

**AMERICAN INFRASTRUCTURE AND THE SMALL  
BUSINESS PERSPECTIVE**

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**HEARING**  
BEFORE THE  
**COMMITTEE ON SMALL BUSINESS**  
**UNITED STATES**  
**HOUSE OF REPRESENTATIVES**  
ONE HUNDRED FIFTEENTH CONGRESS

SECOND SESSION

HEARING HELD  
APRIL 25, 2018



Small Business Committee Document Number 115-064  
Available via the GPO Website: [www.govinfo.gov](http://www.govinfo.gov)

U.S. GOVERNMENT PUBLISHING OFFICE  
WASHINGTON : 2018

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None.	



## AMERICAN INFRASTRUCTURE AND THE SMALL BUSINESS PERSPECTIVE

WEDNESDAY, APRIL 25, 2018

HOUSE OF REPRESENTATIVES,  
COMMITTEE ON SMALL BUSINESS,

*Washington, DC.*

The Committee met, pursuant to call, at 11:58 a.m., in Room 2360, Rayburn House Office Building, Hon. Steve Chabot [chairman of the Committee] presiding.

Present: Representatives Chabot, King, Brat, Blum, Fitzpatrick, Evans, Adams, and Schneider.

Chairman CHABOT. Good morning. The Committee will come to order.

I first of all want to apologize for us having a little late start here. We, of course, had the President of France addressing a joint session of Congress, and that is why we were running a little bit late. So for that, we apologize.

Our nation is on the cusp of many major changes in its transportation system. We have seen the development of GPS, companies such as Uber and Lyft, and electric vehicles. These innovations are transforming the movement of people, goods, and services.

But our current transportation infrastructure system is, simply put, stuck in a different generation. And, unfortunately, our nation's small business owners often feel these effects the most. On average, the typical American commuter loses 42 hours of valuable productivity time each year to traffic. Some of us who travel around D.C. might agree that we lose more.

Currently, an estimated 20 percent of Federal roads provide poor ride quality and 25 percent of bridges are fundamentally obsolete—excuse me, functionally obsolete, as well as fundamentally obsolete. I am willing to bet that every member in this room can think of at least one urgent infrastructure project in their district that they would like to see fixed today.

While there are many that come to mind in my district, one that is very important to small businesses alike is the Brent Spence Bridge. This is a bridge that connects Ohio to Kentucky and carries an estimated 172,000 vehicles on Interstates 71 and 75 each day, more than double its intended capacity.

To put this bridge's age in perspective, it was slated to be dedicated—it ultimately was delayed for a short period of time—during the week of President John F. Kennedy's assassination. Because of that assassination the dedication was delayed for a couple of days. Today it is labeled functionally obsolete by the U.S. Department of Transportation.

As this Committee has learned in past hearings, broadband deployment is also a crucial part of our nation's infrastructure, particularly for entrepreneurs in rural areas. As business owners continue to move to a more global marketplace, access to broadband is crucial to keeping small businesses competitive.

Unfortunately, about 39 percent of the rural population, or 23 million people, still lack access to broadband internet service considered fast by the Federal Communications Commission.

As with any major project, it is critical that small businesses are not left out of the conversation. Small businesses both create and rely upon our nation's infrastructure system. And as they create two out of three new jobs, they will likely be a driving force in repairing our broken system.

I look forward to hearing from small business owners today and their ideas for moving our nation's infrastructure into the 21st century.

And I would now like to yield to the acting Ranking Member, Ms. Adams, for her opening statement.

Ms. ADAMS. Thank you, Mr. Chairman.

And thank you all very much for being here.

Infrastructure is a critical component to our economy and central to the nation's competitiveness. Port facilities help in the distribution of goods and people across the world. Utility systems provide the energy necessary to run factories, allowing for the production of goods.

Telecommunications and broadband systems enable access to critical information and affordable communication. The nation's highways, bridges, and transit networks make possible the flow of goods and services.

These systems form the economy's framework and are what makes the country competitive by allowing us to work more efficiently.

Investment in infrastructure promotes future economic opportunities. In fact, 61 percent of the jobs directly created by infrastructure spending would be in the construction sector, 12 percent in the manufacturing sector, and 7 percent in retail trade. That is 80 percent in these three sectors alone.

Most importantly, 90 percent of these jobs are good paying middle-class jobs, many of which are supported by our nation's small businesses. Small companies dominate many of the sectors that maintain, strengthen, and upgrade our infrastructure and transportation networks. From construction to engineering to architecture, small businesses are critical to maintaining our infrastructure systems.

Accordingly, a robust and well-planned investment in our infrastructure would benefit small businesses, both as users of these networks and by creating business opportunities for them.

Unfortunately, the President's infrastructure plan unveiled earlier this year would fall woefully short of this goal. His plan slashes real Federal investments and shifts the burden to cash-strapped States and local governments. It cuts more than \$168 billion from existing transportation and infrastructure programs, and it allows large companies and foreign investors to toll our roads and bridges.

This privatized approach would mean that many small companies will be paying Wall Street companies to access transportation arteries. Moreover, the Trump plan would largely circumvent environmental safeguards, gutting clean water, clean air protections, under the excuse of speeding up projects.

Although large Wall Street companies may benefit from this radical new infrastructure approach, there is nothing in the President's proposal that would guarantee small companies receive their fair share of Federal contracts for the new infrastructure upgrades.

I find it telling that in the 53-page document, the phrase "small business" does not even appear once. Absent an assurance that small firms will receive their fair share of this work, the small business sector should be very skeptical of this plan.

All of us have an obligation to ensure that there is adequate Federal infrastructure investment to stimulate the economy and to ensure our nation's long-term competitiveness. Doing so will ensure small businesses benefit both as contractors and as those who use our infrastructure while creating good jobs along the way. And it is my hope that today's discussion can help identify strategies for accomplishing that goal.

On that note, I want to thank the witnesses for being here, and I look forward to your testimony.

I yield back, Mr. Chair.

Chairman CHABOT. Thank you very much. The gentlelady yields back.

And if members have opening statements prepared, I would ask that they be submitted for the record.

And I will take just a moment before I introduce the panel this morning to explain our rules. We operate under the 5-minute rule. There is a lighting system to help you to stay within that. The green light will be on for 4 minutes; the yellow light will come on and let you know you have got a minute to wrap up; and then the red light will come on and that means stop. But if you go on a little bit, that will be okay, but try to stay within those parameters if at all possible.

And I would now like to introduce our panel.

Our first witness is Marsia Geldert-Murphey, Chief Operating Officer with W. James Taylor, Inc., located in Belleville, Illinois. She received both her master's and bachelor's degree in civil engineering and her 25 years of professional experience spans the public and private sectors.

Ms. Geldert-Murphey is testifying today on behalf of the American Society of Civil Engineers.

And we welcome you this morning.

Our next witness will be Bill Schmitz, who is the Vice President for Sales and Quality Control at Gernatt Asphalt Company in Collins, New York. Gernatt Asphalt has 11 locations across western New York that produce and supply sand and gravel products.

Mr. Schmitz testified before our Committee in June of 2015 and will testify again today on behalf of the National Sand, Stone, and Gravel Association.

We welcome you back to the Committee.

Our third witness will be Kevin Beyer, General Manager of both the Federated Telephone Cooperative and Farmers Mutual Tele-

phone Company in Chokio, Minnesota. These two cooperatives provide telecommunication services for over 2,700 square miles in rural Minnesota.

Mr. Beyer will be testifying today on behalf of NTCA - The Rural Broadband Association.

And we thank you for being here.

And I would now like to ask Ms. Adams if she would like to introduce our fourth and final witness.

Ms. ADAMS. Thank you, Mr. Chairman.

It is my pleasure to introduce Mr. Bob Dagostino, President and CEO of Dagostino Electronic Services, Inc., or DES, founded in 1973. Mr. Dagostino has more than 45 years of experience designing and installing innovative and comprehensive communication solutions and related infrastructure for voice, data, wireless security, and building automation.

He holds the credential of a building industry consulting service international registered communications distribution designer. He currently serves on the board of directors for the Western Pennsylvania Chapter of the National Electrical Contractors Association.

