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MAP–21 REAUTHORIZATION: THE ECONOMIC IMPORTANCE OF MAINTAINING FEDERAL INVESTMENT IN OUR TRANSPORTATION INFRASTRUCTURE

HEARING

BEFORE THE

COMMITTEE ON ENVIRONMENT AND PUBLIC WORKS UNITED STATES SENATE

ONE HUNDRED THIRTEENTH CONGRESS

SECOND SESSION

FEBRUARY 12, 2014

Printed for the use of the Committee on Environment and Public Works

Available via the World Wide Web: http://www.gpo.gov/fdsys

U.S. GOVERNMENT PUBLISHING OFFICE
97–584 PDF WASHINGTON : 2016

For sale by the Superintendent of Documents, U.S. Government Publishing Office
Internet: bookstore.gpo.gov Phone: toll free (866) 512–1800; DC area (202) 512–1800
Fax: (202) 512–2104 Mail: Stop IDCC, Washington, DC 20402–0001

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ONE HUNDRED THIRTEENTH CONGRESS
SECOND SESSION

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MAP–21 REAUTHORIZATION: THE ECONOMIC IMPORTANCE OF MAINTAINING FEDERAL INVESTMENT IN OUR TRANSPORTATION INFRASTRUCTURE

WEDNESDAY, FEBRUARY 12, 2014

U.S. SENATE,
COMMITTEE ON ENVIRONMENT AND PUBLIC WORKS,
Washington, DC.

The full committee met, pursuant to notice, at 10 a.m. in room 406, Dirksen Senate Building, Hon. Barbara Boxer (chairman of the full committee) presiding.

Present: Senators Boxer, Vitter, Cardin, Whitehouse, Merkley, Gillibrand, Barrasso, Wicker, Boozman, Fischer.

OPENING STATEMENT OF HON. BARBARA BOXER, U.S. SENATOR FROM THE STATE OF CALIFORNIA

Senator BOXER. Good morning, everybody.

I am so happy to see you all here. This is such an important issue that we are discussing today. We are focusing on maintaining Federal funding for transportation, maintaining Federal funding. That is what is at stake here, for transportation. Ensuring the long-term solvency of the Highway Trust Fund and averting a major crisis later this year.

We will hear from our witnesses who are national leaders representing businesses, States and workers who build, maintain and utilize our transportation system.

I am so pleased to once again welcome Tom Donohue from the U.S. Chamber and Richard Trumpka from the AFL–CIO. I always feel when they are together we have a winning issue. They are joined by Hon. Mike Hancock, Secretary of the Kentucky Transportation Cabinet and current President of AASHTO; Dr. Pete Ruane, President and CEO of American Roads and Transportation Builders; and Jay Timmons, President and CEO of the National Association of Manufacturers.

I want to say to all who are here that there will be devastating impacts felt across our economy if the Highway Trust Fund is allowed to run out of funds later this year. We must not let that happen. Here are the sobering facts. CBO and DOT estimate that the Highway Trust Fund may run out of funds as early as September 2014, which would create cash-flow problems for States during the critical summer construction season. Due to the uncertainty leading up to that bleak scenario, States are already beginning to develop contingency plans to prepare for reductions in Federal transportation funding, which includes cutting pending projects from their current funding plans. This is terrible for businesses, for workers and for our Nation.

According to Georgia's department of transportation, if Federal funding is cut, "We wouldn't be able to fund any new projects." Officials from other States have made similar statements and the effects are very negative, to say the least. As States postpone putting construction contracts out to bid, business will be more reluctant to invest, and that impact will be felt throughout the entire economy.

Let me be clear. The pending Highway Trust Fund shortfall must be addressed by an infusion of funds. Otherwise, CBO estimates that obligations for new projects in 2015 would need to be reduced to zero, zero. This would result in Federal highway, highway safety and transit funding being cut by $50.8 billion in 2015 with almost 1.8 million jobs lost. Only old projects could be funded. No more new projects.

Again, this means that States will be unable to obligate any Federal funds for any new projects perhaps as early as this summer. It is critical for our Nation to continue investing in our aging infrastructure. Therefore, preserving the Trust Fund needs to be our No. 1 priority in this committee and other committees and in the Senate and the House. We must work together to find a sweet spot for the dependable bipartisan source of funding for the Highway Trust Fund. A strong transportation system is vital to ensuring the economic competitiveness of the United States of America. This requires maintaining Federal investments in our transportation infrastructure.

A report last year from the National Association of Manufacturers, and I am so happy they are with us today, found that 70 percent of U.S. manufacturers believe America's roads are getting worse, and 67 percent believe that infrastructure is important enough to American businesses that all options to fund investments should be on the table. I thank NAM for that.

Roads and bridges are not Democratic, they are not Republican. And I am so proud of the bipartisan support on our committee, from my Ranking Member, Senator Vitter, to every member on this committee. I have met with almost every one of them. It is our intention to report out a bill, and I am hoping for a five or 6 year bill.

I have begun discussions with Chairman Wyden and Ranking Member Hatch on funding the Highway Trust Fund. They know they have that responsibility. And I know we will all work with them.

To all of our witnesses, tank you for being here and for your advocacy for a strong transportation system. We need you now more than ever. You have been with us through these battles before, and we have won those battles because of our unity. So whatever our differences may be in other areas, and we know we have them, but we don't have them here. Being partners is critical to our success.

With that, I would turn to my Ranking Member, Senator Vitter.

OPENING STATEMENT OF THE HON. DAVID VITTER, U.S. SENATOR FROM THE STATE OF LOUISIANA

Senator VITTER. Thank you, Madam Chair, and thanks to all of our witnesses. Thanks for today's hearing, Madam Chairman. It is very appropriate that as we hopefully are finalizing a WRDA conference, our first big piece of infrastructure work on this committee, and we are very hopeful about that, we increasingly turn our attention to our next big infrastructure work, which is the next Highway Bill. We are both excited to do that and are both actively doing that.

Thanks to our witnesses. You represent a diverse group of interests. But collectively, you represent a strong and common voice on this issue.

Infrastructure is a critical component of our Nation's economy and our quality of life. First class infrastructure is fundamental to connect people and communities. It is a critical building block for our economy. In 2011 alone, the U.S. transportation system moved 17.6 billion tons of goods, valued at almost $17 trillion. However, as the Chair suggested, just last week CBO came out with their updated projections for the Highway Trust Fund. That trust fund is accelerating toward bankruptcy faster than anticipated. Action must be taken before the end of the Fiscal Year to avoid what the chair described, a nearly 100 percent drop in new Federal funds in Fiscal Year 2015. The economic impact of such a drop would resonate far beyond the lack of direct investment into our infrastructure. Inaction would drastically disrupt the project delivery supply chain, the efficiency and cost of movement of our goods and our overall competitiveness.

The Highway Trust Fund was intended to not only facilitate the unique characteristics of funding transportation infrastructure, but also to provide funding safeguards for the highest priority projects. Putting such a structure on a sound fiscal footing will restore the stability and certainty of the trust fund that is so vital to economic growth.

I have to say, some believe that for some reason it is a core conservative principle to adhere strictly to our current, flawed mechanism in perpetuity and that is all there should ever be to meet our infrastructure demands. I don't understand that at all, and will be advocating for solutions that go beyond that.

What I do understand is concerns about a net tax increase for cash-strapped middle class families. And I will be seeking a solution that fully addresses our Highway Trust Fund needs while not imposing such a net tax increase.

When the trust fund structure was first established, it was designed to build the interstate highway system, and it was structured based on the simple principle that first you map out and define a detailed plan. You come up with a cost to complete that plan, and then you build a user-based financing structure to complete that task. Such thinking not only produces a certainty of a 13 year authorization bill, but it also established good government accountability and trust from system users.

However, that type of thinking is almost unrecognizable in our transportation funding structure today. The actions of the last 6 years represent a significant departure from the intent of the Highway Trust Fund and have prolonged economic uncertainty not only in the direct investment of our infrastructure but also the type of long term investment that drives economic development at home and makes us more competitive abroad.

If we are going to be successful in restoring that type of structure, we fundamentally have to put trust back in the Highway Trust Fund. To me this means we can't keep adding programs and eligibility to the trust fund that are narrowly focused, that don't build or maintain infrastructure or do very little to benefit those who pay into the system. It means the trust fund needs to be even more transparent than before to rebuild that trust. We need to be able to show where taxpayer dollars are going and where future investments may or may not be utilized on a project by project level.

And finally, we must rebuild that trust by continuing to reduce the cost burden and impact of red tape and bureaucracy. The Chair and I are hard at work putting significant reform ideas together in a new bill that can rebuild that trust and that can start the process and get the Finance Committee moving as a full partner on the finance piece.

So we hope to be moving such a base bill through the committee to encourage the Finance Committee to take it up and address the finance piece as a full partner. So I very much look forward to your testimony, very much look forward to that work of rebuilding trust in the Trust Fund so that we can fully finance our clear infrastructure needs. Thank you.

Senator BOXER. Senator Vitter, thank you. I think this gives the signal that we are very much of one mind as how to proceed, which is very important.

Here is the situation. We have several votes at 11:30. So I am going to ask Members to keep their remarks to about 4 minutes, if you can, your opening remarks. And we will turn to Senator Merkley.

OPENING STATEMENT OF HON. JEFF MERKLEY, U.S. SENATOR FROM THE STATE OF OREGON

Senator MERKLEY. Thank you, Madam Chair.

I think this is a very important project, that we pursue renewal of MAP–21. I know Oregon's Department of Transportation is very nervous about the pending shortfall in the Highway Trust Fund. If our States have to delay projects, that of course results in much higher costs. It also results in a direct impact on jobs within the State. We anticipate that we would have a challenge, we would lose about 5,000 jobs in Oregon if we don't succeed in this effort during 2015.

So I am very aware that America is spending only 2 percent of its GDP on infrastructure. Europe is spending 5 percent, China is spending 10 percent. The experience of going to Beijing 10 years apart, saw Beijing go from bicycles to bullet train in that time period.

Our 2 percent can't even repair the aging infrastructure we have from World War II. We have to do more. Let's get it done.

It is terrific to have Chair and Ranking Member working together to help take this project forward. It is extremely important to our economy and to the infrastructure that will fuel our future economy.

Senator BOXER. Senator, thank you for your support and our comments.

We will turn to Senator Wicker.

OPENING STATEMENT OF HON. ROGER WICKER, U.S. SENATOR FROM THE STATE OF MISSISSIPPI

Senator WICKER. Thank you, Madam Chair, and thank you, Ranking Member Vitter, for holding this important hearing. Bipartisanship is breaking out all over in the Congress. It continues today and as we debate Federal transportation reauthorization, I hope we can build on this success. Funding transportation infrastructure is a combined Federal and State responsibility. We need to do better, because the Nation deserves better, as Senator Merkley said. We need to pass a reauthorization that lasts longer than 2 years.

Earlier in this Congress, this committee held a hearing on the implementation of the provisions of MAP–21. Most of these provisions have yet to be enacted. State departments of transportation need the certainty of a long-term reauthorization to plain, maintain, build and expand.

That said, we should still proceed with caution. We need to continue to let the States be the laboratories for best practices. More than 30 States are considering or have considered increasing revenues for transportation infrastructure. Over a dozen of these States have committed and passed these increases into law. We should allow and encourage these experiments to continue. Let the States be the proving ground for some of the more radical or innovative proposals that have been brought forward. What may work in one State may not work for all States.

There are other issues that need to be addressed. We need to examine the root causes of our current situation. Over the last two decades, the buying power of gas tax revenues has slowly declined, not only as a result of increasing maintenance and construction costs, but also as a result of increasing fuel efficiency. We need to ensure that all users shoulder an equitable burden for the wear and tear on our Nation's roads.

Finally, Madam Chair, we need to safeguard the integrity of the gas tax as a user fee. We have an obligation to the users who are paying the fee, an obligation to ensure the revenues are going to their intended purpose; namely, building and maintaining our Nation's roads and highways.

Thank you, Madam Chair.

Senator BOXER. Thank you so much, sir.

Now we will turn to Senator Whitehouse, followed by Senator Inhofe.

OPENING STATEMENT OF HON. SHELDON WHITEHOUSE, U.S. SENATOR FROM THE STATE OF RHODE ISLAND

Senator WHITEHOUSE. Thank you, Chairman, for calling this hearing. It has not been that long since we were able to pass MAP–21 in an overwhelmingly bipartisan fashion. We did that because we recognized the value of investing in our transportation infrastructure, projects that put Americans to work and ensure that our goods and services can get efficiently to market.

That bipartisan view is reflected in today's hearing. That bipartisan view is reflected in today's hearing, which brings together groups that don't agree on many things, but they do know that building roads and bridges can create quality jobs across the Country and help our economy move forward.

That is nowhere more important than in my home State of Rhode Island, which still suffers an unemployment rate of 9.1 percent. We have no shortage of transportation projects that could put Rhode Islanders to work. The I–95 corridor runs through our capital city and the Providence Viaduct there, built in 1964, is showing its age. Its deck is badly deteriorated, the steel girders are cracked, wood plans have been installed to prevent concrete from falling off the viaduct onto cars crossing it below. And similarly for the Amtrak trains that go underneath it.

Happily, with the help of a TIGER grant and other Federal funds, that project has broken ground, and a replacement bridge on one way of the highway is under construction. But there is a lot more work to do on the northbound lane, where Route 6 and Route 10 converge with Highway 95 there. And that central location in Providence is just one example of how Federal transportation programs are necessary and can help put people to work.

Less than 2 years ago, we put MAP–21 into place with some important reforms. But the thing we were not able to get done was to solve the problem of the diminishing and soon to be vanishing Highway Trust Fund. So it is headed for zero, and when it gets to zero, that is going to be a real disaster for transportation and infrastructure. So I am particularly interested in hearing from areas where our witnesses might find common agreement as to how we can address the central issue for the next reauthorization bill. I don't think just raising the gas tax is going to help, as mileage increases, electric cars emerge, and hybrid cars also cut into the value of the gas tax as a source for highway infrastructure.

I thank the Chairman, I thank the Ranking Member, who I understand is next door meeting with some constituents. I appreciate the panel being here together, even in some unusual pairings.

[Laughter.]

The Chair. Thank you. In my opening statement, I talked about how we have already begun talks with Senators Wyden and Hatch, because it is their purview to fund this. They are very, I think they are excited with the challenge, not that it will be easy. Nothing is easy.

Senator Inhofe.

OPENING STATEMENT OF HON. JAMES INHOFE, U.S. SENATOR FROM THE STATE OF OKLAHOMA

Senator INHOFE. Thank you, Madam Chairman. I do have a long and brilliant opening statement to give. But I will listen to you and submit that and just for the record make a couple of comments.

Senator BOXER. Without objection.

Senator INHOFE. There is one paragraph in here that I do want to actually read. As I see it, we have four choices moving forward, one based on CBO estimates, and if we don't find any new revenue in the trust fund, we are looking at a 90 percent cut in the program in less than 8 months. And some data actually has that figure at 100 percent.

Second, we simply, this is something we will talk about later on, transferring from the general fund. Third, raise revenue. And four, in the absence of answering the first three, before MAP–21 expires we once again rely on a series of short-term extensions. This is something I want to avoid.

And I have to say, confession is good for the soul. Our problem, and it seems like every year, and I have been involved in these every year since I was on the T&K Committee in the House many years ago. It is not so much with the Democrats but with the Republicans. There is this passion for some Republicans to get the conservative ratings and somehow when something big on spending comes along, they use that as an example. But that is the bad news.

The good news is, over on the House side, and I was privileged to go over, you guys need to understand this, you already knew this, I got all 33 of the House Republicans on the T&I Committee in one room. This was right after we passed this out of the Senate. I told them about the guys that were demagoguing this on the floor. I said, I know a lot of you guys are conservative. So I gave them my pitch as to the liberal vote would be to vote for extensions, the extensions that we had, nine extensions between the last two cost about 30 percent off the top. That is not something that conservatives should be doing. And I am not saying it was my influence there, but all 33 of them voted in favor of it and enthusiastically supported it.

So I think we are making some headway there. Again, I look at the trust fund, and you just can't tell me that maintaining unused, vacant Federal properties at $25 million a year is more important than reauthorizing a highway bill. There are a lot of things that come out of the general fund. And I think we are going to have to look at that. We may end up having to do that anyway, like we did last time.

But if you read the Constitution, Article I, Section 8, it says clearly that the main thing we are supposed to be doing here is defense and infrastructure. So my case rests, we will go after it.

[The prepared statement of Senator Inhofe follows:]

STATEMENT OF HON. JAMES M. INHOFE, U.S. SENATOR FROM THE STATE OF CALIFORNIA

Thank you chairman Boxer. And thank you to our panelists for making the time to be here as well.

As we are all aware, CBO released their projections of the Highway Trust Fund last week that show that the accounts are in some real trouble. While this wasn't unexpected, it is unacceptable that we continue to ignore the failures of the White House and Congress to commit to consistently funding multi-year transportation bills. We are not just talking about the construction jobs the President mentions, we are talking about the decision companies make when they are looking to expand and, in many cases, relocate back to the US yet are faced with an ill-equipped surface transportation network. As we focus on failed Unemployment Insurance extensions, we should be spending our time addressing the causes and not the symptoms of our economic woes. Whether we are facing a series of short-term extensions or long-term reauthorizations of MAP–21, I can assure you I will not let the Federal highway program cease to be the backbone of our economy as it has been for close to a century.

As I see it, we have four choices moving forward: One, based on CBO estimates, if we don't find any new revenue in the trust fund, we are looking at a 90 percent cut in the program in less than 8 months, and some data actually has that figure at 100 percent. Two, we simply transfer more money from the general fund. Three, we raise revenue. And four, in the absence of answering the first 3 before MAP–21 expires, we once again rely on a series of short-term extensions to keep the program on life support.

Now as many of you have heard me say over the years, dramatic cuts to the Highway program is not something I am going to let happen. We've turned to the general fund in the past and though it should be a last resort, it is ultimately something we will have to return to without consensus on new long-term, sustainable revenue. Realistically, the General Fund is our only option in the short run as we're looking at a Highway Trust Fund that is going to have difficulty meeting its obligations sometime before the end of this fiscal year. Looking forward, if we want to do a 6 year bill like we should, CBO estimates we'll need $100 billion, or around $16.6 million a year in new revenue or general fund transfers. Raising revenue for the Highway Trust Fund should be our first focus, but the reality is that it's going to have to come from the general fund in the short term and you can't tell me that maintaining unused or vacant Federal properties at $25 million per year is more important than reauthorizing the highway bill which could provide jobs that Americans desperately need. Finally, I do not believe that short-term extensions are the answer. Our states, industries, and economy need long-term authorizations that ensure funding and allow for the planning of big, long-term projects of regional and national importance. I have often said the conservative position is to prevent short term extensions, because as history showed us after 9 extensions between SAFETEA-LU and MAP–21, we lose 30 percent of the Highway Trust Fund's resources when we fail to achieve longer term funding bills. I believe we can do better.

Senator BOXER. You always make a very good case. I just want to point out that in addition to your talking to the Tea Party members of there, I had tea, or coffee with quite a few of them. I enjoyed it, actually, and we did get tremendous support. Remember, Senators Wyden and Hatch are going to decide how this is paid for over there in that committee.

Senator Gillibrand.

OPENING STATEMENT OF HON. KIRSTEN GILLIBRAND, U.S. SENATOR FROM THE STATE OF NEW YORK

Senator GILLIBRAND. Thank you, Madam Chair. I can't tell you how grateful I am that you have pulled together this distinguished panel of witnesses to discuss the importance of investing in our Nation's infrastructure and transportation systems.

This is an issue, obviously, that unites both labor and business. Because the United States cannot maintain our competitive global edge without a strong network of roads, bridges and rails to move people and products safety and efficiently forward. It is as simple as that, but with deadlines looming to reauthorize MAP–21, and new funding to shore up the Highway Trust Fund, we run the risk of doing real damage to our economy if Congress fails to act. There will be serious consequences for each of our States, for businesses both large and small, as well as for working families who depend on our transportation networks just to get to school, to get to work, to get home safely and reliably.

We all know that the Highway Trust Fund is projected to become insolvent by the end of the summer. The effect would have severe impacts in my State of New York. New York has 628 Federal aid highway projects scheduled to begin in 2015 which requires approximately $2 billion worth of funding. Forty percent of these projects are on bridges that are in need of construction or repair. Without the new funding from the Highway Trust Fund to start these projects next year, New York State would have to begin restricting the use of roads and bridges that are no longer safe, or can no longer handle the capacity for which they were originally designed. This would result in detours, delays, problems with getting things that need to be brought into our commerce. It means more time and money lost for businesses and families who are just struggling to make it in this tough economy.

New York State is by no means alone. This will hurt every single one of our States and ripple through our whole transportation system. So we really can't afford the delays by Congress. We really have to make sure that Congress acts now. We risk falling behind other countries that are making these investments, sending businesses and jobs overseas instead of bringing them here and keeping them here where they belong.

So the long term consequences of inaction, in my view, are extremely costly. Thank you, Madam Chairwoman, for holding the hearing, and I look forward to the testimony of the witnesses.

Senator BOXER. Thank you so much, Senator.

Now we turn to Senator Fischer.

OPENING STATEMENT OF HON. DEB FISCHER, U.S. SENATOR FROM THE STATE OF NEBRASKA

Senator FISCHER. Thank you, Madam Chair and Ranking Member Vitter, for holding this hearing. Thank you to our panelists who came today as well.

There is no doubt that our roads and bridges are essential to the economic health of our Nation. In Nebraska, our agricultural industry is especially reliant on an efficient transportation system to move goods from farm to market. Investment in infrastructure is the key to expanding and strengthening commerce and promoting opportunity for this business growth.

With the Highway Trust Fund again on the brink of insolvency, it is clear that it is time for Congress to put infrastructure investment back on a sustainable course. I believe that a limited government should focus its resources on meeting its core duties. Infrastructure, including highway maintenance and construction, is one of those important responsibilities.

As we work on the next highway reauthorization bill, I am hopeful that this committee will continue to work toward policy reforms that will ensure that the Federal dollars we are investing are devoted to tasks that truly add value to the projects and are not wasted on piling up paperwork that only serves to fulfill bureaucratic requirements.

While MAP–21 made some needed improvements to accelerate project delivery, there is still much work to be done. I look forward to the hearing today and again, thank you. Thank you, Madam Chair.

Senator BOXER. Thank you, Senator Fischer.

We turn to Senator Cardin.

OPENING STATEMENT OF HON. BENJAMIN CARDIN, U.S. SENATOR FROM THE STATE OF MARYLAND

Senator CARDIN. Madam Chair, thank you for conducting this hearing. We have a very distinguished panel before us.

It is always a pleasure, I remember last time we had Mr. Donohue and Mr. Trumpka together on a similar bill here. So it is nice to see the entire panel together, but labor and business recognizing the importance of a long-term surface transportation reauthorization. I want to stress that, Madam Chair. I think it is critically important that we do a long-term surface transportation reauthorization, to give predictability to our transportation program in this Country. You can't plan transportation needs on a 1-year or 2-year basis. You have to have at least a five or 6 year reauthorization bill in order to do the types of modernized transportation needs that we have in this Country.

As many of the Members of this committee have already pointed out, and as our panel will point out, this is about jobs, it will create for our economy. Not only the direct jobs related to the construction of our transportation needs, but also establishing the way in which we can attract the type of economic activities in our community that modern transportation provides.

It is also important for livability. It took me about 2 hours coming in this morning from Baltimore. That is not unusual. The traffic around Baltimore and traffic around Washington, every care we can get off the road into transit, believe me, helps everyone, not just the person who has a much nicer experience being able to get to work, but also allowing the commerce of our highways being able to move more efficiently, with less cars on the road.

So all that is critically important. I can put a plug in right now, Madam Chair, we have three major, maybe four major transit projects in Maryland we would like to get funded. Obviously, without having long-term reauthorization it is hard to see those programs move forward. I can tell you, they are critically important to our national economy, to the Federal Government because of the Federal work force, but also critically important for all of our communities.

It is also a matter of our environment, and we have heard that many times before, in modernizing our transportation system we also provide a much more efficient way to deal with our energy needs and can be friendlier toward our environment.

So why aren't we doing this? What is the hurdle? We have to make the tough decision. The tough decision has to be made in conjunction with our colleagues on the Senate Finance Committee, and all the members, I happen to serve on both committees. But we need to have the revenue necessary to support a long-term surface transportation reauthorization. And we have to recognize the realities that the current revenue flow into the transportation trust fund is inadequate because it is based upon the gasoline tax. And the gasoline tax, we have been very effective in bringing down the volume, in regard to use of gasoline and more efficient engines, alternative ways.

So we need to look at ways we can have an adequate source. I would hope we would be open to things such as using carbon fees or other ways to get the revenue necessary. I know that transportation is a bipartisan issue. Senator Inhofe has been one of the great leaders on moving forward on infrastructure. Senator Vitter also strongly supports this. So let's also try to find a way that we can get the revenues that are adequate, so that we can have the type of transportation reauthorization that is befitting the record of this committee and befitting our Country.

Senator BOXER. Senator, thank you. You raise a good point, a few of our members do sit on Finance, which is going to be extremely helpful working with Senators Wyden and Hatch, who both have expressed interest in working with all of us.

So now we are going to turn to Senator Sessions. And I want to remind everyone we have four votes, I believe it is four votes, at 11:30.

OPENING STATEMENT OF HON. JEFF SESSIONS, U.S. SENATOR FROM THE STATE OF ALABAMA

Senator SESSIONS. Madam Chair, thank you for the hearing. It is important. Our infrastructure situation is facing a financial challenge in the future, and we are all worried about it. I believe it represents a valid, legitimate expenditure of Federal dollars. A lot of things we do around here are not valid and legitimate Federal interest. But I think certain infrastructure projects certainly are.

We had the Director of Office of Management and Budget testify before the Budget Committee yesterday. Just for example, today, he testified, that last year interest on the debt that we pay out of our revenue that comes in was about $230 billion. He projected last year at the end of 10 years that would rise to $830 billion. This year he says in 10 years from today that annual interest payments will be $890 billion in 2024. This is a stunning diversion of money from productive use to an unproductive use. And the result, and a big part of the problem is the huge deficits we have been running up in the last few years. We have almost doubled the deficit in a few years. We will have doubled the deficit since 2007.

So I know everybody wants to spend money. And I know you all have projects you want to spend. But Mr. Elmendorf told us that we are on an unsustainable path. You will hear that deficits are going down. They will go down for the next 2 years. But after that, they start an uncontrolled, steady, increase every year, and the deficit in the tenth year will be a trillion dollars, again.

So we are in a real difficult place. I just would say to you, everybody comes before us with good projects they want to spend money on. I would say to you, those who believe in highway and infrastructure should never forget how you were taken to the cleaners in the Stimulus Bill. We spent $840 billion on the Stimulus Bill. Only 40 of it went to roads and bridges. It went to every kind of social program. And Mr. Elmendorf told us when it passed that you will see an increase in GDP in the short run, but over 10 years, carrying another trillion dollars in debt will actually reduce GDP over 10 years.

So I just would say to you, colleagues, and to the witnesses today, we have a big challenge before us. If we don't watch it, we can put us in a position where we have another financial crisis and Mr. Elmendorf warned us that could happen. We are in a danger area, our debt situation is in the red zone. So Madam Chair, the bill we passed last year, I think we stayed within reasonable limits in the budget. I know you tried to do that, and Senator Vitter worked hard on it, Senator Inhofe. And we were able to maintain a level of funding at minimal level we thought was necessary.

So I just would say, that is going to be an even bigger challenge this year. I look forward to working with you.

Senator BOXER. Senator, same here. I happened to be here when we did balance the budget. And I think we can it again if we are smart about it. But I think the important thing about highways is we have that self-sustaining trust fund, which is so critical. I have always supported that. That is operational, we spend what we take in. We have to be smart about it, I agree with you. Of course we have long-term problems we have to deal with.

So it is my pleasure now to call on the ranking member of the subcommittee that is going to work so hard on this, Senator Barrasso.

OPENING STATEMENT OF HON. JOHN BARRASSO, U.S. SENATOR FROM THE STATE OF WYOMING

Senator BARRASSO. Thank you very much, Madam Chairman and Ranking Member Vitter, for holding the hearing. I appreciate and share your commitment to ensure that the Highway Bill program continues. I also want to thank our panel for being here today to testify.

When we can get the business and labor communities at the same table, I think that sends a very strong message to all Members of Congress and both parties that this program must continue. The Highway Reauthorization is truly, to me, a jobs bill. We need more red, white and blue jobs in States like Wyoming, California, Louisiana and all across the Country. I think setting up roadblocks on construction projects with excessive red tape doesn't really create meaningful jobs that we need all around America.

For our State departments of transportation and for contractors, the highway program is already complicated enough. We need a program that cuts down on burdensome paperwork and puts people back to work. The Highway Trust Fund needs a solution that is reliable and responsible.

The question before us is how do we accomplish this in a fiscally responsible manner. In order to meet the highway system's national needs, rural States must have flexibility to use Federal dollars that serve the national interests. We need to protect the taxpayer and ensure our States can continue to execute their transportation plans.

Wyoming, like many of our other rural States, is a bridge State. It is critical that we maintain our Nation's bridge States that move the flow of commerce across America. So Madam Chairman, I hope this committee will hold more hearings on the implementation of MAP–21, and as ranking member of the Transportation and Infrastructure Subcommittee, I look forward to bringing the rural western perspective as we write the next reauthorization bill.

Thank you, Madam Chairman, Ranking Member Vitter, for your leadership in holding the hearings.

Senator BOXER. Thank you, and thank you for your leadership as well.

Now it is your time, so let's get right to it. We are very, very pleased with this panel and we call on Tom Donohue to begin, from the Chamber of Commerce, President and CEO.

STATEMENT OF THOMAS J. DONOHUE, PRESIDENT AND CEO, U.S. CHAMBER OF COMMERCE

Mr. DONOHUE. Thank you very much, Chairman Boxer, Ranking Member Vitter and distinguished members. We appreciate that so many are here.

As many of you said this morning, reauthorization of MAP–21 promises to be a difficult fight. But it doesn't have to be. In fact, there is a broad consensus on a number of fundamental principles. We all agree that our infrastructure system is a critical national asset, that it drive growth, jobs, safety, mobility, trade and enhanced global competitiveness. We all agree that we are running out of money to fund the system. We all agree that the Federal Government must take a leading role in making sure our infrastructure system contributes to a strong economy.

We all agree we need a predictable, stable and growing source of revenue for today, an immediate funding solution for tomorrow and in the long term, we need an expanded and new system. When you look at the big picture, the simplest, most straightforward and most effective way to generate enough revenue is by increasing Federal gasoline and diesel taxes. Remember, it is 19 years or 20 years since we increased the Federal diesel tax. The gas tax, and this is what I was going to say, has not been increased since 1993. Cars are more fuel-efficient, trucks are much more fuel-efficient. I know something about that, you will remember. People are driving less and inflation has eaten into purchasing power.

As a result, the Highway Trust Fund is simply going bankrupt. We are already borrowing billions of dollars from the general fund. Next year there will be a $13 billion cash shortfall and by 2020, it could be as much as $100 billion. Even here, that is a lot of money.

A moderate increase in the gas tax phased in over time would provide the necessary funding, preserve the important user pays principle and provided needed stability. How do we do that? First, let's start by having some courage and showing some leadership. For once, let's do what is right, not what it is politically expedient.

Second, let's educate the public and your fellow lawmakers. Polls show opposition to gas tax and increases are significantly overblown. A San Jose University researcher recently found that 58 percent of the public would support a gas tax increase if they knew where it was going and how it was going to be spent and it was going to be applied to building roads and bridges and transit systems. Voters want to know where the money is going and that it is not going to be wasted.

Far too many people are unaware of the important reforms that eliminated earmarks and pork barrel spending long associated with infrastructure funding. Let me say parenthetically, occasionally it helped get a vote. But with that not here, we are going to have some really good arguments.

So let's also be clear, well, I often thought after the committee decides what all of the issues they are going to fund, then the members ought to be able to pick one out, you know, to go home. But let's get into that another day.

Let's also be clear about the consequences of decreasing these investments. It means higher costs for goods, more congestion, and increased accidents as well as reduced mobility and reduced competitiveness. Business is absolutely committed to aggressively pursuing this education effort.

And third, let's get busy building political support. On this panel you have the combined support of business, labor, construction, shippers, regulators, and in addition, truckers. Yesterday I had a meeting with the leaders of the American Trucking Association and the leaders of the AAA. They would significantly support a modest and thoughtful increase in the gasoline tax. Add that to the people who are here, this is getting to be a rather supportive group.

It is interesting to note that last year six States, three with Republican Governors and three with Democratic Governors, enacted bills to increase their overall State fuel taxes. The sky didn't fall and their economies have not collapsed. Both Republican and Democratic Presidents have approved modest gas tax increases, including Ronald Reagan. So it can be done. Increasing the gas tax and fuel tax is the right answer. It is tough, but it is doable.

Now, let's keep in mind that public money is only part of this equation. We must increase private investments as well. The private sector is prepared to pump as much as $250 billion into public-private partnerships, or P3s, if only certain barriers would be removed. We also must continue to aggressively root out waste in the system, which members indicated is underway, much of it caused by permitting delays and obstacles, as well as to make sure funds are spent on genuine priorities. Long term, the Chamber is willing to entertain different proposals for new and additional public funding mechanisms. However, currently, we don't see any way to support any proposal that eliminates the Federal role, undermines the user pay principle or unfairly singles out specific industries to foot the bill.

