic growth into next year as additional funds flow into the economy.



North Dakota has been awarded so far about \$700 million. This funding is going to highways, infrastructure and water projects, education, energy projects, law enforcement, veterans, and housing in our state.

\$700 Million in Stimulus Funding Coming to North Dakota

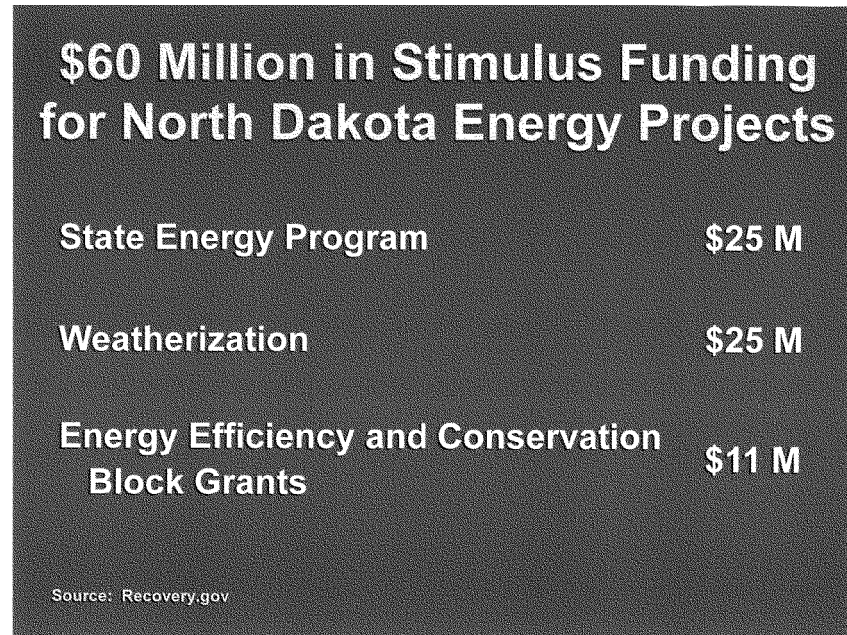
- **Highways**
- **Infrastructure / Water**
- **Education**
- **Energy**
- **Law Enforcement**
- **Veterans**
- **Housing**

Source: Recovery.gov

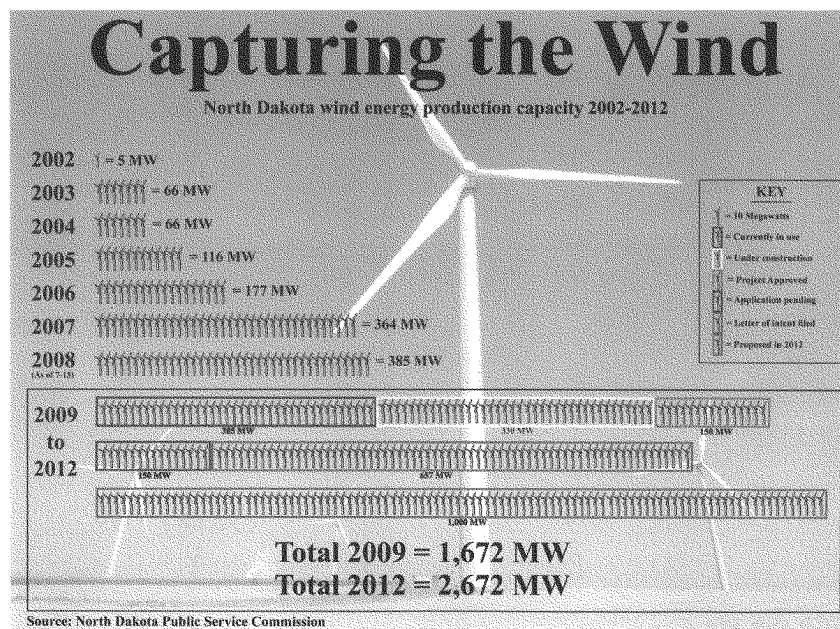
Let's go to that fourth slide, John, if we can.

Over \$60 million of stimulus funding will be directed toward a variety of energy projects statewide; \$25 million is set aside for the North Dakota State Energy Program. The goal of that program is to improve energy efficiency, reduce demand for electricity across the state, and help families reduce their energy bills. Another \$25 million will go toward home weatherization. This will help families insulate their homes and take other steps to ensure that they are not faced with even higher home heating bills during the winter. And \$11 million will go to energy efficiency and conservation block

grants which are used to retrofit government buildings to save taxpayer money.



Fifth—let's go to that next one, if we can—we call this “capturing the wind.” Importantly, North Dakota is at the cutting edge of the drive to develop alternative sources of energy. Of particular importance to this part of the state is the fact that we are rapidly becoming a leader in wind energy. Yesterday, I had a chance to visit the wind energy farm close to Langdon, North Dakota. Later today, I will be visiting the wind energy farm, the Ashtabula installation near Finley. And this is making a significant contribution to our economy in this part of the state.



We know that North Dakota has the greatest on-land wind energy potential of any state in the nation, and we are often called “the Saudi Arabia of wind.” Selling wind power and other kinds of energy to Chicago and the other big markets will be a tremendous engine for economic growth in this part of the state. Companies across North Dakota, including in and around Griggs County, are investing in wind power. Investment in wind energy is projected to grow to over 2600 megawatts by 2012.

You know, you think about where we started. That kind of investment in North Dakota is dramatic. Florida Power and Light told me yesterday they have already invested a billion dollars in wind energy in our state. We were trying to think when I had met with the board of directors of Florida Power and Light in Florida. I think it was eight or 10 years ago. I was asked to come and meet with their board of directors in Florida because they were interested in beginning to make wind energy investments in North Dakota.

At that meeting, they told me that they were prepared to invest \$1.3 billion in North Dakota if two things happened: if we extended the wind energy credit and, No. 2, if we could get the grid opened up so that they could deliver power from North Dakota down into the Chicago market. We got the wind energy credit extended. I authored that legislation, and my colleagues adopted it. We have had less luck opening up the grid. As you know, one of our big challenges is getting through Minnesota and through Wisconsin down into the Chicago market. Now, we’ve had some ability to move power out of the state, but not as much as we need to fully develop the potential of wind energy.

I have introduced legislation, along with other colleagues, that would provide the ability to open up those corridors so that we could deliver wind energy from where it can be produced to where it is needed.

Griggs and Steele Counties are uniquely positioned in terms of economic development, because one of only ten USDA Rural Development Empowerment Zones in the entire country is located here. Since receiving this designation in 1999, now 10 years ago, the Griggs-Steele Empowerment Zone has received \$17.7 million in Federal money. The empowerment zone is driven by four key principles in encouraging opportunities for rural economic growth: One, economic opportunity is the No. 1 priority for the Griggs-Steele Empowerment Zone. The goal is to create jobs. Second, sustainable community development recognizes that successful economic development can only work when it is part of a coordinated and comprehensive development strategy to ensure a stable and high quality of life for residents. Third, community-based partnerships are needed to ensure that economic development efforts involve local individuals. And, fourth, a strategic vision for change ensures that a community shares a common view for revitalization.

Recent Empowerment Zone Projects

- **DataCom International**
- **Griggs County Museum**
- **Cooperstown Community Activity Wellness Center**

Let's go to that seventh slide. This is the last one.

Empowerment Zone Guiding Principles

- **Economic Opportunity**
- **Sustainable Community Development**
- **Community-based Partnerships**
- **Strategic Vision for Change**

Source: USDA Rural Development

The Griggs-Steele Empowerment Zone has been involved in several recent projects for the area, including DataCom International. DataCom has located a division of their company here in Cooperstown. The Griggs County Museum—the empowerment zone helped fund projects at the museum. And the Cooperstown Community Activity Wellness Center—the empowerment zone provided grant funding for the wellness center to purchase new equipment.

I look forward to hearing from our witnesses today about other areas where the empowerment zone is assisting with economic development in the region, and I'm particularly interested in hearing what future energy investments are needed to support economic development.

With that, we will turn to our witnesses today. And I'm delighted to have such a distinguished group of witnesses: Becky Meidinger, the Development Specialist at Cooperstown-Griggs Economic Development Corporation, will be speaking on the role of the economic development corporation in spurring economic and industrial growth in Cooperstown and the surrounding area. Beth Berge, the Chief Operating Officer of the Griggs-Steele Empowerment Zone, will speak to the role of the empowerment zone in the revitalization of Griggs and Steele Counties. And Keith Monson, the President of M-Power—M-Power is a locally owned wind power developer located in Finley. Its Luverne Wind Farm generates approximately 150 megawatts of wind and is sited on privately owned farmland. One hundred and fifty megawatts of wind energy—I hope I've got those numbers right, Keith, but you'll correct me if I'm wrong.

Welcome, witnesses. Let me just say that, under the rules of the Senate, witnesses are to be permitted to make their full and com-

plete statements without being interrupted for people either agreeing or disagreeing with their testimony. And we'll observe that rule here. And when the witnesses are complete, we'll have a time for questioning, and then we'll also open it up to people who are here in the audience, if they would like to add to the hearing record.

Again, I want to emphasize the importance of this to continue support for these efforts. It is critically important that we lay on the hearing record what has been accomplished and what the view is to what can be done in the future.

With that, Becky, why don't you proceed?

STATEMENT OF BECKY J. MEIDINGER, DEVELOPMENT SPECIALIST, COOPERSTOWN-GRIGGS COUNTY ECONOMIC DEVELOPMENT CORPORATION

Ms. MEIDINGER. Thank you, Senator Conrad, and thank you for the opportunity to present this information today, and welcome to the guests here.

I am the Development Specialist for Cooperstown-Griggs County Economic Development Corporation, serving the community of Cooperstown and businesses within Griggs County. I'm also a member of the executive board for the South Central Dakota Regional Council, which serves a nine-county region whose focus is community economic development. And I am also a member of the board of the Economic Development Association of North Dakota, whose focus is to educate and connect developers throughout the state, addressing community economic development issues and programs. Through my board affiliations and my position for Griggs County, I have a good understanding of the community economic development issues and projects that our local community, our region, and the state are addressing.

My focus today will be to bring awareness to the local community economic development projects and touch on some regional issues.

The top industry in North Dakota is agriculture, followed closely by tourism. Our region is a prime location for agriculture, and our tax base for Cooperstown and Griggs County depends on our farmers and the agricultural businesses located here. We are also fortunate to be a key location for several manufacturing companies, both large and small, which enables our economy to be somewhat diverse. Additionally, we are beginning to capitalize on tourism opportunities for our county and region, particularly with the newest state historic site, the Oscar 0 Minuteman Missile facility. Cooperstown is also the location for the Cooperstown Medical Center, which is one of the largest employers within the county and a strong community asset.

In order to understand what is happening with regard to jobs and the economy in our local communities, we need to understand that many of our economic successes or failures depend on the leaders and entrepreneurs within our community, and how willing they are to take the risks necessary to be proactive rather than reactive. Economic development in rural communities cannot take place unless community development is happening at the same time. Without the support of the community leaders, businesses will not grow and succeed.

Fortunately, we have the leadership in place that supports successful businesses and expansions from the existing businesses, which has in turn spawned other business ventures and opportunities. While the rest of the country has been struggling, as Senator Conrad mentioned, with the high unemployment rates, plant closures, and a major downturn, North Dakota has been able to show a considerable budget surplus and has the lowest unemployment rate in the nation. However, in the rural communities and in Cooperstown, we are beginning to see the impact of that economic downturn.

I recently spoke to two of our larger manufacturing companies, and they've had some negative impacts, which have included a few layoffs and others being cut back by their jobs by 50 percent. Fortunately, they are beginning to see an increase in sales, but one of the companies stated that if they didn't have their international sales, they would have had to close up shop. The differences in the euro and dollar have impacted their sales considerably.

Due to the weather constraints, the farmers in the area have also struggled to get their crops off the fields, and that in turn has affected numerous local ag businesses and retail businesses.

Fortunately, the Cooperstown Medical Center has been successful in hiring two new doctors and another nurse practitioner, which brings their total up to five for their providers. Through outstanding fiscal management and being able to develop a hospital district for the county, they were able to positively impact their bottom line and raise some of the wages as a result.

Some of the issues that we deal with in rural communities, especially in rural North Dakota, are our aging population and out-migration of our younger adults. Our state has one of the eldest populations in the Nation per capita, but a low unemployment rate. Many of our elderly are continuing to work well past retirement age, if there is such a thing, many times because there are no other workers to do the jobs, and this is especially true in the farming community. Many of the larger farmers need to hire help to work their fields and find it very difficult to hire qualified people who want to work, so they continue to engage the "retired" farmers to help during the critical times.

And there is also an extended need in these areas for some of the younger workers, but many of the local workers are not capable of driving the large farming equipment or have no desire to work the long hours or, quote, "get their hands dirty," unquote, doing these types of jobs. Some farmers are choosing to access the agricultural visa immigrants, and this brings new people into the rural areas, many of whom are working to secure their green cards so they can stay in our area, which brings us new residents.

There are also these types of issues with the manufacturers as well. And in our rural communities, we also have issues securing the services of plumbers, electricians, and heating and cooling tradesmen, again due to the aging population and many of them being close to retirement age, not wanting to take on large projects.