Mr. Dagostino, welcome. Thank you for testifying today.

Chairman CHABOT. Thank you very much.

And Ms. Geldert-Murphey is recognized for 5 minutes.

**STATEMENTS OF MS. MARSIA GELDERT-MURPHEY, CHIEF OPERATING OFFICER, W. JAMES TAYLOR, INC., BELLEVILLE, IL, TESTIFYING ON BEHALF OF THE AMERICAN SOCIETY OF CIVIL ENGINEERS; MR. BILL SCHMITZ, VICE PRESIDENT, SALES AND QUALITY CONTROL, GERNATT ASPHALT COMPANY, COLLINS, NY, TESTIFYING ON BEHALF OF THE NATIONAL STONE, SAND, AND GRAVEL ASSOCIATION; MR. KEVIN BEYER, GENERAL MANAGER, FARMERS MUTUAL TELEPHONE COMPANY AND FEDERATED TELEPHONE COOPERATIVE, CHOKIO, MN, TESTIFYING ON BEHALF OF NTCA - THE RURAL BROADBAND ASSOCIATION; AND MR. BOB DAGOSTINO, PRESIDENT AND CEO, DAGOSTINO ELECTRONIC SERVICES, INC., PITTSBURGH, PA, TESTIFYING ON BEHALF OF THE NATIONAL ELECTRICAL CONTRACTORS ASSOCIATION**

**STATEMENT OF MARSIA GELDERT-MURPHEY**

Ms. GELDERT-MURPHEY. Thank you, Chairman Chabot and Acting Ranking Member Ms. Adams and members. I appreciate the opportunity to speak to you here today.

I am a licensed professional engineer and the Chief Operating Officer for W. James Taylor, Inc., a woman-owned small business. I have over 25 years of experience in civil engineering, design, and construction, 18 of those years with small businesses.

I serve on the Board of Direction of the American Society of Civil Engineers, a professional engineering society with more than 150,000 members representing 50 States. Over half of ASCE's members work for private engineering firms and a majority of engineering firms are small businesses.

Every 4 years, since 1998, ASCE has prepared a rating of the nation's infrastructure in our Infrastructure Report Card. In the 2017 Report Card, our nation's cumulative grade was a D-plus.

Poor grades reflect the underinvestment in our infrastructure. Our nation faces an infrastructure investment deficit of \$2 trillion over the next 10 years. The investment gap has led to deficient roads and bridges, water main breaks, inadequate ports and inland waterways, late flights, and so much more.

Failing to close this infrastructure investment gap brings serious economic uncertainty for small business. Businesses of all sizes are directly impacted through this lack of investment in our nation's infrastructure.

As ASCE highlighted in its 2016 economic study "Failure to Act," failing to close this infrastructure investment gap brings significant economic consequences. If not addressed throughout the nation's infrastructure sectors, the economy is projected to lose almost \$4 trillion in GDP, \$7 trillion in lost business sales, and a loss of 2.5 million jobs in 2025. On top of those costs, each hardworking American family loses approximately \$3,400 in disposable income each year from the underperforming infrastructure.

Our nation is at a crossroads. Languishing infrastructure impedes our ability to compete in the global economy, which provides meaningful opportunity for small business. We need to increase our Federal investment to address the national infrastructure deficit to achieve the economic conditions needed for the 21st century.

To close the \$2 trillion 10-year investment gap we must increase investment from all levels of government and the private sector from 2.5 percent GDP to 3.5 percent GDP by 2025. We should begin with the following steps.

One, protect the competitive procurement of A/E services. In 1972, the Brooks Act established the use of Quality Based Selection, QBS, which bolsters small business interest by providing services not solely based on cost but on qualifications, increasing small business' competitive edge, allowing small firms to compete with large firms.

Two, fix the highway trust fund by adding 25 cents to the Federal motor fuel tax. The current user fee should be raised and tied to inflation to restore its original purchasing power. This idea has been led by the U.S. Chamber of Commerce and would provide a necessary infusion of \$375 billion over 10 years and address the \$1.1 trillion backlog of surface transportation capital needs. This investment would undoubtedly benefit small business.

Three, authorize programs to improve deficient infrastructure by fully funding them in an expedited, prioritized manner.

Four, recognize that some elements of transportation policy, such as freight corridors and ports, require a more strategic focus from the Federal Government.

And, finally, small businesses will benefit from streamlining the project decisionmaking process. ASCE favors the idea of "One Agency, One Decision" to reduce the time to reach decisions on projects.

We must take these steps to ensure all businesses, and especially small businesses, can thrive in the competitive global marketplace.

When Congress is successful in crafting legislation to increase investment in infrastructure, it will not only benefit engineering firms, but any small business that relies on infrastructure for its livelihood.

That concludes my formal statement. Thank you for your time. Chairman CHABOT. Thank you very much. The gentlelady's time has expired.

The next gentleman, Mr. Schmitz, you are recognized for 5 minutes.

#### **STATEMENT OF BILL SCHMITZ**

Mr. SCHMITZ. Chairman Chabot, Ranking Member Adams, and the members of the Committee, thank you for inviting me to testify on behalf of the National Stone, Sand, and Gravel Association. I am Bill Schmitz, Vice President of Dan Gernatt Gravel Products.

NSSGA advances public policies that protect and expand the safe and environmentally responsible use of aggregates that build America's infrastructure and economy. Our industry directly employs over 100,000 people and supports an additional 450,000 jobs throughout the economy. Aggregates are used in all construction and public works projects.

Since 1946, the Gernatt family and their companies have been proud to provide sand, gravel, stone, landscape aggregate, hot mix asphalt, and trucking to western New York, Buffalo, and northwestern Pennsylvania. Our locations are spread over three rural counties where people struggle to find good paying jobs.

We applaud the administration for focusing on increased infrastructure investment. However, we need the funding from the Federal Government to be more robust, routine, and reliable if we are to truly fix our nation's infrastructure woes.

Infrastructure projects help create jobs and allow the movement of goods that are essential to the American way of life. Our system must be modernized to meet current demands, but it takes a long-term commitment. The highway trust fund must be permanently fixed.

NSSGA also supports the administration's focus on infrastructure improvements to rural areas where the investment is desperately needed.

Rural areas lack a critical component of today's technology infrastructure. In our case, the absence of broadband has cost us hundreds of thousands of dollars to work around this lack of connectivity.

I work with State and local governments on infrastructure projects and permitting daily. These are important conversations for my company. But decisions made at the Federal level impact us more deeply.

When Congress delays the enactment of a highway bill or puts off fixing the highway trust fund yet again, the impact on small business is greater, especially in our industry. Since we provide the material and we use the system, we need consistent and steady direction from our Federal partners.

At Gernatt, we think of infrastructure in four ways. First, the means to get our material to our customers. Second, the way we communicate with our facility suppliers and customers. Third, the materials that we provide that are used in infrastructure projects. And lastly, the projects themselves.

We believe that streamlining the permitting for a road so that it can be built in 2 years instead of 10 is a great stride forward.

However, if the material needed to build it takes 5 or 10 years to permit due to overregulation, then the cost of the project is doubled or tripled and we are failing to fix the root of the problem.

Like 70 percent of the NSSGA members that are small businesses, at Gernatt we do not have the resources that larger companies use to comply with confusing, overlapping, and unnecessary regulations.

In 2006, the Corps of Engineers shut down our South Dayton plant, suddenly designated part of our water treatment system as wetlands, even though these same conditions had not changed for 40 years. This decision reversed our decades-long dialogue with the agency on this operation.

Even though we disagreed, we worked with the Corps to fix this alleged disturbance. Unfortunately, the Corps had no clear idea of what appropriate mitigation might be and forced us to constantly change course in order to stay in business.

This lack of clarity was devastating and took hundreds of thousands of dollars and 12 years to resolve, 12 years that could have been spent with other projects and supporting our workers and local community.

I would encourage this Committee to look at ways of reforming our regulatory system so Gernatt does not have to experience another unnecessary 12-year quest for answers.