Very quickly, a couple of quick thoughts in conclusion. We know that won't work. Scaling back or eliminating a dedicated source of Federal funding means greater congestion, higher transportation costs, more accidents and poorly maintained roads. If we give up on the Highway Trust Fund and rely on the general fund, we will never be able to execute long-term capital projects. We would have to cut other programs and engage in more deficit spending, and we would have to debate funding every single year.

So I believe, Madam Chairman, devolving responsibility to the States means we will lose our national system. None of these approaches supports a growing sustainable source of funding. We need to pass a long-term authorization and the people at this table are ready to help you. Thank you very much.

[The prepared statement of Mr. Donohue follows:]

Statement of the U.S. Chamber of Commerce

ON: MAP-21 Reauthorization: The Economic Importance of Maintaining Federal Investments in our Transportation Infrastructure

TO: Senate Committee on Environment and Public Works

BY: Thomas J. Donohue, President and CEO

DATE: February 12, 2014

The Chamber's mission is to advance human progress through an economic, political and social system based on individual freedom, incentive, initiative, opportunity and responsibility.

The U.S. Chamber of Commerce is the world's largest business federation representing the interests of more than 3 million businesses of all sizes, sectors, and regions, as well as state and local chambers and industry associations. The Chamber is dedicated to promoting, protecting, and defending America's free enterprise system.

More than 96% of Chamber member companies have fewer than 100 employees, and many of the nation's largest companies are also active members. We are therefore cognizant not only of the challenges facing smaller businesses, but also those facing the business community at large.

Besides representing a cross-section of the American business community with respect to the number of employees, major classifications of American business—e.g., manufacturing, retailing, services, construction, wholesalers, and finance—are represented. The Chamber has membership in all 50 states.

The Chamber's international reach is substantial as well. We believe that global interdependence provides opportunities, not threats. In addition to the American Chambers of Commerce abroad, an increasing number of our members engage in the export and import of both goods and services and have ongoing investment activities. The Chamber favors strengthened international competitiveness and opposes artificial U.S. and foreign barriers to international business.

Positions on issues are developed by Chamber members serving on committees, subcommittees, councils, and task forces. Nearly 1,900 businesspeople participate in this process.

Testimony of Thomas J. Donohue
President and CEO
U.S. Chamber of Commerce

Senate Committee on Environment and Public Works

Hearing titled:
"MAP-21 Reauthorization:
The Economic Importance of Maintaining Federal Investments
in our Transportation Infrastructure"

February 12, 2014

Introduction

Chairman Boxer, Ranking Member Vitter and distinguished members of the Senate Committee on Environment and Public Works, thank you very much for the opportunity to discuss the economic importance of federal investment and leadership in transportation infrastructure. I am here today representing the U.S. Chamber of Commerce because we, along with the business, labor, highway and public transportation interests that are members of the Chamber-led Americans for Transportation Mobility Coalition, believe strongly that federal investment in highways, public transportation and safety is a necessary ingredient in the recipe for boosting economic productivity, successfully competing in the global economy, and maintaining a high quality of life.

I want to start by saying "thank you" for the bipartisan highway, transit and safety law, *Moving Ahead for Progress in the 21st Century* (MAP-21), which ended years of short term extensions that created a great deal of uncertainty for businesses and infrastructure owners and operators. This year, Congress must build on the reforms contained in MAP-21 and identify the resources needed to maintain, and ideally increase, smart spending on the nation's transportation system.

This testimony outlines the case for a strong federal role based on the economic importance of ensuring that we have a 21st century infrastructure to support a 21st century economy. Then it focuses on the challenge of federal Highway Trust Fund solvency.

The Case for Federal Leadership and Investment

"Infrastructure is not the end result of economic activity; rather it is the framework that makes economic activity possible."[i]

A first rate national transportation system is necessary in order to maintain a first rate economy in the United States. Failure to address transportation problems undermines U.S. economic growth. This is the fundamental reason that the federal government must take a leading role in making sure that transportation policies—and the related programs and spending that implement these policies—contribute to a strong economy, including enabling interstate commerce, facilitating international trade, and propelling the efficient mobility and connectivity of people and products.

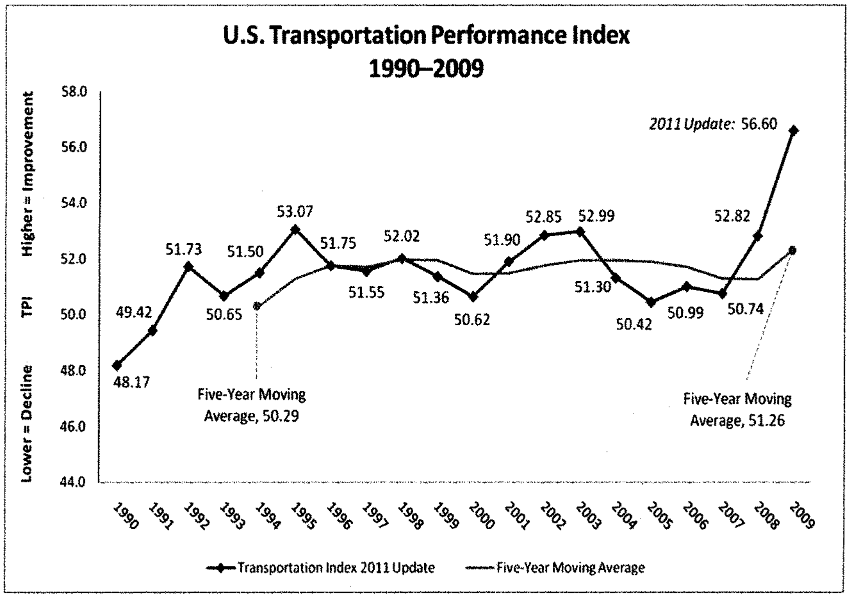
A transportation system that works for businesses can propel economic growth and, conversely, one that falls short of performing as it needs to will drag down the economy. This is the key finding of the Chamber's *Transportation Performance Index* (TPI). First released in 2010, the TPI demonstrates that enhancing the performance of transportation infrastructure is a vital part of creating the sustainable long-term growth our nation desperately needs.

The TPI comprises roughly 20 weighted indicators in each mode of transportation falling into three categories:

- Supply, described as the availability of infrastructure, which is a key consideration for businesses when deciding where to locate their facilities;
- Quality of service, the reliability of infrastructure, whether it supports predictable and transportation services and travel; and,
- Utilization, whether current infrastructure can sustain future growth. Utilization is a key consideration for companies that look years into the future to inform the decisions and capital investments they make today.

Together, the indicators provide a snapshot of transportation system performance across U.S. geography, economic sectors, and demographics. Much like the Dow Jones Industrial Index indicates financial market performance, the TPI is an aggregate measure that is a useful snapshot of the transportation system as a whole at a point in time. By watching it over time, trends and fundamental system health are slowly revealed.

The inaugural TPI, calculated for 1990-2008, reflected a six percent increase in performance over that period. In contrast, the U.S. population grew 22 percent, passenger travel grew 39 percent, and freight traffic grew 27 percent. Given these facts, it is a testament to business ingenuity that the TPI was not worse. Businesses work around transportation challenges by scheduling deliveries in off-peak hours, implementing flexible employee work policies, and substituting information technology for transportation services. There are also countless stories of transportation infrastructure owners using the engineering equivalent of duct tape to hold infrastructure together and crafting creative operational strategies to enhance throughput.



U.S. *Transportation Performance Index*: **1990-2009**

In the 2011 update, the data showed a distinct uptick in the TPI. According to Dr. Susanne Trimbath,

> Much of the improvement in the TPI may be attributed, in the final analysis, to the decline in economic activity in 2009. But that begs a question: if we can improve the performance of transportation infrastructure by stopping economic growth, is that progress? Of course, the answer is 'no'. Stopping economic growth is not progress; it is not a solution to the problem of poor performing transportation infrastructure in America. Likewise, although raising gasoline prices to $11 per gallon might solve the funding issue (Appleby 2009) it would have other consequences for economic activity….The point is that a one or two year improvement in performance won't last without sustained effort. We will need to get out of our own way if we don't want this to fall back again….[ii]

Gross Domestic Product and Transportation Performance

There is a strong correlation between performance, which the TPI defines as the degree to which the transportation system serves U.S. economic and multi-level business community objectives, and economic growth as measured by Gross Domestic Product (GDP). In short,

> This analysis is unique because it goes beyond merely charting the effects of spending and job creation during construction. The findings of the TPI economic analysis are "different from studies on how infrastructure spending creates jobs in the construction industry or any of a multitude of cost/benefit studies in use today. By controlling for the primary factors known to impact economic development, we are able to segregate a change in the economy that is most likely attributable to the performance of transportation infrastructure."[iii]

Instead, the analysis provides robust, stable results showing the overall contribution to economic growth from well-performing transportation infrastructure as fundamental to maintaining a strong economy.[iv] Specifically,

> Every one point decline or increase in the TPI correlated to a corresponding decrease or increase of 0.3 percent of GDP. A status quo scenario—largely unchanged priorities, policies, regulations and investment levels—translated to $336 billion decline in GDP by 2015. But there is good news: by following the lead of the states with top transportation infrastructure performance, the country as a whole could add nearly $1 trillion annually to GDP by investing in transportation systems that meet and anticipate the needs of business.[v]

Transportation Performance, Foreign Direct Investment, Competitiveness and Trade

The U.S. Chamber works every day to build bridges to promising markets abroad, to tear down the barriers that shut U.S. exports out of foreign markets, and to secure a brighter future where international commerce generates economic growth and job creation at home. Increasing investment in transportation infrastructure is central to these goals.

The TPI econometric analysis exposed a strong correlation between transportation infrastructure performance and foreign direct investment (FDI) in the United States. There is a positive relationship between FDI that opens new establishments in the United States—creating new jobs—and the performance of transportation infrastructure as measured by the index.

According to the Organization for International Investment (OFII), companies based abroad investing in the United States and creating jobs for Americans provide 4.7 percent of private sector employment. That includes approximately two million manufacturing jobs, accounting for more than 17 percent of the manufacturing workforce. Quality transportation infrastructure unleashes competitive advantage by leading to lower production costs making U.S. businesses more efficient, making the United States a desirable location for new and existing businesses, and also making U.S.-produced goods and services more competitive in the global economy.[vi]

New enterprises established by FDI may be more dependent on transportation infrastructure than other types of infrastructure because of the need to move goods and people between the foreign country and the United States. According to studies done by the Bureau of Economic Analysis, most of what these firms import and about half of what they export is shipped from and to the parent company in the foreign country, making transportation infrastructure an important element of their location decision. The results indicate that a commitment to raising the performance of transportation infrastructure provides positive long-term value for the U.S. economy.

OFII's report, "Building Competitiveness: American Jobs, American Infrastructure, American Global Competitiveness" clearly indicates that a commitment to increasing the efficiency and performance of U.S. transportation infrastructure provides long-term, positive value for the U.S. economy. According to the report:

> America's infrastructure crisis is threatening America's global competitiveness because it is eroding the country's ability to attract and retain dynamic global companies that create high-productivity, high-wage jobs. America's ability to meet the infrastructure needs of dynamic global companies increasingly lags the ability of many other countries—in contrast to much of 20th century, when America's infrastructure was a strong pull attracting these companies. In the United States, global companies have long been among America's most innovative. The U.S. subsidiaries of global companies, in particular, have long created and sustained high-paying American jobs based on substantial investments in ideas, capital, and exporting—much of which is based on lessons learned around the world.[vii]

Without smart investment in U.S. infrastructure, American businesses will lose ground to major international competitors. Less-developed and emerging market competitor countries recognize the benefits of well-developed infrastructure and are preparing their transportation systems to move away from producing low-wage goods to producing the types of products that require the specialization of labor that transportation infrastructure makes possible.[viii]

Markets outside of the United States represent more than 80 percent of the world's purchasing power, 92 percent of its economic growth, and 95 percent of its consumers—all accessed through transportation networks. More than 38 million American jobs[ix] depend on trade. One in three manufacturing jobs[x] depends on exports, and one in three acres[xi] on American farms is planted for hungry consumers overseas. Exports alone supported approximately 9.7 million U.S. jobs in 2011, as every billion dollars of exports supported 5,080 jobs in the United States.[xii]

The Chamber promotes expanding American trade, two-way investment, and tourism through an ambitious agenda to open international markets and reduce commercial barriers at home and abroad. Our country should make a major effort to attract more global investors. High performing transportation networks draw FDI, because infrastructure supports predictable logistics, which are important to efficient trade.

> Globally, logistics costs have fallen from about 20 percent of GDP in the early 1980s to less than 10 percent. However, delays and unpredictability greatly outweigh direct transportation costs (Arvis, 2010). Delays are mostly related to the performance of road, rail and port—not border crossings, the price of fuel, service pricing, etc. The lack of intermodal connectivity and variable transit times does more than cause delays and raise costs. They also hamper the ability of firms to compete. Longer delays in transit mean having to hold higher inventories (e.g. to avoid shortages of inputs)—bearing the higher risk associated with warehousing and tying up capital for longer periods of time.[xiii]

Unfortunately, much of the United States' transportation infrastructure—especially that which supports interstate commerce and international trade—is becoming less competitive with the rest of the world, and our closest competitors.

An examination of the data for the US and Canada emphasizes the inefficiencies in [US] land transportation. A Canadian exporter typically moves their goods for export 766 kilometers, versus a substantially shorter distance for US exporters of only 484 kilometers. The difference in total cost is about 10 percent ($1,249 per container in the US versus $1,123 in Canada). The big difference is that US producers need more than 2 extra days to cover nearly half the distance. When exporting through ports and airports, US producers are able to cover 50 percent more distance in about the same amount of time as Canadian firms, but at a cost that is almost 60 percent higher (even with similar security measures in place). These inefficiencies put a burden on US companies that their global competitors do not face.[xiv]

Why the extra time to cover half the distance? A pervasive problem in the United States is traffic congestion, which is at an all-time high and will only get worse, according to the Texas Transportation Institute's 2012 Urban Mobility Report.[xv] The study revealed that Americans spent 5.5 billion additional hours sitting in traffic in 2011. While accounting for only six percent of the nation's total freeway lane-miles and 10 percent of the traffic, 328 corridors account for 36 percent of the country's urban freeway congestion. In 2010, congestion (based on wasted time and fuel) cost about $115 billion in the 439 urban areas, compared to $113 billion (in constant dollars) in 2006.[xvi]

Most drivers allow a little extra time when driving during rush hour, especially for important trips like getting to the airport or picking up kids after school, but the message of the Texas Transportation Institute's congestion report released earlier this year was clear: plan for more time to get places. For the first time, the TTI study calculated just how much extra time could be needed in a travel plan. In Washington, DC, a 20 minute trip takes almost two hours in heavy traffic.[xvii] That is a huge difference when trying to make a flight or picking up kids from day care.

Compare this to businesses that use the transportation system every day and then start doing the math: UPS carries six percent of U.S. GDP within its system every day. If every UPS vehicle suffers a five minute congestion delay every day of the year, the annual operating cost to UPS increases by $105 million. Imagine if every UPS vehicle suffers congestion delays of up to two hours each day.

The services sector also suffers when congestion and lack of connectivity create inefficiency and, in some cases, deterrence for travel at all. The travel and tourism industry represents another clear example of an industry with job and growth opportunities that is heavily reliant on transportation. Jonathan Tisch, Chairman of Loews Hotels & Resorts, recently highlighted the connection between infrastructure and growth in the travel and tourism sector.

> In my business, the travel industry, we see tremendous opportunities for growth in a sector that already generates $1.9 trillion in annual economic output, supplies $124 billion in tax revenue, and employs 7.5 million Americans. Over the next decade, worldwide travel from rapidly developing countries like China, Brazil and India is projected to grow by more than 100 percent—additional visitors who could generate billions to spur economic growth, job creation, and small business expansion. Yet America's infrastructure system cannot handle the travelers we already have, much less millions of new ones.[xviii]

Businesses place a high value on mobility—of their employees, customers, and supply chains—and are solution oriented. Chamber members have grown frustrated with the repetitive debates over whether one mode is more important than another, or if one jurisdiction is receiving its "fair share."

Businesses want to know if the transportation system as a whole will support reliable and predictable, cost-effective, and safe transportation of goods and people from their origin to their destination both today and into the future. They do not want to negotiate among 50 different states and myriad communities. They cannot afford to have a system made up of islands of good transportation in a sea of mediocrity. This sums up why there is a clear federal role in ensuring the national interest is realized in an interconnected, seamless, and efficient transportation system.

MAP-21 Reauthorization: Next Steps

In discussing highway, transit and safety legislation over the years, the Chamber has been clear, consistent, and repetitive on three key points. First, we must get the most bang for the buck out of every federal dollar through good policy and programs. Second, the federal government is not the only game in town; the private sector must play an increasing role in project financing and delivery. Third, the best policy and the most creative financing tools do not do much good without revenues.

Moving Ahead for Progress in the 21st Century made smart reforms to speed up much-needed improvements to our roads and bridges, and public transportation systems; expanded TIFIA, which is the flagship federal credit program for surface transportation; created performance measurement for transparency and accountability; called for establishment of a national highway freight network; and, funded federal-aid programs without significant cuts. MAP-21 has a focused and simplified federal transportation policy framework and program structure. It stopped the diversion of money intended for transportation to non-transportation projects. These changes should enable states and Metropolitan Planning Organizations to implement a sensible mix of projects based on what will work in a given area—more road construction in some areas or investment in public transportation in others, or using technology to improve system management and squeeze out additional capacity from existing assets. Through planning and performance measurement, states and local planning processes and decision-making will be more transparent and agencies will be more also more accountable for outcomes. Together, the historic reforms in MAP-21 should go a long way to restoring trust and confidence with taxpayers who expect their money to go toward the intended purposes.

In this reauthorization, there are opportunities to build on MAP-21, without disrupting the ongoing implementation of the law, will help make the case for action on transportation legislation and on solving the funding crisis. Although this testimony is not focused on policy recommendations, the Chamber is developing suggestions for the Congress to consider and will share those when they are completed.

Private Participation & Financing Tools

As a nation, we must do a better job taking every opportunity to tap every possible source of capital so that projects that simply cannot be financed still have resources—including the limited formula and grant dollars that do not have to be repaid.

There is no shortage of private capital ready to be invested. AECOM, a global provider of professional technical and management support services, estimates that, "Private equity "dry powder," cash on the books of S&P 500 firms and U.S. pension fund assets collectively are almost 12 times the U.S.' estimated infrastructure investment gap."[xix] At least $250 billion has been raised globally for investment in public-private partnerships, or P3s.[xx]

Capital is not the only reason to pursue private participation in public infrastructure delivery. The private sector can bring innovative problem solving and up-front capital to bear on the nation's most complex, large transportation challenges. P3s have the potential to drive urgent and complex projects forward in order to deliver benefits sooner than under pay-as-you-go models. Significant value can also be derived from private sector innovation and creativity in problem solving, performance measures built into contracts, and long-term collaborative opportunities incorporating operations and maintenance rather than taking the short-term view of design and construction.

Governors and mayors—and other elected decision makers—need to embrace P3s as a way of doing business. Every state should have laws that not only allow, but welcome, private investment. Public sector project sponsors must develop projects that are bankable, e.g. generate revenues in order to pay for projects or have access to dedicated developer impact fees, general tax revenues or special purpose taxes. The process of delivering projects has to be accelerated: barriers to private investment including regulations and administrative processes that make project delivery take far too long should be removed or reformed. Political uncertainty must be reduced.[xxi]

Where do federal transportation policies fit into the P3 equation? Federal credit assistance programs, bond proceeds, and state infrastructure banks can bring down the overall cost of capital for projects thereby freeing up cash flows, which draws in private investors.

The Transportation Infrastructure Finance and Innovation Act (TIFIA), which MAP-21 substantially expanded (from $122 million in budget authority per year to $1 billion in 2014) is a powerful leveraging tool. Each dollar of federal funds can support up to $10 in TIFIA credit assistance and leverage $30 in transportation infrastructure investment.[xxii]

Private activity bonds for surface transportation projects and rail truck transfer facilities were authorized at $15 billion in the Safe, Accountable, Flexible, Efficient Transportation Equity Act: A Legacy for Users (SAFETEA-LU)[xxiii] and are often used as part of a public-private partnership financing structure. These tax exempt (municipal) securities are issued by state or local entities and the proceeds are used by one or more private entities.[xxiv] Today only $5 billion in available capacity remains against $20 billion of public-private partnership projects now in procurement of which many include tax-exempt PABs in the financing plans.[xxv] Congress will need to take action soon to increase the capacity in order to keep the PAB market functioning.

As of December 2012, 33 states and territories had entered into an estimated 940 state infrastructure bank loan agreements for a total of $6.0 billion. State infrastructure banks, or SIBs, are revolving loan funds. A SIB, much like a private bank, can offer a range of loans and credit assistance enhancement products to public and private sponsors of Title 23 highway construction projects or Title 49 transit capital projects. The requirements of Titles 23 and 49 apply to SIB repayments from federal and non-federal sources. Although MAP-21, unlike SAFETEA-LU, did not extend the ability of states to use federal funds to capitalize SIBs, states can still use existing SIBs as part of their funding and financing toolbox.[xxvi]

These valuable federal credit tools, along with other sources of debt and equity are not free. When a project is financed, revenues are required to repay lenders and investors. Although using alternative procurement approaches like P3s can free up pay-as-you-go funding sources for projects that do not fit into the P3 model, P3s are not substitutes for fixing the revenue problem facing the Highway Trust Fund.

The Highway Trust Fund: Averting the Cliff and Creating Sustainability

The Highway Trust Fund (HTF) is the main source of federal funding for federal highway and transit programs. The HTF is composed of the highway account, which supports highway and intermodal programs, and the mass transit account, which funds public transportation. The HTF is funded by a federal gasoline tax of 18.4 cents per gallon and a federal diesel tax of 24.4 cents per gallon, as well as other fees. These user fees that paid for much of the nation's postwar Interstate system and enabled multi-modal and intermodal development have not been raised since 1993 and have failed to keep pace with inflation and the soaring costs of construction and materials.

In testimony to this committee last September, the Chamber stated, "The issue of sustainable, growing revenue for the federal HTF is central to MAP-21 reauthorization. Over the next 12 months, elected leaders must lay a course for the future of federal investment in highways and public transportation."

The Chamber looks at this challenge in three phases.

- 2014-2015: The impending crisis requiring draconian cuts in order to maintain solvency.
- 2015-2024: During this period, the existing user fees could be modified to be sustainable, predictable, and in pace with inflation. This is also a critical period for conducting an aggressive research and development agenda for a long-term revenue source.
- 2025 and beyond: It is at this point, when CAFE standards increase significantly, that the revenues from gasoline taxes are likely to require substantial replacement as the primary source of funding from drivers.

Action Required This Summer: 2014-2015 Shortfalls

Time is running out to address the immediate problem with the HTF. Congress must act before the August recess to ensure that payments on obligations are made through the end of FY 2014. Then, Congress must act before September 30 on the revenue shortfall projected for FY 2015.

Under the baseline scenario, CBO expects outlays from the highway account to total about $46 billion and revenues to total about $33 billion, leaving the highway account with a balance of about $1 billion at the end of FY2014. However, the U.S. Department of Transportation (DOT) needs a cash cushion of about $4 billion to meet cash flow requirements in the highway account. As a result, CBO estimates that in the highway account there will be a mismatch between the timing of revenues credited to the fund and when bills need to be paid from the fund. It is likely that the highway account will have difficulty meeting obligations sometime during the latter half of Fiscal Year 2014.

Under the baseline, CBO estimates that the transit account will be able to meet all obligations during FY2014, but will be unable to meet obligations at some point in Fiscal Year 2015. Outlays from the account are expected to total about $8 billion and revenues will total about $5 billion, leaving the transit account with a balance of about $2 billion at the end of the year. DOT has noted that they need a cash cushion of between $1 and $2 billion to meet cash flow requirements in the transit account.

For FY2015, the conclusion that CBO made in August 2013 still holds. In the absence of revenues from the general fund or changes to HTF user-fee receipts, "bringing the trust fund into balance in 2015 would require entirely eliminating the authority in that year to obligate funds (projected to be about $51 billion)." [xxvii] In other words, there is only enough cash flow coming into the HTF to for outlays resulting from prior year obligations. CBO's projections show a $13 billion cash shortfall in 2015, requiring a total of $18 billion in revenues in order to provide the cash flow cushion that DOT estimates it needs.

The 10-year window: FY2015-FY2024

The 2014-15 problems are only the tip of the iceberg. As Jeff Davis of Transportation Weekly wrote on February 4, 2014, shortly after the release of the CBO February 2014 baseline:

> According to CBO, if Congress wants to write a six-year surface transportation bill at the baseline spending levels (the obligation limitations on Highway Trust Fund contract authority contained in the just-enacted FY 2014 omnibus appropriations bill, plus annual increases for inflation), the Trust Fund needs another $100 billion or so in additional tax receipts, or transfers from the general fund, over the FY 2015-2020 period.[xxviii]

For the 10 year window, 2015-2024, the cumulative shortfall in the highway and mass transit accounts of the HTF will be over $170 billion, under the assumption used by CBO that defense and non-defense discretionary spending will comply with the annual caps in the Budget Control Act, as amended, which hold the rate of growth in both categories below inflation until 2021.

2025 and Beyond

Looking even farther into the future, by 2025, all new cars and light duty trucks sold must comply with Corporate Average Fuel Economy standards that will dramatically reduce gasoline consumption and, as a result, decimate the excise tax on gasoline as a source of revenue to the HTF. By this point, new revenue sources must be identified, and the collection methods thoroughly tested, so that a different means of collecting user fees can be implemented if user fees are to be the source of funding for highways, public transportation and safety.

Three Paths to Solvency

The three alternative paths in front of Congress and the Administration today are identical to those that the Chamber and the ATM Coalition have presented to elected and appointed officials, and the American public, for the past several years.

Option 1: Cut transportation programs to levels supported by available revenues.

Trade-off: Approaches of this type simply shift responsibility to states and local communities, which will be forced to raise their own revenues to address transportation needs.

In the last several years, Congress repeatedly rejected dramatic cuts to highway and transit programs. In 2005, Safe, Accountable, Flexible, Efficient Transportation Equity Act: A Legacy for Users (SAFETEA-LU) established annual authorized funding levels for the highway and transit programs based on an estimate of the amount of annual revenue that would accrue to the HTF. SAFETEA-LU did not adjust user fees for inflation, meaning purchasing power continued to decline. Nor did it adjust for needs, meaning that backlogs continued to grow. When actual revenues did not meet projections, Congress reinforced its commitment to the authorized investments and reimbursed the HTF for monies that had been taken out in earlier years for other purposes. In passing MAP-21 last year, Congress rejected changes to user fees to bring them in line with spending, but also rejected dramatic cuts in highway and transit programs, instead choosing to use general fund offsets to maintain federal funding levels for highways and public transportation.

The Chamber strongly urges Congress to continue to reject cuts to federal program levels that would, in turn, pass the buck to states, localities and the private sector. These cuts are not acceptable to the Chamber. This option is tantamount to abdicating responsibility for interstate commerce, and ignoring the importance of connectivity and the value of a national system.

Option 2: Pay to maintain or increase transportation spending with general funds.

Trade-off: This option eliminates the certainty of a multiyear transportation program because contract authority—the ability of a federal agency to incur obligations in advance of appropriations—has been tied, historically, to user fees. Absent sustainable, predictable and growing sources of user fee revenues, the federal transportation programs covered by MAP-21 will have difficulty supporting multi-year capital investments. Since 2008, the HTF relied on over $50 billion in general fund transfers for solvency. This approach has created uncertainty across the organizations that design, build, operate, maintain and finance transportation infrastructure.

Although the Chamber appreciates the willingness of Congress to shore up the HTF through general fund transfers, this option is not a long-term solution to the structural problem of insufficient user-fee based revenues. It can provide a bridge until revenues are identified, but it will not provide sustainable, predictable and growing resources for the HTF and the certainty that is needed for efficient capital investment.

Option 3: Increase existing user fees and/or identify new user-related revenue sources.

Trade-off: Politics and public opinion. The simplest, most straight-forward, and effective way to generate enough revenue for federal transportation programs—increasing federal gasoline and diesel taxes—is frequently cited as politically impossible.

The Chamber's Preferred Revenue Option: Increase Gas and Diesel Taxes

The Chamber believes that Congress should maintain a user-fee based HTF to support a strong federal role and enable multi-year funding commitments by the federal government to states and metropolitan planning organizations. Historically, user fees deposited into the HTF have been the simplest, most transparent and effective way of providing systemic revenue for federal highway and public transportation programs. The trust fund construct is valuable, especially in absence of capital budgeting, because properly funded, it supports multi-year highway, transit and safety legislation that make use of those resources in different ways—whether leveraged through TIFIA, distributed through competitive grant programs, or allocated by formula.

The gas tax is not dead. However, the current levels—18.4 cents per gallon on gasoline and 24.4 cents per gallon on diesel—have not changed since 1993. The obvious solution is to increase and index these user fees to produce sustainable, predictable, and growing cash flows until a new revenue structure can be identified and implemented.

The Chamber believes that raising user fees to cover the shortfall and allow for increased investment should not be dismissed. Increases should have been done long ago to make up for lost purchasing power and address unmet needs. The challenge is one of political will. This debate—particularly the revenue considerations it entails—will never be convenient. But matters of convenience are not what Americans ask of their leaders in Washington.

Actions by states in 2013 to raise revenue for transportation are examples of this political courage. According to the National Conference of State Legislatures,

> On Nov. 25, Pennsylvania Governor Tom Corbett signed a comprehensive transportation funding package into law. Among other provisions, House Bill 1060 repeals the state's 12 cents-per-gallon gas tax altogether and phases in an increase to the state's percentage-based Oil Company Franchise Tax. The multi-billion-dollar legislation makes Pennsylvania the sixth state this year—after Maryland, Massachusetts, Vermont, Virginia and Wyoming—where the legislature enacted a bill to increase overall state gas taxes. Notably, except for Wyoming, all of these states moved toward a gas tax that tracks with the economy to some degree, either by tying the rate to inflation or basing it on the price of fuel.[xxix]

Other Revenue Options

The Chamber is open to considering other revenue options to supplement the current HTF revenue sources. In fact, there is no shortage of research that looks at the questions of "who pays, for what, how much, and by what mechanism?" <u>However, the Chamber has not fully evaluated these options and this list is not indicative of options that the Chamber would support</u>.

The two commissions created in SAFETEA-LU, The National Surface Transportation Policy and Revenue Study Commission (http://www.transportationfortomorrow.com) and the National Surface Transportation Infrastructure Financing Commission (http://financecommission.dot.gov) looked at the full array of reports and research on the topic of federal revenues for surface transportation. The Finance Commission, in particular, took an analytical, highly structured approach to assessing revenue options[xxx], including:

- Existing HTF sources
- Vehicle-related taxes and fees
- New fuel taxes
- Broad-based taxes
- Freight-related mechanisms
- Tolling and pricing mechanisms

Notably, both commissions rejected the notion that the federal government should get out of the business of investing in highways and public transportation.

The Senate Finance Committee issued a paper[xxxi] that offered ideas to establish new user fees and taxes to replace or supplement the current system. The Finance Committee options, which were drawn from various sources, included:

- Replacing the current gas tax with a hybrid structure of a variable fuel tax plus a per barrel fee on domestic and imported oil.
- Institute a vehicle-miles-traveled-tax. This option is highly controversial and will not address the immediate challenges.
- Establish surcharges on drivers' licenses and vehicle registration.
- Set new fees for hybrid and other efficient vehicles.
- Expand use taxes to bicyclists, for example, through an excise tax on bicycles.

The American Association of State Highway and Transportation Officials developed another illustrative list of potential revenue sources that is commonly referred to as "the AASHTO matrix."[xxxii] Some of the options:

- Container taxes
- Partial dedicates of customs revenues
- Indexing gasoline and diesel taxes
- Freight waybill fees (either all modes or truck only)
- Freight charges by ton or ton-mile on all modes or truck only
- Increase in Harbor Maintenance Tax
- Heavy Vehicle Use Tax increase
- Partial dedication of individual or corporate income taxes
- Sales taxes on: auto-related parts and services, fuel, or new and used cars and light duty trucks
- Increasing heavy truck and trailer sales taxes and tire taxes
- Instituting new tire taxes for cars and light duty trucks

Among other proposals: House Speaker John Boehner proposed expanding domestic energy production and using resulting revenues to the federal government for transportation. Jack Schenendorf and Elizabeth Bell, of Covington and Burling, LLP, proposed a Federal Interstate User Fee and a Federal Motor Carrier User Fee—essentially creating a tolling system for the Interstate Highway System.[xxxiii] Numerous sources propose a carbon tax on transportation and potentially using those receipts for infrastructure.

None of these options will be the HTF Revenue Holy Grail: a non-controversial, politically palatable, sustainable, predictable, adequate and growing source of user fee revenue for transportation.

Conclusion

This nation is faced with difficult fiscal circumstances; however, federal investment in transportation is vital for economic growth, competitiveness and jobs. A transportation system that supports a 21st century economy requires a high level of investment targeted at improving performance across all modes and across the country. The federal government should not pass the buck to states and locals, nor should it wait for money to grow on trees, or wish and hope that things will get better. Although the management and planning of the nation's transportation system is decentralized and often localized, and public and private, we cannot just fix a few bottlenecks or address the problems in one city or state.

Inaction has costs.