Our school system no longer provides vocational education. It is difficult to encourage students in high school to consider these fields, as they are not exposed to the benefits of working in those fields during the formative years. There are apprenticeship pro-

grams available in the state, but many younger people will choose to move to one of the larger communities to take advantage of these programs as they will have more opportunities for training and monetary advantages in the larger communities.

Our median household income in North Dakota and Griggs County has been rising slowly, according to the state data center, over the past few years, but is still well below the national average.

Programs are available through the work force training and job service and through some of the programs that the empowerment zone provided, to increase the skill levels of the current work force, and there has been funding available through extended state programs to help businesses with this training. So this, in turn, has helped increase the wages for the employees and the efficiencies of the company.

We still have a long way to go, but are moving in a positive direction. North Dakota also has an image problem with our weather that is very hard to overcome and especially difficult in the rural communities. This is a hard perception to overcome, but because of our current, positive state of affairs, we are beginning to see people willing to take a risk and move here. Within the past several months, we have had some new people move to Cooperstown from other states, including some from the east coast and west coast. They have been able to secure jobs here to support their families, but then have had difficulty in finding any type of housing that is suitable for their needs.

And this leads me into a correlation between the community and economic development issues. Rural North Dakota has dealt with a housing shortage for many years. In Cooperstown, until this year, we have had no new housing units built (other than one set of condos) for the previous 10 years. Then about three to 5 years ago, the benefits from the empowerment zone started to kick in, positive things began happening in the community, and more jobs were available. Some of the younger couples moving to town were having babies, and we were finally starting to grow from within and without.

Most people moving into a new community are not willing to purchase a house right away, but wish to rent. The existing rental units were built during the 1960's and have not really been updated to suit the needs of the new residents. Many of the houses that have been available for sale are in need of total remodeling or are out of the price range of these new families. Without suitable housing, these workers have been forced to find housing in the surrounding communities, if it is available, or not moving to the community to take the jobs.

With the younger families—excuse me—coming for these jobs and wanting to have children, the need for qualified day care has also been an increasingly difficult issue for the community. Our current certified day care is filled to capacity, has a waiting list, and there is an increased need for infant care, as several babies have been born over the past 3 years. In some cases, the parents have to choose whether or not to struggle finding a qualified day care or having one parent stay at home to care for the children.

Housing and day care go hand in hand with the community economic development issues for a rural community working to in-

crease the number of businesses, employees, and residents. The housing and day care needs have impacted the majority of our businesses, including agriculture, manufacturing, technology, and the medical center.

So, what are we doing about these issues, and how are we addressing the needs? We have been able to use the empowerment zone programs to provide funding for several of these following projects to address these needs as well as the other additional funding that was available for other programs through the empowerment zone.

Cooperstown has used the zone programs and funds to provide grants for nonprofits within the community: Griggs County Museum and the cold war interpretive site that is being built; the Griggs County Courthouse remodeling; WeeCare day care projects and programs. We established a Cooperstown Community Foundation, the endowment fund, which raised \$100,000 over 2 years to help support nonprofits in the community, and the Griggs County EDC utilized funds to help with community work force training. The city of Cooperstown used funds from the empowerment zone to help with updating their infrastructure and emergency service equipment and training.

Many local businesses have utilized the loan programs to help grow and expand their businesses, purchase equipment, provide training dollars, and more. We have also leveraged those funds with other Federal funds and USDA rural development funds: Cooperstown has secured three different Rural Business Opportunity Grants for technical assistance, business training—or business planning—excuse me—strategic planning, and helping entrepreneurs in starting businesses. They have also secured a Rural Business Enterprise Grant in partnership with the Center for Innovation that supports businesses who need marketing assistance, technical and business planning, and feasibility studies. Cooperstown is currently partnering with the Eastern Dakota Housing Alliance to build an income-qualified home using the Federal HOME funds and private donations.

As far as the use of North Dakota funds to, again, leverage funding from the empowerment zone, several businesses were able to secure interest buy-down in the PACE and Flex-PACE programs from the Bank of North Dakota, and they have provided work force training funds to enhance the work force development; there have been various grants that were provided for tourism infrastructure, marketing and Web site development, and day care equipment, and so much more.

Community success is hard to measure, but we have seen some very positive things happening in Cooperstown and some of the surrounding communities over the past few years. For Cooperstown, there have been several new businesses started, including an information technology company, several retail businesses, an expansion at one of the manufacturing companies, and a new manufacturing company. We have experienced a number of new employees at local businesses and have welcomed retirees moving back to the community. The City has diligently worked to maintain or expand the infrastructure, including new water and sewer lines, an updated lighting system, and road work that will be completed this

next summer, updated water plant, and soon-to-be-completed drain system around the community to address the higher water table.

There are two new homes being built in Cooperstown this year, including one being built by a farmer who is moving into the community and one being built as the community partnership home.

The EDC has also begun working on a 16-unit RV park and campground to be completed this coming summer, which will be available for the construction crews coming into the area over the next several years due to the expansion of the oil pipeline, a water pipeline construction project, and additional wind farm construction activity, just to name a few.

Our tourism opportunities continue to increase for our community, county, and region with the opening of the Oscar 0 site, possible expansion of our community of the Sheyenne River National Scenic Byway, and the development of a dinosaur dig in our county.

Additionally, the smaller communities in our county are also experiencing growth. Binford has been able to secure new buyers for their cafe, a new owner for their grocery store, a new building for a local insurance agent, a large expansion of a construction company's building, and the reopening of their fish plant. Hannaford was the recipient of a large USDA grant in loan and CDBG funds to update their water and sewer infrastructure, and also experienced a large Department of Transportation project that replaced the overpass going into the community. And they've updated and paved all the roads in the community. They are continuing to work on remodeling of their school which is no longer being used as a school building, and have secured grants from the empowerment zone and from USDA to help with this project. The building will be remodeled into offices and conference rooms for training in the community.

As you can see, we have some great things happening that directly impact the economies of our local communities, which is very good. However, we continue to struggle with out-migration issues, housing and day care issues, and the need to improve the services and quality-of-life aspects to encourage visitors and employees to choose to stay here. The ultimate goal will be to increase the population to a number that can support the basic services and businesses, and we are not there yet, but we are definitely beginning to show positive improvement.

Thank you.

[The prepared statement of Ms. Meidinger follows:]

**Testimony for Senate Budget Committee Hearing
November 13, 2009
Cooperstown, North Dakota**

Community Economic Development

Senator Conrad, other members of the Committee, and guests to this hearing, my name is Becky J Meidinger. I am currently the Development Specialist for the Cooperstown-Griggs County Economic Development Corporation, serving the community of Cooperstown and businesses within Griggs County. I am also a member of the executive board for the South Central Dakota Regional Council, which serves a nine-county region whose focus is community economic development and also a member of the board of the Economic Development Association of North Dakota, whose focus is to educate and connect developers throughout the state, addressing community economic development issues and programs. Through my board affiliations and my position for Cooperstown-Griggs County, I have a good understanding of the community economic development issues and projects that our local community, the region and the state are addressing. My focus today will be to bring awareness of the local community economic development projects and touch on some regional issues.

Our top industry in North Dakota is agriculture, followed closely by tourism. Our region is a prime location for agriculture, and our tax base for Cooperstown and Griggs County depends on our farmers and the agricultural businesses located here. We are also fortunate to be a key location for several manufacturing companies, both large and small, which enables our economy to be somewhat diverse. Additionally, we are beginning to capitalize on tourism opportunities for our county and region, particularly with the newest state historic site, the Oscar 0 minuteman missile facility. Cooperstown is also the location for the Cooperstown Medical Center, which is one of the largest employers within the county, and a strong community asset.

In order to understand what is happening with regard to jobs and the economy in our rural communities we need to understand that many of our economic successes or failures depend on the leaders and entrepreneurs within our communities, and how willing they are to take the risks necessary to be proactive rather than reactive. Economic development in rural communities cannot take place unless community development is happening at the same time; that without support from the community leaders, businesses will not succeed and grow. Fortunately, we have the leadership in place that supports successful start up businesses and expansion from existing businesses, which has in turn spawned other business ventures and opportunities for the community and county. While the rest of the country has been struggling with high unemployment rates, plant closures and a major downturn in their economies, North Dakota has been able to show a considerable budget surplus and has the lowest unemployment rate in the nation. However, in our rural communities, in Cooperstown, we are beginning to see the impact of the economic downturn.

I recently spoke to two of our manufacturing companies, and they have had some negative impacts from this which have included some layoffs (three full-time people lost their jobs), and others have been cut back on hours as much as 50%. They are beginning to see an increase in sales, but one of the companies stated that if they didn't have their international sales, they would have had to close up shop. The differences in the euro and dollar have impacted their sales considerably. Due to the weather constraints, the farmers in the area have struggled to get their crops off the fields and that in turn has affected numerous local agricultural businesses and retail and service businesses.

The Cooperstown Medical Center has been fortunate in hiring two new doctors and another nurse practitioner, bringing up their local provider total to five. Through outstanding fiscal management and being able to develop a hospital district for the county, they were able to positively impact their bottom line and have been able to raise some of the wages for their employees as a result. They have also noticed an increase in the number of clients being seen, which also helps their bottom line.

Some of the issues we deal with in rural communities, especially in rural North Dakota, are our aging population and outmigration of our younger adults. Our state has one of the eldest populations in the nation per capita, but a low unemployment rate. Many of our elderly are continuing to work well past retirement age, many times because there are no other workers to do the jobs. This is especially true in the farming community. Many of the larger farmers need to hire help to work their fields and find it very difficult to hire qualified people who want to work, so they continue to engage "retired" farmers to help during the critical periods of planting and harvesting. There is a need for workers in these areas, but many of the local workers are not capable of driving the large farming equipment, or have no desire to work the long hours or "get their hands dirty" doing these types of jobs. Some farmers are choosing to access the agricultural visa immigrants and this brings new people to the rural areas, many of whom are working to secure their green cards so they can stay in our area.

These are also issues for the manufacturers as well. In our rural communities we also have issues securing the services of plumbers, electricians, and HVAC tradesmen, again due to the aging population and many of them being close to retirement age, not wanting to take on large construction projects. Because our school system no longer provides vocational education, it is difficult to encourage students in high school to consider these fields, as they are not exposed to the benefits of working in them during the formative years. There are apprenticeship programs available in the state, but many younger people will choose to move to one of the larger communities to take advantage of these programs as they have more opportunities for the training and monetary advantages in the larger communities.

Our median household income in North Dakota and Griggs County has been rising slowly according to the state data center over the past few years, but is still well below the national average. Programs are available through the workforce training and job service to increase the skill levels of the current workforce and there has been funding available through the state programs to help businesses offer this training, so this has helped increase the wages for the employees and the efficiencies of the company. We still have a long way to go, but are moving in a positive direction.

North Dakota also has an image problem that is very hard to overcome, and is especially difficult in the rural communities. This is a hard perception to overcome, but because of our current, positive state of affairs, we are beginning to see some people willing to take a risk and move here. Within the past several months, we have had some new people move into Cooperstown from other states, including some from the east coast. They have been able to secure jobs here to support their families, but have then had difficulties in finding any type of housing that is suitable for their needs. This leads me into the correlation between community and economic development.

Rural North Dakota has dealt with a housing shortage for many years. In Cooperstown, until this year, we have had no new housing units built (other than one set of three condos) for the previous ten years. Then about three to five years ago, positive things began happening in the community and more jobs were available. Some of the younger couples were having babies and we were

finally starting to grow from within and without. Most people moving into a new community are not willing to purchase a house right away, and they wish to rent. The existing rental units were built during the 1960s, and have not been updated to suit the needs of the new residents. Many of the houses that have been available for sale are in need of total remodeling or were out of the price range of these families. Without suitable housing, these workers have been forced to find housing in the surrounding communities (if it is available) or not moving to the community to take these jobs.

With the younger families coming for these jobs and wanting to have children, the need for qualified daycare has also been an increasingly difficult issue for the community. Our current certified daycare is filled to capacity, has a waiting list and there is an increased need for infant care, as several babies have been born over the past three years. In some cases, the parents have to choose whether or not they can afford to struggle finding qualified daycare or having one parent stay home to care for the children. Housing and daycare go hand in hand with the community economic development issues for a rural community working to increase the number of businesses, employees and residents. The housing and daycare needs have impacted the majority of our businesses, including agriculture, manufacturing, technology and the medical center.

What are we doing about these issues, and how are we addressing the needs?

Use of Empowerment Zone programs to provide funding for these issues:

Cooperstown has used the Zone programs and funds to provide grants for nonprofits within the community – Griggs County Museum and the Cold War Interpretive Center; Griggs County Courthouse remodeling; WeeCare Daycare projects and programs; Established the Cooperstown Community Foundation, an endowment fund, which raised \$100,000 over two years to help support nonprofit programs; Cooperstown-Griggs County EDC utilized funds to help with community training; the city of Cooperstown used funds to help with updating their infrastructure and emergency service equipment and training.

Local businesses have utilized the loan programs to help grow and expand their businesses, purchase equipment, provide training dollars, and so much more.

Use of Federal and USDA funds:

Cooperstown has secured three different Rural Business Opportunity Grants for technical assistance, business planning, strategic planning and helping entrepreneurs in starting businesses. They have also secured a Rural Business Enterprise Grant in partnership with the Center for Innovation that is supporting businesses who need marketing assistance, technical and business planning assistance and feasibility studies.