As my personal experience shows, small businesses in all sectors depend on clear and certain Federal rules and regulations as well as robust investment in infrastructure.

Gernatt supplied material to the Ohio Street Harbor Connector project in Buffalo, which cleaned up environmental problems, created water side parkland and recreational ship canal access, built a beautiful parkway. This project spurred millions in residential and commercial development. When regulators and small businesses work together great things can and do happen.

Throughout America, thousands of small businesses like ours partner with the government to improve the communities we live and work in. In addition to streamlining regulations, we must have predictable and steady infrastructure funding that small businesses can depend on.

Thank you for my opportunity to speak today.

Chairman CHABOT. Thank you very much. It is good to have you back.

Mr. Beyer, you are recognized for 5 minutes.

#### **STATEMENT OF KEVIN BEYER**

Mr. BEYER. Chairman Chabot, Acting Ranking Member Adams, thank you for the honor to testify before the Committee today. My name is Kevin Beyer, and I am the General Manager of Farmers Mutual Telephone Company and Federated Telephone Cooperative, which provide broadband, voice, and cable TV service in rural Minnesota. I am also a board member of NTCA - The Rural Broadband Association, which represents about 850 small rural telecom providers in 46 States.

There appears to be widespread consensus that high-speed broadband is now essential infrastructure and necessary to modern life in America. The public policy questions that remain are how

to best ensure that the service is available, affordable, sufficient, and sustainable in high-cost rural areas that don't attract private investment on their own without an underlying support mechanism.

It is important in the first instance to understand that investment in many rural areas does not offer a practical business case for broadband deployment. What rural consumers can realistically afford to pay would not even cover the cost of operating the network, much less the enormous capital expenditures necessary to deploy broadband over vast and often rugged terrain.

Additional resources are needed in such situations to help make the business case for broadband investment in ongoing operations. In addition, considerations should be given to existing programs that would help to ensure such resources are directed to the right places to promote and sustain such investment.

For example, the Federal High-Cost Universal Service Fund, or USF, provides direct support to keep broadband rates affordable for small businesses and residential consumers. This support provides the business case needed to justify spending or borrowing the up-front capital needed to deploy scalable, advanced broadband networks.

It is important to note that the High-Cost USF program has undergone extensive reforms in recent years to reorient the USF program towards broadband, ensure funding is targeted to where it is needed, and define what the FCC considers an efficient level of support in each area.

In addition, high-cost support recipients must meet specified deployment obligations and geocode every new location to which they deploy broadband utilizing USF support.

Leveraging the existing USF program in many infrastructure initiatives would allow for quick and effective implementation and help avoid the costly and time-consuming exercise of building a program from scratch.

The USDA Rural Utility Service has long been an important source of financing for many rural providers as they seek to deploy advanced broadband networks. Congress directed RUS to create a new \$600 million rural broadband loan and grant pilot program in its recent omnibus spending bill and included language to direct the funding to areas with the worst service.

While this is a good start, even more resources will be needed to spur broadband deployment, and we would encourage Congress in future infrastructure initiatives to include the same protections and also explicitly ensure that these efforts complement ongoing USF and RUS programs rather than competing with one another in a way that undermines the cause of rural broadband and effective use of those resources.

Other key principles that should be considered as well: Regardless of what mechanism is used to provide support, funding recipients should have proven track records and demonstrate the ability to deploy and sustain high-speed broadband networks. Small businesses and others depend on reliable service providers to locate and stay in rural America.

As consumers demand more from their broadband connections, networks should be reliably upgradeable to even higher speeds.

Precious resources will be wasted if we aim only for the capabilities needed today and miss out on the network investments that should last for decades.

While the business case for broadband is the essential first step, it is also important to address barriers to deployments of networks. Congress should streamline permitting processes to ensure small businesses with limited staff don't expend scarce resources or suffer from significant delays to secure costly and potentially duplicative approvals for network construction.

We recognize that gathering more granular data on broadband availability is important, but please take care to ensure that such data is not collected in different ways by multiple agencies. We should aim for only one set of reports to one agency with consistent granular data that can be used to help guide policy.

Again, it is my pleasure to be here today, and I look forward to your questions and working with you on these issues.

Chairman CHABOT. Thank you very much.

Mr. Dagostino, you are recognized for 5 minutes.

#### **STATEMENT OF BOB DAGOSTINO**

Mr. DAGOSTINO. Thank you, Chairman Chabot, Ranking Member Adams, members of the Committee, for inviting me to testify today. On behalf of the National Electrical Contractors Association, NECA, I greatly appreciate the opportunity to submit a statement for the record. The Committee is to be commended for holding this important hearing.

My name is Bob Dagostino, and I am the Owner of Dagostino Electronic Services. We are a Pittsburgh, Pennsylvania, based company founded in 1973 with over 100 employees that design, install, maintain technology solutions for voice, data, video, security, and control systems.

We at Dagostino Electronics are proud members of the National Electrical Contractors Association where I have had the honor to serve on the board of directors for the Western Pennsylvania Chapter since 2015.

NECA's 4,000 contractors play a crucial role in the construction and maintenance of our nation's power, infrastructure, building, data centers, hospitals, schools, and so much more, all with safety as our number one priority.

When natural disasters occur our linemen work long hours in inclement weather conditions to restore power to our homes and businesses. We have a track record of installing and maintaining complex electrical and communication systems in places like airports and rail systems. And we are working every day to build the next generation of reliable power and communication networks and infrastructure that will advance this nation into the next digital revolution.

We at NECA are committed to empowering lives and communities across this great nation.

After decades of underfunding our nation's infrastructure, we are beginning to see the signs of reinvigorating growth. While the recent proposal from the White House was encouraging, NECA holds concerns over the lack of direct Federal funding. More direct Fed-

eral spending is critical to ensure the safety, security, and efficiency of our transportation, power, and communication networks.

As this Committee searches to understand the relationship between infrastructure development and small business, they should keep in mind that work done well the first time by qualified contractors and highly skilled tradespeople is the very best return on investment that can be made. Therefore, Congress should continue the application of the prevailing wage laws on Federal infrastructure projects.

The next topic I hope to address is a paramount issue for thousands of small businesses we represent, and that is prompt payment. Even with deadlines imposed by prompt payment laws, small business contractors continue to tell horror stories of not receiving payment for months beyond their due date, if not years on end. Small businesses knowingly assume risk by agreeing to complete work, but they do so under the assumption they will be paid within a reasonable period of time.

To begin the process of fixing these issues, we at NECA encourage members of the Committee to continue their support for the Representatives Fitzpatrick, Knight, and Murphy bill, the Small Business Payment for Performance Act. Legislation such as this is needed to address the burden placed on small businesses by improper pay practices of the construction industry.

The next matter concerning my company and many others around the country is that no matter how much infrastructure work comes down the pike there is no way to complete it without an adequate workforce. That said, this Committee is well aware of the workforce shortage we face in the trades. If our nation is to address its infrastructure needs, it must first address this problem.

In response to the challenge, NECA has turned to its 70-year-old partnership with the International Brotherhood of Electrical Workers that has produced the best electricians, linemen, and communication craftspeople in our nation's history. Our joint apprenticeship program with the IBW receives no Federal money and educates students through as many as 10,000 hours of on-the-job and classroom education.

NECA believes that through these three simple objectives we can responsibly address the skilled labor shortage, and they are to further encourage our young people to recognize the opportunities that a job in the construction and maintenance trades presents; secondly, to financially incentivize young people who choose this route and the employers who hire these new workers; and third, to remove any regulatory roadblocks for potential entry into the trades.

With all that said, as a small business contractor, I am extremely encouraged by this Committee's efforts to understand the role that small businesses play with infrastructure projects. The overarching themes of funding, contract reform, and workforce shortages can be found nationwide.

Thank you for the opportunity to testify, and we are optimistic that this Committee remains committed to addressing the challenges that face our nation's small

businesses and the need for the infrastructure investments so this country can compete in a global economy.

Chairman CHABOT. Thank you very much.

Mr. DAGOSTINO. You are quite welcome.