- The economic costs of congestion on the ground, in the air, and at our ports;
- The number of lives needlessly lost to poor roadway conditions;
- The negative impact an aging transportation infrastructure system has on our ability to compete globally;
- The greater costs of materials, labor, and land as projects are delayed;
- The lost opportunity to employ hundreds of thousands of people in construction and related industries by modernizing our highways, transit systems, airports, seaports, waterways, and rails;
- The increased costs and decreased efficiency for American businesses; and
- The hundreds of billions of dollars annually in wasted fuel, lost productivity, avoidable public health costs, and delayed shipments of manufacturing inputs, consumer goods and other items critical to the underlying growth of our businesses.

These things might not "score" for the Congressional Budget Office or the Office of Management and Budget, but the costs are real.

As the Chamber testified to the House Committee on Transportation and Infrastructure, on February 13, 2008:

> The Chamber is confident in the case for increasing the systemic funding available for capital investment in infrastructure. As a nation, we must face this fundamental fact—we are a growing people and a growing country with aging infrastructure. We have to fix what we have, and then, if we want a new road, a new runway, or a new transit system, we've got to buy it. No one is giving them away for free....When it comes to funding and financing, every option must be considered to address the enormous problems of the aging transportation infrastructure.

The Chamber is committed to working with the Senate Committee on Environment and Public Works, and others in Congress and the Administration to find sustainable, predictable, growing sources of revenue and exploring future user fee collection mechanisms that are not administratively burdensome or costly. We will assist with the development of additional reforms, innovations, and methods to encourage the use of private sector resources.

We call upon all of America's leaders in and out of government to put this country first. America needs big solutions—it is time to put the smallness of politics aside. Transportation is a great opportunity to prove that Democrats and Republicans can work together, that states and the federal government can each play an appropriate role, that business can step up to help meet a major national challenge, and that all stakeholders can come together to get something done for the good of the nation. The Chamber is ready to meet the challenge.

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March 26, 2014

The Honorable Barbara Boxer
Chairman
Committee on Environment and
Public Works
United States Senate
Washington, DC 20510

The Honorable David Vitter
Ranking Member
Committee on Environment and
Public Works
United States Senate
Washington, DC 20510

Dear Chairman Boxer and Ranking Member Vitter:

I am providing these responses on behalf of Thomas J. Donohue. Thank you for the opportunity for the U.S. Chamber of Commerce to testify at the Committee on Environment and Public Works hearing entitled, "MAP-21 Reauthorization: The Economic Importance of Maintaining Federal Investments in our Transportation Infrastructure." Enclosed are responses to the questions for the record that you requested on March 6, 2014, following the hearing. The Chamber appreciates the Committee's attention to this important topic.

Sincerely,

R. Bruce Josten

R. Bruce Josten

From Chairman Barbara Boxer

1. Mr. Donohue, you and your organization has been outspoken in support of the need to increase revenues into the Highway Trust Fund and maintaining a user-fee system. It is not a common occurrence for the Chamber of Commerce to come out in support of raising revenue. Why is this issue so important to the business community that the Chamber would take the position of supporting raising user fees for transportation?

The Chamber supports smart federal spending on transportation infrastructure because, as the Chamber's Transportation Performance Index found, how well transportation infrastructure performs can boost or drag down gross domestic product. There is a clear national economic interest in a high-performing transportation system. Good system performance draws foreign direct investment and creates jobs. Congestion and bottlenecks make the U.S. less competitive with other countries. Given the competitive global economy, producers in the United States seeking to export to consumers around the world need a transportation system that is second to none.

A safe, reliable, efficient transportation system, with infrastructure where it is needed today and with the capacity to handle future population growth and economic activity, is important to all sectors of America's economy. The system must be multi-modal and have efficient intermodal connections. Businesses require this kind of transportation system nationwide: they cannot afford islands of good transportation in a sea of mediocrity.

To help states and local communities deliver the projects that are needed for a national system, the federal government plays a role in policy, programs, and funding for roads, bridges, public transportation and safety.

Because capital investments in infrastructure are generally multi-year projects, contract authority—a particular type of budget authority that allows funds to be obligated in advance of appropriations subject to the terms of an authorization act—is particularly important so that states can plan and execute multi-year contracts. The Congressional Budget Impoundment and Control Act of 1974 specified that contract authority can be used when derived from a "trust fund, 90 percent or more of the receipts of which consist of" user fees. Although the Chamber appreciates Congress's willingness to continue providing contract authority during this time of exploring ways to address the Highway Trust Fund shortfall, considerable certainty would result from permanent, dedicated, sustainable, predictable and growing user fees for the Highway Trust Fund.

Congress should recommit to the user fee supported Highway Trust Fund approach to federal investment in roads, bridges and public transportation. This requires increasing revenues into the Highway Trust Fund. The alternative is robbing Peter to pay Paul: finding one-time, non-transportation related offsets. This creates winners and losers, rather than maintaining the system that is fair—requiring users to pay for what it is that they use.

From Ranking Member David Vitter

1. In your testimony, you allude to the federal government not being the only game in town when it comes to investing in our transportation infrastructure, however even P3 projects are not immune to navigating government programs and bureaucratic red tape. We always hear how private sector money is sitting on the sidelines waiting to invest in our infrastructure. What are the impediments to action? If it's the number of eligible projects, could bundling smaller projects together be helpful? How much of a deterrent is dealing with the federal government? Not just with the typical red tape, but also in the pace of action and rigid guidelines.

   It seems to me that the problem is that many approach P3s by trying to get them to fit into a government structure, when we really should be taking the approach of making government adapt to the P3 structure. If that is the case, what policies can we pursue to change the conversation?

The number of public-private partnerships (P3s) in action in the United States lags far behind that in both the developed and the developing world. In an article titled, "Narrowing the Infrastructure Gap with P3s," published in the September 2013 issue of Free Enterprise Magazine, the Chamber suggested four remedies that could encourage private sector money off of the sidelines and into investment in infrastructure.

- Lead from the Top: Governors and mayors—and other elected decision makers—need to embrace P3s as a way of doing business.
- Develop Bankable Projects: P3s are not free. Revenues from projects must be generated to pay back lenders and investors. Revenue generators include direct user fees (e.g. tolls, ticket revenues), developer impact fees, general tax revenues, and special purpose taxes.
- Attract Private Capital: Federal credit programs, such as the Transportation Infrastructure Financing and Innovation Act (TIFIA), can reduce the total cost of capital and make infrastructure projects appealing to private investors. In addition as you mention, bundling smaller projects together to create a larger number of eligible projects could assist with developing a project pipeline, although there would still have to be a revenue stream to pay back those projects.
- Accelerate the Process and Reduce Uncertainty: Speed up federal environmental and permitting processes, which MAP-21 did for highway and transit projects but still needs to be done broadly for infrastructure. Ensure that public officials cannot pull the rug out from under a project after a private sector consortium has invested in bidding on a project. Empower public officials to make timely decisions.

As governments at all levels explore using P3s as a procurement tool, new structures that are not entirely public or entirely private are required. States successful in using P3s have developed expertise, processes, and offices/organizations (such as the State of Virginia's Office of Public Private Partnerships) following the lead of the United Kingdom (Infrastructure UK), Canada (PPP Canada, Partnerships BC), and Australia (Infrastructure Australia).

2. At the hearing, we discussed briefly EPA's rulemaking regarding the scope of federal jurisdiction under the Clean Water Act. As I mentioned at the hearing, every indication

(including a draft rule that was recently leaked to the press) suggests that the rulemaking poses a threat of dramatically increased permitting requirements and decreased flexibility for transportation projects. On top of that, EPA has indicated it plans to formally proceed with the rulemaking even before peer reviewers have had a sufficient opportunity to review and critique EPA's underlying scientific report for the rule.

Do you agree with EPA's rushed approach for this Clean Water Act rulemaking? Or, instead, if we're going to make sure the rule doesn't harm the entire economy and our ability to maintain transportation infrastructure, do you think that the Office of Management and Budget should return the draft rule to EPA, so that the scientific report can be properly and fully evaluated? Wouldn't kicking back the rule to EPA allow the rulemaking to proceed in a more credible manner?

The Chamber does not agree with the Environmental Protection Agency's rushed approach to the Clean Water Act rulemaking; it should be returned to EPA to go through the regular process and not expedited. Rushing rules through the regulatory process is never productive. The wide reaching impacts and potential ramifications of this controversial proposed require a cautious and exhaustive approach from EPA.

From Senator James Inhofe

1. What impact does uncertainty over the Highway Trust Fund have on the willingness of states to engage in longer-term multi-phased projects?

Uncertainty over the Highway Trust Fund reduces the ability of states to engage in longer-term multi-phased projects scheduled to rely on federal funding as part of the funding and financing plan for a project.

2. As everyone here knows, I often talk about the constitutional duty of the federal government to provide for a national transportation infrastructure. This is actually an area the government should be in and fund. However, if the ability of the federal government to provide infrastructure funding continues to deteriorate, what ability do our states and local governments have to pick up the slack? What would the effects be on our transportation system? On our economy?

Constructing, operating and maintaining national transportation infrastructure is, has long been, and should continue to be a partnership of federal, state, and local governments, and the private sector. Federal disengagement is not an acceptable solution to the Highway Trust Fund solvency problem: it simply passes the buck to states and locals.

According to a recent analysis of FHWA data by the American Road and Transportation Builders Association, Federal-aid highway funds account for an average of 52 percent of capital outlays nationally. This highlights how critical of a partner the federal government is in building and maintaining our transportation network.

As was stated in response to Chairman Boxer's question, "Infrastructure makes economic activity possible, and businesses require reliable, predictable, safe and cost-effective transportation across the system—meaning nationwide and across all modes—as a whole. They cannot afford islands of good transportation in a sea of mediocrity."

3. Proposals to encourage more bonding for transportation projects or to create infrastructure banks are getting a lot of attention lately. Will these types of proposals provide the funding states need to fund highway and bridge projects?

There is a difference between providing broad programmatic funding to states and providing specific project financing assistance. Some proposals would give states, locals, or project sponsors the ability to borrow at low rates to finance a project or program of projects. These loans, just like the mortgage someone takes out to buy a home, must be paid back. Other proposals would allow states, locals, or project sponsors the ability to issue bonds to borrow money, which must be paid back, to provide programmatic funding for transportation projects. Not every state, or every project, is able to use borrowing in these ways. Although the Chamber believes that financing tools are very important, especially when constructed in order to attract private investment to projects, these tools are not substitutes for the funding provided to states through formula apportionments or grant programs.

4. It is no secret that our needs exceed the resources available in the Highway Trust Fund. We are not going to raise the gas tax, and finding new revenues for transportation is a substantial challenge. The President's continued failure to address this in his budget has plagued Congress' ability to find consensus on a path forward. How do you think we can close the gap between the staggering needs and the limited recourses available to the Trust Fund?

The Chamber respectfully disagrees that "we are not going to raise the gas tax." The gas tax is the simplest, most straightforward way to raise revenues from the users of the system to pay for the system. As noted in the Chamber's written testimony, numerous reports have offered suggestions of transportation-related revenue streams as well as non-transportation revenue streams that could supplement or supplant the user fees on fuel. However, each of those potential solutions comes with its own set of issues. There is no silver bullet to addressing the HTF problem.

5. Currently the Federal Highway Program operates with an 80/20 split with the federal government and states and locals. Do you think that in the absence of substantially new revenue, that maybe it is time to reduce the federal share for projects that are not on the interstate, to 70% or 60%?

Changing the cost share for projects funded with federal dollars will not solve the Highway Trust Fund problem. While such a change could be used to leverage additional spending in some states and could be used to focus a greater number of projects on the Interstate, states are already providing, on average, 70% of the funding for Federal-aid highway projects.

6. With the uncertainty of funding for the Highway Trust Fund, industries might turn to alternate modes of transport as our roads continue to deteriorate. Looking toward freight, what are our challenges there with respect to reauthorization?

With regard to reauthorization, the main challenge with regard to freight is to create policy and programs that reflect the multi-modal and intermodal nature of freight transportation. Shippers and carriers require a seamless multi-modal transportation system with efficient intermodal connections that provides for reliable, predictable, safe, and cost effective transport of raw materials, components, and finished goods from origin to destination. Finally, if the reauthorization proposal includes a new freight program, its funding should be distributed strategically to achieve the greatest improvements possible as opposed to using a politically expedient formula to spread the funding so thin as to be unable to achieve any measurable gains.

From Senator Jeff Sessions

1. The Senate bill you support doubles the flow of immigrant workers to compete for jobs. You wrote recently that an immigration bill is needed to "*address labor shortages in lesser-skilled fields where there are insufficient numbers of either qualified or willing U.S. workers to fill positions*." In a recent panel discussion on immigration you also said: "*With our energy expansion you find the chemical industry coming back on shore because of natural gas. There are at least a hundred companies from around the European community here looking to see where they're going to put their factories and American companies are bringing jobs back here and we don't have the workers for many of those jobs. It is vital…that we have an immigration bill.*" A record number of Americans have left the workforce. Youth unemployment for African-Americans is 38%. Nearly 1 in 2 recent college graduates are underemployed. 47 million Americans are on food stamps. Can you honestly say there are not enough American workers here today to fill available jobs?
2. Byron York, writing in the *Washington Examiner*, recently pointed out that the same companies demanding huge increases in guest workers are laying off thousands of American workers. Would you support a proposal to transition Americans who are receiving welfare and unemployment into available jobs – instead of importing more labor?

Yes, unfortunately far too many Americans are out of work. It does not follow, however, that these workers have the right skills or are willing to live in the right location to fill open jobs across the economy. Further, it should be emphasized that no one is talking about adding lesser-skilled foreign temporary workers to the economy without a prerequisite that U.S. employers first document efforts to locate U.S. workers.

The Chamber remains committed to building a stronger pipeline of American workers, by reducing achievement gaps in rural and urban schools, creating effective business-education partnerships, and addressing the disconnect between what students learn in the classroom and the skills they need to know to be successful in the workplace. This does not dilute the relevance of immigrants, though.

As demographers have explained, "Given the imbalances in the age structure of the United States, featuring most prominently the large baby boom generation and the baby bust that followed, it would be helpful to add working-age adults to the U.S. population when the ratio of seniors is growing out of proportion relative to past years." (Dowell Myers, professor of policy, planning and demography at the Price School of Public Policy at the University of Southern California.) Immigration can help in this regard.

The fact is that, yes, U.S. employers are not always able to find sufficient numbers of qualified and willing Americans to fill open jobs, even if many Americans are unemployed.

3. Under current law, we admit 1 million mostly lesser-skilled immigrants on a permanent basis each year, in addition to all separate categories of guest workers and temporary visas. This is the most generous immigration policy on earth. The Senate bill, which you endorsed, triples that grants of permanent residency over the next decade. Do you think there should be any limit on immigration levels and, if so, what is the limit that you would support? Please be specific.

Under current law, approximately 59,000 individuals each year are selected for permanent resident status based on their skills and their expected employment and contribution in the American economy. Granting some additional employment-based permanent resident visas is certainly in order, we believe. The remainder of the approximately 1 million new permanent residents each year are selected primarily because of family relationships (and some investors, refugees, and other categories). Don't forget, though, that these family-based permanent residents often create businesses and have children who create businesses. One in ten workers privately employed in the U.S. is employed by a business owned by an immigrant. Yahoo, Intel, and Google were all founded by immigrants who were the children of family-based permanent residents.

We currently admit a number equivalent to about .0034 of our current population as new permanent immigrants annually (less than one-half of one percent). If we increased our total new lawful immigrant population to one-half of one percent (.005) of our current population, this would allow up to 1,574,505 new green cards annually. By comparison, Canada admits a number of new permanent residents each year equivalent to about .0075 of Canada's population and Australia admits new permanent immigrants annually equating to about .0056 of Australia's population as new permanent immigrants annually. If we followed the Canadian example we would more than double the number of new lawful permanent residents (2,361,757), and following Australia's example would increase our new lawful permanent resident numbers by more than half (1,763,445).

What is the exact number of new annual immigrants appropriate for our country and dynamic economy? No, we do not have a precise answer, but it is clearly an issue Congress needs to wrestle with.

4. It is my understanding that on November 5, 2013, Chris Crane, President of the National ICE Council – the union that represents ICE officers and personnel – sent a letter to you

and others saying in part: "ICE officers have documented extraordinary political abuses at the Department of Homeland Security (DHS) and ICE that have threatened public safety…I cannot recall any of you speaking out publicly against these abuses or requesting a meeting with ICE Officers to address our concerns." In that letter, Mr. Crane also requested a meeting with you. Have you met with him and if not, will you commit to meeting with him?

Mr. Donohue has no record of the letter you mention, but would certainly be willing to meet with Mr. Crane. If Mr. Crane would like to send a letter requesting a meeting so we know how to contact him and what he would like to discuss, Mr. Donohue would be happy to try to coordinate a mutually convenient meeting date.

Senator BOXER. We greatly appreciate that. And it is my honor to introduce Mr. Richard Trumka, President of the AFL–CIO.

STATEMENT OF RICHARD L. TRUMKA, PRESIDENT, AFL–CIO

Mr. TRUMKA. Thank you, Chairman Boxer and Ranking Member Vitter, for having us appear before your committee today.

Three years ago, Tom and I appeared before this committee asking for reauthorization of the Surface Transportation Bill. And since then, he and I have spent more time than either one of us would like to admit trying to get this done. While we are not quite ready to schedule vacations together yet, we really are willing to come together and anxious to come together to get this important issue solved for the good of the Country.

Because reauthorization of the Surface Transportation Bill has been the most important jobs legislation that Congress considers. It is a very, very big priority for us. While the economy has improved, job creation remains sluggish. The construction sector alone is down 1.6 million jobs from pre-recession levels. So we not only need jobs, but good jobs. It is estimated that each billion dollars of Federal investment in transportation creates 35,000 well-paying jobs, the type of career jobs that can support a family, a child's education, a secure retirement and a middle class life. These investments not only create jobs, but spur economic growth, ensure our Country's long-term economic global competitiveness, and improve the quality of life of our citizens.

For those in Congress still pushing an austerity agenda when it comes to infrastructure, let me just say this. If your house has a leaky roof, not fixing it won't save you any money. Like the leaky roof, delaying needed infrastructure investments will only cost us more in the long run, not less.

I recently traveled to China. I was stunned at the speed at which our largest competitor is progressing. China has been investing heavily in its infrastructure and the results are pretty dramatic. During my trip to Shanghai, I visited the Yangshan deepwater port, the world's largest and busiest container shipping port. The port, like the high speed trains that took me quickly and efficiently between China's cities, is a key investment in China's efforts to upgrade its infrastructure. It helps them keep up with the Country's growth of exports.

To get to the port, I traveled on a six-lane bridge that is 20 miles long, connecting Shanghai to the islands where the port is located. The bridge was completed in two and a half years, 20 miles of six-lane bridge over the China Sea to an island in two and a half years. And it employed literally thousands, thousands of workers.

Prior to the project, nothing was there but a sleepy fishing village with some islands off in the distance. The first phase of the project opened in 2004, and by 2013, China had accomplished its goal of having the world's largest port. You might say the same thing about high speed rail. We both agreed that we would do high speed rail a few years ago. Right now the U.S. has not one single mile of high speed rail. And the Chinese move more people than our entire domestic airline industry by high speed rail right now.

So America can do it. We can do it, and we can do it better.

Now, I didn't come here today to rehash all the data regarding our Nation's infrastructure needs. Quite frankly, the facts have been reported. They have been studied and they have been discussed to death. The conclusions are always the same: infrastructure investments are vital to job creation, economic growth and global competitiveness. What remains to be determined is whether that information will be acted on and what kind of Country we will leave to our children and our grandchildren.

The Highway Trust Fund is at a crossroads. Failure to act will mean our transportation system will decay further. Construction workers will stay on the bench. Supply chain and transit workers will lack steady work and our economic and global competitiveness will be diminished.

Now, many funding ideas have been proposed, but few of them have been acted on. Other proposals have limited application. That leaves the fuel tax or some variation of it as the main source of funding. Raising the revenue will not be easy, regardless of where it comes from.

But to be blunt, we can't afford to bury our heads in the sand. A bridge that is deficient today will not be any better tomorrow. Congress must come together to enact a robust and a long-term authorization. If business and labor can come before you united on this issue, and we are united on this issue, despite our sharp disagreements on a variety of other matters, I think that should tell everybody something and tell it very loudly.

We need to be the America that can, not the America that can't. We are ready to help in a bipartisan way to get that done because it is so absolutely essential for the well-being of our Country and its economy.

Thank you very much, and we look forward to your questions.

[The prepared statement of Mr. Trumka follows:]

Testimony of Richard L. Trumka

President, American Federation of Labor – Congress of Industrial Organizations

Before the Senate Environment and Public Works Committee

February 12, 2014

Infrastructure, Good Jobs and our Future

Thank you Chairman Boxer and Ranking Member Vitter for having me appear before your committee today.

The AFL-CIO is the largest labor federation in the United States, representing 56 affiliate unions and 12.5 million workers across the country—from bus and transit operators to those who forge the steel and build and repair our highways. The people we represent build America's surface transportation system and make America move.

It's been three years since Tom and I jointly appeared before this committee. Then we were operating on multiple extensions of SAFETEA-LU, the surface transportation bill at the time, and the clock was ticking on getting a new authorization completed. Chairman Boxer, then-Ranking Member Inhofe and members of this committee were able to craft a bi-partisan bill, MAP-21, which kept funding flowing, cut red tape to expedite and streamline projects, expanded the TIFIA program and bought us time to find a longer-term solution.

Yet here we are again today—still trying to find long-term solutions to the serious state of our surface transportation system, just one of the many infrastructure challenges facing our country today. There are just over seven months before MAP-21 expires and the DOT is speculating that the Highway Trust Fund (HTF) could run out of funding by the end of August. The clock is still ticking and the question is: What are we going to do about it?

Jobs and the economy

Reauthorization of the surface transportation bill has always been the most important jobs legislation Congress considers on an ongoing basis—and it's a big priority for us. While the economy has improved, job creation remains sluggish. The construction sector alone is down 1.6 million jobs from pre-recession levels.

Misguided austerity measures have further restricted job growth, and the state of our transportation infrastructure is holding us back from a more well-rounded and long-lasting economic recovery. We need a robust highway and transit bill now to create jobs and alleviate our infrastructure crisis—and it is a crisis—and to invest in our long-term competitiveness.

We not only need jobs, but we need good jobs. Policies such as Davis-Bacon, Project Labor Agreements, Buy America and 13(c) transit protections ensure compliance with community wage standards, and that we spend American taxpayers' money in America and create jobs through smart procurement policies. They ensure that workers' jobs, contracts, wages and benefits are not simply stripped away to produce a low bid or through privatization.

It's estimated that with each billion dollars of federal investment in our surface transportation system, we create 35,000 well-paying jobs—the type of career jobs that can support a family, a child's education, a secure retirement and a middle-class life. Our affiliates have a vast network of top quality joint labor-management training and apprenticeship programs around the country that provide workers with the skills they need to get good middle-class jobs.

For those in Congress still seeking to push the failed austerity agenda, let me tell you this: If your house has a leaky roof, not fixing it won't save you any money. And like the leaky roof, delaying needed infrastructure investments will only cost us more in the long run.

Economic growth and global competition

An adequate level of funding for surface transportation is important for reasons beyond creating jobs, boosting the economy in the short-term and addressing safety and congestion.

Investments provided for in a well-funded, long-term surface transportation bill will spur sustainable economic growth, ensure our country's long-term economic global competitiveness and improve the quality of life of our citizens.

As I travel around the country, I can tell you that every time I see a new transit center or highway interchange, that investment is followed by real estate improvements, businesses being formed and growing and thriving communities.

It's no different in the global arena. While we wring our hands about how to sustain existing levels of funding, let alone the funding increase needed to fix our failing infrastructure, the rest of the world is moving forward.

In my previous testimony I said I had never been to China, but expected to go soon. Well, I now have been there and I was stunned at the speed at which our largest competitor is progressing.

China has been investing heavily in its infrastructure and the results are dramatic. During my trip to Shanghai, I visited the Yangshan Deep Water port, which is one of the world's largest and busiest container shipping ports. The port, like the high-speed trains that took me quickly and efficiently between China's cities, is one of the country's large infrastructure projects and a key part of the government's effort to keep up with the country's growth of exports.

To get to and from the port, I traveled on a six-lane bridge that was 20 miles long—one of the world's longest bridges, connecting Shanghai to the islands where the port is located. The bridge was completed in two and half years and employed close to 6,000 workers. Prior to the project, nothing was there but a sleepy fishing village with some islands off in the distance—no major roads, no bridges and no harbor. China opened the first phase of the project in 2004, aiming to build the world's largest port and export center—and by 2013 they had accomplished their goal.

As the President said in his State of the Union address, world-class investment follows world-class infrastructure. The Chinese know this and have acted to seize that advantage.

America can do it, too. We must do so to remain competitive—and we can do it better.

We need to think about and coordinate the multimodal aspects of our transportation system that are essential to making our economy competitive. When ships load containers at our nation's ports, they depend upon an efficient multimodal supply chain of fully dredged and deepened port facilities, seamless rail corridors and networks and safe roadways. When considering critical investments during the reauthorization of MAP-21, I urge you to think strategically about the linkage between each mode of our transportation system and how they interact with each other. Improving modal connectivity is a key piece to securing our nation's global competitiveness.

Quality of life

We must act now to alleviate the cost of wasted time and fuel caused by traffic delays and congestion. The Texas Transportation Institute estimates that the average commuter wastes 38 hours in travel delays and the fuel wasted adds $818 to a driver's expenses each year. In total for our country, that's a staggering 600,000 *years' worth* of time wasted stuck in traffic each year, and 2.9 billion gallons of wasted fuel. And unless Congress finds the will to provide adequate funding for surface transportation, these problems will only become worse, costing citizens and businesses valuable time and money.

The Highway Trust Fund not only finances our highways, but also provides funding for our transit systems. Transit ridership is surging, and diminished federal funding has stalled plans to improve and grow services, sending even more commuters onto our already over-crowded highways. Some cities are being forced to cut service in spite of increased demand. Flexibility is needed between capital and operating accounts so transit systems can provide maximum levels of service to their customers. A well-funded transit system provides alternatives for commuters, eases highway congestion and offers lower-cost alternatives for commuters and households without vehicles.

We don't need more studies. We need action.

I didn't come here today to rehash all of the data, findings and reports on our nation's infrastructure needs. Quite frankly, the facts have been reported, studied and discussed to death. The conclusions are always the same. These investments are vital to job creation, economic growth and global competition. And it's all true.

I do want to share a few characterizations of just how big a hole we are in regarding the current state of our nation's transportation infrastructure. Since my last appearance before the committee, the situation has become even direr.

- The American Society of Civil Engineers reported in 2009 that we needed $2.2 trillion to bring our infrastructure up to par. Its recent 2013 report showed that number soaring to an even greater deficit, pegging our investment needs at $3.6 trillion. Clearly we are not moving in the right direction.
- The World Economic Forum Global Competitive Report of 2013-14 has downgraded its U.S infrastructure ranking, from 7th in 2008-09 to 15th today.
- The Department of Transportation now says one-third of our roads are in "poor or mediocre" condition.

- DOT also reports that one in four of our bridges is either structurally deficient or functionally obsolete.
- 100,000 bridges are now old enough to qualify for Medicare.
- The backlog for transit maintenance now exceeds $86 billion.

What remains to be determined is whether that information will be acted on—and at what level. To answer that, we must ask ourselves what is our vision of America's future—and what kind of country do we want to leave for our children and grandchildren.

Funding

The last time I was here I said we should consider all types funding mechanisms, from raising the gas tax to exploring new and innovative ideas. While the TIFIA program has been wisely expanded and a variety of other funding legislation has been introduced, at the end of the day here we are, still trying to figure out how to fund our transportation infrastructure, still seemingly without a consensus on how to solve our long-term funding needs.

Historically, the HTF has been funded by a user fee—currently the gas tax is at 18.4 cents a gallon. (The diesel tax is at 24.4 cents a gallon.) Those who use the system have the primary responsibility to fund it. The gas tax was last raised in 1993 when it represented 17% of the price of fuel; it now represents about 5% of the cost of fuel. Inflation has reduced the purchasing power of the revenue we collect. Further, the decline of vehicle miles travelled since 2009, coupled with more fuel-efficient vehicles, has seriously eroded the revenue coming into the trust fund.

The amount of revenue coming in falls well short of supporting current levels of investment and much further short of what's needed. Some estimates show that we should be investing closer to $200 billion a year. A total of more than $41 billion has been transferred from the general fund since 2008 through the end of 2013 to keep the trust fund solvent, another $12 billion will be transferred this year.

If this remains unchanged, an average of an additional $15 billion per year through the year 2020, will need to be transferred from the general fund just to maintain current levels of investment. If no further funding is provided, investment funding will be reduced by 25 to 30% going forward and potentially reduced to zero in 2015 because of existing HTF obligations. A reduction in funding of $15 billion would result in the loss of at least 535,000 jobs each year the reduction was in place.

Despite the time we've had over the past few years to consider funding sources, no source has emerged that is significant enough to replace the user fee-based system and provide robust and long-term dedicated funding for our surface transportation system. Given that there are only seven months before the current authorization expires and that the trust fund may become insolvent before then, it's time for elected leaders from both sides of the aisle to come together and find a solution.

Solutions and choices

Some think government should be run like a business. But no business can remain successful by failing to invest, by settling for outdated and broken equipment or outmoded technologies and processes. Businesses have to make upgrades and invest to succeed, and so does our nation.

The Highway Trust Fund is at a crossroads. Failure to act will mean our transportation system will decay further, construction workers will stay on the bench, supply chain and transit workers will lack steady work and our economic and global competitiveness will be harmed well into the future. We have kicked the can down the road and now have run out of road to kick it down—literally and figuratively.

Many sources of funding have been considered, including infrastructure banks, grant and loan programs, bonds, public-private partnerships and so on. Most of these ideas have limitations and cannot raise enough revenue to replace the gas tax, but if done right they certainly would help. Some, such as the TIFIA loan and loan guarantee program, have been enacted. To date, no credible near-term alternatives to replace the user fee-based system have arisen, leaving increasing the gas tax as the only realistic source that currently can collect and distribute the necessary funding. It is dedicated funding and can be administered long term—the question is how robust the funding will be.

Various commissions and groups have studied Vehicle Miles Traveled (VMT) and pilot projects are under way. The state of Oregon has been the lead on testing VMT. This approach would keep intact the historical user fee-based system and would capture users who increasingly are purchasing electric and other alternative fueled vehicles. While it's unclear if the public is ready for a VMT system in the near-term, it could become a replacement funding source in the future.

The Congressional Budget Office has laid out the stark choices facing us, which include:

- Eliminate or severely reduce federal funding for surface transportation construction.
- Raise the user fee (gas tax) or some variation of it.
- Transfer the shortfall in funding from general revenue.
- Or some combination of the above.

Congress has had more than two years to discuss and review various funding options. The time has come to figure it out and make a decision.

As you work toward reauthorizing MAP-21, I hope that short-term extensions can be avoided. Extensions don't provide the certainty needed for long-term planning and as a result have a chilling effect on projects moving forward.

Labor and business together

Labor and business come before you united on this issue. Despite our sharp disagreements on a variety of other issues, here we are. If we can come together on this, that should tell you something. You are the elected leaders and at the end of the day you will have to decide. The question to ask yourselves is what kind of country do you want us to be—not only now, but into the future.

Previous generations built an infrastructure and transportation system that was the best in the world, one that made us an economic superpower and helped to create a strong middle class. Unfortunately, it's a system we have been coasting on. The ride is now over, and we must rebuild.

To be blunt, we need to be bold. We need to act aggressively.

We need to be the America that can, not the America that can't.

Thank you and I look forward to your questions.

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Links to more labor testimony on surface transportation:

Larry Hanley, President, Amalgamated Transit Union (ATU) before the House Transportation and Infrastructure Committee 1-14-2014. http://transportation.house.gov/uploadedfiles/2014-01-14-hanley.pdf

Terry O'Sullivan, President, Laborers International Union of North America (LiUNA) – before the House Transportation and Infrastructure Committee 2-13-2013.
http://transportation.house.gov/uploadedfiles/documents/2013-02-13-osullivan.pdf

Ed Wytkind, President, Transportation Trades Department (TTD), AFL-CIO - before the House Transportation and Infrastructure Committee 4-24-2013.
http://transportation.house.gov/uploadedfiles/documents/2013-04-24-wytkind.pdf

Raymond Poupore, Executive Vice President, National Construction Alliance II – Before the Senate Environment and Public Works Committee 9-25-2013.
http://www.epw.senate.gov/public/index.cfm?FuseAction=Files.View&FileStore_id=f556d400-70e0-4c31-9ce5-8f08bddb6bd3

Richard Trumka, President, American Federation of Labor – Congress of Industrial Organizations (AFL-CIO) – before the Senate Environment and Public Works Committee 2-16-2011.
http://www.epw.senate.gov/public/index.cfm?FuseAction=Files.View&FileStore_id=21a05273-b7e5-4d23-90a7-51504d24d4cd

Environment and Public Works Committee Hearing
February 12, 2014
Follow-Up Questions for Written Submission

Responses to Questions from Richard L. Trumka, President AFL-CIO

Questions from:

Senator Barbara Boxer

1. Mr. Trumka, the current surface transportation authorization expires Sept. 30 and the Highway Trust Fund is projected to run out of money later this year. Could you explain how workers in the transportation industry across the country would be affected if the Highway Trust Fund goes into insolvency?

The impact from the Highway Trust Fund (HTF) becoming insolvent would be immediate and dramatic.

Jobs would be lost.