Cooperstown is currently partnering with the Eastern Dakota Housing Alliance to build an income-qualified home using the federal HOME funds and private donations.

Use of North Dakota funds:

Several businesses have secured interest buydown PACE and Flex-PACE loans using the partnership with the local EDC group; workforce training funds for enhancing workforce development; grant funds for various nonprofit groups for tourism infrastructure, marketing and website development and daycare equipment, and so much more.

Community success is hard to measure, but we have seen some very positive things happening in Cooperstown and some of the surrounding communities over the past few years. For Cooperstown, we have supported several new businesses, including an information technology company, several

retail businesses, an expansion at one of the manufacturing companies and a new manufacturing company. We have experienced an increased number of new employees at local businesses, and have welcomed some retirees moving back to the community. The city has worked diligently to maintain and/or expand their infrastructure, including new water and sewer lines, an updated lighting system and road work that will be completed this next summer, updated water plant, and soon to be completed drain system around the community to address the high water table.

There are two new homes being built in Cooperstown this year, including one being built by a farmer who is moving into the community and one being built as the community partnership home. The EDC has also begun working on a 16 unit RV park and campground to be completed this coming summer, which will be available for the construction crews coming into the area over the next several years for expansion of the oil pipeline, a water pipeline construction project by Garrison Diversion, and additional wind farm construction activity just to name a few. Our tourism opportunities continue to increase for our community, county and region with the opening of the Oscar 0 site; possible expansion to our community of the Sheyenne River National Scenic Byway; and the development of a dinosaur dig in our county.

Additionally, the smaller communities in our county are experiencing growth as well. Binford has been able to secure new buyers for their café, a new owner for their grocery store, a new building for a local insurance agent, a large expansion of a construction company's building, and the reopening of their fish plant.

Hannaford was the recipient of a large USDA RUS grant/loan and CDBG funds to update their water and sewer infrastructure and also experienced a large ND Dept. of Transportation project that replaced an overpass going into the community, and updated and paved all the roads in the community. They are continuing to work on remodeling of their school which is no longer being used as a school building, and have secured grants from the Empowerment Zone and from USDA to help with this project. The building will be remodeled into offices and conference rooms that can be used for training of workers or open to the community.

As you can see, we do have some great things happening that directly impact the economies of our local communities, which is a very good thing. However, we continue to struggle with outmigration issues, housing and daycare issues, and the need to improve the services and quality of life aspects to encourage visitors to choose to stay here. The ultimate goal will be to increase the population to a number that can support the basic services and businesses, and we are not there yet, but we are beginning to show positive improvement.

The CHAIRMAN. Great. Thank you very much for that testimony. My intention is to have each of the witnesses testify and then we'll go back to questions for the entire panel, and then open it up for others who are here who might want to testify on the subject of the hearing.

We'll next go to Beth Burge, and Beth will be speaking about the history and performance of the Griggs-Steele Empowerment Zone, including how the \$17.7 million in Federal funding has been used, and how grants and loans have helped to save and create jobs in the region.

Welcome, Beth.

Ms. BURGE. Thank you.

The CHAIRMAN. And please proceed.

STATEMENT OF BETH BURGE, CHIEF OPERATING OFFICER, GRIGGS-STEELE EMPOWERMENT ZONE

Ms. BURGE. Good morning and welcome to all of you. As Senator Conrad indicated, since the inception of the empowerment zone in Griggs and Steele Counties, we have been allocated \$17.7 million

over the last 11 years, for an annual funding of approximately \$1.6 million per year. We've actually drawn \$17.6 million and have a balance remaining of just a little over 100,000.

Of the total funds drawn, approximately 14 percent has been used for the administration of the empowerment zone, with 43 percent being used for the revolving loan fund program, 14 percent for the equity fund program, and 29 percent being used for grant projects and other programs, including community reimbursements; business retention, expansion, and targeted recruiting; programs aimed at enhancing and developing housing; health care; renewable energy; tourism and recreation; and food processing and value-added agriculture within the zone. These programs and strategies were developed by the empowerment zone to help achieve its mission to increase population while maintaining rural values and lifestyles, to enhance community facilities and services to support revitalization, to end out-migration, and to invigorate and diversify the economy.

As GSEZ faced the end of its funding designation, originally scheduled for December of 2008, it was agreed that the empowerment zone would have to narrow its strategies and focus on creating and expanding business activity in the zone, while focusing on its own sustainability. Therefore, the work plan for 2009 primarily focused on providing loans and equity investments to businesses and organizations within the zone. The work plan also called for continued support of the community coordinator program, which has been a very successful way to improve the link between the zone and the communities. We currently help fund four coordinators representing seven zone communities.

Plans for a reduction of staff and administrative costs were also implemented during the last half of 2008. With a reduced staff and budget, additional policies and procedures were implemented which place greater responsibility for executive authorization and decisionmaking on the board of directors, with increased reliance on the professional expertise and guidance from its Loan and Investments Committees, which are made up of local community volunteers.

Toward the end of the first quarter this year, we received the good news that we would receive additional funding through the Federal Omnibus Budget of approximately \$951,000. It was nearly half-way through the year before we could access these funds. So, one of the challenges we faced was that funds had to be drawn by December 31st of this year. In an effort to stimulate the zone's regional economy and to ensure that we would draw our funds by the 12/31 deadline, the empowerment zone offered loan funds at a special, reduced rate.

Needless to say, our focus in the last 5 months was on evaluating and processing several loan applications, but by the end of September of this year, the board had approved nine new loans totaling \$875,000, leveraging nearly twice that much in local bank loans, private investments, owner contributions, funds from the North Dakota Development Fund, interest buy-downs from the Bank of North Dakota with matching interest buy-downs from local EDCs and JDAs. Roughly half of these loans were for new businesses in the zone, with the remainder for expansion of existing

businesses. In addition, these loans will help to create over 20 new jobs and will help to retain approximately 15 jobs in the empowerment zone region.

Since facts and figures and general overviews rarely hit home or make their point, at this time we want to share some highlights of a few projects specifically in Griggs County which the empowerment zone helped to fund.

To meet the continuous nursing shortage in rural North Dakota, the State Board of Nursing approved the offering of a Practical Nursing Program at Cooperstown Medical Center. This program provided an opportunity for CNAs employed at the medical center to attend the nursing program without leaving the area or their current job. By partnering with Lake Region State College and the empowerment zone, they were able to begin the training in August of 2008, and it ran for two semesters. I've shown six graduates, three of whom are still employed as LPNs at the medical center in Cooperstown.

On July 26th of 2006, the city of Binford was dealt a horrific blow when their only grocery and hardware store was destroyed by an intense fire. The loss of this business to this community of 200 people was devastating. Known as "Little Wal-Mart" to locals, it was a staple to many in the community, including elderly and those without transportation means. The store was also a major contributor to the Binford economy. Learning that the business owners did not intend to rebuild spurred Binford leaders and community members into action. Through numerous fund drives, they raised nearly \$200,000 in donations from residents, school alumni, and neighboring communities. With a \$50,000 grant from the empowerment zone and a \$50,000 grant from South Central Dakota Regional Council, it happened. And almost a year after the date that the store was destroyed, a new Binford Grocery & Hardware store was open for business.

To run the store, an agreement was reached with a grocer from Casselton who leases the building from the EDC and operates the business. Empowerment zone loan funds were also provided to purchase equipment and inventory for the store. Today, the store employs four people and boasts a sales increase of 5 percent for this year.

Providing day care facilities in the zone was also another major project. And cities in Binford, Cooperstown, and Hope all received empowerment zone help to provide the much-needed day care.

Early on, communities in the zone recognized the need for developing and improving infrastructure in the area in order to facilitate business development. Approximately \$632,000 of empowerment zone funds, leveraged with an additional 600,000, was used to provide water, sewer, and roads to create or improve industrial parks in the communities of Cooperstown, Finley, and Hope. The empowerment zone has used nearly \$1.5 million of its Federal funds for the construction of new buildings and for the remodeling and renovation of existing buildings to support new or expanding businesses in the communities of Hannaford, Cooperstown, Binford, Hope, and Finley.

One such example was by Dynamics 360, and when their company grew and needed a place to expand, they came to the em-

powerment zone and received help through the loan fund so they could build a new building here in Cooperstown. This expansion helped to create four and a half new positions and helped to retain ten and a half existing employees.

The Posi Lock group of companies currently employs 63 persons in Griggs County.

One of the major projects undertaken by the empowerment zone in 2006 and 2007, together with leadership from Cooperstown-Griggs EDC, was in constructing a 21,000-square-foot industrial building here in the city of Cooperstown. With infrastructure provided by the city of Cooperstown, the empowerment zone used approximately \$267,000 of its own revolved funds from its revolving loan program to match a \$250,000 USDA RBEG. An additional \$770,000 was leveraged in loans from a local bank and other economic development agencies to complete the project.

The industrial building was designed to provide available industrial space for new or expanding primary sector businesses. Today, the building is home to Yuletide Expressions and Prairie Innovators.

One of our immediate challenges faced by the empowerment zone today is finding additional tenants to occupy the building in order to offset the building operation cost and its debt service. Other challenges today include working with existing businesses of which we have loans and equity investments. While one of our goals is to help secure repayment to the empowerment zone, our main goal is to help these businesses remain viable.

To cite an example of an existing business which we continue to work with, I'd like to share the story of Binford Eagle Fisheries in Binford. When the marketing director for an upper fish producer cooperative in Binford was contacted by a Canadian fish marketer, Binford Eagle Fisheries was born. The company fillets mullets and ships to a buyer located in New York. The company in New York was unable to secure enough kosher mullet fillets to fill their market demand. Binford Eagle Fisheries had all the components they needed to get their company up and going strong. With a supplier, buyer, and an experienced fish marketer, the processing plant was ready to proceed. With the help of empowerment zone funds, Binford Eagle Fisheries was able to get the ball rolling.

Binford Eagle Fisheries has the capacity to fillet up to 50,000 pounds of fish a week, but they have had some difficulties with their previous supplier, but they hope to have secured a new supplier and are expecting to be in full production mode in the near future. Binford Eagle Fisheries is able to attract a number of temporary employees right from their local area, as a number of stay-at-home moms are eager to work on a seasonal basis during the school year.

With the challenges we're continually faced with, I've been reminded that it is important to celebrate accomplishments along the way. Although Keith Monson plans to testify on behalf of M-Power, I would like to emphasize that through the empowerment zone resources and its technical assistance, the empowerment zone and Griggs/Steele Wind Development Group were instrumental in forming M-Power, LLC, the local wind energy development company.

With the recent success of M-Power in selling its two construction-ready projects, some people might be thinking why didn't the empowerment zone invest more of its funds in M-Power, which could have perhaps ensured its sustainability. But a big part of M-Power's success was obtaining buy-in and support for this project from the local communities and investors. These local investors literally became advocates, Ambassadors, fund raisers, negotiators, and managers for this project. Without their commitment and support, this project may never have succeeded.

Griggs-Steele Empowerment strives to make the zone a better place to live and work. I think these projects help to show how empowering the citizens of a community, leveraging empowerment zone funds with other local and regional funds, and working together all contribute to the success of a particular region.

On behalf of the Griggs-Steele Empowerment Zone, we'd like to thank you, Senator Conrad, for your past support, and we ask that you continue to support our cause, as we strive toward achieving our mission and working toward sustainability, so that our vision for a future where our friends and children no longer have to leave in order to make a satisfying life for themselves can truly be realized.

Thank you.

[The prepared statement of Ms. Berge follows:]

**Testimony on behalf of Griggs-Steele Empowerment Zone
by Beth Berge, Chief Operating Officer**

**prepared for
Senator Kent Conrad, Chairman
United States Senate Budget Committee Hearing
On Job Creation and Growing the Economy in Griggs County**

**Cooperstown City Hall
Cooperstown, North Dakota
November 13, 2009
10:00 a.m.**

My name is Elizabeth H. Berge (a.k.a. Beth Berge). I am employed as Chief Operating Officer of Griggs-Steele Empowerment, Inc., and also serve as Treasurer on the Board of M-Power, LLC. I live in rural Cooperstown at 11811- 3rd Street Southeast.

Since its inception in 1999, the Griggs Steele Empowerment Zone (GSEZ) has been allocated nearly \$17.7 million in federal funds over the past 11 years, for an average annual funding of approximately \$1.6 million, with funding for some years substantially higher than average and funding for recent years much lower than average. Actual funds drawn to date by GSEZ total approximately \$17.6 million, with a balance remaining of just over \$100,000 left to draw.

Of the total funds drawn, approximately 14% has been used for administration of GSEZ, with 43% being used for the revolving loan fund program, 14% for the equity fund program, and 29% being used for grant projects and other programs including community reimbursements; business retention, expansion, and targeted recruiting; and programs aimed at enhancing and developing housing, healthcare, renewable energy, tourism & recreation, and food processing & value-added agriculture within the Zone. These programs and strategies were developed by GSEZ to help achieve its mission to increase population while maintaining rural values and lifestyles, to enhance community facilities and services to support revitalization, to end out-migration and to invigorate and diversify the economy.