Chairman CHABOT. I will now recognize myself to begin the questioning for 5 minutes.

And I will begin with you, Ms. Geldert-Murphey.

In your testimony you mentioned the “One Agency, One Decision” policy for Federal permitting. Could you explain the impact that that would have on small businesses and the American economy?

Ms. GELDERT-MURPHEY. Absolutely. “One Decision, One Agency” will reduce the time of delays on projects. And small businesses in particular can’t absorb the risk that goes along with long delays on projects.

Large firms can absorb, they have the ability to absorb the risks in delays. And so it is very, very important for small businesses that we get a decision, we come to an answer. The answer may be that the project can’t be constructed, that it is not appropriate, and that is fine.

Let’s come to the answer so that we can move on and use our resources on projects that are good for our economy and good for our businesses. And small businesses can’t tolerate some of those delays in the way that large businesses can.

Chairman CHABOT. Thank you very much.

And, Mr. Schmitz, I will turn to you.

Could you talk about the importance of strong infrastructure in the rural areas and small towns? It seems like we talk about it a lot in terms of our cities, but I think sometimes the more rural areas get kind of short shrift. And if you could talk about that, I would like to hear what you have to say.

Mr. SCHMITZ. Oh, thank you very much. It is a great question.

Our infrastructure, we are rural, farm-to-market communities that we live and work in, and we have got firearms, we have got other businesses. When the infrastructure is bad and there is a detour on a road it is not oftentimes there is another State highway available for 10 to 15 miles. Detours are a killer to many small businesses.

Bridges are restricted, roadways are restricted. It costs the businesses money. And in today’s competitive marketplace, those costs are borne by the small businesses. Employees cannot get to work. Projects take much longer than they should when a bridge is identified or a failing road is identified.

Oftentimes the length of time it takes to get permits to reconstruct it is a huge burden. It is several years, 2 to 3, 5 years at times to reconstruct a bridge that had an unknown structural defect.

Chairman CHABOT. Very good. Thank you very much.

Mr. Beyer, I will turn to you now.

This Committee held a hearing earlier this month on the disappearing business case for investing in rural broadband markets. What can Congress do to incentivize carriers, large and small, to invest in deploying broadband services to rural communities?

Mr. BEYER. Thank you for the question, Chairman.

The RUS program that they provided funding for will certainly help in that case, but we need coordination and funding through

both the USF program and the RUS program and make sure that they are not competing with each other to serve the same areas.

Once the broadband is built and has provided the services required by the program, we should make sure that those scarce resources are not building duplicate networks over the top.

So coordination is one of the big concerns we would have. And then, of course, the USF fund has been underfunded and has continuing underfunding needs, so we would hope that additional funds could be supplied to the USF program.

Chairman CHABOT. Thank you very much.

And I have got about a minute left, Mr. Dagostino, so I am going to conclude with you.

What would you say is the number one challenge that small businesses experience due to lack of certainty from the Federal Government when it comes to infrastructure or any of the groups that you mentioned? What do you think is one of the most significant challenges with respect to infrastructure?

Mr. DAGOSTINO. Well, one reality is that many of the software programs that we as contractors use today are becoming to be cloud-based solutions, which the connectivity of broadband is critical so that our on-site people can have collaboration on the project and efficiency, accuracies of performing the work.

And we, as small businesses, are able to actually compete against larger companies because of the fact that the software that is cloud-based today gives us the same kind of competitive advantage that they would of having such a large software program. There is just one.

Chairman CHABOT. Okay. Thank you very much. I appreciate it. My time has expired.

The acting Ranking Member, Ms. Adams, is recognized for 5 minutes.

Ms. ADAMS. Thank you, Mr. Chairman.

Mr. Schmitz, what types of Federal highway projects will be or currently are impacted by the highway trust fund and how can we improve upon this resource?

Mr. SCHMITZ. The issue we have with the instability of the highway trust fund is the States' abilities to properly plan long-term transportation projects and transportation plans. Without a steady source of funding, the planning and the actual completion of projects is often impacted by delayed funding.

And especially in the Northeast where we operate, we are a seasonal business. You all hear Buffalo, there is two seasons, construction and winter, and this year the construction season is going to be very short. So we have to be ready to go when summer comes.

And it is not a 12-month program; it is 6 months. And we need to know, we need that certainty, and stable Federal funding translates to State programs that work, which translates to local programs that work. So it is a trickle-down effect.

Ms. ADAMS. Okay. Is private financing for construction projects linked to the availability of resources in the trust fund?

Mr. SCHMITZ. We have tried in New York to do some private financing, but that is difficult with the uncertainty of the Federal funding and matching funds. Again, the certainty of the program is paramount. A fixed highway trust fund equals steady funding,

and people can plan 5 and 10 years out, and businesses are willing to invest when they have the certainty of what is going to happen in a few years.

Ms. ADAMS. Right.

Mr. Dagostino, rural areas can be hit hard by economic instability given they are in isolation and in some communities limited diversity of industries. What investments would be most useful to spur growth in these regions?

Mr. DAGOSTINO. Well, coming from Pittsburgh, Pennsylvania, one of the industries that we had in there for many years was the steel industry. And what brought the steel industry to Pittsburgh was the natural resources of infrastructure of rivers and railroad.

Today's digital era that we begin to live in today requires connectivity, be it broadband, internet. So the rural area needs to be served because it is no longer location, location, location; it is connectivity, connectivity, connectivity.

Without that connectivity, the small business doesn't have a chance. The farmers, agriculture, every facet is affected by the lack of that infrastructure in place. And I am speaking strictly on the technology component of that.

Ms. ADAMS. Okay. What Federal efforts do you suggest to target infrastructure to these areas in order to facilitate growth and attract small businesses to locate and remain in rural communities?

Mr. DAGOSTINO. I would say that there are a few things. One is, of course, the funding necessary to get some of these projects off the ground to give certainty. Two, the application, even if they go into a private partnership type of environment. That, and to understand that the projects should have more of a master plan, if you will.

Infrastructure consists of a combination of highways, high-voltage tires, wireless connectivity, fiber optics, smart cities. I think if we sit back more and create more of a master plan that we can leverage the moneys that are spent across all of these infrastructure efforts.

Ms. ADAMS. Okay.

Construction and manufacturing, which are both dominated by small businesses, are sensitive to the business cycle. How can infrastructure help firms mitigate the effect of these instabilities?

And anyone may take that question. You have got about 45 seconds.

Ms. GELDERT-MURPHEY. I would be happy to answer that question.

Ms. ADAMS. Yes, ma'am.

Ms. GELDERT-MURPHEY. Thank you.

You know, I think the important thing is that it goes back to what we have all been saying, is that there needs to be consistency, stability, reliability. We need to know that there is strong Federal leadership in the infrastructure.

And so as long as there is strong Federal leadership in the infrastructure, the States, the locals, the businesses, private enterprise can follow along and do what they are designed to do. But we need strong Federal leadership to progress our infrastructure and have a strong economy, increase the GDP, increase income, increase jobs.

Ms. ADAMS. Thank you.

Mr. Chairman, I am going to yield back.

Chairman CHABOT. The gentlelady yields back.

The gentleman from Iowa, Mr. King, is recognized for 5 minutes.

Mr. KING. Thank you, Mr. Chairman.

I want to thank all the witnesses for your testimony.

I am sitting here listening to each piece of this testimony. And, first, as background, I started a construction company in 1975, and so I have got something in common with everybody here along the way.

The engineering component that you have testified to, Ms. Geldert-Murphey, and the sand and gravel and the surfacing, we have done a lot of the support work for that and worked around that a lot.

And then with the broadband piece, I was the first customer of DSL service on two different telephone networks when they connected.

And they said, "Well, the reason we haven't really deployed this yet is because we don't know how to price it."

And I said, "Wire it up to my place, because I am the guy that doesn't care how much it costs. I have got to have it."

And then with the electrical side of this thing, too.

So here is my reflection as I am listening. Last Sunday after church I went over to look at my son's new shop for a construction company, and I had watched it come together here over the last few months. And it is almost close to done. It is out in the country, a couple miles from the nearest town and a mile from their house. Works out really great.