The construction sector is still down 1.6 million jobs since the recession began. While the economy is creating jobs, growth is still fragile, and we are not creating nearly enough jobs for those seeking employment. Many jobs in construction are good jobs that can provide a middle-class living. Allowing the HTF to become insolvent would have an immediate and dramatic impact on employment and the nation's economy.

The U. S. Department of Transportation (DOT) would have to limit state reimbursements for projects under way if the HTF became insolvent. Moreover, if the funding gap remained un-filled, the DOT would not be able to provide funding from the HTF for any new projects in 2015. Current levels of investment support nearly 2 million jobs each year. The DOT recently estimated that 700,000 jobs would be lost in 2015 if the HTF funding gap is not closed.

While the construction sector would take the hardest hit to employment, the impact would ripple across the economy to supply chain jobs and to retail and service jobs dependent on income in the construction and manufacturing sectors, and would severely damage the economy.

Likewise, transit systems around the nation would face severe cuts in funding. With transit system ridership outpacing population growth and usage rates reaching their highest levels since 1956, the expiration of the Highway Trust Fund would critically impair the operations of our already struggling transit systems, further endanger the jobs of transit workers and negatively affect transit users. If the program were to expire, the Mass Transit account would be $1 billion short of revenue requirements. This would result in an estimated loss of 35,000 to 41,000 jobs, and create severe dysfunction for transit agencies, which would be forced to cut services even more and raise fares. Despite record high demand, since 2009 approximately 85% of public transit systems have raised fares or cut services, and thousands of workers in the industry have been laid off.

Economic growth and global competitiveness would suffer.

A functional and reliable surface transportation system is vital for economic growth and our ability to effectively compete in a global market. Current levels of funding are not enough to put us on a path to solving our infrastructure deficit and building a 21^{st} century transportation system. Operating the HTF with even less funding than current levels would only make the situation worse, leading to a more sluggish economy, the loss of good jobs, increased costs of moving products and goods and a reduction in long-term economic growth.

Quality of life would be diminished.

It's important to point out that users of our system will pay one way or another. One immediate impact of a deficit in the Highway Trust Fund would be safety. A lapse in funding would result in preventable deaths if programs funded by the Highway Safety Improvement Program are not carried out. In addition, if the trust fund is unable to meet its obligations, structurally deficient bridges, roads and highways would continue to deteriorate, resulting in greater risk to travelers.

Further, states are not likely to be able to pay for congestion relief projects. The Texas Transportation Institute recently reported that the average commuter wastes 38 hours and $818 per year due to congestion and transportation inefficiencies. Cuts in transit funding would strand transit users who rely on transit for their transportation needs—to get to work, buy groceries, see their doctor and more. These outcomes are unacceptable.

Questions from Senator James Inhofe

1. What impact does uncertainty over the Highway Trust Fund have on the willingness of states to engage in longer-term multi-phased projects?

Uncertainty leads to delay and inaction. Many infrastructure projects take years to complete and require long-term funding. Given the fiscal realities at the state and local levels, it is not only hard, but risky, for states, cities and municipalities to make initial investments in long-term projects if it's unclear that the necessary funding will be there for the project's completion. There is a considerable backlog of major highway and transit projects across the country. Many of these cannot move forward without the certainty of knowing future funding levels. The AFL-CIO strongly supports a well-funded, long-term reauthorization of the federal surface transportation program.

2. As everyone here knows, I often talk about the constitutional duty of the federal government to provide for a national transportation infrastructure. This is actually an area the government should be in and fund. However, if the ability of the federal government to provide infrastructure funding continues to deteriorate, what ability do our states and local governments have to pick up the slack? What would the effects be on our transportation system? On our economy?

The AFL-CIO agrees with you that a fundamental role of the federal government is to support our nation's infrastructure. States and local governments have their own financial struggles and already provide financing to repair and maintain their non-HTF supported transit and highway infrastructure. Efficient and reliable movement of goods is essential for commerce and vital to our economy. There must be a strong federal role in the provision of an adequate infrastructure that enables commerce and mobility for our nation's citizens on highways and transit systems. With an overall ASCE infrastructure rating of D+, further funding reductions would permit our transportation system to fall deeper into decay and impede our nation's ability to compete successfully in the global marketplace.

3. Proposals to encourage more bonding for transportation projects or to create infrastructure banks are getting a lot of attention lately. Will these types of proposals provide the funding states need to fund highway and bridge projects?

Done right, these proposals can help. Unfortunately, there is no silver bullet, no easy or pain-free solution to our infrastructure crisis. States and local governments have been supplementing funding in a variety of ways, including bonding; increasing fuel and sales taxes; new types of fees; through TIFIA, New Starts and TIGER grants; and by engaging in public-private partnerships, etc. Many of these funding sources have a role to play, but many have limited application. While all of these funding tools can help, they can only supplement and not replace the existing role of the HTF.

4. It is no secret that our needs exceed the resources available in the Highway Trust Fund. We are not going to raise the gas tax, and finding new revenues for transportation is a substantial challenge. The president's continued failure to address this in his budget has plagued Congress' ability to find consensus on a path forward. How do you think we can close the gap between the staggering needs and the limited resources available in the trust fund?

The AFL-CIO has said all ideas should be on the table. We have supported increasing the gas tax, which is a user fee, or some variation of it, but if there are other ideas that raise sufficient funding, we would give them our full consideration.

We believe that the funding the HTF through a user-based system has been key to the public's support of highway funding. Whatever the funding solution is, it needs to be long-term, reliable, consistent and as robust as possible. Given the short time frame before MAP-21 expires, it's hard to see how a new source of revenue can be put into place in time to avoid disaster. Inaction has its own set of costs and users of our system will pay one way or another—either for an efficient, safe and reliable mode of transportation, or for the costs associated with a less efficient and outdated system that wastes an increasing amount of time and resources. The Texas Transportation Institute recently reported that the average commuter wastes 38 hours and $818 per year due to congestion and transportation inefficiencies.

5. Currently the Federal Highway Program operates with an 80/20 split with the federal government and states and locals. Do you think that in the absence of substantially new revenue, that maybe it is time to reduce the federal share for projects that are not on the interstate, to 70% or 60%?

The problem lies with decades of underfunding. We have simply been coasting on investments made by previous generations. Slicing the pie into different sized pieces will not result in more pie. We need to increase the size of pie and then make sure we are investing wisely. Most states and localities are struggling with their own fiscal realities and have miles of non-federally supported infrastructure to provide funding for. The result of a shift may mean that fewer federal dollars are going out, but would not ensure that projects that need to be done would move forward. States experiencing the worst financial difficulties would fall further behind.

6. With the uncertainty of funding for the Highway Trust Fund, industries might turn to alternate modes of transport as our roads continue to deteriorate. Looking toward freight, what are our challenges there with respect to reauthorization?

There isn't a mode of transportation that isn't bumping up against capacity constraints. With limited funding, we need to invest resources wisely. When investing in or improving one mode of transportation, we should do so in a manner that improves its connectivity with other modes—highway, rail, air and water.

We should build in efficiencies and streamline connectivity across the various modes. We should encourage and incentivize the use of best practices for multi-modal integration. We must consider resiliency when investing in areas that are likely be severely impacted by weather. Short sea shipping could also be a part of the freight solution. Investing wisely in freight transportation as a multi-modal system will maximize the impact of investments that are made and best enable commerce.

Questions from Senator Jeff Sessions

1. American workers are crucial to solving our nation's infrastructure programs. In 2000, when the unemployment rate was around 4%, the *New York Times* wrote an editorial opposing amnesty for a then-estimated 6 million illegal immigrants: "the AFL-CIO's proposal should be rejected. Amnesty would undermine the integrity of the country's immigration laws and would depress the wages of its lowest-paid native-born workers." Today, the unemployment rate is 6.6% and the workforce participation rate is the lowest it's been in nearly 40 years. Wages are lower today than they were in 1999. Yet, you have endorsed legislation that would not only grant amnesty to millions of illegal immigrants, but, according to the Congressional Budget Office, would add 46 million new permanent residents who can compete for any job in any industry, by 2033. CBO also confirmed that the number of guest workers would increase to 2.8 million by 2033 under the Senate bill. You have said that amnesty is a civil rights issue. In your view, who has more of a right to a job: an American citizen, an illegal immigrant, or a worker in a foreign country?

First, I object to your characterization of the Border Security, Economic Opportunity, and Immigration Modernization Act (S. 744) as legislation that would "grant amnesty to millions of illegal immigrants." The path to citizenship in the Senate bill is an arduous thirteen year path that is far from amnesty.

In response to your question, I believe that everyone who works in our country deserves the right to a safe workplace and to earn a living wage to provide for their family. Unfortunately, our current immigration system permits employers to hire undocumented workers with a wink and a nod and then fire them if they organize a union or complain about unpaid wages or unsafe working conditions. The result harms all workers – both undocumented workers who experience abuse and retaliation as well as U.S. citizen workers who work for companies that must compete with employers who don't comply with immigration or labor laws.

2. The International Federal of Professional & Technical Engineers, which is part of your union, wrote in June of last year that "we do not believe that our Congress should throw American workers – in this case STEM workers – under the bus... Unfortunately (the Senate immigration bill) does exactly that." How can you support legislation that one of your member unions says will "throw American workers under the bus"?

The AFL-CIO shares the concerns of the International Federation of Professional & Technical Engineers. Although it significantly expanded the size of the H-1B program from 65,000 to 180,000, the original version of S. 744 provided a balanced approach by requiring employers to first offer open positions to qualified U.S. workers and prohibiting employers from firing U.S. workers and replacing them with H-1B workers.

Unfortunately, this balance was lost during the Senate Judiciary Committee mark-up when key worker protections were severely watered down and a market-based escalator was added to rapidly increase the size of the H-1B program without regard to actual labor market needs. I issued a strong statement describing passage of Senator Orrin Hatch's amendments "as unambiguous attacks on American workers" and said the amendments "change the bill so that high tech companies could functionally bring in H-1B visa holders without first making the jobs available to American workers" and would allow "American corporation [to] fire American workers in order to bring in H-1B visa holders at lower wages."

The AFL-CIO strongly objects to increasing the size of the H-1B program. If and when the House considers H.R. 15, the House-version of S. 744, the AFL-CIO will work to restore the requirements to offer jobs to qualified U.S. workers and protect U.S. workers from displacement.

3. Research from Harvard professor Dr. George Borjas has shown that current record levels of immigration have already contributed to reduced wages and employment opportunities for American workers. For example from 1960 through 2012, immigration cost Americans who compete with immigrant workers an average of $402 billion in lost wages each year, while businesses that employ immigrant workers gained $437 billion in income. S. 744, which you support, would increase the number of green cards – that is, legal permanent residency along with the right to work in any job in America – from 10 million each decade to 30 million. Will this increase or decrease wages for those already here? Do you believe that there should be any limit on annual immigration levels and, if so, what is the limit that you would support?

Temporary workers should not only have access to green cards, they should be able to self-petition for them as well. Access to green cards will give temporary workers the ability to change jobs if they are facing unsafe working conditions or wage theft and thus will enable them to stand up for their rights without the fear that doing so will lead to deportation.

The low wages in existing temporary worker programs are related to the wage scales used in those programs, not the immigration levels. For example, the wages in the H-2B program historically required employers to advertise and pay wages set by the Davis-Bacon Act and Service Contract Act. The Bush Administration changed this practice by allowing employers to ignore Davis-Bacon and Service Contract wages and instead pay H-2B workers the lowest of a multi-tiered wage scale. Not surprisingly, the result was a significant decrease in the wages advertised to U.S. workers and paid to H-2B workers.

The AFL-CIO has not taken a position on annual immigration levels.

4. A recent report from the Center for Immigration Studies found that from 2000 to 2013 all net employment gains went to immigrant workers. Gene Sperling, Director of the National Economic Council and Assistant to the President for Economic Policy, has said there are three unemployed people for each job opening. According to the Congressional Budget Office, by 2033, S. 744 would add 46 million new permanent residents who will be able to compete for any job in America. If you believe this bill is good for American workers, then why did the AFL-CIO's advertisements released last November urging passage of S. 744 omit any mention of the staggering increase in the number of immigrant workers that would be admitted into the country under the bill?

The AFL-CIO supports S. 744 because it includes a roadmap to citizenship for aspiring Americans and key worker protections that will help all workers. While the bill is not perfect, the AFL-CIO will continue to dedicate our time and resources to advocate for its passage. Immigration is the preeminent civil rights issue of our time. The advertisements we run will focus on the moral and economic imperatives of the issue, and not scapegoat immigrants as the Center for Immigration Studies often does.

5. In your view, will doubling the flow of guest workers make it easier or harder for unemployed Americans to find jobs?

The AFL-CIO continues to oppose the expansion of temporary worker programs that have been used to lower wages, undermine working conditions, and reverse the gains workers have made through collective bargaining. The existing, flawed guestworker system should be reformed, not expanded. If programs such as the H-1B and H-2B programs were doubled, unemployed U.S. workers would have a more difficult time to finding a job.

The AFL-CIO worked hard during the Senate's consideration of S. 744 to ensure that the new W visa program does not replicate the failures of existing guestworker programs.

The language in Title IV, Subtitle G of S. 744 creates a new type of employment-based visa program that is not a guestworker program. The new W visa program contains several protections crucial for both U.S. workers and W visa holders, including: reasonable limits on the number of W visa positions tied to the state of the U.S. labor market, prevailing wage requirements for W visa positions; portability between registered employers so that W visa holders are not indentured to abusive employers; the ability of W visa holders to self-petition for legal permanent resident status (*i.e.*, to petition for themselves rather than relying on their employer to petition for them); and a responsive complaint process to identify misuse of or abuse in the W visa program.

Senator BOXER. Thank you very much, Mr. Trumka.

Our next speaker, I want to say congratulations, is the new President of the American Association of State Highway and Transportation Officials. He is also the Secretary of the Kentucky Transportation Cabinet. We are very pleased to meet you, Mr. Hancock.

STATEMENT OF HON. MIKE HANCOCK, PRESIDENT, AMERICAN ASSOCIATION OF STATE HIGHWAY AND TRANSPORTATION OFFICIALS; SECRETARY, KENTUCKY TRANSPORTATION CABINET

Mr. HANCOCK. Good morning, Chairman Boxer, Ranking Member Vitter and distinguished members of the committee.

Thank you for the opportunity on behalf of AASHTO and the State DOTs to share our views on the importance of robust Federal investment in surface transportation, the potential near-term impacts of the impending cash shortfall in the Highway Trust Fund and the longer-term impacts associated with uncertainty and instability of the Highway Trust Fund. I will have to say I am very encouraged by the remarks I have heard this morning.

I would like to share two points with you. First, the threat to the States, the construction industry and the overall economy is real. It is even closer than originally estimated. We could face serious economic disruptions as early as this summer if USDOT delays reimbursements to the States for active projects already underway.

Second, unless Congress acts to either increase the Highway Trust Fund revenues or provides additional general fund support, the States will be unable to obligate any new Federal funds in Fiscal Year 2015. In both cases there will be immediate and direct impacts to the States' economies with lost jobs and permanently shuttered businesses. And there will be substantial additional economic, social and environmental costs associated with canceled or delayed projects.

If Congress does not act, the States, even with local and private partners, simply cannot generate sufficient funds to fill the infrastructure funding gap.

The Federal Highway Program apportions about $40 billion a year to the State DOTs for roads and bridges. However, actual Federal dollars are not provided up front, but rather when the work is completed and the States submits a request for reimbursement. Reimbursements to the States are made daily. On January 15th, USDOT Secretary Fox announced that the Highway Trust Fund's highway account is likely to run out of money in August. To prevent insolvency, FHWA may stop reimbursing States on a daily basis and begin reimbursing once a week, once every 2 weeks or even once a month. A similar slowdown in reimbursements happened in 2008, forcing the States to delay payments to contractors. While Congress took care of the issue 5 years ago with the general fund transfer, States are concerned about the impact of the same situation happening again as early as this summer.

If a similar scenario happens this year, the contractors, who many rely on prompt payments from the State, may be unable to pay their employees, subcontractors and suppliers. For some construction businesses and suppliers, which survived the recession but are still operating on the slimmest of margins, this could simply be the last straw.

When AASHTO testified before this committee last September, we thought the Highway Trust Fund would stay solvent through the end of Fiscal Year 2014. But it now appears that Congress will have to act before the August congressional recess to ensure that the Highway Trust Fund will have enough money to reimburse the States for past commitments.

As Congress considers ways to address the short-term crisis of not being able to pay for projects that are already committed, it should also consider a long-term solution that keeps the Highway Trust Fund solvent well into the future. Without a long-term solution, States may not receive any additional Federal highway and transit funding in Fiscal Year 2015. If new Federal highway funding is not available or Federal funding is not available in 2015, much-needed highway and transit projects in virtually every community and every congressional district will either be delayed or canceled outright. These are projects that underpin economic development and improve the quality of life. Cutbacks on contract lettings will mean missed opportunities to pare down the backlog of investment needs, causing a negative domino effect on the construction industry employment, exactly at a time when the industry is beginning to rebound after being one of the hardest hit segments in the recent recession.

There is ample evidence, including what you have heard today, that shows that infrastructure investment is critical for long-term economic growth, increased productivity, employment, household income, exports and overall quality of life. Congress can address the long-term solvency of the Highway Trust Fund by substantially reducing spending for surface transportation or by boosting revenues or by some combination of the two. We and others have developed a long list of potential revenue options.

We believe that at a minimum, we need an approach that will allow us to sustain MAP–21 investments levels as adjusted for inflation. We believe it is possible to reach this level without placing an unreasonable financial burden on the traveling public. Without action, there will be devastating economic impacts from the virtual elimination of the Federal surface transportation funding in 2015, and there will be further funding reductions in the years beyond. Therefore, we believe that the only solution is to find and implement a viable set of revenue solutions that will prevent this summer's highway account cash shortfall and ensure the long-term solvency of the Highway Trust Fund.

AASHTO looks forward to working with you to address this critical situation and we very much appreciate the opportunity to testify before you today and look forward to your questions. Thank you.

[The prepared statement of Mr. Hancock follows:]

AMERICAN ASSOCIATION OF STATE HIGHWAY AND TRANSPORTATION OFFICIALS

AASHTO

THE VOICE OF TRANSPORTATION

TESTIMONY OF

The Honorable Michael W. Hancock

President, American Association of State Highway and Transportation Officials (AASHTO); Secretary, Kentucky Transportation Cabinet

REGARDING

MAP-21 REAUTHORIZATION: THE ECONOMIC IMPORTANCE OF MAINTAINING FEDERAL INVESTMENTS IN OUR TRANSPORTATION INFRASTRUCTURE

BEFORE THE

Committee on Environment and Public Works of the United States Senate

ON

February 12, 2014

American Association of State Highway and Transportation Officials
444 North Capitol Street, N.W., Suite 249
Washington, D.C., 20001
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INTRODUCTION

Chairman Boxer, Ranking Member Vitter, and Members of the Committee, thank you for the opportunity to provide input on the economic importance of maintaining federal investments in transportation infrastructure and how the impending cash shortfall in the Highway Trust Fund will affect state departments of transportation. My name is Mike Hancock, and I serve as the Secretary of the Kentucky Transportation Cabinet (KYTC) and as President of the American Association of State Highway and Transportation Officials (AASHTO). Today I am testifying on behalf of AASHTO, which represents the state departments of transportation (DOTs) of all 50 states, Washington, D.C. and Puerto Rico.

Our Nation's transportation system is the backbone of our economy. It supports interstate travel and interstate commerce. It is how people get to and from work and how goods get to market. But if we do not make the necessary investments in our nation's transportation infrastructure it will hurt our ability to compete in the global economy. State DOTs play a critical role in ensuring that we have a reliable and efficient transportation network. But states are only able to play this role through a robust partnership with the Federal government.

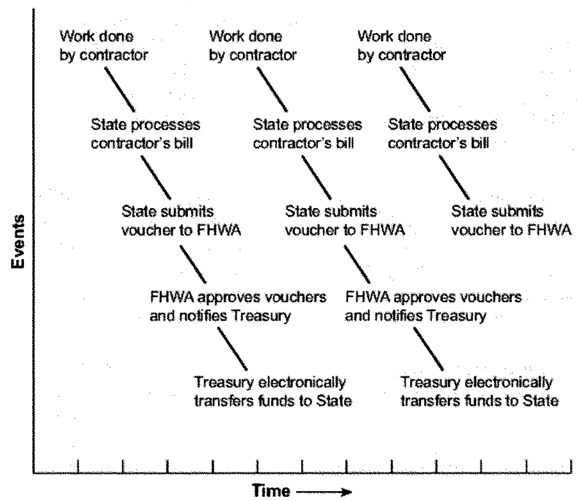
For 50 years, the Highway Trust Fund (HTF) provided stable, reliable, and substantial highway and transit funding. However, over the past five years this has not been the case. Since 2008, over $52 billion have been transferred from the General Fund to the HTF to keep it solvent. In January, the U.S. Department of Transportation (USDOT) announced that the Highway Account of the HTF will likely run out of money as early as this summer. If this is allowed to happen, states may not be reimbursed for work they have already paid for. In addition, failure to ensure the solvency of the HTF will prevent states from being able to obligate any new federal highway funds in Fiscal Year 2015.

Almost half of capital investments made by states on our nation's roads, bridges, and transit systems are supported by the federal highway and transit programs administered by the USDOT. Without this strong federal-state partnership, state DOTs will not be able to play their part in building and maintaining the national transportation network on which our economy relies to be competitive in the global marketplace.

FAILURE TO REIMBURSE STATES FOR PRIOR OBLIGATIONS

The Federal-aid Highway program apportions about $40 billion a year to state DOTs for road and bridge projects across the country. It is important to note that federal dollars are not provided upfront; rather, this is a program based on reimbursement. States only receive funding from the Federal Highway Administration (FHWA) when work is completed on a project and the state submits a request for reimbursement. States typically receive reimbursement electronically from FHWA the same day payments to the contractor are made.

EXHIBIT 1. FEDERAL-AID HIGHWAY PROGRAM REIMBURSEMENT PROCEDURES

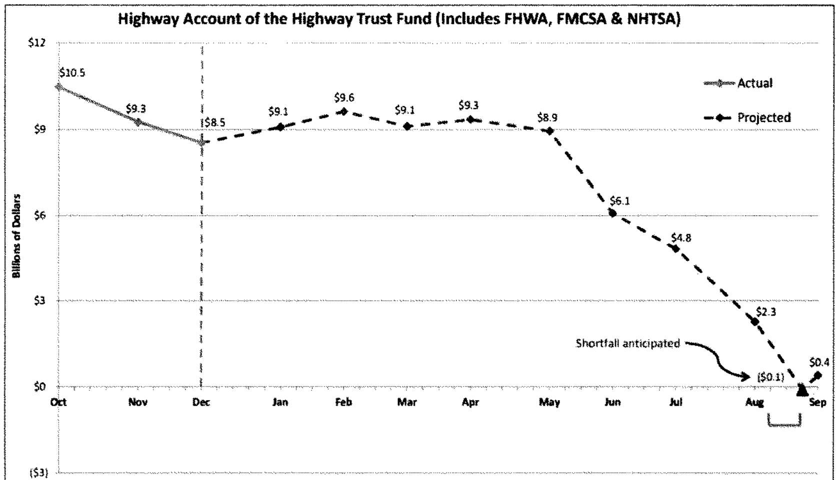


Source: Federal Highway Administration

On January 15, 2014, Secretary of Transportation Anthony Foxx announced that the Highway Account of the HTF is likely to run out of money in August of this year. In order to prevent the Highway Account from becoming insolvent, FHWA will likely change how quickly states are reimbursed for costs already incurred on highway and transit projects. Rather than being reimbursed daily, states may only receive reimbursement once every two weeks or once a month. In fact, FHWA instituted this type of modified payment procedure when the Highway Account experienced its first cash shortfall in September 2008. Instead of reimbursing states on the same day in which the state submitted a request for payment, FHWA reimbursed on a weekly basis subject to availability of cash in the HTF. This could have led to a situation where FHWA eventually could not cover 100 percent of the bills received, leaving states to provide the necessary cash cushion for costs already incurred while facing an ever-diminishing share of reimbursements from the Federal government compared to the full amount owed. Given the urgency of this situation, Congress passed emergency legislation which provided $8 billion for the Highway Account from the General Fund.

States count on prompt payment from the Federal government to be able manage cash flow and to be able to pay contractors for work they have already completed. Any delay in reimbursement from FHWA will prevent states from being able to pay contractors in a timely manner. In turn, contractors rely on prompt payment from the state to be able to pay their employees and suppliers. Disruptions to this process have the potential to send unwelcome shockwaves throughout the transportation community and other industries indirectly supported by infrastructure investment.

EXHIBIT 2. PROJECTED ESTIMATES FOR END-OF-MONTH CASH BALANCE AS OF DECEMBER 27, 2013



1/ Graph reflects actual data through 12/27/13 and end-of-month projections for the remainder of the fiscal year.

2/ Total receipt and outlay projections are based on FY 2014 Mid-Session Review assumptions. Projected monthly receipt and outlay rates are based on historic averages.

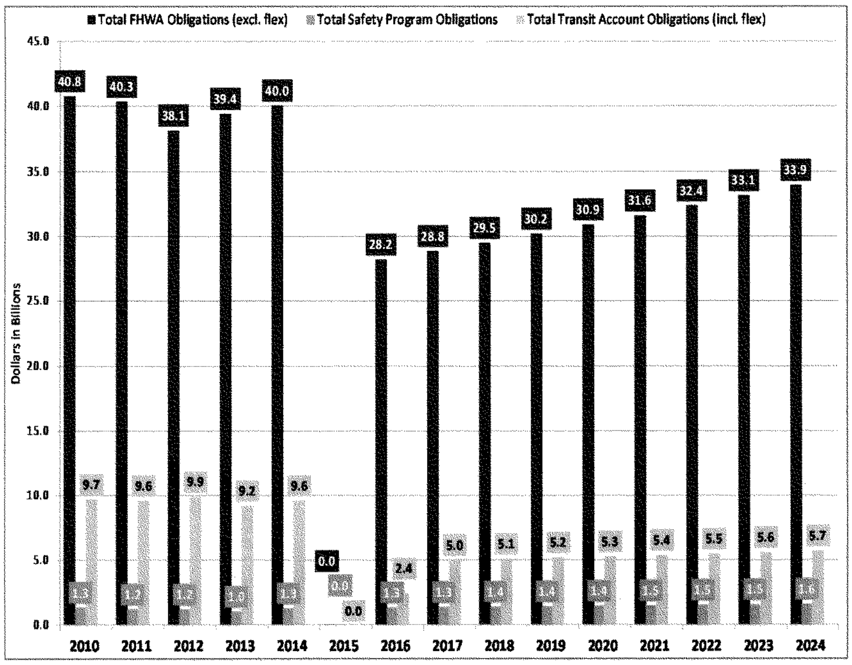
3/ Range of anticipated shortfall: Green brackets denote the estimated window of when the anticipated shortfall will occur.

Source: Federal Highway Administration

DEVASTATING IMPACT TO STATES OF A HIGHWAY TRUST FUND SHORTFALL IN FY 2015

Even if FHWA is able to keep the Highway Account solvent by delaying reimbursements to states this summer, it will not address the underlying problem. The Congressional Budget Office (CBO) estimates that yearly HTF receipts will be $17 billion a year less than HTF spending over the next ten years (FY 2015-2024). In order to keep the HTF solvent beyond this fiscal year, AASHTO estimates that states will not be able to obligate any new federal highway funding in FY 2015, representing a 100 percent drop from FY 2014—going from $40 billion to zero dollars. Even with no new highway funding in FY 2015, it is likely that FHWA will still have to alter its reimbursement procedures in FY 2014 to be able to pay for prior-year obligations, which would continue throughout FY 2015.

EXHIBIT 3. ESTIMATED FEDERAL HIGHWAY AND TRANSIT OBLIGATIONS BEYOND FY 2014 WITH NO ADDITIONAL REVENUES TO THE HIGHWAY TRUST FUND



Historically, federal highway funding has accounted for approximately 45 percent of what state DOTs spend on highway and bridge capital improvements. Based on this assumption, should this be cut back to zero in FY 2015 due to the HTF cash shortfall, states will experience an average of 45 percent decline in their capital program funding for the year.

This means a significant portion of much-needed highway and transit projects—projects that underpin economic development and improve the quality of life—in every community and Congressional district will either be delayed or cancelled outright. Such cutbacks on contract lettings would mean missed opportunities to pare down the backlog of investment needs, while causing a negative domino effect on construction industry employment exactly when it is starting to rebound after being one of the hardest hit segments in the recent recession. Furthermore, ramping up and down construction activities—including equipment and labor resource management—due to the instability of the federal program would represent an extremely wasteful exercise and impose heavy opportunity costs for the entire transportation industry.

Here are tangible examples of how states would be negatively impacted if no additional revenues are found for the HTF by this summer. It is important to keep in mind that even states that do want to take leadership on infrastructure investment are hampered by slow recovery from the recession that has diminished states' own resources, thereby necessitating even greater reliance on the federal transportation program.

Kentucky

Kentucky receives approximately $650 million in federal funding from the HTF each year. This funding supports the development and construction of approximately 40 percent of Kentucky's annual highway program. If the projected HTF shortfall occurs in FY 2015 and the states are unable to obligate any new federal funding in that year, Kentucky would be required to postpone over $350 million in FY 2015 construction lettings and shift our entire Statewide Transportation Improvement Program (STIP) at least one year into the future. Given that the projections for revenues into the HTF are less than current levels well into the foreseeable future, the impacts to Kentucky's program would be both short- and long-term in nature.

Another concern for Kentucky is that we have extensively utilized both the advance construction and Grant Anticipated Revenue Vehicle (GARVEE) financing opportunities provided in previous federal highway authorization acts. We typically carry between $150 and $200 million of regular pre-financed project activity, and have committed over $675 million of GARVEE bond proceeds to major interstate reconstruction projects in our state. As we approach FY 2015, Kentucky is having to slow the rate of advance construction commitments in order to avoid a greater commitment of state resources to support those projects until federal funds are available again. Our agreement with FHWA to repay the GARVEE bonds comes directly "off-the-top" of HTF apportionments to Kentucky, and amounts to almost $60 million annually.

To enable Kentucky to meet the ongoing commitments contained in its six-year highway plan, it is essential that we be able to count on a level of Federal-aid Highway Program funding at least commensurate with current HTF funding levels. Anything less than current funding levels will impact project schedules in a manner reflective of HTF reductions. All states plan for the delivery of effective highway programs, and decreased funding will materially affect every state's plans. It is critical that the FY 2015 "fiscal cliff" issue be resolved as soon as possible to protect our highway program commitments.

California

California receives approximately $3.6 billion in federal reimbursements annually for transportation projects across the state. California's statewide transportation system would experience accelerated deterioration should major rehabilitation projects be cancelled or deferred. California's ability to manage one of its greatest assets, the State Highway System, would be severely impacted by the loss of federal resources. Even if reimbursements for existing projects were to continue, California's ability to move forward with billions of dollars of planned projects would be greatly impacted.

In total, the lack of new obligations would imperil current year planned construction of $2 billion for 250 state-sponsored rehabilitation projects, about $700 million in capacity improvement projects, and billions more on local streets and roads. Some of the current state projects that could be delayed or halted due to funding shortages include:

- The $950 million Gerald Desmond bridge replacement project in Los Angeles county.
- The $201 million Schuyler Heim bridge replacement project in Los Angeles county.
- The $105 million Sacramento I-80 HOV and pavement rehabilitation project.
- The $62 million Alameda 880 23rd to 29th mobility project.

In addition, the California Department of Transportation oversees monthly capital expenditures of nearly $500 million. Loss of reimbursement from the HTF for projects already underway would quickly deplete available cash. If reimbursements from the HTF were to completely halt, the state's primary highway account (the State Highway Account) would become insolvent in as little as two months. Even projects and maintenance activities that do not rely on federal funding would be impacted as state funds are expended without reimbursement from the HTF. In surprisingly short order, the operations of the Nation's largest transportation agency would grind to a halt.

Rhode Island
Rhode Island's entire capital highway program is completely dependent upon federal highway funding. The total capital program for Rhode Island averages $250 million annually, with $210 million annually from HTF apportionments. For decades, the state match for federal highway funds was provided by General Obligation bonds, creating a debt service burden on the only other transportation revenue stream in Rhode Island – the state gas tax. The state has taken steps to move away from a bond match for federal funds; steps that would potentially lead to the creation of a dedicated funding mechanism for road and bridge preservation. These steps, however, have not established a state-funded capital program.

A decade ago, Rhode Island moved ahead with innovative financing to complete more than $600 million in large-scale projects, including the relocation of a portion of interstate, improvements to the freight rail system, and the construction of a highway interchange vital to economic growth. The GARVEE method of financing allowed for borrowing against future federal funds. The result is an immediate 25 percent reduction of the state's capital highway program. Through FY 2021, Rhode Island must repay an average of $60 million annually, with $50 million a year obligated from federal funds. The shortfall in the HTF in FY 2015 would not only eliminate Rhode Island's capital program but the state would also face a $50 million GARVEE bond repayment.

Wyoming
Wyoming, with the nation's lowest population, relies heavily upon federal funding, especially for projects on the extensive network of Interstates and other National Highway System (NHS) routes. Typical of rural and small population states, the federal investment in capital projects in Wyoming exceeds the national average by nearly half. Over 66 percent of Wyoming funding for highway construction comes from federal funding, down from the 80 percent level that prevailed before the Wyoming Legislature passed a ten-cent fuel tax increase in 2013. In 2015,

approximately 70 projects (primarily on the Interstates and NHS) totaling $225 million to $250 million are in danger of not proceeding to letting without continuing federal funding obligations.