As GSEZ faced the end of its funding designation, originally scheduled for December 2008, it was agreed that GSEZ would have to narrow its strategies and focus on creating and expanding business activity in the Zone, while focusing on its own sustainability. Therefore, the work plan developed for 2009 primarily focused on providing loans and equity investments to businesses and organizations within the Zone. The work plan also called for continued support of the community coordinator program which has been a very successful way to improve the link between the zone and the communities. We currently help fund four coordinators representing seven Zone communities.

Plans for the reduction of staff and administrative costs were also implemented during the last half of 2008. With a reduced staff and budget, additional policies and procedures were implemented which place greater responsibility for executive authorization and decision making on the Board of Directors, with increased reliance on the professional expertise and guidance from its Loan and Investment Committees, made up of local community volunteers.

Towards the end of the first quarter this year, we received the good news that additional funding for empowerment zones had been allocated through the federal omnibus budget, with approximately \$951,000 being allocated to GSEZ. It was nearly half way through 2009, however, before we could access these funds. One of the challenges we faced was that funds had to be drawn by 12/31 of this year. In an effort to help stimulate the Zone's regional economy and to ensure that GSEZ would draw its funds by the 12/31 deadline GSEZ offered loan funds at a special, reduced rate.

Needless to say, our focus in the last five months has been on evaluating and processing several loan applications. By the end of September 2009, the Board had approved nine new loans totaling \$875,000, leveraging nearly twice that much in local bank loans, private investments, owner contributions, funds from North Dakota Development Fund (NDDF), interest buy down funds from Bank of ND with matching interest buy downs from local Economic Development Corporations (EDCs) and Job Development Authorities (JDAs). Roughly half of these loans are for new businesses in the Zone, with the remainder for expansion of existing businesses. In addition, these loans will help to create over 20 new jobs and will help to retain approximately 15 jobs in the Empowerment Zone Region.

Since facts, figures, and general overviews rarely “hit home” or make their point, at this time, I would like to share some highlights of a few projects in Griggs County which GSEZ helped to fund.



COOPERSTOWN MEDICAL CENTER PRACTICAL NURSING PROGRAM

To meet the continuous nursing shortage in rural North Dakota, the ND State Board of Nursing approved the offering of a Practical Nursing Program through the Dakota Nursing Program at Cooperstown Medical Center (CMC). This program provided an opportunity for CNAs employed at CMC to attend the Nursing Program without leaving the area or their current job. By partnering with Lake Region State College and GSEZ, they were able to begin the training in August of 2008, which ran for two semesters. Pictured above are the six graduates from the program, three of whom are now employed as LPNs at CMC.

BINFORD ~ Grocery Store & Hardware



On July 26, 2006, the city of Binford was dealt a horrific blow when their only Grocery/Hardware Store was destroyed by an intense fire. The loss of this business to this community of 200 people was devastating. Known as "Little Walmart" to locals, it was a staple to many in the community including elderly and those without transportation means. The store was also a major contributor to the Binford economy.

Learning that the business owners did not intend to rebuild spurred Binford leaders and community members into action. Through numerous fund drives, they raised nearly \$200,000 in donations from residents, school alumni, neighboring communities, and others. With a \$50,000 grant from GSEZ, a \$50,000 grant from South Central Dakota Regional Council, and various other smaller grants and donations, it happened. Almost a year to the date after the store was destroyed, the new Binford Grocery & Hardware store was open for business.

To run the store, an agreement was reached with a grocer from Casselton who is leasing the building from the Binford EDC and operating the business. GSEZ loan funds were also provided to purchase equipment and inventory for the store. Today, the store employs four people and is boasting a sales increase of 5% for this year.

Daycare in the Zone

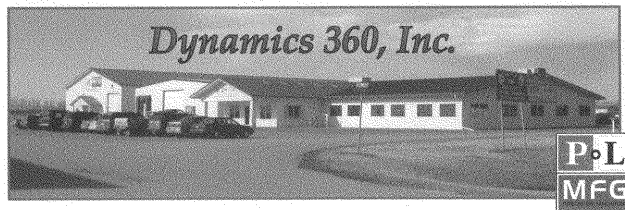


Wee Care/Tots Landing/Hope Early Learning Center Licensed Daycare Providers

The Griggs-Steele Empowerment Zone has been instrumental in providing licensed daycare to families in several Zone communities. With funds from GSEZ, the Cooperstown Community Activities Authority, the Binford EDC and the Hope Early Learning Center Corporation were able to establish and retain much needed daycare centers in each of their communities. Through the creation of **Wee Care** in Cooperstown, **Tots Landing Daycare and Preschool** in Binford and the **Hope Early Learning Center** in Hope, several new jobs have been created which include licensed childcare employees. Quality daycare, educational programming, health screening and recreational activities are provided to the children who are enrolled.

In rural areas, quality childcare is very limited but still a vital service needed to keep young families with small children from leaving their community. Through both technical and financial assistance from GSEZ, these communities are able to meet the childcare demands of current residents and utilize these services as a marketing tool to attract more young families to their communities.

Early on, communities in the Zone recognized the need for developing and improving infrastructure in their areas in order to facilitate business development. Approximately \$632,000 of empowerment zone funds, leveraged with an additional \$600,000, was used to provide water, sewer, and roads to create or improve industrial parks in the communities of Cooperstown, Finley, and Hope. GSEZ also used nearly \$1.5 million of its federal funds for the construction of new buildings and for the remodeling and renovation of existing buildings to support new or expanding businesses in the communities of Hannaford, Cooperstown, Binford, Hope, and Finley. An example of how empowerment zone funds were used to construct a building for an expanding business is Dynamics 360, Inc.

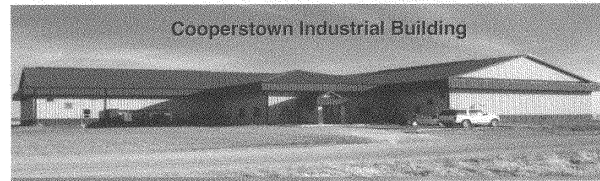


Beginning in the 1970s with the invention of the Posi Lock Puller, the manufacturing company, Posi Lock Puller, Inc. was established in McHenry, ND. Following a fire in 1984 the business relocated to Cooperstown where it remains today. Throughout the years, Posi Lock continued to grow and succeed. This success led to the formation of two other businesses, Dynamics Marketing, Inc. (DMI) and Dynamics 360.

Dynamics 360, Inc. was established in 1992 to assist inventors and entrepreneurs in developing prototypes, business plans, market research and patent protection. It consists of three divisions: market research and consulting, sales, and manufacturing.

PL MFG, the manufacturing division, was established in 1998--initially to manufacture components for the Posi Lock Puller. But to make it more feasible and profitable they began performing custom machine work. At first, PL MFG occupied space in the existing Posi Lock Puller building; but as their success grew, more space was needed. They made the decision to pursue funding for a two-phase expansion project involving the construction of a 15,840 square foot facility. Utilizing the GSEZ Revolving Loan Fund to help finance the construction, the first phase of the project was completed in 2001. Phase II was completed in 2004. The result of this expansion was the creation of 4.5 new positions and the retention of 10.5 existing employees. The Posi Lock group of companies currently employs 63 persons in Griggs County.

One of the major projects undertaken by GSEZ in 2006-2007, together with leadership from Cooperstown/Griggs EDC, was in constructing a 21,000 square foot industrial building in the city of Cooperstown. With infrastructure provided by the City of Cooperstown, GSEZ used approximately \$267,000 of its own revolved funds from its revolving loan program to match a \$250,000 USDA Rural Business Enterprise Grant. An additional \$770,000 was leveraged in loans from a local bank and other economic development agencies to complete the project.



The industrial building was designed to provide available industrial space for new or expanding primary sector businesses. Today the building is home to Yuletide Expressions and Prairie Innovators. Yuletide Expressions manufactures and distributes "America's #1 Aluminum Christmas Trees." These trees rekindle the nostalgia of seasons past and are eco-friendly today, as they are made of 100% recyclable materials. Prairie Innovators is a new company that is gearing up to manufacture and sell the "Bow Trainer."

Developed by a North Dakota native practicing physical therapy, the Bow Trainer's purpose is two-fold. It can be used by patients recovering from shoulder injuries and by bow hunters to improve their strength and accuracy, plus it can help train and strengthen those hunters who are physically challenged. One of the immediate challenges faced by GSEZ in today's economy is finding additional tenants to fully occupy the building in order to offset the costs of building operations and debt service.

Other challenges include working with existing businesses of which we have loans and equity investments. While one of our goals is to help secure repayment to GSEZ, our main goal is to help these businesses remain viable. To site an example of an existing business which we continue to work with, I'd like to share the story of Binford Eagle Fisheries.

BINFORD EAGLE FISHERIES

The marketing director for an upper Midwest aquaculture producer's cooperative located in Binford was contacted by a Canadian fish marketer that had a buyer on the East coast for a fresh water fish species in Canada called mullet. Within a year, Binford Eagle

Fisheries started filleting mullet and shipping it to a buyer located in New York. This company was unable to source enough kosher mullet fillets to fill the market demand for their finished product of gefilte fish, which is ground fish, potatoes, carrots and onions and is purchased as a specialty food by the people of Jewish heritage.

Binford Eagle Fisheries had all the components they needed to get their company up and going strong. With a supplier, buyer, and an experienced fish marketing director on board, the processing plant was ready to proceed. With the help of empowerment zone funds, Binford Eagle Fisheries was able to get the ball rolling and start filleting fish. Binford Eagle Fisheries has the capacity to fillet up to 50,000 lbs of fish a week and has also found a market in which to sell its mullet by-products. Although they encountered some difficulties with their previous supplier, they have now secured product with a new vendor and are expecting to be in full production mode in the near future. Binford Eagle Fisheries is able to attract temporary employees right from their local area, as a number of stay-at-home moms are eager to work on a seasonal basis during the school year.

With the challenges we're continually faced with, I've been reminded that it is important to celebrate accomplishments, both big and small, along the way. Although Keith Monson plans to testify on behalf of M-Power, I would like to emphasize that through empowerment zone resources and its technical assistance, GSEZ and Griggs/Steele Wind Development Group were instrumental in forming M-Power, LLC, the local wind energy development company.

With the recent success of M-Power in selling its two "construction ready" projects, some people might be thinking "why didn't GSEZ invest more of its funds in M-Power, which perhaps could have ensured sustainability for GSEZ?" But a big part of M-Power's success was in obtaining the buy-in and support for this project from the local communities and investors. These local investors literally became advocates, ambassadors, fund raisers, negotiators, and managers for this project. Without their commitment and support, this project may never have succeeded.

GSEZ strives to make the Zone a better place to live and work. These projects help to show how empowering the citizens of a community, leveraging empowerment zone funds with other local and regional funds, and working together all contribute to the success of a particular region.

On behalf of the Griggs-Steele Empowerment Zone, we'd like to thank you Senator Conrad for your past support, and we ask that you continue to support our cause, as we strive towards achieving our mission and working towards sustainability, so that our vision for a future where our friends and children no longer have to leave in order to make a satisfying life for themselves can truly be realized.

The CHAIRMAN. Thank you very much, Beth, for your testimony. And we'll go next to Keith Monson. Keith is going to testify, I understand, focusing on the Luverne Wind Farm and the years' long effort of applying for Federal funds and organizing like-minded developers for this project.

Welcome.

Mr. MONSON. Thank you, Senator.

The CHAIRMAN. Please proceed, Keith.

STATEMENT OF KEITH MONSON, PRESIDENT, M-POWER, LLC

Mr. MONSON. Senator Conrad, guests, and fellow zone community members, there's a fact sheet and Warren Enyart's testimony to the PFC up front that go into considerable detail of M-Power. So I'll let that presentation do that.

My name is Keith Monson. I'm Chairman of M-Power.

The CHAIRMAN. Keith, can I just interrupt you for a moment? And we'll make part of the record of the hearing the fact sheet that you have available for distribution.

Mr. MONSON. OK. The supporting documents go into great detail about the recent activities at M-Power and the resulting wind farm at Luverne. What I'll briefly address is the history leading up to the formation of M-Power, and the role the empowerment played in those efforts, and our experience as it relates to policy issues in moving forward.

In the fall of '99, representatives of the Steele County JDA, and the Cooperstown-Griggs EDC informally agreed to research the possibilities of wind-generated electricity in our two-county area. At the urging of Jay Haley of EAPC Grand Forks, several members attended the AWEA Convention in Sioux City, Iowa. Hearing North Dakota mentioned time and time again during the sessions gave us hope that we were indeed on to something. Unashamedly introducing ourselves to anyone who would talk to us led to an after-hours meeting with many of the key power players within the wind industry at that time, including an Under Secretary of Energy who urged us to apply for a grant to put up wind monitoring towers. Kim Christianson of the North Dakota Energy Department pledged matching funds, and once the empowerment zone was officially organized, we approached that entity for an operating loan. It was this combination of funding that launched the first organized wind development group in the Upper Midwest.

Realizing early on that North Dakota tax laws and economic climate were not on a level playing field with Minnesota, the newly formed Griggs/Steele Wind Development Group joined with Jay Haley in conducting meetings with landowner groups, EDCs, and other entities all across North Dakota—the end result of that effort being the organization of about 30 local groups interested in developing wind in their respective areas. About half of those groups then joined together to form WIND (Wind Interests of North Dakota), which acted as a coordinating force in passing legislation in the 2001 North Dakota legislative session, that put North Dakota on a par with Minnesota's incentives at that point in time.