But what I am seeing in there—first, no, I have to reflect a little bit. I built a shop in the country in 1979. I ended up moving the office to town because we needed to be closer to the post office when we put a bid in and to get that in by a postmark time. And we drove to engineering firms to pick up a set of plans and leave a \$50 or \$100 deposit for that roll of plans.

That is how it was then. And today we download the plans off high-speed internet and we bid electronically. And that shop is set up now to where he can control the locks on it from anywhere in the world, and he can watch the monitoring cameras on what is going on inside and outside from anywhere in the world, whether it is high-speed service, which is what you were thinking, Mr. Beyer. You have to have the service on the other end, too.

But it is fantastic the changes that have taken place. So he has rural water there, he has all the electrical he needs. That was built by the co-op back in the day. And then the fiber optics coming in.

And I said, "What kind of speed do you have?"

And he said, "It is fiber optic. Anything I want to pay for I can have here."

So all of those utilities that you see in the center of the city is out in rural Iowa, and there is nothing that can slow him down that I can see in being competitive in his—except the logistics—in anyplace in the world.

So I am thrilled by the progress we have made, but I am also very well aware that that progress hasn't been made everywhere. This is an exception as far as I view it.

So as I listened to the testimony, a couple of things came to mind. One is, I want to let you know how much I support high-speed services everywhere. We are controlling tractors with them and managing farms with them, and it goes on and on. And the imagination that we had 10 years ago doesn't begin to look into what we are actually doing today.

But a couple of things that came up that I was concerned about that I wanted to ask on is this, that I would think everybody here as witnesses are interested in getting the most out of the dollars we have to build the maximum amount of infrastructure.

And so when the highway trust fund came up, I started to think about when I came into this town I had the formula, and I am not sure it is exactly the same today but it is close. They announced that 28 percent of that trust fund was being used to satisfy environmental and archeological requirements.

And I would say about 20 percent went to Davis-Bacon. That is the standard number that I have used for a long time, Davis-Bacon wage scales. Three percent went to trail. Seventeen percent went to mass transit. That left about 32 percent for roads and bridges, which is my shorthand version for trust fund dollars.

Is that a concern to any of you, about actually building more roads and bridges out of the trust fund dollar and getting more out of the dollars we have, or is the ask "let's add more to the pie" rather than redirect the spending within it?

I would start with you, Ms. Geldert-Murphey.

Ms. GELDERT-MURPHEY. Thank you. And I appreciate that question.

You know, it is a twofold answer. Number one, we are dealing with dollars on the Federal highway trust fund that started in 1993 and haven't been increased or indexed since then. So they don't have the buying power even in the percentages that we were looking at before.

However, we do believe that we need to protect the health, safety, and welfare of—that is in our ethics canon for civil engineers—to protect the health, safety, and welfare. We believe strongly in that.

However, we do believe, as we said, with the "One Agency, One Decision" suggestion, that that would help expedite matters and take time towards working towards projects and funding working towards projects.

Mr. KING. I am going to run out of time here, so please.

Ms. GELDERT-MURPHEY. Okay.

Chairman CHABOT. Thank you.

Mr. Schmitz, if the chair would allow me to let the witnesses answer.

Yeah. If you could keep your answers relatively brief, but we will go right down.

Mr. SCHMITZ. Okay. Thank you.

I would concur with what was just said. But if we can build projects quicker, streamline coordination between agencies, Federal and State, these projects that need to be addressed could be built more timely and efficiently. And the key is a standard plan, a long-term plan to do this so that we can move forward.

Mr. BEYER. So in our case the USF fund is the underpinning for us to be able to get loans and be able to keep a network in place and operate that network at a rate that a consumer can afford.

And, yes, it would be very good for agencies to have a single reporting system that we could use, and instead of reporting to every agency separately, report to one separate form that would be shared across agencies.

But we do need additional funds in USF. The FCC has recognized that and so has Congress.

Chairman CHABOT. Mr. Dagostino.

Mr. DAGOSTINO. In reference to the application of any infrastructure in that nature, I would say that that creates a pathway for us, a pathway to either lay fiber optics, a pathway perhaps to connect an electric grid.

So, again, getting back to my earlier point of looking at this on a master plan schedule would be the very most beneficial that the government can do is to try to do it in that fashion, keeping in mind that we want to get the work performed by the most qualified individuals so that we get the longest life cycle out of something. It is not just the initial investment of cash, but let's look at it in more of a life cycle than just the initial cost.

Mr. KING. Thank you.

Yield back, Mr. Chairman.

Chairman CHABOT. The gentleman's time has expired.

The gentleman from Pennsylvania, Mr. Evans, who is the Ranking Member of the Subcommittee on Economic Growth, Tax, and Capital Access, is recognized for 5 minutes.

Mr. EVANS. Thank you, Mr. Chairman.

Mr. Dagostino, the Governor of Pennsylvania announced investments of \$60 million for 12 drinking water, wastewater, nonpoint source projects across 12 counties to PENNVEST. Can you put that in context a little bit when you talk about connectivity versus location as a model of what you are referring to in terms of this conversation?

Mr. DAGOSTINO. In reference to wastewater?

Mr. EVANS. Well, just in reference to—waste water is one example. But the fact that here is a State making investment in infrastructure. Can you just speak to—because you used the word “connectivity.”

Mr. DAGOSTINO. Connectivity, right.

Mr. EVANS. Yes.

Mr. DAGOSTINO. Right. And I think, well, in that case there that what we are looking at also is maybe not so much a centralized location but more of a distributive type of topology, if you will, of these types of infrastructures so that they can lend themselves to be either primary or secondary path connectivity, support needs that we have today.

Mr. EVANS. Right. And the reason I probably ask you that is this is the first time I have heard that term used in terms of connectivity versus. Usually most people say location, location. And what I am hearing you say is sort of like a new world we are operating in.

Mr. DAGOSTINO. Most definitely. We are in a digital era.

Mr. EVANS. Right.

Mr. DAGOSTINO. The Internet of Things, the industrial Internet of Things, the blockchain environment. There are so many new things that are coming into that we need to prepare ahead of time to address them, and to leverage these new technologies to do one thing, and that is to make our lives that much better.

Mr. EVANS. You sort of saw the direction I was going in the questioning about the aspect of connectivity, as the gentleman has just expressed, about local government, State government, local government, and better use of the dollars.

Can you speak a little bit to that?

Mr. BEYER. I can speak a little bit.

So in our case, in Minnesota, we have a border-to-border program that helps fund broadband build-outs. And that program works in conjunction with Federal programs, such as the USF program or RUS lending programs, that allow us to build fiber optics to provide that connectivity that they are talking about.

But the topography, as he speaks of, is more of a distributed network, and we do need to get fiber connectivity for the bandwidth that continues to grow that our small businesses need to operate.

Mr. SCHMITZ. That is a very good question. In our case, where we do business is where the natural resources are deposited. So the most logical areas are where the natural resources are good, which are often rural areas, and for us to competitively compete in business and to do business we need the connectivity of broadband.

And currently, as I said in my testimony, that we had to invest in a private microwave network just so we were able to do business in today's world. So it is very important for this to be available not only to us, but to our customers, our suppliers, our employees, so that we can communicate in today's world.

Ms. GELDERT-MURPHEY. Thank you.

With regard to State and local agencies, particularly from our perspective, we have seen a lot of them step up over the last 4 years; 26 States have added a gas tax. But they need a strong Federal partner. And that is what we have had in a long time, and that is the way the system has been set up, to have that strong Federal partner.

You know, as the Constitution has in the Commerce Clause, that is to look at the farm-to-port cost. That helps the rural areas, but understanding we need to have strong urban areas as well.

Mr. EVANS. Thank you, Mr. Chairman. I yield back the balance of my time.

Chairman CHABOT. Thank you very much. The gentleman yields back.

The gentleman from Iowa, Mr. Blum, who is the Chairman of the Subcommittee on Agriculture, Energy, and Trade, is recognized for 5 minutes.

Mr. BLUM. Thank you, Chairman Chabot.

Thank you to our panelists for being here today.