This situation would worsen the condition and safety of the roadway on these major routes, with consequences for the national economy, mobility, and defense, and it would negatively impact the business of in-state and out-of-state contractors dependent upon this work. Any delay increases the project expense when later undertaken, if funding does later become available. Today, the Wyoming Department of Transportation faces a $64 million shortfall in maintaining current roadway conditions even with present federal funding, so the short-term and long-term impacts of any reduction in federal highway funding to the state, particularly a complete stop in the ability to proceed with new contracts, would be very significant.

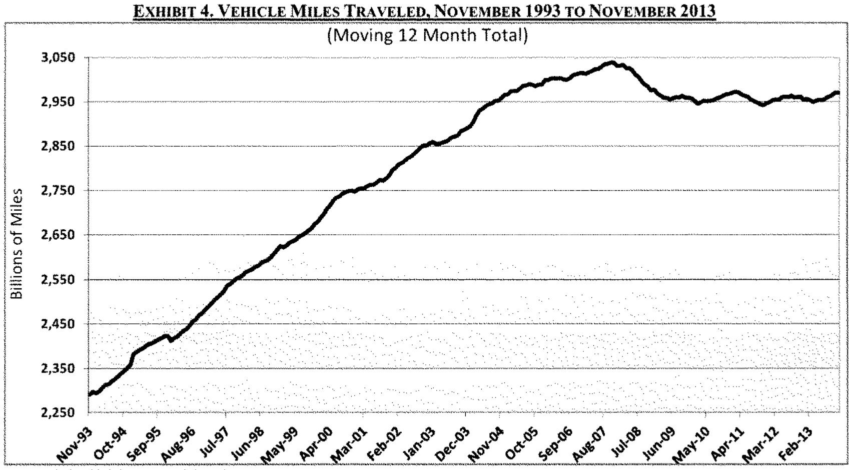
ADDITIONAL REVENUES NEEDED JUST TO MAINTAIN CURRENT INVESTMENT LEVELS

As a major potential disruption to the HTF remains on the horizon, the Congressionally-chartered National Surface Transportation Policy and Revenue Study Commission has projected annual federal capital investment needs at $225 billion for the next fifty years. When compared to the current funding level of about $90 billion, there is a significant investment deficit in surface transportation infrastructure. In order to sustain the long tradition of robust national investment in transportation, we must ensure the HTF's looming cash shortfall is addressed with solutions that enable sustainable program funding not just beyond FY 2015, but for the long term.

While the HTF continues to derive about 90 percent of its revenues from taxes on motor fuels, these taxes are facing an increasingly unsustainable long-term future, therefore placing the viability of the HTF in question. Three factors explain the challenges faced by the motor fuel taxes.

First is the stagnation of vehicle miles traveled (VMT) in the United States, on an aggregate basis. Steady increase in VMT has allowed the HTF to see corresponding revenue increases without necessitating constant adjustments in fuel tax rates for most of its existence. While the total VMT is expected to climb up in the future years due to increases in both population and economic activity in the post-recessionary environment, it is unlikely to see the 3.2 percent growth rate experienced on average between 1956 and 2007.

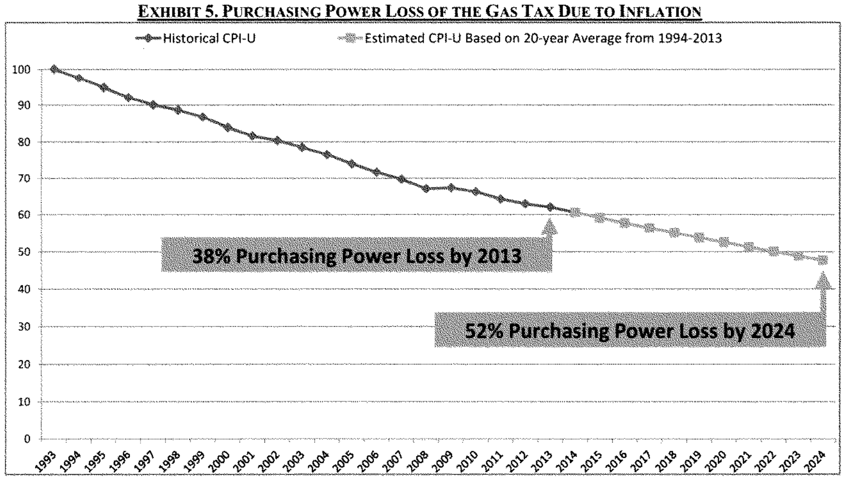
EXHIBIT 4. VEHICLE MILES TRAVELED, NOVEMBER 1993 TO NOVEMBER 2013



Source: Federal Highway Administration

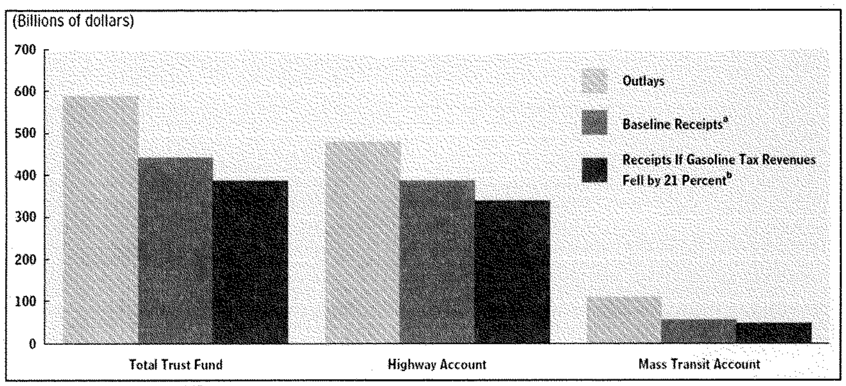
Second, motor fuel taxes at the federal level were last increased to the current rates of 18.4 cents per gallon for gasoline and 24.4 cents for diesel 20 years ago in 1993. As an excise tax levied per gallon, taxes on motor fuel have lost a significant share of their purchasing power. Compared to the Consumer Price Index, the gas tax had lost 38 percent of its purchasing power by 2013, and is expected to lose more than half of its value—or 52 percent—by 2024.

EXHIBIT 5. PURCHASING POWER LOSS OF THE GAS TAX DUE TO INFLATION



Third, according to the CBO, the recent increase in Corporate Average Fuel Economy (CAFE) standards is expected to cause a significant reduction in fuel consumption by light-duty vehicles, which would result in a proportionate drop in gasoline tax receipts. CBO expects gradual lowering of gasoline tax revenues, eventually causing them to fall by 21 percent by 2040. Just in the 2012 to 2022 period, CBO estimates that such a decrease would result in a $57 billion drop in revenues credited to the fund over those 11 years, a 13 percent reduction in the total receipts credited to the fund.

EXHIBIT 6. PROJECTED OUTLAYS AND RECEIPTS OF THE HIGHWAY TRUST FUND BY ACCOUNT, 2012-2022



Source: Congressional Budget Office

Facing these structural headwinds, CBO projects the HTF in FY 2015 to incur $54.4 billion in outlays while raising only $38.3 billion in receipts, leading to a total cash shortfall of $16.1 billion for its Highway and Mass Transit Accounts. This situation is not new, as the HTF will have—by the expiration of the Moving Ahead for Progress in the 21st Century (MAP-21) legislation in September 2014—relied on a series of General Fund transfers amounting to $52.1 billion since 2008 to close this gap. But the annual cash imbalance is only getting worse, and the HTF cannot incur a negative balance (unlike the General Fund). This situation leads to three possible scenarios for later this year:

1. Provide additional General Fund transfers to the HTF in order to maintain the current level of highway and transit investment and meet prior-year obligations
2. Provide additional receipts to the HTF by adjusting existing revenue mechanisms or implementing new sources of revenue
3. Virtually eliminate new federal highway and transit obligations in FY 2015

In order to support one of the first two scenarios where current highway and transit funding levels are maintained or increased, there is no shortage of technically feasible revenue options—including user fees and taxes—that Congress could consider.

EXHIBIT 7. MATRIX OF ILLUSTRATIVE SURFACE TRANSPORTATION REVENUE OPTIONS

Matrix of Illustrative Surface Transportation Revenue Options

(all revenue estimates in $ millions)

Funding Mechanisms	Mechanism Yield 2014		Illustrative Rate	Revenues 2014	Average Revenues 2015-2020	Total Revenues 2015-2020
Container Tax	$1.00 per TEU=	$ 421	**$15.00**	$ 6,317	$ 6,893	$ 41,361
Customs Revenues (Partial Dedication)	1.0% of Receipts =	$ 357	**1.0%**	$ 357	$ 408	$ 2,451
Drivers License Surcharge (Annual)	$1.00 Surcharge =	$ 222	**$5.00**	$ 1,109	$ 1,154	$ 6,926
Excise Tax on Diesel (Increase)	1¢ per Gallon =	$ 399	**15.0¢**	$ 5,983	$ 6,480	$ 38,877
Excise Tax on Diesel (Indexing)	n/a			$ 440	$ 1,031	$ 6,183
Excise Tax on Gasoline (Increase)	1¢ per Gallon =	$ 1,282	**10.0¢**	$ 12,823	$ 13,367	$ 80,202
Excise Tax on Gasoline (Indexing)	n/a			$ 1,046	$ 2,384	$ 14,303
Freight Bill - All Modes	1.0% of Sales =	$ 8,318	**1.0%**	$ 8,318	$ 9,236	$ 55,415
Freight Bill - Truck Only	1.0% of Sales =	$ 7,221	**1.0%**	$ 7,221	$ 8,018	$ 48,110
Freight Charge - All Modes (Ton)	1¢ per Ton =	$ 180	**25.0¢**	$ 4,492	$ 4,988	$ 29,929
Freight Charge - All Modes (Ton-Mile)	1¢ per Ton-mile =	$ 47,530	**0.5¢**	$ 23,765	$ 26,389	$ 158,334
Freight Charge - Truck Only (Ton)	1¢ per Ton =	$ 124	**25.0¢**	$ 3,098	$ 3,440	$ 20,641
Freight Charge - Truck Only (Ton-Mile)	1¢ per Ton-mile =	$ 13,911	**0.5¢**	$ 6,956	$ 7,724	$ 46,342
Harbor Maintenance Tax (Increase)	0.1% Tax =	$ 1,331	**0.5%**	$ 6,657	$ 7,264	$ 43,584
Heavy Vehicle Use Tax (Increase)	100% Increase =	$ 852	**15.0%**	$ 128	$ 163	$ 977
Imported Oil Tax	$1.00 per Barrel =	$ 3,528	**$1.00**	$ 3,528	$ 3,528	$ 21,171
Income Tax - Business (Partial Dedication)	0.1% of Current Taxes =	$ 440	**1.0%**	$ 4,396	$ 4,847	$ 29,082
Income Tax - Personal (Partial Dedication)	0.1% of Current Taxes =	$ 1,508	**1.0%**	$ 15,084	$ 18,393	$ 110,356
Oil, Gas, Minerals Lease - Rent, Bonus, and Other Income (Partial Dedication)	1.0% of GF Revenues =	$ 15	**50.0%**	$ 750	$ 750	$ 4,500
Oil, Gas, Minerals Lease - Royalties (Partial Dedication)	1.0% of GF revenues =	$ 55	**50.0%**	$ 2,750	$ 2,750	$ 16,500
Registration Fee on Light Duty Vehicles (Annual)	$1.00 Fee =	$ 259	**$10.00**	$ 2,594	$ 2,731	$ 16,387
Registration Fee on Trucks (Annual)	$1.00 Fee =	$ 9	**$15.00**	$ 131	$ 133	$ 797
Sales Tax on Auto-related Parts and Services	1.0% of Sales =	$ 2,567	**1.0%**	$ 2,567	$ 2,883	$ 17,299
Sales Tax on Fuel - Diesel	1.0% of Sales =	$ 1,253	**11.0%**	$ 13,782	$ 15,839	$ 95,033
Sales Tax on Fuel - Gasoline	1.0% of Sales =	$ 3,711	**8.0%**	$ 29,686	$ 31,126	$ 186,753
Sales Tax on New and Used Light Duty Vehicles	1.0% of Sales =	$ 2,619	**1.0%**	$ 2,619	$ 2,619	$ 15,715
Sales Tax on New Light Duty Vehicles	1.0% of Sales =	$ 1,625	**1.0%**	$ 1,625	$ 1,625	$ 9,752
Sales Tax on Trucks and Trailers (Increase)	1.0% of Sales =	$ 268	**5.0%**	$ 1,340	$ 1,677	$ 10,062
Tire Tax on Light Duty Vehicles	$1.00 Fee =	$ 195	**$3.00**	$ 584	$ 615	$ 3,687
Tire Tax on Trucks (Increase)	100% Increase =	$ 434	**10.0%**	$ 43	$ 54	$ 326
Vehicle Miles Traveled Fee on Light Duty Vehicles (All Miles)	1¢ per VMT =	$ 26,891	**2.0¢**	$ 53,781	$ 55,852	$ 335,111

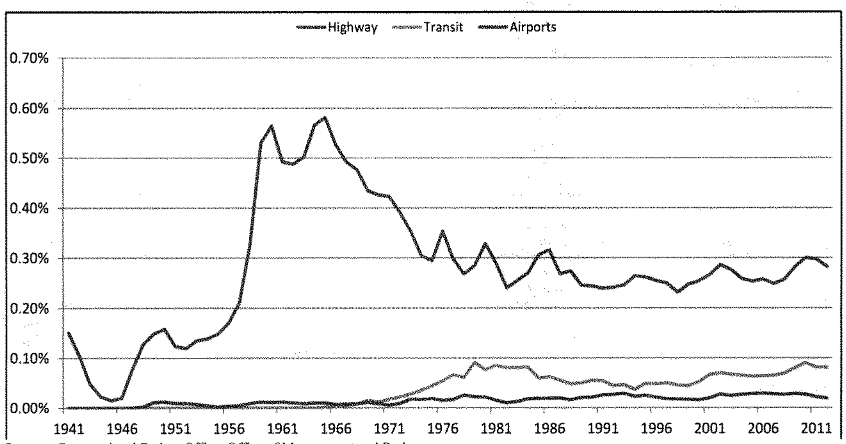
On the other hand, if no new revenues can be found for the HTF and the third scenario prevails, state DOTs will be left to face two dire consequences that will severely undermine much-needed transportation investments throughout the nation: potentially significant delays on federal reimbursements to states for costs already incurred and elimination of new federal funding commitments in FY 2015.

THE FEDERAL IMPERATIVE IN TRANSPORTATION INVESTMENT

Going back to the founding days of the Nation, Article I, Section 8 of the United States Constitution notes that it is a duty of the Federal government to provide support for national transportation investment. Through the development of post roads, canals, railroads, highways, and airways with strong federal support throughout history, transportation investment has an illustrious track record of creating jobs and supporting economic development throughout the country.

However, in the recent decades—especially after the completion of the Interstate Highway System—federal investment in transportation has declined significantly as a share of the Gross Domestic Product (GDP).

EXHIBIT 8. FEDERAL TRANSPORTATION SPENDING AS PERCENT OF GDP



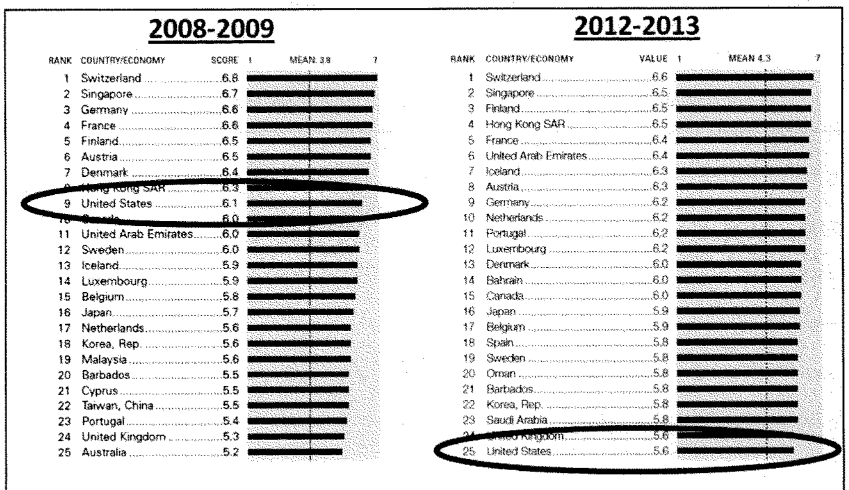
Sources: Congressional Budget Office, Office of Management and Budget

Given that much of the Interstate system has now reached the end of its design life and must be reconstructed or replaced, and there is considerable need for additional capital improvements to the broader Federal-aid highway network and the country's transit system, there is a strong argument that the Federal government should strive to return to this prior level of investment relative to the national economy.

While federal investment has declined, infrastructure conditions and performance continue to deteriorate, increasing indirect costs to travelers and the broader economy. According to the American Society of Civil Engineers (ASCE), 66,749 of America's bridges—or 11 percent of the total—have been identified as structurally deficient, earning it a grade of C+. Road and transit system fare even worse, with a grade of D; aviation, inland waterways, ports, and rail earned grades of D, D-, C, and C+, respectively. Furthermore, ASCE has identified 42 percent of major urban highways as congested, costing $100 billion annually; 32 percent of roads are deemed to be in poor or mediocre condition, costing the average motorist $324 per year.

At the same time, we're falling behind global peers in infrastructure quality and economic competitiveness. The recent *Global Competitiveness Report* rankings from the World Economic Forum on infrastructure quality has listed the United States at 25th place—down from ninth place just a few years ago in 2009.

EXHIBIT 9. DECLINE IN US INFRASTRUCTURE QUALITY RELATIVE TO PEER NATIONS



Source: World Economic Forum, *The Global Competitiveness Report*

In light of continued population growth and increases in freight movements for all modes, capacity enhancements—and not just maintenance of existing infrastructure stock—must remain a key element of the national transportation investment strategy. A potentially catastrophic disruption to the federal transportation program later this year will produce serious losses that threaten the gradual macroeconomic recovery seen in the last few years after the Great Recession.

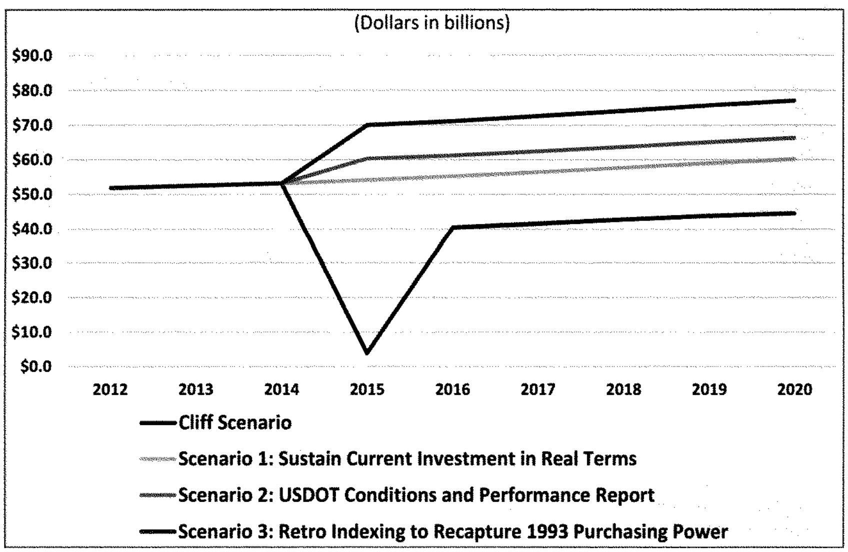
DEFINING FEDERAL INVESTMENT LEVELS

To continue the vibrant federal commitment to surface transportation investment—which will require states to maintain their current share of overall investments as well—consideration should be given to the following potential funding scenarios for reauthorization of MAP-21:

- **Scenario 1: Sustain Current Investment in Real Terms (Average of $57.1 billion per year between 2015 and 2020)** – This scenario maintains the existing MAP-21 investment level, adjusted for inflation. At minimum, it is imperative to identify solutions that will enable Congress to sustain this current level of surface transportation investment in real terms. On a monthly basis, the amount of additional federal funding needed to support this level of expenditure is estimated to be $10.23 per household.

- **Scenario 2: Investment Needs Identified by USDOT Conditions and Performance Report (Average of $63.1 billion per year between 2015 and 2020)** – USDOT's *2010 Conditions and Performance* report to Congress (C&P report) provides an objective appraisal of the nation's highway, bridge, and transit conditions and future investment needs. This scenario shows the minimum levels of investment needed to maintain current highway, bridge, and transit conditions and performance and to allow transit agencies to continue accommodating recent historical growth rates. The resulting spending level represents an 11 percent increase in program funding over Scenario 1. On a monthly basis, the amount of additional federal funding needed to support this level of expenditure is estimated to be $13.52 per household.
- **Scenario 3: Return Program to 1993 Purchasing Power (Average of $73.3 billion per year between 2015 and 2020)** – This scenario represents the annual Federal-aid Highway funding levels that would be required to equal and maintain in real terms, the revenue levels that were achieved in 1993 from federal motor fuel taxes and the other HTF funding sources (the last time federal motor fuel taxes were increased). This scenario will place us on the path to restoring the contribution of our infrastructure in enhancing our global competitiveness. The resulting spending level represents a 28.4 percent increase in program funding over Scenario 1. On a monthly basis, the amount of additional federal funding needed to support this level of expenditure is estimated to be $19.06 per household.

EXHIBIT 10. ILLUSTRATIVE FEDERAL HIGHWAY AND TRANSIT FUNDING SCENARIOS



CONCLUSION

There is ample documented evidence that shows infrastructure investment is critical for long-term economic growth, increasing productivity, employment, household income, and exports. Conversely, without prioritizing our nation's infrastructure needs, deteriorating conditions can produce a severe drag on the overall economy. In light of new capacity and upkeep needs for every state in the country, the current trajectory of the HTF—the backbone of federal surface transportation program—is simply unsustainable as it will have insufficient resources to meet all of its obligations starting this summer, resulting in steadily accumulating shortfalls.

Since 2008, the Congress has avoided such shortfalls by transferring $52.1 billion from the general fund of the Treasury to the HTF. If lawmakers chose to continue authorizing such transfers, an additional $16 billion in FY 2015 and increasing amounts in subsequent years would be needed to prevent future shortfalls, if spending is to be maintained at existing levels and adjusted for inflation.

Congress could address the projected annual shortfalls by substantially reducing spending for surface transportation programs, by boosting revenues, or by adopting some combination of the two approaches. According to the CBO, bringing the HTF into balance in FY 2015 would require the devastating action of entirely eliminating the authority in that year to obligate funds (projected to be about $51 billion for the federal highway and transit programs), raising the taxes on motor fuels by about 10 cents per gallon, or undertaking some combination of those approaches.

Whichever revenue tools are utilized, at a minimum, it is crucial to identify solutions that will sustain the MAP-21 level of surface transportation investment in real terms. Meeting this minimum funding target would not represent an unreasonable financial burden on the traveling public. For example, on a monthly basis, the amount of additional federal contribution needed to support this level of expenditure is estimated to be $10.23 per household. This favors comparatively to the monthly household spending on electricity and natural gas service ($160), landline and cell phone service ($161), and cable and satellite television, radio, and internet access ($124), according to the American Road and Transportation Builders Association.

Given the devastating impact that potential delays on federal reimbursements to state DOTs combined with a wholesale elimination of federal surface transportation obligations in FY 2015 can have on economic recovery and construction industry employment, we look forward to assisting you and the rest of your Senate colleagues in finding and implementing a viable set of revenue solutions to the HTF not only for later this year, but also for the long term.

Finally, the discussion surrounding the reauthorization of MAP-21 is largely focused on the state of the Highway Trust Fund, the need for long-term stability and the impacts of inaction. However, we believe that it is important to emphasize the significance of the policy reforms that were included in MAP-21 which are resulting in more value for the federal dollars being invested in transportation. AASHTO supports these provisions and applauds this Committee for its leadership in advancing those critical modernizations to the Federal-aid highway and transit programs. We recognize that the ultimate value of the reforms will not be realized until the provisions of MAP-21 are fully implemented. Nevertheless, we believe that there are some adjustments and additional innovations that may enable us to further improve program and project delivery. Therefore, we urge you to remain open to policy as well as funding enhancements in your reauthorization deliberations.

Environment and Public Works Committee Hearing
February 12, 2014
Follow-Up Questions for Written Submission

Questions from Senator Barbara Boxer:

Question #1: Mr. Hancock, your testimony illustrates the dire impacts that could result if we do not address the insolvency of the Highway Trust Fund (HTF). From the perspective of a state department of transportation (DOT), could you explain how this would play out on the ground and how states might begin to curtail their construction activities this year?

Answer: The Highway Trust Fund (HTF) that supports federal highway and transit investments is expected to have insufficient cash to meet all of its funding commitments, possibly resulting in cash flow shortfall before the end of FY 2014 (September 30, 2014). This also means states potentially would not be able to obligate any new federal highway funds in FY 2015

In a recent internal AASHTO survey of the State departments of transportation, we asked the states to provide information on the potential impact to their programs if Congress does not act to resolve the impending short fall in the Highway Trust Fund. While many states declined to enumerate project-level impacts, 36 states provided a range of 5962 to 6717 projects impacted, with project dollar values ranging from $21.6 billion to $24.5 billion. A few states noted that while the total dollar value from impacted projects could not be calculated at this time, they estimated that the reduction in transportation investments would at least equal one year's worth of federal highway obligation authority.

Question #2: Mr. Hancock, your testimony explains the process by which states are reimbursed by the federal government for work they have already completed. As we get closer to the HTF running out of money, how will this process be affected and what impact will that have on states and on contractors?

Answer: Based on their most recent update of current spending and revenue trends, the U.S. Department of Transportation (U.S. DOT) now estimates that the HTF Highway Account cash balance will fall below $4 billion threshold (i.e., the threshold which Acting Undersecretary for Policy, Peter Rogoff, indicates is the minimum prudent balance to maintain in the Highway Account) early this summer. Without Congressional action, U.S. DOT will institute procedures to slow down and reduce federal reimbursements to states on existing obligations, leading to serious cash flow problems for states.

Many states have begun evaluating their state cash balance forecasts based on the potential for reductions and slowdowns in reimbursement beginning in late FY 2014 and continuing into to early FY 2015. We most recently heard from Arkansas DOT where they decided to pull back bid notices for 10 Federal-aid projects totaling over $60 million because they determined that the Department would "not have adequate State funds to ensure full payments to contractors during this period of reduced reimbursements."

Question #3: Mr. Hancock, what has the impact been over the last couple of years on state DOTs as the federal program has operated under a series of short-term extensions and MAP-21, which was only a 2-year bill? How important is it for state DOTs to have stable, reliable and predictable funding levels for five years or more?

Answer: In October 2013, the AASHTO Board of Directors adopted MAP-21 reauthorization recommendations. These recommendations assume the successor legislation will authorize the federal highway and transit programs for a six-year period between 2015 and 2020, similar to what we have seen in prior surface transportation bills since ISTEA. In addition to providing a long-term planning and investment horizon needed to effectively manage state DOTs' capital programs, we believe a six-year bill provides the necessary timeframe to successfully implement critical policy reforms enacted in MAP-21 and the successor legislation.

The series of short-term extensions that we saw prior to MAP-21 and SAFETEA-LU present a situation for state DOTs that is far from ideal. Because of the piecemeal amounts of federal funding provided from short-term extensions (which can be further exacerbated when obligation limitation is also provided on partial basis), major projects, including projects of national and regional significance, that underpin economic development and improve the quality of life in communities across the country could experience delays or cancellations. Such cutbacks on contract lettings would mean missed opportunities to pare down the backlog of investment needs, while causing a negative domino effect on construction industry employment exactly when it is starting to rebound after being one of the hardest hit segments in the recent recession.

Furthermore, ramping up and down construction activities—including equipment and labor resource management—due to the lack of stability in the federal program would represent an extremely wasteful exercise and impose heavy opportunity costs for the entire transportation industry.

Question #4: Mr. Hancock, your written testimony explained how sustaining MAP-21 funding levels would only require an average additional household contribution of around $10 per month, a fraction of what families pay for the use of services and infrastructure such as energy, internet service, phone service, and water. Could you explain how this figure was derived and how much additional revenue that would generate nationwide?

Answer: In my testimony I offered three potential funding scenarios for reauthorization of MAP-21. Scenario #1 would enable current investment levels to be sustained, in real terms. This would require an additional annual investment of $14.6 billion. As stated in my testimony, "On a monthly basis, the amount of additional federal contribution needed to support this level of expenditure is estimated to be $10.23 per household." This illustrative example is based from our calculation that if each of the 118.7 million households in the United States (as identified by the Census for 2011) paid an additional $10.23 per month into the Highway Trust Fund, its receipts would increase by an average of $14.6 billion per fiscal year between 2015 and 2020. This additional revenue, in turn, would allow for continuation of inflation-adjusted MAP-21-authorized funding levels for highway and transit over this six-year timeframe.

Question from Senator David Vitter:

Question#1: At the hearing, we discussed briefly EPA's rulemaking regarding the scope of federal jurisdiction under the Clean Water Act. As I mentioned at the hearing, every indication (including a draft rule that was recently leaked to the press) suggests that the rulemaking poses a threat of dramatically increased permitting requirements and decreased flexibility for transportation projects. On top of that, EPA has indicated it plans to formally proceed with the rulemaking even before peer reviewers have had a sufficient opportunity to review and critique EPA's underlying scientific report for the rule.

Do you agree with EPA's rushed approach for this Clean Water Act rulemaking? Or, instead, if we're going to make sure the rule doesn't harm the entire economy and our ability to maintain transportation infrastructure, do you think that the Office of Management and Budget should return the draft rule to EPA, so that the scientific report can be properly and fully evaluated? Wouldn't kicking back the rule to EPA allow the rulemaking to proceed in a more credible manner?

Answer: AASHTO supports the U.S. Environmental Protections Agency and U.S. Army Corps of Engineers' decision to clarify Clean Water Act jurisdiction through a public rulemaking process. However, we have concerns about the simultaneous release of the scientific report and the draft rule as well as the lack of appropriate stakeholder engagement prior to submitting the draft rule to OMB for review. Therefore, we support the Office of Management and Budget returning the draft rule to the agencies to ensure that stakeholders are appropriately engaged and that comments on the scientific report and panel discussion are considered and appropriately incorporated into the draft rule.

Questions from Senator James Inhofe:

Question #1: What impact does uncertainty over the Highway Trust Fund have on the willingness of states to engage in longer-term multi-phased projects?

Answer: State DOTs rely on the predictability of federal funding to produce long-range transportation plans and to plan for major projects. Surface transportation reauthorization bills that only provide funding for one or two years and short-term fixes for the HTF prevent state DOTs from being able to properly plan for complex transportation projects that span multiple years. These types of projects often have a significant impact on the competitiveness of state and local economies and their quality of life. Ensuring the long-term solvency of the HTF and authorizing the surface transportation programs for 5 to 6 years will greatly improve state DOTs' ability to undertake major transportation projects, including projects of national and regional significance.

Question #2: As everyone here knows, I often talk about the constitutional duty of the federal government to provide for a national transportation infrastructure. This is actually an area the government should be in and fund. However, if the ability of the federal government to provide infrastructure funding continues to deteriorate, what ability do our states and local governments have to pick up the slack? What would the effects be on our transportation system? On our economy?

Answer: Almost half of capital investments on our nation's roads, bridges, and transit systems are supported by the federal highway and transit programs administered by the U.S. DOT. Without this vibrant federal-state partnership, state DOTs will not be able to play their part in building and maintaining the national transportation network on which our economy relies to be competitive in the global marketplace.

Question #3: Proposals to encourage more bonding for transportation projects or to create infrastructure banks are getting a lot of attention lately. Will these types of proposals provide the funding states need to fund highway and bridge projects?

Answer:

Bonding and other types of financing tools like infrastructure banks represent additional approaches that can be used to leverage limited transportation funding and revenue sources, allowing transportation agencies to raise the high up-front costs needed to build projects and expedite the implementation of needed transportation improvements. That being said, the current challenges facing the Highway Trust Fund and the infrastructure investment gap is not due to the lack of financing vehicles available, but rather, the inadequacy of revenues derived from various user fees and taxes that have traditionally—and will have to continue—to support the vast majority of transportation investments in the United States. We need real funding more than additional financing opportunities.

Question #4: It is no secret that our needs exceed the resources available in the Highway Trust Fund. We are not going to raise the gas tax, and finding new revenues for transportation is a substantial challenge. The President's continued failure to address this in his budget has plagued Congress' ability to find consensus on a path forward. How do you think we can close the gap between the staggering needs and the limited resources available in the Trust Fund?

Answer:

While there is no shortage of technically feasible revenue options, we absolutely recognize the difficulty in the current political environment on finding new revenues for transportation. In order to at least maintain the existing MAP-21 highway and transit program investment level in real terms, we do not explicitly nor implicitly identify any single approach for recommendation over others. We do, however, absolutely remain committed to continue assisting Congress in identifying and implementing a revenue solution based on Congressional leadership and "the art of the possible."

Question #5: Currently the Federal Highway Program operates with an 80/20 split with the federal government and states and locals. Do you think that in the absence of substantially new revenue, that maybe it is time to reduce the federal share for projects that are not on the interstate, to 70% or 60%?

Answer: This approach could result in spreading available resources more widely and may incentivize investment in interstate projects. However, it also would have the effect of "federalizing" a greater number of projects, i.e., subjecting a greater number of projects to federal requirements which typically result in additional costs.