Each of the newly formed groups put up wind monitoring towers. Their wind data, along with their local contact information, was made available on the WIND Web site. As the general knowledge of North Dakota's wind regime became specifically detailed across the state, it wasn't long before the major players in developing wind-powered electricity were all over the place. Those were really exciting times, but the reality of the matter was that the transmission system was theoretically full, and the local utilities did not yet see wind as a viable option. In spite of considerable efforts, no one got anything done for several years.

Then, finally, committed but unused transmission became available. The small projects started to be built and became successful ventures for all involved. It was at about that time that Warren Enyart was hired as CEO of the empowerment zone. His creation of a Renewable Energy Committee, along with an actual budget, gave renewed emphasis to the idea of bringing wind-generation projects to the zone. Still at a disadvantage being long distances from any major transmission lines, it was the community-based idea of the local utilities buying from customers and then selling back to them that got our foot in the door.

As we proceeded forward with the community-based ownership idea, it became evident that the only incentive available—the PTC—was not available to a local group of landowners and investors. The PTC is based on passive income, which for all practical purposes limits its use to very large corporations. It was impossible for us to compete against another project that could utilize the PTC, as the tax credit provides about 30 percent of the return on investment. We are very fortunate that Minnkota stuck with us and that Otter Tail and NextEra decided to buy the project from us, as they have never done that before. Had the 30 percent cash-back option now available been around 2 years ago, we very likely could have realized our original goal of a community-based project.

Moving forward from here, if becoming energy self-sufficient is more than just popular rhetoric, all Americans have to be allowed to participate. Incentives to do so have to be made available to everyone, and not targeted to specific developers or large corporations. Wind-generated electricity, in particular, has the potential to reach whatever level of production the industry can incorporate into their systems. While transmission lines from wind farms to increasing—to increasing loads is important, this will not be the final solution. Incentivized individuals, businesses, and landowner groups can develop distributed generation projects to fit their needs and investment appetites, and incorporate those projects into the existing grid with only moderate upgrades.

Energy-rich states such as North and South Dakota, and Montana need outlets from their existing power grids. Areas of increased electrical growth need a source of supply to their existing systems. Moderate upgrades to the existing grids within the various ISOs, and strategically placed high-voltage lines between the regional ISOs, will go a long way in balancing supply and demand across the whole United States.

Smaller distributed generation projects spread over a large geographical area would also mitigate the boom-and-bust effect of wind either blowing or not blowing, such as happens with large amounts of generation located in one small spot. The RECs served by Minnkota recently announced a surcharge to their customers due to lost income because of depressed merchant prices for electricity in times when the wind was blowing. If that same number of megawatts of generation were spread across the length and width of Minnkota's service area, rather than compressed in two very small locations, including our project, the natural movement of the weather systems through the area would average the electrical output over time. Strategically placed transmission lines between ISOs would further average outputs against usages over entire regions of the United States.

Because of the high capital costs of developing wind farms, significant investors will still be necessary to the success of large community-driven projects. Those prospective investors need to have confidence about the status of the incentives that will affect their return on investments. The incentives, in whatever form they are, need to be extended over longer periods of time to allow for a continuity in development efforts, until other risks, such as third-party system impacts, can be defined and their associated costs adequately—equitably distributed.

On behalf of M-Power, LLC, I want to thank you for this opportunity to provide these observations relative to economic development and the role played by wind power.

Thank you.

[The prepared statement of Mr. Monson follows:]



Cooperstown, ND - Nov. 13, 2009

RE: Progress Report to Senator Conrad's Budget Committee Hearing

Senator Conrad, guests, and fellow Zone Community Members

Please find enclosed in the packet being handed out a "Fact Sheet" offering details about the Luverne area wind project, and Testimony given by Warren Enyart at a ND Public Service Commission hearing.

My name is Keith Monson, I'm Chairman of M-Power. The supporting documents go into great detail about the recent activities of M-Power and the resulting wind farm project at Luverne. What I will briefly address is the history leading up to the formation of M-Power, the role the Empowerment Zone played in those efforts, and our experience as it relates to policy issues.

In the fall of 99' representatives of the Steele County JDA, and the Cooperstown/Griggs EDC informally agreed to research the possibilities of wind generated electricity in our two County area. At the urging of Jay Haley of EAPC, several members attended the AWEA Convention in Sioux City, Iowa that fall. Hearing ND mentioned time after time during the sessions gave us hope that we were indeed on to something. Un-ashamedly introducing ourselves to anyone who would talk to us, led to an afterhours meeting with many of the key players within the industry, including an Under Secretary of Energy who urged us to apply for a grant to put up wind monitoring towers. Kim Christianson of the ND Energy Dept. pledged matching funds, and once the Empowerment Zone was officially organized, we approached that entity for an operating loan. It was this combination of funding that launched the first organized wind development group in the Upper Midwest.

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As each of the newly formed wind development groups put up wind monitoring towers, their wind data, along with their local contact information, was made available on the WIND web site. As the general knowledge of North Dakota's wind regime became specifically detailed across the State, it wasn't long before the major players in developing wind- powered electricity were all over the place. Those were really exciting times, -- but the reality of the matter was that the transmission system was theoretically full, and the local utilities did not yet see wind as a viable option. In spite of considerable efforts, no one got anything done for several years.

Then finally, - committed - but unused transmission became available, and small projects started to be built and became successful ventures for all involved. It was about that time that Warren Enyart was hired as CEO of the Zone. His creation of a Renewable Energy Committee, along with an actual budget, gave renewed emphasis to the idea of bringing wind-generation projects to the Zone.

Still at a disadvantage by being long distances from any major transmission lines, it was the Community Based idea of the local utilities buying from customers and then selling back to them, that got our foot in the door. As we proceeded forward with the Community Based Ownership idea, it became evident that the only incentive available - the PTC - was not available to a local group of landowners and investors. The PTC is based on passive income, which for all practical purposes limits its use to very large corporations. It was impossible for us to compete against another project that could utilize the PTC, as the tax credit provides about 30% of the return on investment. We are very fortunate that Minnkota stuck with us, and that Otter Tail and NextEra decided to buy the project from us, as they have never done that before. Had the 30% cash back option now available been around two years ago, we very likely could have realized our original goal of a community-based project.

Moving forward from here, if becoming energy self-sufficient is more than just popular rhetoric, all Americans have to be allowed to participate. Incentives to do so have to be made available to everyone, and not targeted to specific developers or large corporations.

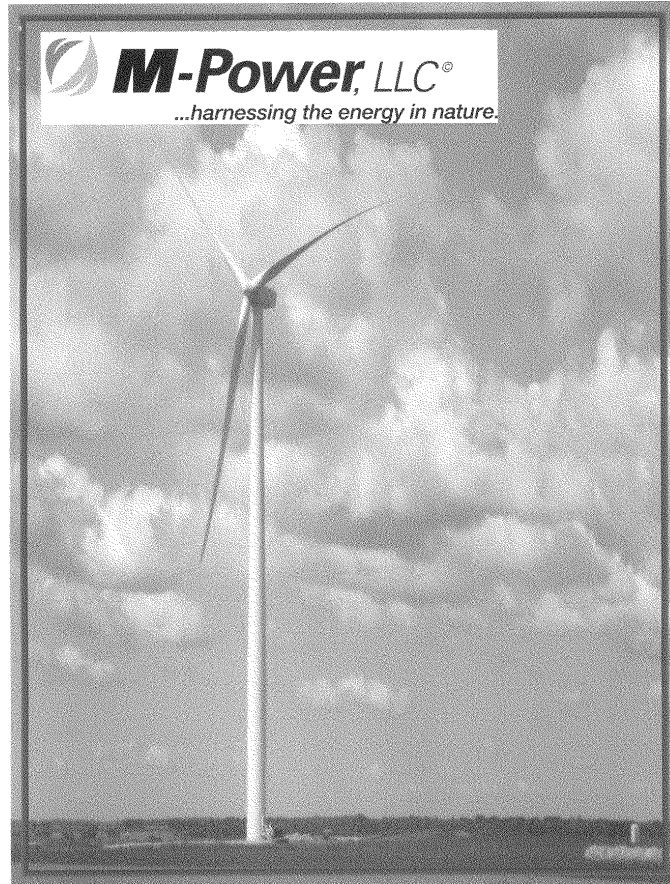
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Because of the high capital costs of developing wind farms, significant investors will still be necessary to the success of large community-driven projects. These prospective investors need to have confidence about the status of incentives that affect the returns on investments. The incentives in whatever form, need to be extended over longer periods of time to allow for a continuity of development efforts, at least until other risks, such as third party system impacts can be defined and their associated costs equitably distributed.

On behalf of M-Power, LLC, I want to thank you for the opportunity to provide these observations relative to economic development, and the role of wind power from North Dakota.





**FACTS PERTAINING TO THE
 LUVERNE WIND FARM
 October 27, 2009**

PARTICIPATING LANDOWNERS AND INVESTORS

1. The Luverne Footprint contains 27 Sections in Steele County, and 5 Sections in Griggs County, for a total of 32 contiguous sections. This footprint was selected, from among several others, by M-Power, LLC based upon its wind resource and proximity to a potential grid interconnection point. After the footprint was selected, but before any specific turbines sites had been determined, M-Power, LLC conducted a number of public meetings, explaining the potential opportunities and risks known at that time. Subsequent to those meetings, all landowners in the footprint were contacted personally and provided the opportunity to participate in the project by giving M-Power, LLC an option to develop a wind project within the footprint. If not completed in three years, the option would have expired.
2. Those landowners within the Luverne Footprint who granted wind right options to M-Power, LLC joined the project as "participating landowners."
3. Participating landowners hold ownership in M-Power, LLC on the basis of 50 units per quarter section of land under wind right option.
4. There are 60 participating landowners in Steele County and 15 participating landowners in Griggs County for a total of 75.
5. Those participating landowners with facilities on their land receive compensation through one-time payments for damages, and/or annual easement payments for turbine sites.
6. Not all participating landowners have facilities on their lands. However, all owners of M-Power, LLC, whether or not they have facilities on their land, share in the profits of the Company. Profits include those derived from the sale of the Luverne North and South Fields as well as potential future projects that may be developed by M-Power, LLC.

7. All participating landowners in Griggs and Steele Counties with facilities on their land have signed easements.
8. Besides the 75 landowner-participants who were awarded units of ownership in M-Power, LLC, 76 local residents, including some of the landowners, have invested cash in M-Power, LLC. In addition to the private investors, the Griggs/Steele Wind Development Group, which is made up of representatives of the Cooperstown/Griggs County Economic Development Corporation and the Steele County Jobs Development Authority, together with the Griggs-Steele Empowerment Zone, provided the initial capital and technical expertise for the project development. These private and public investors represent respectively, the terms "locally owned" and "community-based" in the original reference to the Luverne Wind Farm; a locally owned, community-based, wind farm.
9. M-Power, LLC has sold its interests in the Luverne North Field to Otter Tail Power Company as a "Construction Ready" project.
10. On July 9, 2009, M-Power, LLC has also sold its rights to the Luverne South Field to Ashtabula Wind II, LLC, a subsidiary of NextEra Energy Resources, LLC, formerly FPL Energy, as a "Construction Ready" project.

FACILITIES

1. The Otter Tail Power Company Project in the Luverne North Field contains 33 turbines, all of which are located in Steele County.
2. The Ashtabula Wind II, LLC Project in the Luverne South Field contains 80 turbines, 31 of which are located in Griggs County and 49 in Steele County.
3. Each of the 113 turbines (General Electric XLE Models) in the Luverne Footprint is rated at 1.5 megawatts (MW). The turbines will begin to generate energy at wind speeds of 7.8 miles per hour and will reach their rated full output of 1.5 MW at a wind speed of 32.5 miles per hour. The turbines are designed to operate in wind speeds up to 56 miles per hour before shutting down automatically.
4. The North Field is rated to produce a maximum of 49.5 MW.
5. The South Field is rated to produce a maximum of 120 MW.
6. The annual output of the North and South Field is based upon a carefully calculated "net capacity factor" (NCF). This takes into account the times that the wind is not strong enough, or too strong, to turn the turbines. It also includes anticipated down times for scheduled and unscheduled

maintenance. The anticipated NCF for the Luverne Wind Farm is comparable to the Buffalo Ridge in Minnesota and the Langdon Wind Farm in Cavalier County.