Congressman King is from western Iowa; I am from northeastern Iowa. As I tour my district of 20 counties, the number one economic issue in my district is lack of workers, workforce development.

Highway and heavy contractors in particular, we cannot find people to go out and do the work. And these are good-paying jobs, with

good benefits, that can't be exported to China or to Mexico, one of the reasons I love infrastructure.

So I would like to hear from each of you, if you would, on what can we do, what can your industry do, what can we do at the Federal Government level, to ensure a more reliable stream of workers.

I have talked to Treasury Secretary Mnuchin, I have talked to Speaker Paul Ryan, I have talked to the administration, and I have said the Tax Cuts and Jobs Act bill is a good thing for business in our economy, get us growing at maybe 3 percent GDP a year.

But I think we can grow 4 percent. But we need a couple things to happen. One is we need welfare reform. You know, if you are physically and mentally able to work, you should be working, to put it simply. It is not a simple issue, but that would summarize my thoughts on it. And secondly, we need tons in Iowa of legal immigration to help supply the workforce.

So I would love to hear your thoughts on what your industries are doing and what role can the Federal Government, could we be playing or should we be playing, in finding you all workers.

Ms. GELDERT-MURPHEY. I would love to tackle that one. Thank you very much.

Mr. BLUM. I would love to have the answers.

Ms. GELDERT-MURPHEY. I think that it goes back to what all of us on this panel have been saying, is consistency, consistency, consistency, reliability. So the business cycle is strong if there is strong funding and consistent funding in place. Then we know that the work is available.

So the workforce that is out there is not attracted to a business where you don't know as the ups and downs will come and go for the business cycle. So that is number one.

Number two, we do need to have strong apprenticeship programs. We do with our company as well, and that helps us. We have got a lot of young people who come into the apprenticeship program for our company, and they are grateful to see that they can earn a good wage.

But once again, we have to have consistent funding to keep the business strong, the business cycle strong.

Mr. BLUM. Mr. Schmitz.

Mr. SCHMITZ. I believe we really need to focus on education. And one thing that our company has done is started doing outreach to children in elementary school and explaining to them about our industry, the construction industry, and the fact that our great paying jobs and careers and working with your hands and with machinery and building America is a good, great way to make a living, and they should not feel ashamed that they are not getting a 4-year degree.

There are great tradespeople. You can make a great living as an electrician, as a plumber. These are good ways to do that, being a bricklayer, a truck driver. These are jobs that build America and they should be proud of it. And I think it really starts as young with education in the schools.

Mr. BLUM. Is there anything the Federal Government should be doing? I don't typically ask that type of question.

Mr. SCHMITZ. Well, I am not sure exactly—

Mr. BLUM. Because we do way too many things.

Mr. SCHMITZ. Right. And that is the key, but that is something that I personally pushed. I was president of my local school board and we pushed vocations. Being rural areas, we need people. As you said, the farmers need people. I grew up on a farm. There are not enough people in the rural areas to work, and it is even worse in the city.

One of the things that could help is the Federal Government's push for quotas, minority and women's business. Sometimes those quotas misalign availability of people to work on the jobs, especially in rural areas. Certainly urban areas it is a great program, but we are so far removed from the city that sometimes it creates an issue with quotas.

Mr. BLUM. Thank you.

Mr. Beyer.

Mr. BEYER. Thank you for the question.

We find that healthy communities are the biggest issue for us because we do have people that are interested in our industry, our technology. It is exciting, to some extent, as to the broadband world grows.

But what we often lack is the additional job for that spouse to come out to our area. And what needs to happen is we need telehealth, telework, in order for that spouse to have employment, and that takes those broadband networks for them to be able to work from home and be connected to society and their families when they move that way.

And all of that underpinned for us, as we look at it, is that USF program needs to be sufficiently funded in order for those networks to continue to be there, to be sustainable and affordable to consumers.

Mr. BLUM. That is a good point.

And I hope I don't mispronounce your name, Mr. Dagostino.

Mr. DAGOSTINO. Dagostino. It is not a problem.

A few things that we are trying to do, and that is, in our office we are bringing the children to our office to see what work is all about. It is just good to get them involved as early on. Helmets to hard hats is another thing that we encourage to do.

And any of the acts that are presently in play right now, for example, the 529 savings act, to be able to leverage that towards ancillary costs that an apprentice may get going through their process.

And that is some tax incentive for us as employers to hire apprentice, that over the years it has gone from the counselors in school directing all the students to head towards college. And we did not really get a very good cut of the people that are going through high school to move into the trades.

So I would encourage if somehow we could get plugged into those counselors a lot better to give the students options.

Mr. BLUM. Great. Thank you very much. My time has expired. It is a real issue, though, so thank you for your insight into that.

I yield back the time I don't have, Mr. Chairman.

Chairman CHABOT. Thank you very much. The gentleman's time has expired.

After consultation with the acting Ranking Member, we decided that since we started late and in the interest of respecting

everybody's time, we won't go into a second round here. I think the answers that we were given were very comprehensive and very helpful.

And we are talking about a very important issue, infrastructure, and the importance of it to the American economy and especially the importance of including small business in this effort.

So we want to thank you all for helping us to have more insight than we did before we started this meeting.

And I would also ask unanimous consent that members have 5 legislative days to submit statements and supporting materials for the record. Without objection, so ordered.

and if there is no further business to come before the committee, we are adjourned. Thank you very much.

[Whereupon, at 12:57 p.m., the committee was adjourned.]

## APPENDIX



## American Infrastructure and the Small Business Perspective

Hearing

Wednesday, April 25, 2018

Committee on Small Business

U.S. House of Representatives

Ms. Marsia Geldert-Murphey, P.E., F. ASCE  
 Chief Operating Officer  
 W. James Taylor, Inc.  
 Belleville, IL

\* On behalf of the American Society of Civil Engineers

Ms. Marsia Geldert-Murphey is the Chief Operating Officer for W. James Taylor, Inc. as well as an engineering executive with over 25 years of experience of directing and supervising civil engineering and construction projects related to transportation, utility capital improvements, rail, site development, federal installations, commercial and industrial development. After graduating from college, Ms. Geldert-Murphey started her career at the Illinois Department of Transportation as the assistant resident engineer for a cable-stay bridge construction project over the Mississippi River. In 2006, Ms. Geldert-Murphey founded and built an entrepreneurial venture from start-up to \$8 million in revenue in five years. In 2013, Ms. Geldert-Murphey founded Sequoia Engineering & Environmental, which was acquired by Gonzalez Companies. In 2018, Ms. Geldert-Murphey joined W. James Taylor, Inc. a women-owned industrial and commercial roofing contractor and a small business, as its chief operating officer where she is responsible for development, design and operation of their management systems.

Ms. Geldert-Murphey holds a Bachelor of Science in Civil Engineering from South Dakota State University and a Master of Science in Civil Engineering from Missouri University of Science and Technology. She is also a licensed Professional Engineer in six states.

Ms. Geldert-Murphey has the honor of serving as a member of the Board of Direction of the American Society of Civil Engineers (ASCE). Founded in 1852, ASCE is the nation's oldest national engineering society and represents 150,000 civil engineering professionals who serve as stewards of infrastructure here in the U.S. and around the globe. Over half of ASCE's members work for private engineering firms, a majority of which are small businesses.

ASCE appreciates the opportunity to educate the Small Business Committee on the state of our nation's infrastructure, how the lack of action adversely impacts the business community, and the need to invest in our infrastructure in order to make us competitive in the global marketplace. We know that investing in infrastructure is essential to support healthy, vibrant communities. Infrastructure is also critical for long-term economic growth, increasing U.S. Gross Domestic Product (GDP), employment, household income, and exports. The reverse is also true – without prioritizing our nation's infrastructure needs, deteriorating conditions are a drag on the economy.

For the last 20 years, ASCE has been a leading voice in educating the public and policy makers on the condition of the nation's infrastructure. Every four years since 1998, ASCE has prepared a comprehensive assessment of the nation's 16 major infrastructure categories in its *Infrastructure Report Card* ([www.infrastructurereportcard.org](http://www.infrastructurereportcard.org)). Using a simple, familiar A to F school report card format, the Report Card examines current infrastructure conditions and needs, assigning grades and making policy recommendations to raise the grades.