Question #6: With the uncertainty of funding for the Highway Trust Fund, industries might turn to alternate modes of transport as our roads continue to deteriorate. Looking toward freight, what are our challenges there with respect to reauthorization?

Answer: According to FHWA, in 2009, trucks moved 67% of all freight, by weight and 65% by value, in the U.S. Industries across all economic sectors do utilize other modes of transportation, including marine and rail networks, and intermodal shipments are growing. However , growth in freight movement on other modes is dwarfed by the sheer volume of freight traffic moving by truck. Moreover, no mode alone or all the other modes combined, could expand capacity enough to accommodate the volume of goods that currently move on the U.S. highway system.

The first and foremost challenge with respect to freight and reauthorization is the current funding gap and the need to provide for long term funding stability. Long term funding certainty for the core highway program at least at current levels plus inflation will provide the greatest overall benefit to freight since two-thirds of all freight moves on the highway system.

Question from Senator Roger F. Wicker

Question #1: Mr. Hancock, one of the things noticeably missing from the AASHTO matrix of revenue options is one that I heard Senator Boxer propose last year and that is an additional user fee for hybrid and electric vehicles. Do you have an example or information as to an illustrative rate and its impact on revenues if we were to enact such a fee?

Answer:

Because of the very small revenue yield estimated from the relatively low share of alternative fuel vehicles currently in use, or expected to be in use in the near term, AASHTO did not include this possible mechanism in the matrix of revenue options to be considered for funding the next surface transportation authorization.

Senator BOXER. Thank you so much.

Now it is my pleasure to introduce Dr. T. Peter Ruane, President and CEO, American Road and Transportation Builders Association and a key ally of ours as we worked through the last highway bill.

STATEMENT OF T. PETER RUANE, PH.D., PRESIDENT AND CEO, AMERICAN ROAD AND TRANSPORTATION BUILDERS ASSOCIATION

Mr. RUANE. Thank you, Madam Chairman. Chairman Boxer, Senator Vitter, thank you for inviting the ARTBA again to participate in this hearing. I want to also thank you at this point for our leadership on MAP–21 as well as the current WRDA legislation.

One number alone provides ample evidence of the value of the Federal Surface Transportation Program. Today trucks carry freight worth more than $11 trillion over the Nation's roads every year. And more than three quarters of that truck travel occurs on the roads that comprise the Federal aid system. Without the Federal investment in these roads, we put trucking mobility and productivity and that $11 trillion in annual economic activity at risk.

We believe one of the Federal program's biggest problems is that government at all levels, all levels, does a poor job of telling the American public how their Federal gas and diesel tax dollars are invested each year. We believe the public would be impressed and widely support this Federal program if they knew the full story.

I asked our economic team to find out how the public's Federal gas tax dollars were put to use in 2012, a year that did not include any stimulus money. Unfortunately, it took a Freedom of Information request and sophisticated computer analysis of literally millions of data points to provide the project information detailed in our written testimony. Here are the highlights, and it is high time the public starts hearing about them.

In 2012, the Federal program helped fund 12,546 capital improvement projects, 7,000, and some road, 2,400 bridges, 2,800 road safety, all focused on the system that moves most of that $11 trillion in economic activity just mentioned. And the 12,000 does not include right-of-way or engineering projects. These are projects in every State that can be identified by name, location, and how much was invested.

But all the public knows is that the system is not nearly as safe as it could be, they waste precious time in traffic congestion and car and truck damages are caused every day due to unacceptably high percentage of poor road conditions. And the major reason for the system's problems is that we have a 2014 program that is operating on 1993 value dollars. As you have already heard, in roughly months, according to the CBO, the Highway Trust Fund will be unable to support any investment in new projects. And 2012 is a guide. That means that more than 12,000 highway, bridge and safety capital projects across the Nation on the routes most important to our economy could be lost. ARTBA continues to advocate generating new recurring user fee revenue to support highway trust fund investments as the most straightforward solution or Congress could find additional resources elsewhere in the Federal budget to stabilize this trust fund as was done to support MAP–21.

CBO data shows that will require, by the way, on average, $16.3 billion annually just to preserve existing levels of highway and transit investment. By comparison, over a 2-year period, the recent bipartisan Budget Act of 2013, the Murray-Ryan budget deal, reallocates resources to increase the non-defense discretionary spending cap by an average, ironically, of some $16 billion a year. Here is where the announcer would say, spoiler alert.

That means that as illustrated in Figure 4 in our testimony, that fixing the Highway Trust Fund without generating new revenues would require the equivalent of Congress passing and the President signing a 2013 level Murray-Ryan budget deal every year, every year, just to keep the highway and transit program where it is no. That is one painful alternative scenario.

Thank you very much.

[The prepared statement of Mr. Ruane follows:]

American Road & Transportation Builders Association

Testimony of

T. Peter Ruane
President & CEO

Submitted to:
Committee on Environment & Public Works
U.S. Senate

Hearing:
"MAP-21 Reauthorization: The Economic Importance of Maintaining Federal Investments in our Transportation Infrastructure"

February 12, 2014

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American Road & Transportation Builders Association

"MAP-21 Reauthorization: The Economic Importance of Maintaining Federal Investments in our Transportation Infrastructure"

Testimony Presented to the Committee on Environment and Public Works
United States Senate
February 12, 2014

Dr. T. Peter Ruane, President and CEO
American Road and Transportation Builders Association

Chairman Boxer, Senator Vitter and members of the Committee, thank you very much for inviting me to testify on behalf of the American Road and Transportation Builders Association (ARTBA) on the importance of federal surface transportation investment and the challenges facing the Highway Trust Fund.

Established in 1902, ARTBA is the oldest and largest national transportation construction-related association. ARTBA's more than 6,000 members include public agencies and private firms and organizations that own, plan, design, supply and construct transportation projects throughout the country and world. The industry we represent generates more than $380 billion annually in U.S. economic activity and sustains more than 3.3 million American jobs.

The purpose of today's hearing reflects a primary mission of the federal government in the transportation area—promoting economic competitiveness. Unfortunately, the dialogue surrounding federal surface transportation policy too often gets caught in the weeds of process and pet priorities and, as a result, the American public loses sight of the outcome that is being sought.

Over the past year, ARTBA's economics team has been doing research to help us bring the transportation investment story down to the "kitchen table level"... so that we can talk about it in ways that are relevant to daily life.

An analysis of data from the U.S. Census Bureau, the Center for Disease Control, U.S. Department of Energy and the Federal Highway Administration tells the story well.

The data, as depicted in Figure 1, show the average American household spends $123 a month for television and internet service... $159 a month for electricity and natural gas... and $161 a month for cell and landline phone service.

We would all agree these are worthwhile expenditures.

The average American household invests just $46.33 a month in the federal and state motor fuels excises that are used to build and maintain the roads, bridges and public transit infrastructure that provide the mobility access that is critical to virtually every aspect of our daily life, our security,and the U.S. economy.

The fact is, if Americans were asked just to invest as much every month in our surface transportation infrastructure as they willingly pay for phone service, we would not be here talking about how to "fix the Highway Trust Fund,"we would behere applauding Congress for providing them a first-class, modern transportation network that would be the envy of our international competitors!

Figure 1: Average Monthly U.S. Household Expenditures

Source: ARTBA analysis of data from the U.S. Census Bureau, The Center for Disease Control, the U.S. Department of Energy and the Federal Highway Administration.

Quantifying Federal Investment Impact on Competitiveness

While the value of transportation infrastructure to the daily lives of Americans and the nation's economy is irrefutable, the contribution of federal investment in highways and public transportation is less widely appreciated.

I had the pleasure of appearing before this panel last September. During that testimony, I presented a map that quantified the contribution of the federal aid highway program to state highway and bridge capital outlays, reproduced here as Figure 2. Since that time, the map has been used by a number of groups to illuminate the importance of federal investment to each state. Today, I would like to take this analysis one step further and demonstrate what that 52 percent means in terms of actual improvements supported by federal investments on a state-by-state basis.We have extrapolated additional data from the Fiscal Management Information System (FMIS) to show, in Figure 3, the number and type of projects each state advanced in 2012 as part of its federal aid program. 2012 is the most recent available data and, since all American Recovery and Reinvestment Act highway funds had been committed by this point, this data reflects simply the impact of the core federal highway program.

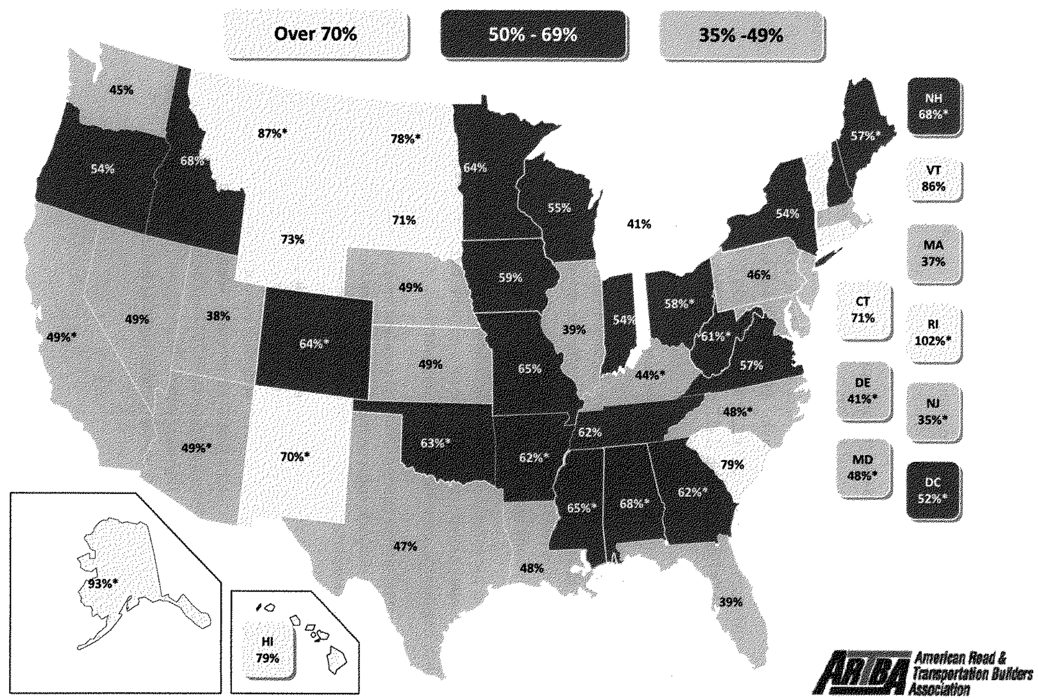
Tables 1 and 2 have more detail about the type of highway and bridge projects that are included in that total. Table 1 includes the number of projects approved by the Federal Highway Administration (FHWA) division offices in 2012 that are related to road, bridge and safety improvements. When they submit this information to FHWA through the FMIS data system, states categorize project costs into different spending categories. This includes information on new road or bridge construction, as well as projects that are focused on repairs, safety, restoration and rehabilitation.

Table 2 details the amount of spending for federal aid projects advanced in 2012 for the road, bridge and safety projects in Table 1. The total amounts do not include other project costs, such as engineering, planning or right of way purchases.

The information inthese tables provides an excellent foundation to discuss how states are using their federal aid dollars to focus on maintaining our core network of highways and bridges—the national transportation system that makes our economy work.

In 2012, the FHWA approved 12,546projects that include construction spending for road, bridge and safety improvements.As this Committee knows, state departments of transportation establish their own spending priorities. They have the option to invest their federal dollars in any project that qualifies for the federal aid program. We have found that nearly one-third of the total investment for federal aid projects in 2012 will be for construction workthat will repair and improve our Interstate Highway System. An additional 29 percent of investments will go towards improvementprojects on the National Highway System.

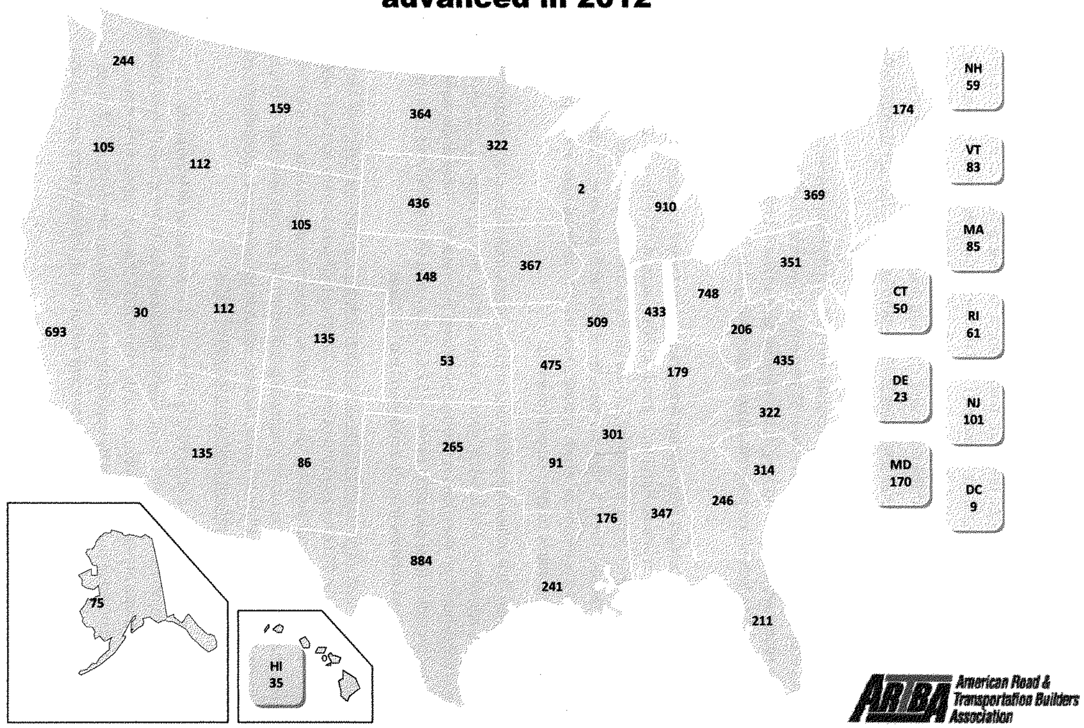
Figure 2 - Federal funds, on average, provide 52% of annual state DOT capital outlays for highway & bridge projects



Source: ARTBA analysis of "FHWA Highway Statistics" data, total 10-year average 2001-2011 from Tables SF-1 and SF-2. The percent is the ratio of federal-aid reimbursements to the state and total state capital outlays and is indicative of the importance of the federal-aid program to state capital spending for highways and bridges. Does not include local capital spending. Federal highway reimbursements are primarily used for capital outlays, including construction, right-of-way acquisition and engineering, but are also used for debt service for GARVEE bonds.

* States that have issued GARVEE bonds before 2011.

Figure 3 – Number of federal aid construction projects advanced in 2012



Source: ARTBA analysis of FHWA's Federal Management Information System. Totals include projects that received FHWA division approval in 2012 and include planned spending for construction-related work for highways or bridges. It is important to note that some state totals may seem low – this may be in part due to the use of advanced construction funds. In that case federal funds from 2012 could have been put towards projects that were actually approved in prior years, and that would not be included on this map.

These state decisions indicated the value maintaining a national network of roads and bridges contributes to strengthening state economies and facilitatingthe movement of goods, and people.More than 550 projects, valued at over $6 billion, of all 2012 federal aid projects will deliver mobility benefits in boththe originating state and neighboring states. This segment of the 2012 federal-aid projects reinforces how federal highway and bridge investments promote the interconnectedness of the nation's economy.

The highways and bridges onthe U.S. Interstate and National Highway Systems are crucial to the nation's economic competitiveness – over 55 percent of all vehicle travel in the United States is on these roadways, which comprise just over five percent of the 4.1 million miles of roads in the country.[1] The federal aid program allows states to invest in the national network that tie our country together.

These highways and bridges also connect American businesses with export markets. American businesses exported nearly $1.6 trillion in goods in 2013, according to the U.S. Census Bureau. This includes consumer items, machinery, capital goods, automotive parts and industrial supplies and materials. The U.S. highway system not only facilitates direct trade with our neighbors, but it is the means by which products reach ports, railroad hubs and airports that also transport these items to international markets.

In fact, more than 70.9 million American jobs in just tourism, manufacturing, transportation and warehousing, agriculture and forestry, general construction, mining, retailing and wholesaling alone aredependent on the roads supported by federal investment.[2] These dependent industries provide a total payroll in excess of $2.67 trillion and their employees contribute more than $230.7 billion annually in state and federal payroll taxes.

Mostfederal aid highwayinvestments focus on maintaining the system we have—of the 3,543 projects approved in 2012 for investment on the National Highway System, just over 400(11 percent) were for adding or building some sort of new roador bridgecapacity. This includes projects that would widen an existing highway or construct an entirely new road or bridge. The remaining 3,138 projects will help repair, restore, rehabilitate orenhance safety on the existing National Highway Systemwithout facilitating increased traffic.

As you would expect, there is a wide variety in the number and value of federal-aid construction projects in each state. To highlight a few examples, there were693 new federal aid projects, valued at nearly $4 billion, in California in 2012 that will support the state economy and improve public safety by upgrading major highways and bridges. Of those projects approved in California, nearly 65 percent will occur on the Interstate and National

[1] FHWA Highway Statistics 2012, Table VM-3
[2] ARTBA, The 2012 U.S. Transportation Construction Industry Profile

Highway systems. California is using federal investment to support major projects, including phase two of the Presidio Parkway in San Francisco. Federal funding from 2012 will also be put towards improvements to the I-15 and I-215 Devore Interchange in San Bernardino, considered one of the worst grade-related bottlenecks in the United States. According to Caltrans, the delay at this interchange costs California drivers $3.8 million each year. Without improvements, the annual cost of delay is expected to increase to more than $80 million in 2040.

There were 241 new federal aid projects, valued at nearly $750 million, approved in Louisiana in 2012. Over 65 percent of these projects will repair, reconstruct and maintain major roads in the state. Federal investments in 2012 will also support new construction in the state, such as the new I-49 North Interstate project. This is a brand new 36-mile, four-lane interstate from I-220 in Shreveport to the Arkansas state line.

<u>These are real projects that will have a significant impact on the daily lives of your constituents and the businesses in your state. Federal funding makes this investment possible</u>.

<u>The information I have used today was provided to ARTBA from the FHWA under the freedom of information act (FOIA)</u>. As a result, we are able to receive data fromthe FMIS, which has detailed records for over 960,000 federal aid projects going back to 1946.

Unfortunately, the information we receive from these periodic requests then requires the manipulation of millions of pieces of data to extract a meaningful interpretation of how federal funds are used by each state.

Madame Chairman, the federal highway and public transportation programs are a great success story. <u>Telling this story should not require FOIA requests and a full-time staff person with a doctorate in economics. In fact, the U.S. Department of Transportation (DOT) recognized the value of publicizing in a user friendly format the status and outcome of all American Recovery and Reinvestment Act surface transportation investments. There is no substantive reason why the same type of transparency should not exist for core federal highway and public transportation investments. I submit to you that if this type of information were regularly supplied, the American public would likely have much more confidence in the value they are receiving from their contributions to supporting the U.S. surface transportation infrastructure network!</u>

Table 1 - Number of highway and bridge improvements that include federal aid funds for projects approved in 2012

State	Road Improvements		Bridge Improvements		Additional Safety Improvements (not included in other construction improvements)	Total
	Additional Capacity	Reconstruction, Repair and Maintenance	Additional Capacity	Replacement, restoration & rehabilitation		
Alabama	11	234	3	12	87	347
Alaska	2	54	0	4	15	75
Arizona	6	84	3	5	37	135
Arkansas	23	21	4	12	31	91
California	74	346	11	57	205	693
Colorado	11	44	7	33	40	135
Connecticut	5	21	0	8	16	50
Delaware	0	9	0	10	4	23
District of Columbia	0	6	0	0	3	9
Florida	29	108	6	19	49	211
Georgia	22	133	3	26	62	246
Hawaii	3	23	0	5	4	35
Idaho	5	43	9	35	20	112
Illinois	30	242	5	113	119	509
Indiana	56	146	77	62	92	433
Iowa	7	213	9	105	33	367
Kansas	4	16	2	23	8	53
Kentucky	14	62	2	30	71	179
Louisiana	8	164	0	53	16	241
Maine	1	102	0	25	46	174
Maryland	6	82	1	21	60	170
Massachusetts	4	46	1	19	15	85
Michigan	11	563	14	89	233	910
Minnesota	7	225	2	26	62	322
Mississippi	10	101	2	29	34	176
Missouri	28	325	4	109	9	475
Montana	0	101	0	10	48	159
Nebraska	6	106	0	16	20	148
Nevada	6	5	0	2	17	30
New Hampshire	6	31	1	8	13	59
New Jersey	8	53	5	24	11	101
New Mexico	12	50	1	11	12	86
New York	4	125	4	88	148	369
North Carolina	21	38	4	190	69	322
North Dakota	3	335	0	16	10	364

Ohio	13	382	3	174	176	748
Oklahoma	30	66	2	91	76	265
Oregon	2	58	2	25	18	105
Pennsylvania	23	134	9	142	43	351
Rhode Island	0	26	2	16	17	61
South Carolina	12	234	0	12	56	314
South Dakota	6	312	2	59	57	436
Tennessee	17	166	0	22	96	301
Texas	69	453	46	148	168	884
Utah	8	82	2	6	14	112
Vermont	1	42	0	25	15	83
Virginia	16	163	4	51	201	435
Washington	28	86	3	32	95	244
West Virginia	10	142	2	37	15	206
Wisconsin	0	1	0	1	0	2
Wyoming	5	48	3	11	38	105
Total	**683**	**6,652**	**260**	**2,147**	**2,804**	**12,546**

Source: ARTBA analysis of FHWA data, Fiscal Management Information System. Includes number of projects that are categorized by improvement type for major construction work. Projects are assigned by State DOTs. Includes all federal aid projects that received FHWA division approval in 2012. Note that for some states totals may appear to be low, in part because of the use of advanced construction funding. In this case federal dollars are put towards projects that were approved in previous years.

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Table 2 - Value of highway and bridge improvements that include federal aid funds for projects approved in 2012 (in millions $)						
State	Road Improvements		Bridge Improvements		Safety Improvements	Total
	Additional Capacity	Reconstruction, Repair and Maintenance	Additional Capacity	Replacement, restoration & rehabilitation		
Alabama	$88.2	$633.4	$23.9	$45.7	$17.3	$808.5
Alaska	$10.5	$251.6	$0.0	$11.1	$19.9	$293.1
Arizona	$68.5	$225.1	$24.4	$21.8	$9.5	$349.2
Arkansas	$244.9	$172.2	$84.3	$61.1	$26.2	$588.9
California	$1,866.0	$1,239.7	$505.7	$176.5	$206.4	$3,994.4
Colorado	$269.9	$263.7	$90.7	$133.2	$88.4	$845.9
Connecticut	$47.2	$137.5	$0.0	$52.2	$17.7	$254.5
Delaware	$0.0	$41.9	$0.0	$13.9	$3.8	$59.6
District of Columbia	$0.0	$29.3	$0.0	$0.0	$10.9	$40.2
Florida	$925.2	$352.9	$272.1	$182.4	$63.5	$1,796.1
Georgia	$351.9	$444.2	$11.7	$59.1	$96.9	$963.8
Hawaii	$46.7	$102.8	$0.0	$59.3	$15.3	$224.1
Idaho	$10.5	$89.4	$45.0	$45.5	$12.8	$203.2
Illinois	$353.8	$546.0	$101.3	$96.2	$65.1	$1,162.3
Indiana	$551.0	$216.8	$1,063.1	$73.8	$37.9	$1,942.6
Iowa	$66.8	$479.3	$47.6	$77.9	$36.6	$708.3
Kansas	$43.7	$38.8	$23.3	$15.0	$10.9	$131.6
Kentucky	$318.4	$159.5	$24.2	$34.8	$22.4	$559.4
Louisiana	$91.7	$485.7	$0.0	$148.5	$20.3	$746.2
Maine	$0.9	$90.7	$0.0	$41.9	$18.5	$152.0
Maryland	$13.5	$227.9	$5.4	$97.6	$97.7	$442.2
Massachusetts	$9.7	$265.6	$330.9	$976.3	$18.7	$1,601.1
Michigan	$86.2	$675.1	$36.4	$152.9	$89.4	$1,040.0
Minnesota	$117.6	$627.6	$68.6	$176.1	$23.3	$1,013.2
Mississippi	$218.6	$243.4	$17.3	$112.3	$33.3	$624.9
Missouri	$282.9	$393.0	$17.5	$81.3	$1.6	$776.4
Montana	$0.0	$237.4	$2.2	$21.1	$29.4	$290.0
Nebraska	$46.9	$283.8	$0.0	$41.6	$14.8	$387.0
Nevada	$79.7	$59.4	$10.1	$15.8	$5.3	$170.2
New Hampshire	$100.0	$70.6	$0.0	$22.2	$9.1	$201.9
New Jersey	$19.9	$404.6	$108.5	$97.0	$9.4	$639.3
New Mexico	$96.1	$203.4	$4.6	$18.5	$7.5	$330.2
New York	$50.6	$571.3	$318.6	$396.2	$191.1	$1,527.9
North Carolina	$702.5	$124.8	$6.6	$251.0	$34.7	$1,119.7

North Dakota	$28.7	$494.5	$0.0	$18.6	$3.9	$545.8
Ohio	$85.8	$931.8	$14.4	$372.3	$131.1	$1,535.4
Oklahoma	$207.4	$104.4	$36.8	$140.2	$19.1	$507.8
Oregon	$12.2	$145.2	$2.9	$295.9	$11.3	$467.5
Pennsylvania	$242.7	$392.0	$125.2	$319.1	$38.5	$1,117.6
Rhode Island	$0.0	$41.9	$13.7	$117.6	$36.1	$209.4
South Carolina	$139.8	$364.6	$6.4	$121.0	$38.8	$670.6
South Dakota	$47.7	$359.5	$6.2	$23.5	$3.6	$440.5
Tennessee	$353.2	$195.7	$0.0	$72.6	$23.1	$644.5
Texas	$2,330.7	$1,630.8	$401.5	$208.6	$231.3	$4,802.9
Utah	$41.0	$209.6	$10.4	$5.0	$7.5	$273.6
Vermont	$18.5	$80.7	$0.0	$145.5	$2.5	$247.2
Virginia	$1,512.7	$287.7	$99.8	$79.6	$618.5	$2,598.3
Washington	$211.5	$132.0	$63.6	$92.4	$98.1	$597.5
West Virginia	$129.4	$136.3	$18.9	$100.0	$7.7	$392.3
Wisconsin	$0.0	$3.3	$0.0	$0.5	$0.0	$3.9
Wyoming	$8.5	$166.2	$15.4	$12.0	$30.6	$232.7
Total	**$12,549.9**	**$16,064.6**	**$4,059.3**	**$5,934.1**	**$2,667.7**	**$41,275.6**

Source: ARTBA analysis of FHWA data, Fiscal Management Information System. Includes total value of project funds for specific improvement types, from federal, state, local and other sources. Note that the total project cost, including right of way, engineering and other eligible expenses, may be higher. Project categories are assigned by State DOTs. Includes all federal aid projects that received FHWA division approval in 2012. Additional federal aid funds were approved for projects in other non-construction categories, such as debt service, right of way, engineering and planning.

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Highway Trust Fund Challenges Continue

Any discussion about the importance of federal surface transportation investment to enhancing U.S. economic competitiveness and supporting American jobs must also include an honest assessment of the Highway Trust Fund. The simple fact is that the trust fund has faced four separate revenue crises since 2008 with the fifth—and most devastating—shortfall looming in a matter of months.

Last week, the Congressional Budget Office (CBO) released its baseline forecast for the U.S. Government Budget through FY 2024, including the outlook for both the Highway Account and Mass Transit Account of the Highway Trust Fund. The new forecast compounds the problems Congress will face in reauthorizing the federal highway and mass transit programs when the Moving Ahead for Progress in the 21st Century Act (MAP-21) expires at the end of September and will force some difficult decisions.

Let me begin with the new forecast for the Highway Trust Fund. Unlike CBO's previous May 2013 forecast, which indicated the Highway Account would have a cash reserve sufficient to pay all anticipated bills this year and end FY 2014 with a $4 billion balance, thus postponing the need for new revenues until sometime in the first or second quarter of FY 2015, the new forecast now anticipates the FY 2014 end-of-year balance will only be $1 billion. Less cash was carried into FY 2014 from FY 2013 than originally anticipated and outlays have been a bit higher, which has eaten into the cash balance more rapidly than CBO projected last year.

The U.S. DOT has calculated that a $4 billion cash reserve is needed in the Highway Account to manage the cash flow imbalance caused by the fact that the Federal Highway Administration is required to pay its bills on a daily basis while revenues are credited to the Highway Trust Fund only twice each month. We urge this Committee to explore reconciling these timing conflicts as part of the reauthorization of MAP-21. Without a $3 billion cash infusion, FHWA and CBO are currently projecting there will come a time in August or September of this year when the FHWA will have to delay reimbursing states for construction work performed on federal-aid highway and bridge projects. Based on its own data, the Federal Highway Administration says the same thing, that it will be unable to pay all bills sometime in September and possibly as early as August.

In states without an adequate cash reserve of their own, the impact will cascade down to contractors, where the disruption in cash flow will affect their ability to make payroll and pay invoices for materials and services. If Congress does not deal with this issue before that happens, some contractors could be forced to shut down projects and lay off their employees, just before the mid-term election.

To compound the real-world economic impact, a failure by the federal government to pay bills in a timely manner would technically constitute a default. While the financial markets probably would not view a delay in paying highway contractors the same as failure to pay interest on the federal debt, the fact that Congressand the Administrationwould permit such a result in any part of the government budget would surely generate serious concern.

As to the Mass Transit Account, the new CBO forecast continues to project a $2 billion balance at the end of FY 2014. According to the U.S. DOT, a $1 to $2 billion balance is needed in the Mass Transit Account to manage cash flow, so no new revenues would be needed for that account until after FY 2014.

Looking beyond FY 2014, the new CBO forecast continues to show a significant imbalance between baseline revenues and expenditures for both the Highway Account and the Mass Transit Account. Just to maintain current federal highway and mass transit investment between FY 2015 and FY 2020, with a small annual adjustment for inflation, would require a revenue infusion of just under $100 billion over the six-year period, or an annual average of about $16.3 billion per year.

And that is just to maintain current spending, which the U.S. DOT's latest *Conditions and Performance Report* indicates is about $25 billion less than the federal government should be investing each year just to maintain current physical and performance conditions on the nation's core highway and mass transit systems and about $50 billion less than could be invested in all improvements where the economic benefits exceed costs.

Ryan-Murray Budget AgreementA Harbinger for HTF?

It is important to put into context the $16.3billion annual revenue infusion needed just to maintain current highway and transit investment.

Last December, Congress enacted the landmark Bipartisan Budget Act, which sought to reduce projected federal budget deficits in a better way than throughthe across-the-board sequestrationput into place by the Budget Control Act of 2011. The bill restored $63 billion in discretionary budget authority for FY 2014 and FY 2015, split evenly between Defense and Non-Defense Discretionary spending. This included $22.4 billion for Non-Defense Discretionary spending in FY 2014 and $9.2 billion in FY 2015, or an average of about $16 billion each year. Congress offset these increases with cuts in other spending or new revenues, including eliminating the annual cost of living adjustment for military retirees under the age of 62, increasing the fee airline passengers pay every time they fly to finance the Transportation Security Administration, and increasing the fee companies pay the Pension Benefit Guaranty Corporation to insure pension benefits, plus more than 20 other spending cuts or fee increases.

Many of the offsets were painful and not popular, evidenced by the fact that well over half the dollar impact of the offsets is bunched into FY 2022 and 2023, at the far end of the budget window.

Figure 4 compares the increase in Non-Defense Discretionary spending enacted each year in the Bipartisan Budget Act to the amount of HTF revenues Congress must generate to enact a six-year surface transportation bill that just maintains current federal highway and mass transit investment. To fill the resource gap in the Highway Trust Fund from the rest of the budget, Congress each year would have to find offsetting cuts in other discretionary accounts, or cuts to entitlements, or increases in fees and other revenues greater than the average annual offsets in the Bipartisan Budget Act, totaling almost $100 billion.

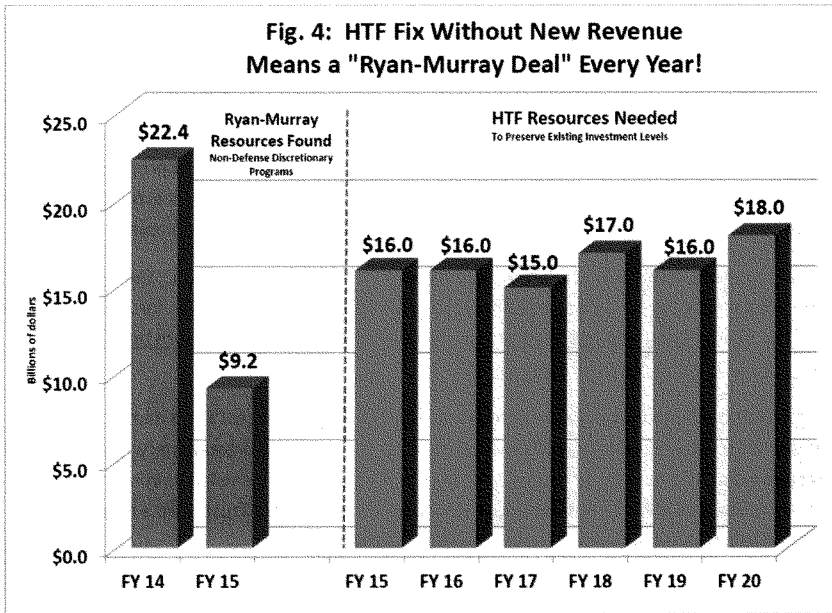
Even a short-term extension will require new revenues. Based on the seasonal pattern of outlays from the Highway Trust Fund, a three-month extension through December 2014 will require $3 billion while a six-month extension through March,2015, will require $5 billion, in addition to the $3 billion needed to close out FY 2014. A one-year extension through the end of September 2015 will require a revenue infusion totaling $19 billion.