7. The dimensions of the concrete base upon which the turbine tower is anchored are unique to each location, based upon geotechnical data at that particular site. On average, the bases are 48 feet in diameter and 8-9 feet deep. Each foundation contains 320-400 cubic yards of concrete and about 19,000 pounds of steel reinforcing rods.
8. The turbine towers are made of sections of rolled and welded steel. It is 262 feet from the top of the foundation to the center of the hub.
9. The Federal Aviation Administration requires a red navigation warning light to be affixed at the top of about 50% of the turbines. These navigation lights will blink on and off simultaneously.
10. The three-bladed rotor has a diameter of 268 feet.
11. The overall height of the turbine from the top of the base to the tip of the blade at its top dead center point is 396 feet.
12. All turbines are located a minimum of 1400 feet from all occupied dwellings, regardless of whether non-participating or participating landowners are involved and regardless of whether any landowner is either inside or outside of the footprint. In addition, all turbines are sited a minimum of 440 feet from existing transmission lines, roads and section lines.
13. About 1.5 acres of land is needed per turbine.
14. No turbines or other facilities are located in wetlands under the jurisdiction of the US Fish and Wildlife Service or the US Army Corps of Engineers.
15. Besides all of the landowner, cultural, and environmental setbacks that were factored into the complex facility layout, each turbine must be located such that its proximity to others will not affect its designed output. In addition, the challenge of siting a wind farm must also take into account prevailing winds, elevation, and many other parameters, with the goal of capturing the most wind from a given footprint, after all other constraints have been considered. Hundreds of millions of dollars of investment capital are dependent upon finding the best balance among these many limiting factors.
16. Several turbines in proximity are grouped together and connected electrically in "strings." Their generation is transmitted via 34.5kV heavily

insulated cable, buried to a minimum depth of 4 feet, to the Collector Substation located adjacent to the Vernon Johnson property, just north of Steele County road #5. This voltage is lower than the 41.6kV overhead transmission lines commonly used by utilities to transmit energy between substations serving rural communities in Griggs and Steele Counties.

17. By June 17, 2009, all Federal, State and Local permits had been secured by M-Power, LLC except the Griggs County Conditional Use Variance Permits and the Griggs County Building Permits. By that time, M-Power, LLC had met all of the conditions for issuance of a Certificate of Site Compatibility for the Luverne South Field by the ND Public Service Commission.
18. On June 30, 2009, the Griggs County Commission held a public input hearing in consideration of variances in the original Conditional Use Permits requested by M-Power for 32 turbine sites and associated access roads in Broadview Township. The Griggs County Commission voted unanimously to reclassify the land under the turbines and roads as "commercial property" and to grant the requested variances, contingent upon the issuance of a Certificate of Site Compatibility by the ND Public Service Commission, whereupon the Griggs County Zoning Administrator would be authorized to issue the Building Permits.
19. On July 7, 2009, the ND Public Service Commission issued its Certificate of Site Compatibility for the Luverne South Field to Ashtabula Wind II, LLC. The Certificate stipulates that turbine number 165, which was proposed to be located 2274 feet from a Bed and Breakfast establishment just outside of the Luverne Footprint in Griggs County, must be placed at an alternative site.
20. On July 9, representative of Ashtabula Wind II, LLC and its prime contract managers met with the ND Public Service Commission staff, reviewing the requirements of the Certificate of Site Compatibility, related regulations, and construction procedures. Having satisfactorily completed the pre-construction conference, the ND Public Service Commission authorized Ashtabula Wind II, LLC to begin construction on July 9, 2009.
21. Contractors for Ashtabula Wind II, LLC began construction on the Luverne South Field facilities on July 9, 2009.
22. All of the electrical energy generated in the Luverne North and South Fields will be transmitted by the 13-mile 230kV, wood pole "H" frame, Generation Outlet Transmission Line from the Collector Substation to the Pillsbury Substation. Most of the Luverne Generation Outlet Line is located in Steele County, with only 2 miles of it in Barnes County.

23. The noise standards adopted by the Griggs and Steele County Boards of County Commissioners provide for levels not greater than 50 dBA at the nearest occupied residence. Based upon the Acoustic Assessment conducted by Ashtabula Wind II, it was calculated that the 50-dBA standard would not be exceeded at distances of greater than 623 feet from the 1.5 MW turbines. Therefore, per the 1400-foot setback for occupied residences strictly adhered to by M-Power, LLC, the acoustic standard established by the respective Counties will not be exceeded.
24. Ashtabula Wind II performed a shadow flicker impact study to determine potential impact on occupied residences located in or near the project. Shadows cast by moving blades were assessed for all wind turbines located within 1.5 kilometers (0.93 miles) of each occupied residence (receptor). The analysis was based on worst-case conditions for shadow flicker (full sunlight and blades perpendicular to incoming sunlight) so as to estimate the maximum potential for shadow impact (total hours per year). The generally acceptable shadow flicker maximum is 30-40 hours per year. The results of the Shadow Flicker Impact Analysis indicate there are no occupied residences, in or near the project, that have the potential for exposure to shadow flicker in excess of 23 hours per year.
25. The term "stray voltage" has been brought up in the context of the Luverne Wind Farm. On June 5, 2009, the ND Public Service Commission did not accept the testimony of witnesses alleging negative effects caused by this phenomenon on the basis that such claims are not relevant to wind farms.

ECONOMICS

1. Based upon other wind farms in North Dakota of comparable size, the Luverne Wind Farm will cost about \$340,000,000 to build, or about \$2 Million per MW.
2. The 13-mile 230kV Generation Outlet Transmission Line together with the Collector Substation will cost about another \$10,000,000 to build.
3. Each turbine foundation and tower (not including the turbine, blades, nacelle, and operating electronics) will cost about \$500,000 to build, depending upon soil conditions and other factors that are site specific.
4. During construction, beginning in June 2009 and ending in December 2009, it is expected that there will be a peak construction force of over 250 individuals. Most will be making temporary living arrangements within a 30-mile radius of the Luverne Wind Farm, while some will be existing residents in the area.

5. In accordance with the provisions of the respective Building Permit Fees for Steele County Townships and Griggs County, Contractors will pay a one-time fee of \$1,200 per foundation and tower to cover the cost of the building permit, or \$135,000 total for all of the 113 turbine sites.
 6. Based upon the experience in Langdon, a total of 12-15 full-time, well paid, employees will be hired to run and maintain the two projects in the Luverne Wind Farm for the next 20-25 years after the farms become operational.
 7. Using the Langdon, Cavalier County experience again, and scaling the Luverne Wind Farm accordingly, Steele County could experience new tax revenue from the utility companies in the amount of \$765,000 per year for the next 20 to 25 years from the 81 turbines and associated facilities in Steele County. Griggs County could expect new tax revenues in the amount of \$214,000 per year as a result of the planned 32 turbines to be located in Griggs County.
 8. As a result of early financial and technical assistance provided by the Griggs/Steele Wind Development Group and the Griggs Steele Empowerment Zone, these entities will receive dividends from M-Power, LLC that will be reinvested in economic development activities within the two Counties.
 9. Landowners with turbines on their land will initially receive a total cumulative easement payment of \$678,000 per year from the 113 turbines in the Luverne Wind Farm. The easement payments are scheduled to escalate at the rate of 2% per year for the term of the wind farm contract.
 10. Any damage to roads will be repaired to as good or better condition than they were initially. The Contractors have posted a bond stipulated by Steele County; in sufficient amount to assure that damage costs will be covered. By mutual agreement between the Griggs and Steele Counties, road conditions in Griggs County will also be overseen by the Steele County Superintendent of Roads.
 11. The North Dakota Tax Department oversees the taxes on wind farms. The tax is applied to the facilities that have been constructed and operational on January 1 of any given year. None of the Luverne Wind Farm facility construction was complete on January 1, 2009.
 12. All 113 turbines and all the major construction in the Luverne Wind Farm will be completed by the end of year 2009. The commissioning of all 113 turbines was completed by October 16, 2009. It is presumed that, according to the North Dakota Tax Department, taxing on the complete facilities will become effective January 1, 2010.
13. Based upon North Dakota State University economic research conducted on the Langdon Wind Farm, M-Power, LLC concluded that in addition to the direct economic benefit to the area and the state, it is reasonable to expect an indirect impact of nearly four times that of the direct benefits. After adjusting for original capital investment leakage (for example, payments to turbine manufacturers, depreciation, etc), the total direct and indirect impact to the local economy derived from the Luverne Wind Farm over the next 20 years is estimated as follows:

One-time Construction Impact.....	\$200 Million
Operations Impact.....	\$90 Million
New Tax Revenue.....	<u>\$13.5 Million</u>
Total Direct and Indirect Economic Impact.....	\$303.5 Million

... or approximately \$15 Million per year.

This fact sheet was prepared for public distribution by M-Power, LLC on October 27, 2009.

**Testimony of Warren Enyart, Secretary M-Power, LLC- June 5, 2009
North Dakota Public Service Commission Hearing
Luverne South Field Wind Farm**

My name is Warren C. Enyart, 703 1st St. NW, Cooperstown, ND 58425. I am a Governor on the Board of M-Power, LLC, and serve as the organization's Secretary.

Although the subject of the hearing today pertains to the Luverne South Field, for the benefit of those here today that did not attend the previous hearings on the Luverne Project, I will provide a brief account of the history of the entire project and the decisions that brought us to this point today.

M-Power, LLC was founded on April 12, 2007. That event was the formal culmination of nearly eight years and thousands of hours of research, planning, and development work contributed by a small cadre of determined volunteers... who, like everyone else in the two counties, had personally experienced "that annoying wind that seems to blow here most of the time."

With considerably more due diligence than the observations offered around the coffee table, these citizen-investigators learned that the Pembina Escarpment, on which the two counties are perched, inherently experiences relatively high and frequent "windy days." Early on, the Griggs/Steele Wind Development Group, which was motivated by economic development goals, had the foresight to begin documenting the velocity of the wind and its persistence. Several met towers were installed in strategic places within in the two counties.

As the anemometers began to demonstrate that the wind was even stronger than predicted, the Group explored many different approaches to get the attention of others to help develop the measured wind resources. In retrospect, at that time, this group was somewhat ahead of the wind development industry, at least in North Dakota. While there was some interest shown on the part of several major wind developers, none of these potential developers followed through.

At that time, it was already well known that electrical energy produced by wind in North Dakota needs to be exported. Furthermore, even then, available transmission line capacity was scarce and tightly guarded. However, elsewhere on the Pembina Escarpment, where rich wind resources were in close proximity to major transmission lines, viable wind generation projects began to emerge.

Generally, major out-of-state corporations in conjunction with major North Dakota electrical generation and transmission utilities were developing these wind farms. While this was good for North Dakota, the "corporate model" didn't get any traction in Griggs or Steele Counties. Although we had the wind, we did not have ready access to transmission lines or points at which we could interconnect to the electrical grid.

Early in 2005, our local group became aware of an alternative to the corporate model in the development of wind farms. Having attended a couple of major national wind development conferences, in which the “Minnesota Flip” model was discussed, the Group decided to investigate its potential application in our wind regime.

With the assistance of the Griggs-Steele Empowerment Zone, a feasibility study was commissioned. Upon evaluating the results of that study in the light of state and federal policies in addition to industrial trends at the time, the group decided it was time to bear down on the problems and exploit the opportunities... in pursuit of a community based, locally owned, wind farm.

With the help of experts in the industry, the group selected a viable footprint that provided the best use of our known wind resources and which was nearest to the most promising access to the market. We began immediately to secure that footprint by entering into wind right option agreements with willing landowners. In keeping with its operating principles, we had decided that every landowner who voluntarily signed a wind right option, would be awarded ownership in the company, regardless of whether or not any turbine or other facility would eventually be placed on their land.

After we had substantially secured the footprint through these voluntary wind right options, the next step involved finding local investors that were willing to take the financial risk inherent in exploring unfamiliar territory. After several local information meetings, a few community-minded individuals stepped up to the table. These individuals, along with the Griggs/Steele Wind Development Group and the Griggs-Steele Empowerment Zone, founded and provided the initial capitalization of M-Power, LLC.

The founding group elected a Board of Governors that, in turn, attempted to concisely articulate its purpose in the following statement:

M-Power, LLC is a community-based, locally owned, wind resource development company, whose mission is to develop wind generation and associated renewable energy projects that offer landowners and local investors an opportunity to share in the economic benefits of such projects.

In pursuit of its mission, M-Power initially dedicated its efforts exclusively toward securing a long-term Power Purchase Agreement with potential buyers, referred to as “off-takers.” As previously mentioned, M-Power wanted to apply the “Minnesota Flip” model. Under this approach, M-Power would conduct and bear the costs associated with the initial development of the footprint, including: proving the wind resource, securing the footprint, preliminary engineering, design and siting, securing a letter of intent from a qualified and motivated off-taker, identifying a viable transmission and interconnection solution, and permitting the planned development, among many other value-adding tasks.

Throughout the initial development phase, M-Power would own 100% of the assets. As the project nears the construction phase, a strategic equity partnership is forged with a

major equity investor. This partner would provide up to 50% of the capital costs of the project, with the remainder financed with debt capital, which is secured by the major equity partner and a long-term Power Purchase Agreement. Upon making this investment, the major equity partner would then own 99% of the assets with M-Power and its landowners and cash investors retaining only a 1% share.

After ten to eleven years of operation of the wind farm, at such time as the major equity partner achieved its targeted return on its investment, which is derived from Production Tax Credits, revenue from the project that is over and above operating costs and debt retirement, and leverage on their investment, up to 80% of the ownership would be returned, or “flipped” back to M-Power. The conditions of the flip would be stipulated in a contract between M-Power and the major equity partner, executed at the beginning of the relationship.

When we began planning toward this local-ownership goal, this approach to wind farm development was new to North Dakota. While Minnesota, Wisconsin, and Iowa have state incentives and policies that promote this type of business model, North Dakota did not.

Since it's founding, M-Power spent these last two years in consultation with dozens of experts in the industry in an effort to bring the project to fruition. While we were developing the Luverne Footprint, we explored opportunities with the most viable potential off-takers, several prospective major investors, and a dozen developers. M-Power incurred costs amounting to several million dollars.