In ASCE's 2017 *Infrastructure Report Card*, our nation's cumulative infrastructure grade was a "D+". Poor grades reflect the underinvestment and underperformance in our infrastructure. Our nation faces an infrastructure investment deficit of \$2 trillion over the next 10 years – and the total investment needed is nearly \$4.6 trillion. The investment gap has led to deficient roads and bridges, water main breaks, inadequate ports and inland waterways, late flights, and so much more. Failing to close this infrastructure investment gap brings **serious economic consequences**.

Businesses of all sizes are directly impacted through this lack of investment in our nation's infrastructure. Increased costs of production are often due to electricity, water/wastewater and surface transportation inefficiencies. This increased cost of production leads to declining exports and declining consumer spending.

Households will feel this impact as fewer jobs are available; resulting in lower disposable income, which directly affects small business. This results in a less productive economy as more money is needed to address problems caused by poor infrastructure. As more income is diverted to transportation, electricity, and water/wastewater, less discretionary income is available for "lifestyle" purposes (entertainment spending and retail—including high-end consumer products).

As ASCE highlighted in its 2016 economic study, *Failure to Act: Closing the Infrastructure Investment Gap for America's Economic Future*, if this investment gap is not addressed throughout the nation's infrastructure sectors by 2025, the economy is expected to lose almost \$4 trillion in GDP, resulting in \$7 trillion in lost business sales and a loss of 2.5 million jobs in 2025. On top of those costs, hardworking American families lose upwards of \$3,400 in disposable income each year—about \$9 each day due to the underperforming infrastructure.

Our nation is at a crossroads. Deteriorating infrastructure impedes our ability to compete in the thriving global economy, and improvements are necessary to ensure our country is built for the future. While we have made some progress, reversing the trajectory after decades of underinvestment in our infrastructure requires transformative action from Congress, states, infrastructure owners, and the American people. However, there are solutions to fixing our national infrastructure deficit.

If the United States is serious about achieving an economy fit for the 21<sup>st</sup> century, some specific steps must be taken, beginning with increased, long-term, consistent infrastructure investment. To continue to delay such investment only escalates the costs and risks of our economy. To close the \$2 trillion 10-year investment gap and compete against growing economies such as China and Brazil, we must increase investment from all levels of government and the private sector from 2.5 percent to 3.5 percent of GDP by 2025. We must begin with the following steps:

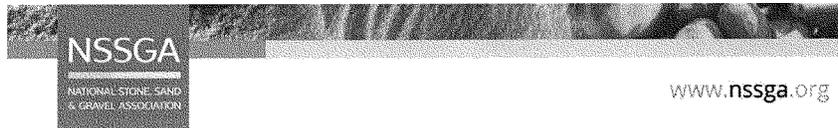
- Protect the competitive procurement of A/E services. In 1972, the Brooks Act established the use of Quality Based Selection (QBS) which bolsters small business interests by providing services not solely based on cost but on qualifications, increasing small business' competitive edge, allowing small firms to compete with large firms.

- Fix the Highway Trust Fund by adding 25 cents to the federal motor fuels tax. The current user fee must be raised and tied to inflation to restore its purchasing power. This idea has been led by the U.S. Chamber of Commerce and would provide a much-needed infusion of \$375 billion over ten years and combat the \$1.1 trillion investment gap of surface transportation capital needs.
- Authorize and fund programs to improve specific categories of deficient infrastructure and support that commitment by fully funding them in an expedient, prioritized manner.
- Infrastructure owners and operators must charge, and Americans must be willing to pay, rates and fees that reflect the true cost of using, maintaining, and improving infrastructure.
- Recognize that some elements of transportation policy (e.g., freight corridors and ports) will require a more strategic focus from the federal government.
- Finally, small businesses will benefit from streamlining the project permitting process. ASCE favors the idea of “One Agency, One Decision” removing duplicative permitting efforts among agencies, and working to reduce the time to reach decisions on projects. However, in many cases, the lack of funding is a primary reason a project is delayed. That should not be lost during these conversations.

We must take these steps to ensure all businesses, and especially small businesses can thrive in the competitive global marketplace. When Congress is successful in crafting legislation to increase investment in infrastructure, that increased investment will not only benefit engineering firms, but any small business that relies on infrastructure for its livelihood.

For the U.S. economy to be the most competitive in the world, we need a first-class infrastructure system—transport systems that move people and goods efficiently and at reasonable cost by land, water, and air; power transmission systems that deliver reliable, low-cost power from a sustainable range of energy sources; and water systems that protect public health.

Small business is an engine of economic growth and job creation, that count on a reliable and consistent demand for their products and services. The capacity and resiliency of our infrastructure system, whether it is our electric grid, telecommunications network, water, wastewater, inland waterways, roads, aviation or rail is the fuel that feeds that economic engine.



**TESTIMONY OF**

**WILLIAM SCHMITZ  
VICE PRESIDENT, QC AND SALES  
GERNATT ASPHALT PRODUCTS, INC.**

**ON BEHALF OF**

**THE NATIONAL STONE, SAND & GRAVEL  
ASSOCIATION**

**BEFORE THE HOUSE SMALL BUSINESS COMMITTEE**

**HEARING ON**

**“American Infrastructure and the Small Business Perspective”**

**MARCH 21, 2018**

Chairman Chabot, Ranking Member Velázquez, and members of the committee, thank you for inviting me to testify at this hearing on behalf of the National Stone, Sand & Gravel Association, (NSSGA), on “American Infrastructure and the Small Business Perspective.” I am Bill Schmitz, Vice President of Dan Gernatt Gravel Products, Inc. I spoke before the committee in 2015 about the impacts infrastructure has on the successes of small businesses and I am honored to once again represent my industry before Congress. We are encouraged by the President’s commitment to infrastructure and urge Congress to work to implement a fully-funded infrastructure package.

NSSGA is the world’s largest trade association representing the mining industry by product volume. There are 10,000 construction aggregates businesses across the United States, located in every state and nearly every congressional district. More than 70% of NSSGA members are small businesses. It is an industry that directly employs over 100,000 people, and each of those 100,000 jobs indirectly supports an additional 4.87 jobs throughout the economy. Overall, NSSGA member companies represent more than 90% of the crushed stone and 70% of the sand and gravel produced and consumed annually in the United States. NSSGA’s primary concern is a fully-funded, robust Highway Trust Fund to insure adequate infrastructure investment. We are also concerned that regulatory over-reach can and does cause costly project delays, so on the whole, we support regulatory reform efforts.

The United States consumes approximately 2.8 billion tons of aggregates annually. Crushed stone, sand and gravel typically make up over 80% of ready mixed concrete and over 90% of hot mixed asphalt. For example, one lane of a road requires an average of 38,000 tons of construction aggregates for every mile. Aggregates are used in nearly all residential, commercial, and industrial building construction and in most public works projects, including parks, roads, highways, bridges, dams, and airports. A new school or hospital typically requires 15,000 tons of aggregates in its construction. Aggregates are used for many environmental purposes including: treating drinking water and in sewage treatment plants, for erosion control and in cleaning air emissions from power plants. While Americans take for granted this essential natural material, it is imperative for construction and daily life.

Through its economic, social and environmental contributions, aggregates production helps to create sustainable communities and is essential to the quality of life Americans enjoy. Aggregates are a high-volume, low-cost product. According to the most current data from the Bureau of Labor Statistics, it may be said that it is safer to work in a quarry than a retail store. When aggregates producers are finished using the stone, sand or gravel in an area, they pay to return the land to other productive uses, such as water reservoirs, residential developments, farm land, parks, or nature preserves – a critical fact often overlooked by communities and lawmakers.