ARTBA has been engaged in discussions with members of Congress since the enactment of MAP-21 about the unfinished business of the Highway Trust Fund. As such, we are keenly aware of the difficulty in raising new revenues. At the same time, we have yet to hear one member of the House orSenate endorse cutting highway investment by $40.3 billion in FY 2015 and eliminating all trust fund-supported transit investment.

Putting the Highway Trust Fund's revenue shortfall in the context of the complications surrounding the Bipartisan Budget Act demonstrates how difficult stabilizing the trust fund would be without generating new revenues—a point that is repeatedly overlooked in discussions about the future of federal highway and transit investment. While this is strictly an illustrative comparison, the similarities in terms of resources that would have to be found elsewhere is striking, particularly considering the Bipartisan Budget Act supported an average increase of $16 billion per yearin additional spending for all non-defense discretionary spending programswhilethe Highway Trust Fund needs an annual average of $16.3billion for basically two activities (highway and transit investment).

Time to Act is Now

Madame Chairman, members of the Committee, there are no illusions about how difficult it is to get major legislation through Congress in the current environment. At the same time, federal infrastructure investment is one of the few areas where both sides have repeatedly demonstrated a willingness to find common ground. MAP-21 passed the House 373-52 and the



Senate by 74-19. Measures to reauthorize the Water Resource Development Act were approved in each chamber by even greater margins.

At the same time, there is a broad array of stakeholders that are willing and eager to support meaningful action to upgrade the nation's surface transportation infrastructure network. In addition to the interests appearing before you today, groups like the U.S. Travel Association and the National Retail Federation have recently engaged in the transportation policy arena in an unprecedented fashion. These groups did not just flip a coin and decide to launch efforts to call for transportation infrastructure improvements—the inefficiencies in the current system are forcing sectors across the economy to become involved as a matter of self-preservation and remaining internationally competitive.

The Highway Trust Fund is not an auto pilot situation that can be addressed when the time is right. In a matter of months, without congressional action federal reimbursements will halt and the FY 2015 appropriations process will not have the resources to allow any new investment in highway and public transportation improvements.

ARTBA has long supported increasing the federal motor fuels tax as a means to stabilize and grow Highway Trust Fund revenues, but there is a host of ways to achieve the same goal. Congress created two separate independent commissions as part of the 2005 surface transportation reauthorization bill and these commissions furnished you with a multitude of alternatives to support future federal highway and transit improvements. MAP-21 called for the creation of long-term strategic planning and performance management process. That process will be fundamentally flawed unless a long-term revenue solution is established for the Highway Trust Fund, as plans are meaningless without the resources to implement them.

There is no need for further studies or time to develop a trust fund solution. The Highway Trust Fund has been facing the same problem with virtually the same alternatives for action for more than five years. One thing has been proven certain in those five years—more time has not made any of the choices before you easier.

No matter how difficult some may perceive the current Highway Trust Fund dilemma to be, it pales in comparison to the incredible value the U.S. surface transportation network provides all Americans and the nation's economy. We urge you to focus on this value as you embark on the reauthorization of MAP-21 and potential solutions to the Highway Trust Fund's revenue shortfall and stand ready to assist your efforts in this regard.

Thank you for allowing me to appear before you today.

Questions from Chairman Boxer

1. **Mr. Ruane, your testimony explains the number of new Federally funded projects that were approved in each state in 2012, which totaled over 12,000 projects. Could you discuss how the transportation industry would be affected if no new projects, over 12,000 projects using 2012 as an example, did not go forward in Fiscal Year 2015?**

In simple terms, no new federal-aid projects moving forward in Fiscal Year 2015 would be disastrous for the U.S. highway and bridge construction market, and would have a ripple effect through the industries that supply goods and materials for our contractors. Federal investment accounts for an average of 52 percent of all state department of transportation capital outlays, including construction, right of way and planning and design expenditures. Not only would construction activity be adversely impacted, but projects in the development pipeline would also feel the repercussions.

After several years of real decline following the Great Recession of 2008, the construction industry would be dealt another significant economic blow.

Although state transportation departments and local governments could take their matching funds and put those towards stand-alone projects, we would still expect to see a significant market decline. The states that rely most heavily on federal investment for their capital programs would face the biggest challenge.

We would expect to see a pullback in highway and bridge contract awards. As contractors faced the reality of a shrinking market, they would likely delay any hiring, or perhaps lay off employees, and hold off on making capital purchases.

States would also experience adverse consequences. On February 18, Moody's Investor Services downgraded 17 GARVEE bonds due to uncertainty associated with federal transportation funding and the status of the Highway Trust Fund. I would expect the national market to react, impacting the stock prices of a number of publicly traded companies heavily involved in transportation construction.

I also believe that confidence in Congress and our government would be impacted for years to come, and there would be a significant amount of uncertainty introduced into a market that for years has been very stable because of steady federal, state and local investment.

2. **Mr. Ruane, as an organization representing businesses from all across the country, do you believe that maintaining a strong transportation system is important enough that you support increasing revenues through user fees?**

The transportation construction industry ARTBA represents is not only responsible for designing and building the nation's transportation infrastructure network, our members are also major users of this system. Moving materials and equipment to each job site can be a daily activity for all types of construction projects. Many ARTBA members are also manufacturers of equipment and suppliers of construction materials, which like all other products, must be transported over the nation's transportation network to their end user.

ARTBA members are keenly aware of the benefit they derive from using roads, bridges and public transportation systems. They also recognize the effectiveness of the facilities on which they rely for daily business operations is directly linked to investments to maintain and improve this network. As such, ARTBA members strongly support the user pays principle of funding transportation infrastructure projects. User fee funding is the most transparent and efficient means of generating needed resources for road, bridge and public transportation improvements. Furthermore, user fees guarantee equity as only those who benefit from the nation's transportation system support its needs.

While Congress has chosen to supplement the Highway Trust Fund's user based revenue stream with general funds and resources from elsewhere in the federal budget in recent years, it should not be overlooked that revenues from motor fuels taxes and other user fees have still provided the vast majority of trust fund revenues since 2008.

Questions from Senator Vitter

1. **Does ARTBA agree that reforms are necessary for FHWA to be more transparent and produce better information on where Highway Trust Fund dollars are going? Would additional transparency reforms build trust in the federal program and the HTF? In addition to your data, what other types of data would you like to see FHWA produce on a regular basis in the spirit of getting a better understanding of where and how our gas tax dollars are being spent?**

One reason why Americans express opposition to an increase in the federal motor fuel taxes despite widespread concern over the quality and performance of our nation's highways is that there is no way for the general public to track how federal gas tax receipts are used and thus they can't evaluate the benefit they receive from the taxes they pay. Each year, the federal highway program provides funds that support for more than 10,000 highway and bridge improvement projects nationwide. Yet there is no place on the website of the U.S. Department of Transportation (DOT) or the Federal Highway Administration (FHWA) that provides details on these projects. The FHWA's annual Highway Statistics report provides some summary information—i.e., the amount of federal funds spent nationwide during a fiscal year on new highway construction or on highway reconstruction projects—but there is no information on what projects were funded, where they were located or what kind of improvements were made. Without this kind of information, highway users have no way to link the taxes they pay to the highway improvements those taxes support

By contrast, the Federal Highway Administration provided a wealth of information on the 13,161 highway and bridge improvement projects that were funded under the American Recovery and Reinvestment Act of 2009, better known as the Recovery Act. For every project, the FHWA provided a short but detailed project description, the county or town where the project was located, the kind of improvement, the amount of federal funds obligated for the project, the start and completion dates, even the congressional district. The data were readily available in an Excel file that anyone could download from the FHWA's Recovery Act website and what's more, the data were updated every week between January 8, 2010 and March 29, 2013, with a final update posted on September 13, 2013. Similar information was provided on Recovery Act funds that were used for transit and airport improvements. The American public had no trouble tracking how they benefitted from the transportation funds in the Recovery Act.

With this model in mind, MAP-21 included provisions designed to generate similar public information for projects funded under the regular federal highway program. To date, those data remain unavailable. The first step in improving Highway Trust Fund transparency would be to produce the same information for regular highway program projects as was provided for Recovery Act projects. This would put no new burden on the states or on the FHWA – every bit of data needed to produce such reports is already being provided to the FHWA through the FMIS information management system. All that would be needed is for FHWA to compile it, publish it in a format similar to the Recovery Act reports and update it regularly, at least once a month.

Senator Vitter, there is not much time remaining to generate support for additional Highway Trust Fund revenues. The U.S. DOT estimates the trust fund's Highway Account will be unable to meet its obligations as early as July 2014. Without new revenues, FHWA will have to begin delaying payments for highway construction projects, which could lead to projects being shut down and workers being laid off. Furthermore, without new revenues, there will be no funds for any new highway or transit improvements in FY 2015. Improving the transparency of the Highway Trust Fund by providing the American people information on how their highway user taxes are being spent could open the door to solving this problem.

2. **At the hearing, we discussed briefly EPA's rulemaking regarding the scope of federal jurisdiction under the Clean Water Act. As I mentioned at the hearing, every indication (including a draft rule that was recently leaked to the press) suggests that the rulemaking poses a threat of dramatically increased permitting requirements and decreased flexibility for transportation projects. On top of that, EPA has indicated it plans to formally proceed with the rulemaking even before peer reviewers have had sufficient opportunity to review and critique EPA's underlying scientific report for the rule.**

   Do you agree with EPA's rushed approach for this Clean Water Act rulemaking? Or, instead, if we're going to make sure the rule doesn't harm the entire economy and our ability to maintain transportation infrastructure, do you think that the Office of Management and Budget should return the draft rule to EPA, so that the scientific report can be properly and fully evaluated? Wouldn't kicking back the rule to EPA allow the rulemaking to proceed in a more credible manner?

ARTBA is opposed to the U.S. Environmental Protection Agency's (EPA's) efforts to expand the scope of the Clean Water Act (CWA) through the regulatory process. An examination of EPA's recently leaked draft rule on CWA jurisdiction reveals that the rule, if implemented, could significantly expand federal jurisdiction under the CWA and potentially cause significant delays for sorely needed transportation improvements. ARTBA agrees the current draft rule should be abandoned and sent back to EPA.

ARTBA was disheartened by the recent leaked publication of EPA's proposed rule on CWA jurisdiction. As ARTBA understood the process, an EPA draft report on the "connectivity" of U.S. water bodies would be finalized before any rulemaking efforts began. ARTBA provided comments on this report in November of 2013, but the report has yet to be finalized. As a member of the regulated community, ARTBA is highly skeptical of the fact that the draft rule, which was leaked in December of 2013, has already been written prior to the finalization of EPA's draft "connectivity" report.

ARTBA is particularly concerned with the treatment of ditches under the leaked draft rule. While current regulations say nothing about ditches, an expansive view of federal jurisdiction could be used to regulate all roadside ditches that have common characteristics, such as a channel or an ordinary high water mark. As ARTBA has stated on repeated occasions, roadside ditches are not, and should not be regulated as, traditional jurisdictional wetlands since they are an essential part of any transportation improvement project and contribute to the public health and safety of the nation by dispersing water from roadways. The purpose of roadside ditches is unique and distinct from the waters EPA seeks to regulate.

On a broader scale, expansion of EPA jurisdiction under the CWA would increase the amount of instances in which permits could be required—regardless of ecological value or demonstrated need—for transportation improvements. Further, in instances where the federal government declines to require a permit, the door would still be left open to unnecessary, time-consuming litigation initiated by project opponents.

ARTBA believes EPA should suspend its rulemaking efforts and start anew after the connectivity report has been finalized, allowing all members of the regulated community to have proper input into this conversation about where CWA jurisdiction begins and ends. Sending the draft rule back to EPA would give the agency more time to work with the regulated community to identify those specific types of water bodies which are currently not being covered and craft more appropriate, targeted measures to protect them.

Questions from Senator Inhofe

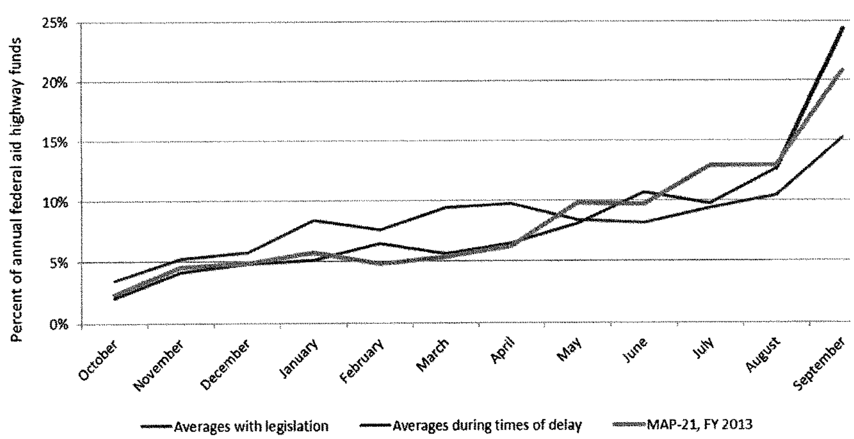
1. **What impact does uncertainty over the Highway Trust Fund have on the willingness of states to engage in longer-term multi-phased projects?**

Transportation construction is the most capital-intensive type of construction, requiring machinery that often costs in the hundreds of thousands of dollars and significant investment in job and safety training. Market uncertainty, such as that created with the current trust fund situation, interfere with the long-range planning required of highway and transit construction contractors and state departments of transportation.

Short-term extensions create uncertainty in the highway and bridge construction market. Because so many state highway and bridge capital programs are dependent on federal funds, it is common for uncertainty at the federal level to disrupt the efforts of state and local governments to advance major projects.

The table below indicates states tend to hold back on obligating their funds during times of uncertainty. When a state or local transportation department has an eligible project ready to go to construction under the federal-aid highway program, it enters into a project agreement with FHWA that obligates the federal government to pay its share of the project cost. The project can then proceed to bidding and construction. Obligation of federal funds can thus be a leading indicator of highway construction activity in the U.S. States must obligate all of their regular program funds during the federal fiscal year, beginning October 1.

Average Monthly Obligation of Federal Aid Highway Funds



Source: ARTBA analysis of monthly FHWA obligation data. Times with legislation include FY 1997 to FY 2003 under TEA-21 and FY 2006 to 2009 under SAFETEA-LU. Times corresponding roughly to reauthorization delays include FY 2004 to 2005 and FY 2010 to 2012.
Totals include federal aid funds to states and any exempt funds obligated, including ARRA.

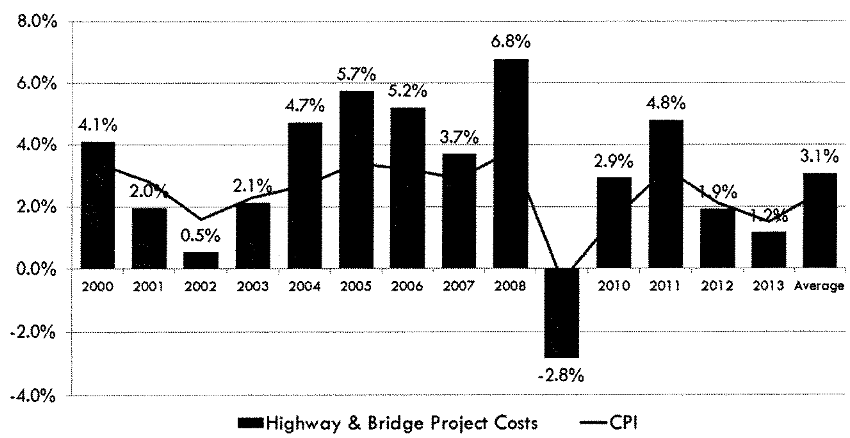
Under the longer term surface transportation authorizations of 1998 and 2005, states obligated an average of 40 percent of their total federal funds in the first six months of the fiscal year, October to March, and the remaining 60 percent of funds in the second part of the year from April to September.

During periods of reauthorization that involve a series of short-term extensions, states obligated more of their money later in the fiscal year. During these periods of market uncertainty, states obligated an average of 28 percent of funds in the first six months of the federal fiscal year. They obligated the remaining 72 percent in the last six months. In fact, over 57 percent of the annual federal funding was obligated during the last four months of the fiscal year, from June through September. This is important because those projects still need to go through the bidding and award phase before actual construction work can begin. In situations like this the delay in obligations can shift projects to the next construction season.

Although MAP-21 provided some short-term certainty in terms of federal funding, the situation with the Highway Trust Fund has created additional market uncertainty. During FY 2013 we have seen the same obligation patterns as during times of reauthorization uncertainty, with states obligating 72 percent of their funds in the last six months of the fiscal year and 47 percent of funds in the last three months alone.

The longer projects are delayed, the more they will cost as material prices and wages increase. The ARTBA Price Index measures changes in material prices, highway and bridge contractor wages and general inflation based on project information from FHWA. Over the last 13 years, the cost of building highways and bridges has outpaced general inflation. The average increase in highway and bridge projects costs is 3.1 percent, compared to 2.4 percent for general inflation.

Annual Change in Highway & Bridge Project Costs



Source: The ARTBA Price Index estimates total changes in project cost based on the price of materials, highway and bridge production worker wages and the consumer price index (CPI).

2. **As everyone here knows, I often talk about the constitutional duty of the federal government to provide for a national transportation infrastructure. This is actually an area the government should be in and fund. However, if the ability of the federal government to provide infrastructure funding continues to deteriorate, what ability do our states and local governments have to pick up the slack? What would be the effects on our transportation system? On our economy?**

Senator Inhofe, if Congress does not increase revenues into the Highway Trust Fund, the immediate impact would be to eliminate the ability of the federal highway and mass transit programs to fund new highway or transit improvement projects in FY 2015, since all projected revenues would be needed to service existing obligations, followed by annual funding levels for both programs that would be significantly less than under MAP-21. If the ability of the federal government to invest in transportation infrastructure continues to deteriorate, there are reasons why we cannot expect state and local governments to fill the gap.

The first issue involves the money. In my written testimony, I presented a map showing that, between 2001 and 2011, the federal highway program financed an average of 52 percent of state capital investments in highways. On a state-by-state basis, the federal share of state highway capital investments ranged from a low of 35 percent to as much as 93 percent. Cutting federal funding would have a significant impact on the ability of states to carry out their highway capital programs. The only way most states could fill the gap caused by reduced federal highway investment would be by raising their own state highway taxes and user fees. Although some states have recently increased taxes that finance their highway programs, the political reality is that it is no easier for state legislators to vote for higher taxes than it is for members of Congress. Even in light of growing traffic, increased highway congestion, deteriorating highway and bridge conditions and rising highway construction costs, Congress has not increased the federal excise tax on motor fuels in 21 years or enacted any new dedicated revenues for the Highway Trust Fund. Why should we expect state governments to behave any differently?

Secondly, and even more important, there is an issue of incentives. State and local transportation officials are responsible to their own local voters and taxpayers. When making highway investment decisions, they have to focus on the local benefits of highway improvement projects. Benefits to the national economy are not their concern. Only the federal government can focus on the transportation needs of the national economy. The federal highway program accomplishes this by concentrating federal highway investment on the core highways that carry most highway travel and are most important to the efficient performance of our transportation system and the national economy. Even if state and local governments were to raise highway-related taxes and fees in response to a decline in federal investment, the funds would likely go for improvements with local, not national, benefits. Ultimately, the efficiency and performance of the nation's highway system would deteriorate.

A cut in federal highway investment will reverberate throughout the economy. The most immediate consequence would be fewer construction projects and fewer construction jobs. According to the latest data published by the Federal Highway Administration, every billion dollars of highway investment supports about 27,000 jobs, including 9,500 on-site construction jobs, 4,300 in supplier industries and almost 14,000 throughout the rest of the economy.

Long-term, the impact would be even more significant. More than 80 million U.S. jobs in manufacturing, wholesale and retail trade, transportation, tourism and similar industries depend on highway transportation. To support the long-term growth of these industries, we need to invest in maintaining and improving our nation's highways, and that need is growing year by year.

3. **Proposals to encourage more bonding for transportation projects to create infrastructure banks are getting a lot of attention lately. Will these types of proposals provide the funding states need to fund highway and bridge projects?**

Available Highway Trust Fund resources are far outpaced by the nation's transportation infrastructure needs. A similar situation exists at the state level. As such, policy makers at all levels must look to stabilize and grow traditional transportation improvement programs and revenue streams while also developing new and innovative means to supplement these core functions. Similar to the highly successful Transportation Infrastructure Finance and Innovation Act (TFIA) Program, a number of infrastructure bank proposals seek to establish a means to provide loan guarantees and credit assistance for infrastructure improvements. Several of these proposals are transportation specific, while others would make assistance eligible for water, energy, telecommunication, and school construction activities.

ARTBA has been a strong supporter of the TIFIA Program since its inception in 1998 and has supported many infrastructure bank concepts. However, we must be clear that these are financing mechanisms and not a means to provide states funds for highway and bridge projects as you asked. The TIFIA Program and various infrastructure banks provide a means to advance projects more quickly than would otherwise be available through financing assistance. Projects, in turn, must repay borrowed funds. This means supported projects would have revenue generating potential—in the case of highways and bridges, this typically consists of tolls—or a repayment plan from the project sponsor. As the TIFIA program has demonstrated, these projects are generally large-scale, complex projects and often involve added capacity. States have a variety of transportation needs, such as roadway and bridge maintenance, that are not well suited for debt financing.

In summary, infrastructure banks and bonding have the potential to serve as an important complement to core transportation improvement programs and can help advance certain types of projects faster than otherwise would be possible. These financing tools on their own, however, are not sufficient to support all state highway and bridge needs.

4. **It is no secret that our needs exceed the resources available in the Highway Trust Fund. We are not going to raise the gas tax, and finding new revenues for transportation is a substantial**

challenge. The President's continued failure to address this in his budget has plagued Congress' ability to find consensus on a path forward. How do you think we can close the gap between the staggering needs and the limited resources available in the Trust Fund?

Senator Inhofe, there are a host of ways Congress can stabilize the Highway Trust Fund and generate the resources necessary to begin addressing the nation's surface transportation infrastructure needs. In the 2005 reauthorization of the federal highway and public transportation programs, Congress established two separate independent commissions to develop recommendations on how to generate additional trust fund revenues. Furthermore, groups like ARTBA have routinely supplied Congress with options to bridge this revenue gap that range from increasing the federal motor fuels tax to establishing a freight-based user fee to expanding tolling to linking energy revenues with infrastructure improvements. As such, it is not a question of how can the gap between available revenues and transportation needs be closed, but which of the many options to achieve this goal is acceptable to members of Congress.

While it is easy in the abstract to dismiss various options to generate additional Highway Trust Fund resources, it is also important to recognize the consequences of Congress failing to rectify this situation:

- The Highway Trust Fund will not be able to support any new highway and public transportation investment in 2015—meaning a cut of more than $50 billion in infrastructure investments looms in just over six months.
- The U.S. Department of Transportation will not be able to continue daily reimbursements of states for already approved federal-aid highway projects beginning July.
- The transportation construction industry will not make its typical level of investment in capital or personnel as long as there is major uncertainty about future federal surface transportation investments.
- The Highway Trust Fund's repeated revenue shortfalls will not stop recurring until a long-term, sustainable solution is put in place.

ARTBA and a wide array of transportation community stakeholders stand ready to support meaningful efforts to stabilize and grow the Highway Trust Fund's revenue foundation and educate the public on the need for this action. The first step in this process, however, is for members of Congress to identify a path to achieve this goal.

5. **Currently the Federal Highway Program operates with an 80/20 split with the federal government and states and locals. Do you think that in the absence of substantially new revenue, that maybe it is time to reduce the federal share for projects that are not on the interstate, to say 70% or 60%?**

In an era of limited resources, reducing the federal share for projects to 70 or 60 percent would likely reduce overall highway and bridge investment. State departments of transportation would be forced to use some of the resources they would normally use for their own state or local projects and put that towards their increased match for federal investment. Without additional revenues, state and local governments would not be as likely to replenish the diverted revenues and continue with their own highway and bridge investment projects, thereby reducing the overall level of market activity.

States that depend significantly on the federal aid program for their own capital programs could be forced to cut maintenance, local grants or administrative spending if they need to increase their own investment to match federal funds. According to an analysis from the ARTBA economics team, 31 states rely on federal for at least 50 percent of their highway and bridge capital improvements. As such, increasing the state match on federal-aid projects would have a significant impact in most states.

6. With the uncertainty of funding for the Highway Trust Fund, industries might turn to alternate modes of transport as our roads continue to deteriorate. Looking toward freight, what are our challenges there with respect to reauthorization?

Senator Inhofe, for good economic reasons, most freight today travels on the nation's highways. And for that freight, there are no good alternative modes. If Congress does not solve the Highway Trust Fund revenue issue and cuts federal highway investment, most freight will continue to move over highways even if highway conditions continue to deteriorate.

In 2010, according to the Federal Highway Administration, more than $16.0 trillion dollars of freight was shipped in the U.S. including $13.0 trillion of domestic shipments and $3.0 trillion of exports and imports. Two-thirds of the total, or $10.8 trillion, was shipped by truck on the nation's highways. Another 17 percent, or $2.7 trillion, involved multiple modes including trucks, which means trucks were involved in 82 percent of all freight shipped in the U.S. in 2010. Rail, air, water and pipelines accounted for the remaining 18 percent of freight shipments.

The Federal Highway Administration estimates that the volume of freight shipments will more than double between 2010 and 2040 to almost $39.5 trillion in constant dollars, with $21.8 trillion of that carried by truck and $10.3 trillion by intermodal combinations that include trucks. The growth will put enormous pressure on every element of the nation's transportation infrastructure.

For most freight, trucks provide the right combination of cost, route flexibility, convenience and on-time performance. Railroad transportation is optimal for freight that is bulky, has low value and where convenience and timely delivery are not issues—coal, ores, agricultural products. But rail cannot provide door-to-door service or serve just-in-time production schedules. Furthermore, with more petroleum being shipped by rail, rail has little capacity to carry more freight. At the other end of the scale, air freight is optimal for light-weight, high value products where timely delivery is essential. For most freight, air is simply too expensive.

Businesses have always depended on the nation's transportation system to connect to suppliers and customers, but during the past 25 years improvements in transportation have also been a major source of productivity increases and reduced costs for many U.S. businesses. Manufacturers and retailers today use the just-in-time delivery system to assure materials are available when needed in the manufacturing and production process and finished goods arrive at retail stores and customers' docks in a timely manner. This has greatly reduced the need and expense of warehousing inventory, freeing up scarce capital to invest in, and make improvements to, other business activities like technology, product quality and marketing.

Just-in-time logistics, however, require a dependable transportation system, which is threatened by the ever-growing problem of congestion on our highways, rails, airports and water ports. Congestion makes transportation slower, more costly and unreliable. Adapting to congestion requires scheduling more time for trips, which raises labor costs, or holding more inventory which ties up capital. When that happens, the economy becomes less productive, costs increase and living standards decline.

Hopefully, Congress will not let that happen. The most critical action Congress could take to prevent that would be to resolve the Highway Trust Fund revenue shortfall. That has to be the first priority for the next surface transportation bill. The next would be to upgrade the freight policy provisions of MAP-21 to a separate and appropriately-funded freight program that designates critical freight corridors and funds needed improvements.

Senator BOXER. Thank you so much.

And it is my pleasure to welcome Jay Timmons, President and CEO of the National Association of Manufacturers. Welcome.

STATEMENT OF JAY TIMMONS, PRESIDENT AND CEO, NATIONAL ASSOCIATION OF MANUFACTURERS

Mr. TIMMONS. Thank you, Chairman Boxer, Senator Vitter, other members of the committee.

Infrastructure matters greatly to manufacturers. It matters during every step of the production process, from receiving inputs to shipping our products to markets at home and to our customers abroad. In addition, manufacturers are vital suppliers to the transit and road-building industry, providing rolling stock, engines, concrete, machinery, aggregates, barriers, signs, safety equipment and other materials. Every dollar spent, and I know there have been a lot of statistics here today, but they all do matter, every dollar spent in construction generates 39.5 cents in manufacturing. For manufacturers, infrastructure is indeed a competitiveness issue.

But unfortunately, our Nation's 20th century infrastructure, and some of it is in fact even older, is not meeting the needs of our 21st century economy. I hear concerns about the State of our infrastructure from NAM members constantly and consistently, from the world's largest multi-nationals to family businesses up and down main streets all across our Country. They all recognize that our aging infrastructure is a significant impediment to our Nation's competitiveness and our ability to maintain our mantle of economic leadership.

Last year, the NAM partnered, as the Chair noted, with Building America's Future to survey manufacturers about their perspectives on the State of infrastructure in the United States. As the Chairman referenced in her opening statement, some 70 percent told us that America's infrastructure is in fair or poor shape and needs a great deal or quite a bit of improvement. And manufacturers recognize the Federal Government's critical role in funding the Nation's infrastructure as well, 67 percent say that infrastructure is so important that all options to fund it must be on the table.

Two thirds doubt that it is positioned to respond to the competitive demands of a growing economy. That is important, because manufacturers rely on a reliable and efficient infrastructure to reach growing markets abroad. But as our survey demonstrates, reaching these new markets is not easy for manufacturers in the United States. Roads, bridges, ports and more are in dire need of repair and modernization.

On behalf of our more than 12,000 members, the NAM urges lawmakers to address these challenges and adopt a multi-year fully funded surface transportation bill that offers certainty and support for infrastructure projects, that improves safety, facilitates trade and creates jobs. Equally as important, we believe Congress must bring the Federal Highway Trust Fund to an improved condition of solvency and long term sustainability.

The need to keep the Highway Trust Fund solvent extends far beyond State departments of transportation and road builders. Funding for roads, bridges and transit systems provides great value and represents an investment in our economy and our global competitiveness. Manufacturers have frankly been frustrated of late by policymakers who meet our calls for increased investment with growing skepticism.

As we have seen with previous infrastructure bills, delays and multiple extensions are commonplace and send a message that the United States is simply not serious about growth and competitiveness. I know it is a tall order in our political environment that is so highly charged today, but America's manufacturers need bipartisan leadership to help fix the problem. Frankly, we are very encouraged by the signals that we are getting from this committee.

We need to move past the debates about the Federal Government's role in infrastructure investment. The States alone cannot address the deteriorating condition of our roads and our bridges or remedy the $101 billion cost associated with traffic congestion. Manufacturers are counting on Congress to fulfill its well-established responsibility of facilitating commerce in the United States.

Chairman Boxer, no pun intended, but we have a long road ahead of us. We really appreciate the committee's attention to these important issues.

[The prepared statement of Mr. Timmons follows:]

NATIONAL ASSOCIATION OF
Manufacturers

Leading Innovation. Creating Opportunity. Pursuing Progress.

Testimony

of Jay Timmons
President and CEO

National Association of Manufacturers

before the Senate Committee on Environment and Public Works

on MAP-21 Reauthorization: The Economic Importance of Maintaining Federal Investments in Our Transportation Infrastructure

February 12, 2014

Comments of the National Association of Manufacturers Before the Senate Committee on Environment and Public Works

February 12, 2014

Chairman Boxer, Ranking Member Vitter and members of the Senate Committee on Environment and Public Works, on behalf of the National Association of Manufacturers (NAM), the nation's largest manufacturing trade association and the voice for more than 12 million men and women who make things in America, thank you for the opportunity to testify about the importance of federal investments in our transportation infrastructure.

The NAM is committed to achieving a policy agenda that helps manufacturers grow and create jobs. Manufacturing in the United States contributes $2.03 trillion to the economy, providing 12.5 percent to our nation's GDP. More importantly, manufacturing supports an estimated 17.4 million jobs in the United States—about one in six private-sector jobs. In 2012, the average manufacturing worker in the United States earned $77,505 annually, including pay and benefits—22 percent more than the rest of the workforce.

Manufacturers rely on our nation's vast interconnected network of roads, railways, airports, inland waterways and ports to support and supply every sector of the economy. While many of our members predominantly depend on motor carriers to deliver finished products to their customers, manufacturers rely on air freight to deliver time-sensitive and high-value cargoes, railroads for raw materials and finished products, inland waterways for bulk-sized movements and seaports for access to overseas markets.

The health of our nation's transportation network matters to manufacturers. Transportation infrastructure carries the weight of the economy and helps sustain long-term economic prosperity. Unfortunately, I hear concerns about the state of our infrastructure from NAM members constantly, regardless of their size or sector. From the world's largest multinationals to family businesses up and down Main Streets across America, everyone recognizes that our aging infrastructure poses a competitiveness problem.

The NAM urges lawmakers to address these challenges, but we are concerned that calls for increased investments are met with skepticism and a reluctance to do what is necessary to boost investments in our infrastructure. Manufacturers are counting on Congress to fulfill its well-established responsibility of facilitating commerce in the United States. With a 20 percent cost disadvantage to doing business in the United States, investment and improvements to our nation's transportation infrastructure are critical to manufacturers' ability to compete and create jobs.