Since we started down the path toward developing a locally owned wind farm, the market conditions have changed dramatically. Turbine access became extremely limited. Equity investment capital as well as debt financing became scarce. Transmission and interconnection solutions became even more complicated and costly. Meanwhile, the line waiting to be evaluated in order to connect to the grid became longer and longer.

M-Power had no choice but to quickly respond to these abrupt market changes. Reluctantly, but we believe wisely, M-Power adjusted its business model to suit these new market dynamics. As an initial adjustment, we concluded that we would respond to Otter Tail's preference to own the wind farm, rather than engage in a long term Power Purchase Agreement with M-Power.

Consequently, M-Power sold its interests in 49.5 MW to Otter Tail. This capacity is in the Northern portion of the Luverne Wind Farm, all of which is located in Steele County, North of Steele County Road 5. This was portion was sold as a “Construction Ready” project.

In order to provide Otter Tail with access to its customers, M-Power also sold its interest in the Luverne Wind Farm Collector Substation and the 13-mile Generation Outlet Transmission Line connecting to the Pillsbury Substation. These common facilities are located in Steele and Barnes Counties.

As required in our agreement with Otter Tail, we asked the PSC to reissue our Certificates covering these facilities under the North Dakota Energy Conversion and Transmission Facility Siting Act to Otter Tail. That transfer was completed on May 20, 2009.

All the while M-Power was negotiating this sale to Otter Tail, we continued to pursue options for a long-term Power Purchase Agreement to be supplied with generation from the remainder of the wind farm... referred to as the Luverne South Field. As our efforts to put together a credible team with expertise, financial strength, and turbine access, conditions continued to constrict around us. As is the case with all wind development projects in North Dakota, our options to export wind generation are severely constrained by the limited transmission capacity and the high costs of connecting to the grid.

Under these circumstances, coupled with the limited access to turbines, and inability to qualify for North Dakota's tax credits, our prospective equity partners could not compete for the limited opportunities that remained for a PPA.

Fortunately for the 75 landowners holding units of ownership in M-Power, other M-Power investors, and especially those landowners in the Luverne South Field who will have turbines on their land, M-Power has signed a Purchase-Sale Agreement with Ashtabula Wind II, LLC; a subsidiary of NextEra Energy. We are proud to make this first public announcement of this business transaction between M-Power and NextEra. It involves up to 120 MW of capacity in the Luverne South Field, all of which is in Griggs and Steele Counties, South of Steele County Road 5.

Like the Otter Tail deal, this will be a "Construction Ready" sale. M-Power intends to request the PSC to reissue to Ashtabula Wind II, any and all permits issued to M-Power under the provisions of the Energy Conversion and Transmission Facility Siting Act.

In contemplation of this sale to Ashtabula Wind II, for the past several months, M-Power has been working closely with NextEra management, its legal counsel, and its field personnel to achieve our mutual goals while at the same time complying strictly to all federal, state, and local regulations. Moreover, M-Power continues to work closely with participating landowners in the footprint to reflect their concerns in the facility layout and construction procedures. M-Power representatives are also securing all the turbine easements and infrastructure rights-of-way agreements with affected landowners in the South Field.

The M-Power Board of Governors believes that while its initial plans have not yet been achieved, this alternative business approach is sound and will result in great economic benefits to the area--- that otherwise might have been lost, if M-Power had not responded to this fleeting opportunity. Considering the entire Luverne Wind Farm, there will be a total capital investment in the two counties of over \$350 Million. It is estimated that collectively, the respective taxing entities will receive revenues of from \$600,000 to \$800,000 per year after the project is in service... for the next 25 years! Landowners

who accommodate the planned 113 turbines will receive market-rate annual turbine easement payments. M-Power owners and investors will be fairly compensated. Moreover, M-Power owners, whether or not they have turbines on their land, have the right to claim a significant personal contribution to this nation's renewable energy goals!

This concludes my prepared testimony.

The CHAIRMAN. Thank you very much, Keith, for your testimony as well.

Let me get right to questions, and let me indicate to you the skepticism that greets at this moment any Federal expenditure among my colleagues. And so I'd like you to respond to the question that I'll be asked by colleagues. The question will go something like this: Senator Conrad, you're pushing for an extension of the Rural Empowerment Zones—how do you justify the additional Federal expenditure, given our levels of deficit and debt?

So, Becky, you know, I will only have a few sentences to be able to respond to my colleagues. You know, they're not going to listen to me very long on an issue of this magnitude. So, what would you say in a few sentences if one of my skeptical colleagues were here

and said, how do you justify the use of taxpayer money for these purposes?

Ms. MEIDINGER. One perception is that it takes longer than just a few years to develop leadership that's willing to take the risks necessary to be able to identify what's needed and to then leverage the funds to be able to spend it on the appropriate priorities.

Our empowerment zone has taken a while in getting organized and getting identified. They've struggled with some of the issues regarding the economy and the agriculture base leadership, whatever. We are on the right track. We are starting to show what it's going to take to grow our area. We're fortunate to be living in North Dakota at this point in time because we also have support from the state. We have leaders in place now that are working to leverage those funds for sustainability for the future, and I think it's critical that they give us an additional period of time to continue to develop that, because we are making a difference.

The CHAIRMAN. Beth, what would you say? My colleague says to me: Kent, how can you justify these Federal dollars? What is it that you're accomplishing out there?

What would you say to them?

Ms. BURGE. Creating the economic opportunities, of course, is our biggest accomplishment, I believe—creating the infrastructure so that new businesses can come here. You have to create a place for them to expand and to come. The tax credit incentives are a big plus for us. We'd like to see those extended. You should probably bring Becky along so she can help answer that question.

[Laughter.]

Ms. BURGE. She does much better on the spot.

The CHAIRMAN. Keith, what would you say?

Mr. MONSON. Well—

The CHAIRMAN. Does this stuff make any difference? I mean, that's—you know, I've got a couple of colleagues who—I know exactly what they're going to say to me. They're going to say: Kent, I mean, what difference has this made? You've spent all this money. What difference did it make?

Mr. MONSON. Well, I would use M-Power as a single example. An investment on a zone park of about \$175,000 helped cause a project in excess of \$300 million. It's going to have annual income in taxes to North Dakota and the local communities probably in excess of a million dollars. And that's over a 20-year period, and we're assuming re-powered for—their leases are 99 years.

So, of the \$17.7 million or whatever that was invested, you're going to get a return of probably—well, I don't know what it is—to the farmers that, you know—this is—we could—we're paying it back in 20 years maybe in income to the county and the state of North Dakota. You take Steele County alone, they're going to get in excess of \$600,000 to the county. Griggs County—it's over 200,000. That goes to the schools. That goes to infrastructure. You could actually lower the tax rate by several mills, just because this same project. It's a huge economic impact.

The CHAIRMAN. You know, I—in listening to the testimony here this morning and knowing my colleagues, my suspicion is my best single point to make to them would be the fact that this money was available allowed a \$300 million wind energy project to be devel-

oped which will directly reduce our need to import foreign energy, and we are 60 percent dependent on foreign oil today. As a nation, we're spending \$500 billion a year, sending money to foreign governments to buy their oil. And this investment has helped build a project that will keep money here in America rather than sending it to Saudi Arabia, to Abu Dhabi, to Kuwait, and all the rest.

You know, my sense is—because I'm not going to have long to make this point. My colleagues aren't going to spend long listening to my answer. They're going to ask these questions, but if I don't have something that is very specific and grabs their attention, you know, I'm going to lose them.

And I think we've got to have very specific answers that are very clear, and I'll tell you right now what my colleagues—one of the things that's highest on their radar scope in terms of what's important for the country is reducing our dependence on foreign energy, and you've helped do that. You've helped—it is really quite remarkable what you have done.

Now, Keith, you had testimony that I think is also very important, because you pointed out that production tax credits, as they were, are best positioned to be taken advantage of by companies that have passive income, and that makes it very difficult for a group of local investors to take advantage of those production tax credits.

Now, we're expanding the incentive base to make it more possible for groups of local investors. That was included in your testimony.

Mr. MONSON. Right.

The CHAIRMAN. Do you believe that that will make a significant difference for the future in terms of projects like this?

Mr. MONSON. Oh, tremendous. Tremendous. If we'd had to have 30 percent cash-back available to us so we could have—the overall cost of the project wouldn't have increased, there was absolutely no doubt that Minnkota and Otter Tail would have bought from us being community based.

The CHAIRMAN. Yes.

Mr. MONSON. An ideal situation where they buy from their customers and sell back to them.

The CHAIRMAN. I tried to convince my colleagues for 10 years to expand the credits in a way that would permit that, and it took until 2 years ago to convince them to do it. But that is going to make a big difference, isn't it?

Mr. MONSON. Oh, it's going to be a huge difference. And the other thing is the ultimate solution is distributed generation, because all of us now are going to pay an extra half a cent a kilowatt of electricity because of the Luverne Wind Farm. We're going to raise your electric bill, because when the wind blows, being all in one place, all of a sudden they've got too much electricity. The merchant price went from 3 and a half cents a year ago to under 2 cents this year. So Minnkota lost \$20 million that we're going to make up for because we built a wind farm. Now, if that wind farm was spread all over as the—every front comes through North Dakota northeast to southwest.

The CHAIRMAN. I've noticed that.

[Laughter.]

Mr. MONSON. If these things were spread out—it's blowing 40 miles an hour here, 10 over here, and whatever. It's going to average. The other thing that will average that is if we could get a high-power line to get from here to Chicago. When it's blowing to beat heck here, Chicago still needs electricity.

The CHAIRMAN. Right.

Mr. MONSON. Right now, when it's blowing to beat heck here, we're confined to within Misol [phonetic spelling]—

The CHAIRMAN. Yes.

Mr. MONSON [continuing]. Because we can't get out of here.

The CHAIRMAN. Yes.

Mr. MONSON. Now, all of a sudden, Misol's got more electricity than they know what to do with. And you can't store it, so you've got to use it. And when you have too much of something, you know what happens to the value.

The CHAIRMAN. Yes. Plummets.

Mr. MONSON. It plummets.

The CHAIRMAN. You know, I was very encouraged. I saw—I was watching an interview with the President a number of months ago, and the interviewer was asking him about wind energy potential, and the President actually talked about North Dakota and exactly what you've described—the need to be able to deliver power—and he said from a state like North Dakota so that it can get down into the Chicago market where it's needed.

And, of course, what's happening is we get blocked because the transmission between here and there is taken. Isn't that right?

Mr. MONSON. Yes.

The CHAIRMAN. And so, we can't get across Minnesota and Wisconsin to get that power down into the Chicago market where it's needed.

One of the things that's in—that we got put into the stimulus package is tens of billions of dollars to upgrade the transmission grid in the United States. That money has begun to flow, and it's—even that it's tens of billions of dollars, that's not enough. It's going to take multiples of that to get this job done, but it's an important beginning to break the gridlock on the grid so we can move power where it can be generated and we're not locked into just this market. And that's exactly what you're saying, isn't it, Keith—

Mr. MONSON. Yes.

The CHAIRMAN [continuing]. With respect to distributed power?

Mr. MONSON. When the electrical system was forming—and that's only 62 years ago that we got electricity—it was localized, and that's logical. Now we've got pockets. We've got Misol and Misol, and whatever, that are such dense islands. There's nothing connecting.

The CHAIRMAN. Nothing connecting. Yes.

Mr. MONSON. All we have to do is connect them, and at 186,000 miles per second, electricity will get there.

The CHAIRMAN. Yes. Inner ties are critical to improving the sustainability of our entire system. That is also very important in terms of avoiding blackouts and brownouts in the more industrialized parts of the country, because they are very vulnerable because of the structure of the system that was built. And you're exactly right. It made perfect sense when it was constructed.

Mr. MONSON. Yes.

The CHAIRMAN. It makes very little sense today.

Mr. MONSON. Yes.

The CHAIRMAN. So, these are things that we're now making big investments in, to improve and upgrade.

Let me ask the three of you, what do you believe would be the support level among people in the empowerment zone for a continuation of the funding?

Becky, if we were to have a survey of people in this area, what do you think they would say about continuing the investment?

Ms. MEIDINGER. I believe they would be strongly in support of it because they see what has been done. They see the need of what still needs to be done. And I think it would be important for them to be able to see it continued.

The CHAIRMAN. OK. What would you say, Beth?

Ms. BURGE. I would agree that the majority of the people would be in favor of continued support.

The CHAIRMAN. Keith, what would be your impression?

Mr. MONSON. I think it would be in excess of 100 percent, if people like Meryl and Felas and a few others would build toys.

[Laughter.]

The CHAIRMAN. OK. Let me go back before we open it up, because I want to make certain that people here also have an opportunity to testify in this. And that's the question of housing. If there's one issue I hear about repeatedly across North Dakota—obviously health care, because that's very much in the news media today. And you referenced the importance of the local health care facility, and I think we all know what a jobs generator that is.

But if there's another issue that I hear especially in our rural communities, it is housing. Over and over and over, I hear that we've got jobs, but the problem is we can't get some people to come here to fill those jobs because we don't have adequate housing stock. We don't have enough apartments. We don't have enough single-family homes.

You indicated there have been now for the first time in a number of years new construction of single-family homes. Did you also indicate there are some condominiums that are—

Ms. MEIDINGER. There was a set of three condominiums that was built about 4 years ago.

The CHAIRMAN. And were those for sale or for rent?

Ms. MEIDINGER. For sale.

The CHAIRMAN. For sale. And did they—

Ms. MEIDINGER. Currently, they're—one that was sold, and they're renting two of them.

The CHAIRMAN. Renting two of them.

Ms. MEIDINGER. They're the higher end—

The CHAIRMAN. Higher end.

Ms. MEIDINGER [continuing]. Senior-friendly type—

The CHAIRMAN. Uh-huh.

Ms. MEIDINGER. Very nice ones.

The CHAIRMAN. You know, the problem that we've got all across rural North Dakota is in the financing of rural housing, because, as you know, when you go to get an appraisal, it's very hard to support the construction cost for new property because if that property

were to go up for sale, the appraisals show you would not cover the cost of that property. And I'm not sure any of us have come up with a solution to that problem, especially after what has happened in the housing markets over the last 3 years. Trying to convince a lender to put up money for a property that appraisal will not support is not going to happen because the regulators who come in and examine their loans will say to them: What are you doing here? You've put up 100,000 for a property that, if it had to go on the market to sell, wouldn't sell for \$100,000.

What have you found? How did these new houses get built?

Ms. MEIDINGER. One of them is being built by a farmer who is moving into town. The other one is being built in partnership—the Eastern Dakota Housing Alliance has HOME—Federal HOME funds—

The CHAIRMAN. Yes.

Ms. MEIDINGER [continuing]. Available, and there are local community partners who have either provided services, a decrease in their labor costs, wholesale prices on their materials, donations toward the project.

The CHAIRMAN. So, these are being financed in untraditional ways?

Ms. MEIDINGER. Yes.

The CHAIRMAN. They're not being financed with a traditional mortgage and a traditional home lender?

Ms. MEIDINGER. Eventually, they will. This is for an income-qualified family that we're building this for, and they will be then securing a mortgage, but it will probably be through maybe one of the USDA programs, through North Dakota housing finance programs.

The CHAIRMAN. OK.

Ms. MEIDINGER. Probably not a conventional mortgage.

The CHAIRMAN. OK. Well, I think that's an important point to get on the record, because at every one of these that we do and every stop that I have community forums, hearings, whatever the forum, this is an issue that has really created problems for us.

I was with business leaders earlier this year who were talking about this as being—one of the most significant hurdles to getting jobs in the more rural parts of the state is the lack of housing stock. And you can't attract the employees you need because you don't have a place for them to live, and you can't get a mortgage for building a new place because appraisal won't support the loan-to-value issues that are important to any examiner who is going to go look at a bank's books.

Let me—we just have a few minutes left, and I want to open it up to make certain that if there's somebody in the audience that would like to testify and be on the record on this issue, and either for or against, it's—we want to make sure that people have a chance to testify here.

Is there anybody that would like to say something for the record for this hearing? Don't be bashful.

Yes, sir.

Mr. JULISON. For the record, I'm Allen Julison. I'm the President of Griggs-Steele Empowerment Zone. I live over in Steele County, town of Hope. I farm. My [inaudible] deeds are not off yet.

[Laughter.]

The CHAIRMAN. We're especially pleased that you're here today.

Mr. JULISON. One I thing I want to stress to you and your community members is each dollar you give us is that long. We stretch it way out because we do the leverage you might—like Beth indicated in her report. We have very good local lenders in Griggs and Steele Counties that have partner with us on loans. We've got the Bank of North Dakota that does some partnering. We have grants available. And we take that dollar and we turn that—stretch it as long as we can to make it go a long ways. When you gave us this last round of \$951,000—I mean, we've double that; we've tripled that on loans to existing businesses and new businesses.

The CHAIRMAN. Because what that money does is leverage other money—

Mr. JULISON. Absolutely.

The CHAIRMAN [continuing]. That would not otherwise be committed.

Mr. JULISON. Yes. Because that was your opening question to the panel—

The CHAIRMAN. Yes.

Mr. JULISON. You know, you've got members asking you, you know, why should we have this designation? We really, really want this designation. I understand there's some legislation authored for five more years, and we need you to do everything in your power and try to get that legislation.

The CHAIRMAN. OK.

Mr. JULISON. Thank you.

The CHAIRMAN. All right. Let me just do this: There's some of my colleagues calling in right now.

[Laughter.]

The CHAIRMAN. Let me just see a show of hands for those who are in the audience for the purposes of the record. How many would support a continuation of funding for the empowerment zone? Just see a show of hands.

And is anyone opposed? Does anybody think we should not extend it?

Well, that's pretty clear. Let the record show that the show of hands was unanimous here that people believe that support for the empowerment zone ought to continue. That's about as clear as it could be. And let the record show that the mayor raised her hand.

[Laughter.]

The CHAIRMAN. Anyone else that would like to say a word?

Yes, sir.

Mr. FRANDY. Could I take you backward? Pretty good subject here, and that's how it should be.

The CHAIRMAN. Yes.

Mr. FRANDY. I'm the one that built the three condos.

The CHAIRMAN. Oh, you are?

Mr. FRANDY. Yes, I am.

The CHAIRMAN. Well, thank you for doing that.

Mr. FRANDY. It was a gift more or less. Lost money.

[Laughter.]

Mr. FRANDY. But there is a model out there that I think might work.

The CHAIRMAN. Could you identify yourself for the record, sir?

Mr. FRANDY. I'm Orville Frandy. I was—I'm a developer here in town. I'm also a realtor.

The CHAIRMAN. OK.

Mr. FRANDY. I'm a farmer-rancher. I drill things and lots of those things. I was also the chairman of the empowerment zone at one time.

The CHAIRMAN. OK.

Mr. FRANDY. There's a model out there I think will work because it works in Minnesota all the time.

The CHAIRMAN. And what is that?

Mr. FRANDY. Cooperative.

The CHAIRMAN. Cooperative? Hmm.

Mr. FRANDY. Yes.

[Laughter.]

Mr. FRANDY. We've been chasing this for 2 years. We can't get the people in this area. They don't understand it. It's probably our problem for not making it understandable. I think it will work here. I think it will work in North Dakota. It's worked in Minnesota. There are 290-some models.

The CHAIRMAN. Can you describe for us your understanding of how it would work?

Mr. FRANDY. What you do is you don't own the property. You own a collective of them. It's like a regular co-op.

The CHAIRMAN. Yes. So, the members—

Mr. FRANDY. The members—they get shares. They don't get a deed. They get shares, and they own it like any [inaudible] collective. Say it's for five members. They simply take in—have their own leadership.

The CHAIRMAN. Yes.

Mr. FRANDY. They do all of that as a collective organization, just like a regular co-op.

The CHAIRMAN. And can you tell us how they finance?

Mr. FRANDY. Initially—this could go many different ways.

The CHAIRMAN. Yes.

Mr. FRANDY. They can go ahead and require an investment by them. It's a model—we're working on this—\$150,000 units. So there's five of them. They're investing in this \$40,000. Then they invest that money like you would normally do with one, and then they form a co-op. And they manage it as that. And then they operate.

Now, here's the catch of why they're not jumping on this. You're going to have a payment of that initial \$40,000, and you're going to have a monthly payment of a fairly serious number, probably \$700 or \$800. That's what stops them. They say, why would I want to do that? But they don't understand they're going to get a \$150,000 unit for \$40,000 plus the payments. This works in Minnesota all the time. And I can tell you why it's never coming to North Dakota. It's managed by HUD. That's where they get their—that's where they get their—

The CHAIRMAN. Yes.

Mr. FRANDY [continuing]. Dollars. There's 90 of them in Minnesota. You get people in, in Minnesota—

The CHAIRMAN. When you say 90 of them—

Mr. FRANDY. Units. They get as big as—they get as big as, in Minnesota, I think, 90 units in a single pod.

The CHAIRMAN. Oh, I see. The 90 projects?

Mr. FRANDY. Yes, 90 projects.

The CHAIRMAN. Not 90 housing units.

Mr. FRANDY. No, no.

The CHAIRMAN. Ninety projects.

Mr. FRANDY. Thousands of them, of units.

The CHAIRMAN. Thousands of units?

Mr. FRANDY. Yes. Here's the catch. HUD manages these things. There's nobody in the Minnesota area—or, I should say, our area—there's zero in North Dakota. In Minnesota, they're managed by either—I think it's out of Chicago—here they're managed by Denver.

The CHAIRMAN. Uh-huh.

Mr. FRANDY. Nobody in Denver knows how to—

The CHAIRMAN. Knows how to do it?

Mr. FRANDY. Yes. So, we're going to—we've been working with people—

The CHAIRMAN. Yes. We're in the Denver region; they're in the Chicago region.

Mr. FRANDY. Yes. They know how to do it. And we've been trying to wager this. We just can't get strong enough to get—you've got to have five people for our pod—roughly, now—to buy into it; \$40,000 each. But they—

The CHAIRMAN. Five people, they put up \$40,000, then they own a share of a \$150,000 unit—

Mr. FRANDY. Yes.

The CHAIRMAN. And, of course, they then have an ongoing mortgage payment.

Mr. FRANDY. Absolutely. They don't like that either.

The CHAIRMAN. Yes.

Mr. FRANDY. But—

The CHAIRMAN. But, I mean, that's reality.

Mr. FRANDY. That's right. The people here—they're aged and they've been used to looking at houses—they bought their last house 40 years ago.

The CHAIRMAN. Yes.

Mr. FRANDY. Forty thousand dollars bought the whole house.

The CHAIRMAN. Yes. Well, I got to tell you, I mean, I've gone through that sticker shock myself, you know? You, buy—I tell you, you go to Washington, D.C., see what a house costs there. I mean, I was in shock for about 3 months buying a house down there because houses cost seven times what the equivalent house would cost here. I mean, the same kind of—you know.

Mr. FRANDY. We can't get the local people to understand this. That's one of our issues. That's their decision—

The CHAIRMAN. Well, it's a different model.

Mr. FRANDY. Absolutely.

The CHAIRMAN. It's a very different—it's a little hard to get your mind around if you've never heard of it.

Mr. FRANDY. They should get used to it because all these people sitting here are abandoned farmers.

The CHAIRMAN. Yes. And are part of rural electric co-ops—

Mr. FRANDY. Absolutely.

The CHAIRMAN [continuing]. Part of telephone co-ops, part of—

Mr. FRANDY. Yes. Anyway, that's the—

The CHAIRMAN. OK, well—

Mr. FRANDY. If anyone studied it, I think you would find in this state—Minnesota does it all the time—study it in this state, I think you'd have some success.

The CHAIRMAN. Is Tim outside there, Shawn?

Mr. FERGUSON. Yes, he is.

The CHAIRMAN. This is Tim Moore. Why don't you come in the room so people can see you. Tim is in charge of my economic development operation in my office in Bismarck. He's a former vice president of the Bank of North Dakota, was with one of the largest accounting firms in our state before I convinced him to come back to work on these economic development issues for me. And I'm very fortunate to have him. He's very, very knowledgeable about finance.

So, I'd say to you, if you have an issue of finance and you're looking for somebody that can help, Tim is on my staff in Bismarck, and he is one of the most knowledgeable people on any financial issue in our state, and he has worked in both the private sector and the public sector, and has a real record of accomplishment. So, Tim Moore is a person that can help. And if it's dealing with HUD in the regional office, Tim is somebody who should be involved in that effort.

I'd also like to introduce my staff director on the Budget Committee in Washington, Mary Naylor. Mary is from Fargo, North Dakota. Mary has been with me almost 20 years, and she is the Staff Director of the Senate Budget Committee, a North Dakota native, very respected in the staffs of both the Republican and Democratic side for her knowledge of the Federal budget. And she is home with us now. She is visiting family in Fargo, but came up today to be here as well. So, thank you, Mary.

Any final word from either of our witnesses? Any final word you want on the record? Or anyone else in the audience who would want to be recognized?

Yes, Mayor.

The Mayor. Senator Conrad, as mayor, I—you know, I have a real tie to this community, having grown up here, and the importance of economic development in this region not only touches upon the M-Power—the oil dependency from foreign countries, but I also see with our manufacturing base that we have products that are made right here in North Dakota that are shipped internationally.

And there's a lot of jobs that are tied to help from the empowerment zone—the continued funding—that we can keep our small communities alive. And we have a beautiful building that we're looking for companies to bring more people in, and it's just—I look at the statistics and our small communities that are shrinking, and I believe that there are people that want to move to the small communities. They would love to, but they need that job to come here. And so, I, too, want to encourage whatever support you can give us on continuing.

The CHAIRMAN. All right. Thank you, Mayor. Thank you very much for that testimony.

I know that we've run out of time. We have to—in fact, we're going to go over to the wind farm next, because we want to make sure that we've had an ability to tell our colleagues that we've seen it first hand and are able to describe it to them, because I do think it is a very powerful argument. Mayor, you make an additional argument that I think is especially effective.

I want to thank everyone, especially thank our witnesses here today. I appreciate it very much for your taking your time and contributing your insights to the work of the Committee. I'd like to thank everyone who has attended this hearing in Cooperstown. We very much appreciate it.

With that, the hearing is concluded.

[Whereupon, at 11:19 a.m., the hearing was adjourned.]