Last year, the NAM partnered with Building America's Future to survey manufacturers about their perspectives on the state of U.S. infrastructure. The results quantified manufacturers' concerns about the condition of our nation's infrastructure and underscored that infrastructure is essential to manufacturing competitiveness. Some 70 percent of 400 surveyed manufacturers told us that American infrastructure is in fair or poor shape and needs a great deal or quite a bit of improvement. There was a unanimous view that not one sector of infrastructure is performing at a pace to keep up with the needs of business.

Two-thirds doubt that infrastructure is positioned to respond to the competitive demands of a growing economy. The survey results pointed to a wide recognition among our membership that America's infrastructure continues to rest on a legacy of past investments and can and should be improved.

Moving Ahead for Progress in the 21st Century (MAP-21) represented an important step that met a short-term objective and began the effort to implement key surface transportation policy reforms. However, as the next surface transportation authorization is developed, manufacturers encourage Congress to focus on infrastructure investment as a long-term strategic objective that seeks to address the persistent challenges that are already well-documented and recognized by the public as problems facing our transportation system.

Our nation's aging bridges remain a significant problem, and according to the U.S. Government Accountability Office, bridge conditions have experienced "limited improvement" over the past decade, and "substantial numbers of bridges remain in poor condition." Of the 607,380 bridges in the United States, one in four was classified as deficient.[1] However, the real challenge is funding, and problems will become more pronounced in the years ahead as bridges built in the 1950s, '60s and '70s continue to age. Bridge replacements are costly and can exhaust state department of transportation resources for years on end, but these structures are critical to moving daily commerce and keeping manufacturers competitive.

It's obvious to every driver that many of America's roads are in poor or mediocre condition. A "D+" grade from the American Society of Civil Engineers only further articulates how Americans feel about our nation's infrastructure. Yet, in spite of the poor conditions many of us face on a daily drive or transit ride to work, we seem to have resigned ourselves to the fact that congestion and deteriorating infrastructure are like the weather—something we cannot control. As a country, we cannot afford to throw our hands up in the air. We know that freight tonnage will increase 88 percent by 2035, port volumes will double by 2020, and passenger miles traveled will increase 80 percent in

[1] U.S. Government Accountability Office, "Limited Improvement in Bridge Conditions over the Past Decade, but Financial Challenges Remain," June 13, 2013.

30 years.[2] The U.S. Travel Association recently examined 16 key interstate corridors nationwide and concluded that Labor Day weekend traffic would become the new normal in some places within the next 10 years if nothing changes.

With these stark projections, we cannot ignore the fact that a journey—whether it's a delivery to a customer, a vacation or an important business meeting—usually begins or ends somewhere on our nation's roads. Modern, world-class roads are needed to support our ports, freight rail and aviation—these modes of transportation are all inextricably linked, and manufacturers appreciate the competitive advantages of a safe and efficient transportation network.

The President's State of the Union address acknowledged that delays in getting infrastructure projects off the drawing boards and into the construction phase continue to be an ongoing challenge. We agree, and while MAP-21 developed important reforms to expedite highway and transit project reviews, the next authorization must continue to build upon the success of MAP-21 environmental streamlining provisions and make improvements where efficiencies have not materialized.

Private investment is not as patient as funding from the public sector. As we seek to encourage additional transportation investments from both public and private sources, efficient federal reviews are critical to ensure funding does not evaporate. Manufacturers are vital suppliers to the transit and road-building industry, providing rolling stock, engines, concrete, machinery, aggregates, barriers, signs, safety equipment and other materials. Every dollar spent in construction generates 39.5 cents in manufacturing. When a transportation project can't get off the ground because of a lack of funding or bureaucratic delays, opportunities and jobs are lost.

Congress must take the next steps and return to a fully funded, multiyear surface transportation authorization that offers support for infrastructure projects that improve

[2] Building America's Future, "Falling Apart and Falling Behind," 2012.

safety, facilitate trade and create jobs. Equally important, Congress must bring the federal Highway Trust Fund to an improved condition of solvency and long-term sustainability. Securing the financial health of this main funding mechanism for the nation's highway and transit systems must be a priority. The need to keep the Highway Trust Fund solvent extends far beyond state departments of transportation and road builders. Funding for roads, bridges and transit systems provides great value and represents an investment in our economy and global competitiveness.

The deteriorating condition of our surface transportation infrastructure and the $101 billion cost associated with traffic congestion are not problems the federal government can avoid or leave to the states to resolve on their own. Without question, transportation helps keep our economy moving, and we need every sector of our economy functioning to maintain growth. Our global competitors in Asia and the European Union already heavily invest public and private resources in infrastructure. To help keep American businesses and manufacturers competitive, we must do better than the status quo and allocate more resources toward infrastructure spending.

While Congress must thoroughly discuss and evaluate new models, strategies and financing options, manufacturers believe the Highway Trust Fund continues to provide a reliable source of funding to states for roads, bridges and transit systems. These transportation investments directly benefit all Americans and move in tandem with the goals of economic growth and increased competitiveness.

For NAM members, access to a reliable and cost-effective transportation network by land, sea and air is critical to reaching customers here and abroad. There is a long road ahead of us, but I'm confident that we will succeed. Chairman Boxer, thank you for the opportunity to testify today, and I will be happy to respond to any questions.

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Senator BOXER. Thank you. I cannot thank each of you enough.

I am going to ask unanimous consent to place in the record letters, one from the Associated Equipment Distributors. They urge immediate action to ensure the Highway Trust Fund's long-term solvency. And the second is the Economic Importance of Maintaining Federal Investment in our Transportation Infrastructure from the International Bridge, Tunnel and Turnpike Association. Without objection, I will put those in the record.

[The referenced material was not received at time of print.]

Senator BOXER. And we can each have 6 minutes to ask you some questions. My first question is really an unusual one, because it is just a yes or a no from each of you. But it is not a trick question.

Will each of you be willing to speak directly with Senators Wyden and Hatch, whether it is on the phone or in person, as soon as possible?

Mr. DONOHUE. Yes.

Mr. TRUMKA. Yes.

Mr. HANCOCK. Yes.

Mr. RUANE. Yes, already have.

Mr. TIMMONS. Yes.

Senator BOXER. Pete, second round, we get to do it again. I can't tell you how important that is, because they have so much on their plate and they want to be helpful. But I am not so sure that they have scheduled a hearing, because we have the change in the leadership there. So that would be fantastic.

And would each of you agree that what Mr. Timmons said is right, that we need certainty with a multi-year bill? Would each of you agree that we need certainty with a multi-year bill?

Mr. DONOHUE. Yes.

Mr. TRUMKA. Absolutely.

Mr. HANCOCK. Yes.

Mr. RUANE. Unquestionably.

Mr. TIMMONS. I agree with myself, yes.

[Laughter.]

Senator BOXER. Well, around here, sometimes folks don't. So it gets really great.

So Mr. Trumka, we are all aware that the recent global recession ravaged many sectors of the Nation's economy. I remember being with you at a rally in Los Angeles where construction industry workers were, I mean, just so hard hit and worried about a future for their families. Could you describe for us the economic environment your members currently face to help put in context the consequences of failing to address the Highway Trust Fund's pending insolvency?

Mr. TRUMKA. Let me start on the macro sense and say, 6 years into this so-called recovery, we are still at an unemployment rate that is higher than the highest point of the 2001 recession. So 6 years in, we are still higher than it was in that recession. We have 1.6 million construction jobs, as noted in my testimony, that are gone from pre-recession levels, we haven't filled them yet. In some areas, unemployment still hovers in the 20 percent area. We still have people working reduced hours. The rest of that reduced hours is a strain on retirement plans and health and safety plans and health care plans.

Our members are struggling and we are losing skilled workers because they can't make a living, there is no planning, no ability to plan ahead and have a future. They are still hurting plenty and that is why we need this bill, not just to be a patchwork or a short-term solution, but a long-term solution so that employers can plan, so that States can plan, so that we can do long-term projects that the Country really absolutely needs and have the assurance that the money is going to be there to be able to complete them.

Senator BOXER. Thank you. Thank you for painting us that picture.

I am going to ask Dr. Ruane here, because from the business side, and you represent the builders, could you discuss how the transportation industry would be affected if no new projects, over 12,000 projects, using 2012 as an example, that is how many new projects we funded in 2012, if we didn't have that in Fiscal Year 2015, put a human face on the businesses that you speak for.

Mr. RUANE. The impact of that kind of scenario would be devastating. We are already at over 10 percent unemployment in that sector right now as we sit here today, down from where it was five or 6 years ago, but still double digit unemployment. The metric that is used often is 35,000 jobs per billion. We lose that program in Fiscal Year 2015, you will literally see hundreds of thousands of workers lose their jobs, they will not invest. And by the way, that is already happening in the marketplace, where a number of States have announced their intention, it was cited in Mike's testimony, where a couple of States have already publicly said that. And so people are not hiring now. They are already pulling back, even though the height of the construction season is coming up and most of the Country, they are holding back because of the uncertainty of the marketplace right now with what the Congress is going to do with reauthorization. And most importantly, the current Highway Trust Fund situation.

Senator BOXER. That is extremely alarming that already we are seeing this. That is why Senator Vitter and I are really working hard to move quickly to restore some faith out there, and why it is so important for us to work together with the Finance Committee over here. I note, Congressman Shuster wants to move as well.

So I would turn to Mr. Hancock, from Kentucky's perspective, as well as all of the States that you represent in your new position. How important is it for State departments of transportation to have stable, reliable and predictable funding levels for 5 years or more?

Mr. HANCOCK. Madam Chairman, it is incredibly important to the States. The States simply cannot functionally plan in an environment where the target changes day by day in terms of funding. As you probably know, I am quite certain you do, it takes years to get a project off the ground and actually to construction and being built. If funding is a question every step of the way, it takes even longer.

So the States really are having difficulty with adequately planning, knowing when the money is coming, knowing when we will have the ability to put the money to work and tracking that.

Senator BOXER. Thank you. So my time has run out, but I have to finish with Mr. Donohue. Why is this issue so important to the business community that the Chamber would take the position of supporting raising user fees for transportation? That is unusual. Could you explain why you are driven to do this?

Mr. DONOHUE. I don't think it is unusual for the members to the Chamber of Commerce to support these user fees. The people who run the trucking industry understand, they run 400 billion miles or something like that with 3 million big trucks every night. They understand if they don't have the facilities to do that in a safe and effective and product way, they are behind.

The AAA has taken I think a very enlightened position, recognizing that people are driving all over the place. So as we have heard today from the panel, the business community provides the resources to build the facilities, the roads, the bridges, the ports. The business community builds them, the business community lives on them. And if you want to look for the single biggest improvement, in my opinion, in U.S. efficiency in recent time, it has been what we have been able to do in the supply chain, from raw materials to finished products and everywhere in between, not only capital goods but also information, energy resources. This is for the business community, whether you are in the tech end, you are in the service end or you are in the capital goods and manufacturing end, if you can move it, you can do it.

Senator BOXER. Thank you. It is the goods movement that is so critical, because we all know what happens when it takes a long time. Thank you.

Senator Vitter.

Senator VITTER. Thank you, Madam Chair, and thank you all again. As I suggested in my opening statement, we have been hard at work for some time discussing a bill to try to move out of this committee as soon as possible. The idea would be to deal with those issues under our jurisdiction in an aggressive way, in a way that helps rebuild trust in the trust fund and then to really help incentivize the Finance Committee to do the tougher work on the finance side and be our full partner in completing that bill.

So with that process in mind, let me ask a few questions. Dr. Ruane, first of all, thank you and your organization, as opposed to FHWA, for producing very good data which you have appended to your testimony, about projects in each State impacted by the trust fund and Federal aid. One problem is, you all have to spend hours and hours and hours producing that data. It seems to me that data should be readily available through the program and to make it transparent and clear what the trust fund does or doesn't do.

Would you agree with that, there are reforms you think can be made to make the activity under the trust fund far more transparent?

Mr. RUANE. I absolutely agree. It is really tragic that one would have to use the Freedom of Information Act to get such information. They have that information going back, and I am not here to unfairly criticize any government agency. But you would think that they would want to get that information out there aggressively and tell the story. We make a recommendation in our testimony specifically, you recall the effort that was made by the Administration and various agencies in telling the story under the stimulus program. There was routine and regular commentary on what was being done, the various projects around the Country. We say that should be pro forma, that should be routine. They should be celebrating these investments, these 20,000 plus projects every year and telling the public where these resources are going and what they are achieving. Most importantly, what they are achieving.

So one should not have to use a FOIA request to get that information. It ought to be out there. Because it is an incredible story of what this is accomplishing in our economy and in our Nation.

Senator VITTER. I certainly agree and will continue to push that. By the way, there is a specific provision in MAP–21, unfortunately FHWA hasn't responded to that, hasn't done the report yet. So we need that greater transparency.

Mr. Hancock, I am real concerned, as are many of my Republican colleagues about the EPA and a new proposed rule about Federal jurisdiction under the Clean Water Act. I think this poses a threat of dramatically increased permitting requirements and decreased flexibility on transportation projects. I am also concerned that the rulemaking may even proceed before peer reviewers even review it. That is supposed to be a key part of the process.

Are your members concerned about this? Do you have any thoughts about this?

Mr. HANCOCK. We have not actually seen that 404 permitting rulemaking yet. But we are very much concerned about it, because we have been told that it affects roadside ditches as sources of runoff area to be controlled or whatever. Most of those ditches were built as we built our road system. They are not intermittent streams, per se. So yes, we are very, very interested in that and looking forward to hearing from Federal Highways.

Senator VITTER. Mr. Timmons, thank you for your testimony. Can you expand on just a bit, and does NAM have an estimate of the cost advantage or disadvantage vis-a-vis other nations related to infrastructure? What path are we on regarding that? I presume it is going to be a cost disadvantage in terms of global competitiveness.

Mr. TIMMONS. I don't have a specific number for your, Senator, but I can tell you anecdotally that there is certainly a disadvantage when some of the other folks here have been talking about what our major competitors are doing with regard to infrastructure projects. Those projects do allow more goods to make it to market much more efficiently.

There is a general, however, a 20 percent cost disadvantage for manufacturers in this Country versus our major trading partners around the Country. It is because of several factors, infrastructure is not one of them, but that 20 percent disadvantage is after you take out the cost of labor, so we are talking taxes and regulation, going back to your question on the proposed rule from EPA on waterways, as well as other factors.

So anything that detracts or adds to that disadvantage obviously hurts manufacturing in this Country.

Senator VITTER. Thank you. A final question for Mr. Hancock. AASHTO was one of the first organizations out with your reauthorization priorities. I thank you for that. I assume that means you think there is room for Improvement reform, greater transparency to build, rebuild trust in the program. Can you expand on that and mention a couple of your priorities?

Mr. HANCOCK. Sure. And we absolutely do believe there is room to improve. But I will say to MAP–21, we felt it was a major step forward. We were very pleased with the reforms that we saw there. There are some tweaks that likely will need to be made. But part of the issue right now is we haven't completely seen the rulemakings from Federal Highways regarding those. So we will be eagerly awaiting those and will have some comments, I am quite sure, that will tweak, not significantly.

Senator VITTER. We will look forward to those. Thank you, Madam Chair.

Senator BOXER. Thank you so much. I believe Senator Barrasso is next, followed by Senator Boozman.

Senator BARRASSO. Thank you, Madam Chairman.

Mr. Hancock, following up on your previous testimony, and I talked a little bit in my opening statement about the roadblocks that are out there on construction projects in terms of red tape, which makes things more costly, doesn't really create the kind of meaningful jobs that we are trying to create. Could you talk a little bit about recommendations you might have to kind of further accelerate project delivery?

Mr. HANCOCK. There are a number of activities that are underway as we speak. We are working, Federal Highways has an Every Day Counts program that we are working very diligently with them to see brought forward. Also AASHTO itself, we have SHRP2 programs, our Strategic Highway Research Programs that involve projects that save time and get things done faster. So many, many things on the horizon that we see the value in doing this, and I promise you we will be sticking to our guns in that regard.

Senator BARRASSO. Anyone else on the panel want to respond to that in terms of actually how we can get the money moving more quickly?

Mr. RUANE. Full implementation of the reforms in MAP–21. I think the committee, the Congress made some great changes to the legislation as part of that bill. It is just a matter of implementation. They have been underway, but they could be accelerated.

Senator BARRASSO. Anyone else?

Mr. Trumka, you talked about in your testimony and highlighted a 20-mile, 6-lane bridge that I think in China took only 2 years to build, kind of from pen to pavement. The Vice President made a statement last week about going to LaGuardia Airport and said, if you take somebody there blindfolded at 2 in the morning they are going to think they are in a Third World country. I would just ask if you could talk a little bit about, it would seem to me in the best case scenario to try to a project like you had outlined that you saw in China so successfully completed in a swift manner, it might take over 10 years to kind of get that whole process done here.

From your experience and travels, what can we do in the United States to really accelerate project delivery?

Mr. TRUMKA. One thing I think is we can have some long-term predictability and planning. So we need a long-term bill so that people can actually plan, start the process, have some confidence that it is going to follow through. If you are talking about private-public partnerships that are out there that offer some real potential, that is not going to happen without the ability to plan and be predictable and go forward.

Also I think it is just us having the will to say that as a Nation, we are going to do something. When we decided to go to the moon, we got the Nation on a footing. Our infrastructure, according to the World Economic Forum, has dropped from seventh in the world to fifteenth in just 5 years. And it will continue to drop. The American Society of Civil Engineers says we get a D plus, we have a $3.6 trillion deficit to fill to get us back to where we need. The DOT says that a third of our roads are now in poor or mediocre condition. We need as a Nation to say, we are going to be the most competitive when it comes to infrastructure and understand that investment today is going to reap tremendous benefits down the road.

I think us coming together, the Nation coming together like everybody up here has come together to say we need it, and then to have the political will to go forward I think is what we need. It is just the determination to say we will do it and then get together and do it. I applaud the members of this committee, because you understand the importance to the Country of infrastructure and us maintaining our infrastructure, whether it is a bridge, whether it is a road. I urge you to go further and think bolder and start talking about high-speed rail and other things, a grid system that doesn't waste electricity, a delivery system where you don't have leaks and seeps that drain gas and water and oil into the environment. All of those things could create jobs and make us competitive.

I think the most important thing is for us to just have a vision and a will and make a decision to do it. When we decided to go to the moon, nothing could stop us. Same thing here. If we decide that we will have world class infrastructure to compete in a global economy, I have no doubt, Senator, that we can do it, and we can do it the best in the world.

Senator BARRASSO. Mr. Donohue?

Mr. DONOHUE. When we decided to go to the moon, Senator, we had a compelling national interest and we didn't have all the regulators and lawyers and lawsuits that we have today. To go out and build a major project is preceded by permitting and zoning arguments and lawsuits. And by environmental lawsuits.

By the way, I have no problem with looking critically at the environment. But repetitive lawsuits after lawsuits have been resolved. The reason we can't do things as quickly as others, one of the reasons, is because it takes so long to get a conclusion of all the permits, all the zoning, all the lawsuits. And we are talking years and years and years. And we all went to school, we studied, we had three parts to our Government, the executive, the legislative, the judicial. We never knew that we would live in a time that there was one part than all the others put together we never talked about, and that is the regulatory and litigation part that is absolutely strapping this Nation's ability to compete.

Senator BARRASSO. Thank you. Thank you, Madam Chairman.

Senator BOXER. Thank you, Senator. And we turn to Senator Boozman.

Senator BOOZMAN. Thank you, Madam Chair. I do appreciated you and Senator Vitter having this hearing. I think it is really very, very important. We hear a lot about the partisanship that goes on in Congress, and yet in this particular area of this committee, when it gets into the environmental issues, there is differences of opinion. But there is no difference, very little difference of opinion in regard to our infrastructure, not only here but in the House also.

It is interesting, I look at the panel and it is the same deal. We have the Chamber here, we have labor here, we have NAM and the road builders. All of you are strange bedfellows coming together as we all are, talking about the interests. I have real concern about the harsh winter, the fact that jobs are being affected right now because you simply can't get work done with these very cold sustained temperatures. Pretty soon, it sounds like already, the contracting is an issue. I know that we have had, this is not hypothetical in a sense, we have had this same situation occur in the past, and very definitely people quit letting contracts. So again, I am really concerned about that.

The thing about infrastructure is that you create jobs when you do it. But the real economic thing comes about after they are built, with the increase in land values, all of the economic activity that comes about. I would argue that, and it is sad to hear the statistics now, but I think one of the reasons that we became the economic powerhouse that we have was the vision of the Eisenhower Administration and Congress getting the interState system put into place. So I am committed to doing anything I can to get this thing done.

One thing I would like to ask Mr. Hancock, one of the frustrations we have, not only with this but with other things, our States are struggling right now. In an effort to try and push more money for infrastructure, there is a tendency at the State level then, and this is not true of Arkansas, we actually passed a half cent sales tax which again is something that other States need to look at doing and actually have defined projects and things and get those kinds of things done.

But there is a real frustration, it seems like as you push more money out then the State backs up and they get this money, so then they can divert to prisons and schools and things that are very, very necessary. But the reality is you don't go forward. You just have more of the Federal Government shouldering the burden.

Can you comment on that?

Mr. HANCOCK. I would be more than happy to. It has been our experience in Kentucky that whatever Federal money has come, the State has stepped up with bond issues and other things and made additional moneys available as well. In Kentucky, we have actually been able to do a lot of major projects through that whole mechanism.

But the one thing I would say, about 45 percent on average of the money that the states have to work with to build projects is Federal funding. That 45 percent constitutes more of the larger projects that we actually build. And so it is a critical piece of where we are. The States are doing a lot, and you have seen that in recent days with a number of States enacting new funding mechanisms and so forth. We applaud the States that have done that. We are certainly encouraging everyone to do what they must to find the money that is necessary to invest in transportation. But you are right, it is a difficult dance with State budgets and so forth.

We find a lot for our colleagues that are very interested in spending more on transportation.

Mr. DONOHUE. Senator, you made a great point about the harsh winter. When it is over and people can go back to work, it will lead to an infrastructure that is more seriously affected and more work to do.

Senator BOOZMAN. You make a great point in the sense that not only can they not do the work now, but with this freezing and thawing, it is going to be very, very difficult and there is going to be a tremendous amount of damage.

How long doe it take for an average significant road project to get done now? Is it nine, 10 years?

Mr. HANCOCK. We did a recent average of 7 years for a significant project.

Senator BOOZMAN. You mentioned, Mr. Trumka, the bridge in China. The thing that impressed me was the situation that we had in Minnesota when the bridge collapsed. That thing was rebuilt in a year. And that would have taken easily, in today's climate, 10 years or whatever.

But instead of the agencies having an adversarial, "gotcha" attitude, people worked together. Labor worked together, it was just the attitude of, we can get this done and get reopened. We essentially were able to do something that really was quite extraordinary.

But I do think, and you all can be a tremendous help in this area, we do have to, with the limited resources that we have, not to skirt rules, not to get around them, to do it, but just have the agencies do things. We have put stuff in bills before and this and that, but really just to make the agencies, where they are talking together, they are doing it together. We need to have a goal as a Nation to cut that time in half or whatever goal we make.

But that is a very doable thing. With inflation, the cost increase and things like that, it is something that would save us a tremendous amount of money.

So again, thank you all. We appreciate your being here and certainly I am committed, the rest of the committee is committed to doing anything we can to help. Thank you.

Senator BOXER. I just want to say to each and every one of you how much I appreciate your testimony today. I know that we are singing from the same book except when it comes to environment, which is typical and I understand it. But I honestly have to say that this transportation bill, in order to get out of here, is not going to be one big environmental rider. So let's be clear. Because we have to come together where we agree.

And just ask the businesses and the citizens of West Virginia if they wanted a little more regulation on that chemical that spilled which is killing business, it is killing economic development right now, according to my colleagues who have talked to me about it.

So I think what we need to do is find a sweet spot. We need to speed up for sure, and we have a lot of reforms, as I understand, that Dr. Ruane pointed out, in the last bill. We have to make sure they are working.

Also, we have to understand that a great deal of the slowdown, Senator, is funding, too. Because sometimes the funding doesn't come through. That is why TIFIA is so important, and why I am so excited about TIFIA. Because the idea of TIFIA came from really the Los Angeles mayor at the time, Mayor Villaraigosa, who pointed out that they had this sales tax, but it was going to take them 30 years to build all the projects. But with TIFIA, we could change that to 10, because there is really no risk. The money is coming, but the Federal Government can step up front and move that money forward.

I really appreciate all this. Do we have time to do another round? Go right ahead, Senator, I will withhold and finish later. Go ahead.

Senator SESSIONS. Thank you. I had a couple of conflicts, everything happens at once.

Mr. Donohue, I notice you called for increasing gasoline tax. Is it the position of the Chamber of Commerce that we need to be raising taxes to increase spending today?

Mr. DONOHUE. We have not raised the Federal user fee fuel tax in almost 20 years.

Senator SESSIONS. So you want to raise taxes on Alabamians who have to commute to work, and probably you would like to spend it——

Mr. DONOHUE. Senator, whether you raise the tax or you seek the funds through some other means of Federal expenditure, the citizens of Alabama are going to pay for it.

Senator SESSIONS. You proposed raising the tax.

Mr. DONOHUE. Yes, sir, I did.

Senator SESSIONS. Would it be acceptable to you if we found wasteful spending in Washington and reduced that to pay for the highways?

Mr. DONOHUE. If you actually got the money. The longest singsong in Washington in the history of my time here was waste, fraud and abuse. And we are going to get rid of it and use the money. But the money never shows up. But if you actually got the money, took it out of other budgets and put it there, I would applaud you.

Senator SESSIONS. So you would support that, but that is not what you are testifying to in favor of today. Some of my people would probably rather increase the corporate tax rather than the gas tax. You wouldn't favor that, would you?

Mr. DONOHUE. The corporate tax in this Country is far more than we pay anywhere else on a competitive basis. I think you should ask Billy Canary that runs the expanded and combined chambers of commerce in Alabama whether he could get his members to support a user fee to move their goods and their workers.

Senator SESSIONS. So I guess I understand what you want to say. You want to raise, the Chamber of Commerce is testifying that you don't believe it is possible to cut spending and save the highway program without raising taxes. I want to get it clear.

Mr. DONOHUE. Senator, I have played this game before. I think it would be very, very hard to do that in the next 7 months, but if you can do it, I will vigorously support it.

Senator SESSIONS. Well, good. I think that is what we should do. There are places that we can save money. I just want to know that, we would like to reduce the corporate rate. It is hurting America. It is hurting Mr. Trumka's employees. It is hurting economic development and job creation to have virtually the highest corporate tax rare in the world.

Mr. DONOHUE. We certainly agree on that.

Senator SESSIONS. We could totally support that. I was just teasing you a little bit about your supporting somebody else paying taxes, but not you.

Mr. Trumka, in 2000, when the employment rate was around 4 percent, the New York Times wrote an editorial opposing amnesty for then 6 million illegal workers in the Country and said "The AFL–CIO's proposal should be rejected. Amnesty would undermine the integrity of the Country's immigration laws and would depress the wages of its lowest paid, native born workers." The New York Times.

Today the unemployment rate is 6.6 percent and the work force participation rate is the lowest it has been in 40 years. Wages are lower today than they were in 1999. Yet you have endorsed a bill that not only grants amnesty to 12 million illegal immigrants but also provides green cards to 20 million new legal immigrants.

Senator BOXER. May I ask that my friend, and he is my friend, why are you talking about immigration? This is a hearing about the Highway Trust Fund. I have never quite seen this type of an attack on various members. I am confused about it. It does not help us.

Senator SESSIONS. It is not an attack on a member. I am raising a question. But I didn't know we were strictly——

Senator BOXER. Well, yes, we are. This is not the committee that does immigration reform. I could haul out reports that show that it is a great boon to our economy. I am not going to get into that. I would please ask you, and I think your question to Mr. Donohue was fair, it was tough, it was fair. But this is getting off topic. If you could just keep your questions to the topic at hand, it would mean a lot to this chairman.

Senator SESSIONS. You are such a fair chairman that I will acquiesce in that and maybe I would submit a letter and Mr. Trumka could have a chance to respond. Because I know he has given a lot of thought to all the issues.

Mr. TRUMKA. I would welcome that, Senator. I really would. I can tell you how those 6 million people or 12 million people with no rights, how it is driving down the wages of every other American out there. Until we fix that system, everybody is going to have less income. Less income, less taxes, less economic growth. So I look forward to that letter.

Senator BOXER. I am glad we put this off to another day.

[Laughter.]

Senator BOXER. Go right ahead. And by the way, the votes are starting.

Senator SESSIONS. Mr. Trumka, I will look at that. This legislation that cleared the Senate that you supported would dramatically increase the legal flow and not a significant impact in reducing illegal flow. I think it is beyond what the economy can absorb wisely but that is an issue for a different day.

Thank you for your testimony. We just had the budget report yesterday of Mr. Elmendorf. It was sobering. He suggests we could have another fiscal crisis because our debt is reaching almost 90 percent of GDP, gross debt could reach over 100 percent of GDP. We can't just tax our way out of this. We just can't keep raising taxes. So that would knock off the growth that we would like to have.

Madam Chairman, again, you have led effectively on this, you and Senator Inhofe and Senator Vitter. I hope that we can come up with something that strengthens our infrastructure program in a fiscally responsible way.

Senator BOXER. Senator, I certainly do hope so. And I would say this. This committee is going to deal with the reauthorization. What we heard from every member, when you aware at your other very important duties, is that we need certainty here, because businesses are, they don't know what the future holds.

What I hope for is we can give a five, 6 year bill out of here. That is our intent. It will not deal with the funding, because that is a matter for Senators Wyden and Hatch and their committee.

But it will lay this out. That is why it is so important that whenever ideas, and I have lots of ideas, one of them is to go after $350 billion uncollected taxes every year. I am sure others wouldn't agree with it. But there are many, many ways that we can get this trust fund going.

Mr. Donohue makes an important point, it has to be real. It has to be real and it has to be certain. That is why the user fund, whatever it is, whether it is the gas tax, or vehicle miles traveled, it is not intrusive or it is a user fee at the refinery level, all of that will be a dedicated tax going into the fund. And because of our economic situation, we need to have this. Because if you are really worried about deficits and debt, which every single one of us is, and as I said, I was so happy that I was here when we actually voted to balance the budget. I remember saying to my husband, we are not going to have any more bounds because the debt is disappearing. I was here, so I know we can handle that problem.

But the Highway Trust Fund is different. As it was envisioned by Republican President, it has a separate fee, it doesn't cause any problems to the deficit. That is very important and I think we should keep the user fee concept, because it does give that type of certainty. But that decision is going to be made by another committee. And they are very excited about us doing our part.

And can't speak for every member. I have sat down with most of my colleagues. I have two more to sit down with on the Republican side. I am hopeful we can unite and that we don't get into arguments over environmental riders and all the other things, that we can just focus on what has to be done here. And I am excited about the challenge. No one thought we could do it last time, we proved that wrong.

I want to say about Senator Sessions that he has been a friend to me in this committee. We don't see eye to eye on a lot of things, but we work well together. I respect his knowledge of the deficit situation, the debt situation, as a former member of the Budget Committee. I know that in that committee, you do see that big picture going down the road.

There is nothing we will do in this bill that is going to hurt the deficit, nothing. It will be a self-sustaining trust fund, which is absolutely critical.

And with that, I want to thank all of you. Report back to me about your conversations. I hope you will. And I will ask Senators Hatch and Wyden today when I see them, I will tell them that you said you were going to call them. I think we can get this done, but only if we stick together. So let's just find that common ground and not get into arguments about other issues. I think that gets us off track.

Thank you very much. We stand adjourned.

[Whereupon, at 11:45 a.m., the committee was adjourned.]

[Additional material submitted for the record follows.]

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February 12, 2014

The Honorable Barbara Boxer
Chairman
Environmental and Public Works Committee
410 Dirksen Building
Washington, DC 20510

The Honorable David Vitter
Ranking Member
Environmental and Public Works Committee
456 Dirksen Building
Washington, DC 20510

Dear Chairman Boxer and Ranking Member Vitter:

Thank you for holding today's hearing, entitled "MAP-21 Reauthorization: The Economic Importance of Maintaining Federal Investments in our Transportation Infrastructure." On behalf of the Portland Cement Association (PCA), I wish to share the views of the U.S. cement manufacturing industry.

The United States must ensure the Highway Trust Fund has a steady and reliable source of revenue. Also of great importance, we should pursue practices that maximize the value of limited federal resources. One such practice is analyzing the cost, not just of initial construction of a new road or bridge, but also the cost of maintenance and repair over the life of a project. Let's find ways to help the U.S. Department of Transportation and state, county, and local jurisdictions, so that they have the best available tools to help them spend transportation dollars more wisely and maximize the long-term value of each transportation project. This will ensure projects are constructed in the most cost-effective manner, saving tax dollars upfront and over time.

Along with spending transportation funds more wisely, the United States must invest more in our national infrastructure. A more efficient transportation network reduces vehicle miles traveled, smog, emissions, and improves our quality of life. Beyond this, if the United States is to remain competitive in the international marketplace to facilitate economic growth and create and retain jobs, leadership at the federal level will be necessary.

As the Committee moves to reauthorize MAP-21, PCA encourages you to examine how we can best help the planning and spending decisions of transportation officials, while providing a sustainable source of funding for the Highway Trust Fund over the long-term.

PCA looks forward to working with you and Members of the Committee on this important issue. Should you have any questions or need more information, please feel free to contact me or Lauren Schapker. We can be reached by email or phone (gscott@cement.org, lschapker@cement.org, or 202-719-1980).

Sincerely yours,

Gregory M. Scott
President and Chief Executive Officer
Portland Cement Association

cc: Members of the Committee on Environment & Public Works

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