#### **Small Businesses and Infrastructure**

The Administration’s Infrastructure Principles unveiled on February 12<sup>th</sup> allocate \$200 billion of federal funds over a decade as seed money for states, local governments and private sectors to leverage a total investment of \$1.5 trillion. NSSGA president and CEO Michael W. Johnson, said “It’s a welcomed and necessary way to start a very overdue conversation on infrastructure investment. We look forward to more in-depth conversations with Congress as they create a bill.” To meet the administration’s goal, NSSGA supports a wide variety of funding options, especially shoring up the Highway Trust Fund.

According to the American Society of Civil Engineers’ 2017 Report Card, the United States has a \$2 trillion investment gap for infrastructure over the next ten years. Combined with a yearly deficit of a trillion dollars, the Federal Government has strained resources to address this disparity. Currently, the United States is ranked behind many of its biggest global competitors at 11<sup>th</sup> in infrastructure quality. By some estimates, without significant and timely upgrading of our

infrastructure, the United States will lose more than 2.5 million jobs by 2025 and more than 5.8 million by 2040.

The HTF, which funds the vast majority of federal aid highway projects across the United States, is funded mainly with motor fuels taxes that have been static since 1993. As such, the HTF faces a \$121 billion shortfall over the next decade. The Fixing America's Surface Transportation (FAST) Act [P.L. 114-94], authorizing \$305.5 billion for federal highway and other transportation programs through 2020, unfortunately does nothing to address the structural problems with the HTF. In order to address this, both financing solutions and a comprehensive modernization of the HTF are needed to sufficiently bolster the funding mechanism and grow much-needed investments in transportation infrastructure.

The HTF has provided stable, reliable, and substantial highway funding for decades since its inception in 1956, but this is no longer the case. Since 2008, the HTF has been sustained through a series of General Fund transfers now amounting to \$140 billion. According to the January 2017 baseline of the Congressional Budget Office, HTF spending is estimated to exceed receipts by roughly \$17 billion in FY 2021, growing to about \$24 billion by FY 2027.

The outdated tax on motor fuels cover an ever-shrinking portion of America's yearly infrastructure costs due to a confluence of factors, including increased fuel efficiency of cars and trucks, eroded purchasing power, and an increase in alternative fuel vehicles that do not pay their share in highway user fees. As established through numerous studies and commissions over the last decade (most notably the National Surface transportation Policy and Revenue Study Commission, 2007) the simplest and most efficient means to address the HTF funding deficit and ensure a robust and reliable funding source moving forward, is to raise the motor fuels tax rates last raised in 1993 (18.4 cents per gallon on gasoline and 24.4 cents per gallon on diesel), and index it to inflation.

The United States needs to move beyond simply maintaining existing infrastructure and toward becoming a world leader again. We need a 21<sup>st</sup> century infrastructure system that delivers economic vitality and the ability to compete in the global marketplace on an integrated national, intermodal surface transportation network that reliably moves goods and people to maximize the quality of life, and economic prosperity for all Americans.

I work at the state and local level on infrastructure funding and permitting on a daily basis. These are important conversations for my company, but the federal level is where decisions are made that impact us for years in the future. When Congress delays the enactment of a highway bill or puts off fixing the HTF yet again, it has a huge impact on small businesses, especially in our industry, since we are both a material provider as well as a user of the system.

Multi-year surface transportation investments are particularly vital for the funding confidence they instill in state departments of transportation. When states know that the Federal Highway Administration will apportion their funding year after year, they have confidence that their state expenditures will be reimbursed and the process of building and maintaining our infrastructure can proceed smoothly. Confidence in the stability of the program is a critical factor in ensuring success, particularly for small businesses.

As a small business, we need consistency and a steady direction from our federal partners. Congressional action or inaction can have huge downstream impacts for years in the future, which is why I am here today.

Small businesses need the certainty of a fully-funded long-term infrastructure program to make vital business decisions. This includes land acquisition, technology updates, purchase of equipment (often produced by other small businesses) and the hiring and training of employees.

At Gernatt, we think of infrastructure in four ways:

- 1) the physical means to get our material to where it is needed, and have our suppliers and employees reach our facility,
- 2) the way we communicate with our suppliers and customers,
- 3) the material that creates an infrastructure project that we provide,
- 4) and the actual project itself.

### **Regulatory Reform**

Unlike other businesses, we cannot simply choose where we operate. We are limited to where natural forces have deposited the materials we mine. Not every aggregate deposit meets the stringent standards set by the Federal Highway Administration (FHWA) and state Departments of Transportation (DOTs) for use in federal or state projects. Generally, when aggregates are transported outside a 25-mile limit, the cost of the material on a project can increase 30% to 100% in addition to creating environmental and transportation concerns. Because our product is so heavy, over 90% of aggregates are used within 50 miles of their original location, making our industries' businesses uniquely tied to their community. So, our operations are limited to locations that are geologically sound and are near where cities and roads are needed.

The aggregates business can be described as making small rocks out of larger ones. We extract material for processing into crushed, sized, and washed product. For safety and efficiency purposes, our operations tend to utilize large parcels of land that must be located where quality rock naturally occurs. Our operations are heavily regulated before, during and after extraction. Our primary waste is finer crushed rock or dust from processing. For this we must perform a number of "one size fits all" controls required under air and water permits. Our facilities are routinely monitored to ensure we are operating in a safe and environmentally responsible manner. Some of the requirements make sense and others do not, particularly for small businesses.

It gets even more complicated when we need to expand our operations, open a new or temporary operation, or merely do minor construction work at a site to upgrade our facilities to provide needed material for crucial infrastructure projects. A host of federal requirements come into play, among them the Clean Water Act, Clean Air Act, the Endangered Species Act, and the Historic Preservation Act. These statutes often require businesses to prove that we should not fall under their jurisdiction. A "regulated until proven otherwise" approach is very costly and difficult for any business, particularly a small company like mine, without the resources for dedicated compliance staff that larger corporations employ. Agencies are not accountable to respond in a timely fashion, and interagency disputes are common, so to obtain approval for even small projects can take years. This is not an efficient use of resources for either the company or the permitting agencies and punishes the businesses like ours who are trying to comply and care deeply about safety and the environment.

On the federal level, we must comply with regulations set forth by the Department of Labor, Environmental Protection Agency, Fish and Wildlife Service and the Army Corps of Engineers. The Department of Homeland Security and the United States Treasury Department also regulate us because we engage in blasting. At the state level, we obtain approvals from state agencies for air and water quality permits and mining and blasting permits. At the local level, multiple layers of land use approval are required before we can open a new facility or even expand an existing one.

Gernatt and NSSGA support reasonable regulation that preserves our natural resources, protects our environment and ensures the safety of our employees and neighbors. We are opposed, however, to overreaching regulation that hurts our businesses and by extension, infrastructure.

Our operations devote substantial resources to safety. Last year, the industry finished with an injury incidence rate of less than 2 injuries per 200,000 hours worked; the 17<sup>th</sup> consecutive year in which our sector achieved a lower rate than in the prior year. Despite the use of heavy equipment and natural hazards our injury rate is lower than that of retail employees.

The Small Business Administration estimates that regulations cost 36% more for small businesses per employee than for larger companies. We support efforts by the President and Congress to ease the regulatory burden that small businesses disproportionately bear. At Gernatt, we simply do not have the resources that larger corporations use to comply with confusing, overlapping and unnecessary regulations. Since 1946, the Gernatt family and their companies have been proud to serve all of western New York. Comprised of Gernatt Asphalt Products; Dan Gernatt Gravel Products, Inc.; and Country Side Sand and Gravel, Inc., our companies provide sand, gravel, stone, landscape aggregate, hot mix asphalt products and trucking to Buffalo, N.Y., western New York and northwestern Pennsylvania.

Our locations are spread over three rural western N.Y. counties where people struggle to find good paying jobs. The Gernatt organization considers its 210 loyal employees as family and we want to provide them the well-paying, stable employment they deserve. The business has grown because of the hard work by the Gernatts and their employees who work together for the common goal of making the company successful. The Gernatts are strong supporters of both local businesses and community efforts where we operate. It is important to us that these benefit from our success. We are an integral part of the western New York community and we do this because it is the right thing to do.

We applaud the Administration for focusing on creating roads, bridges, airports, schools, and expanding access to broadband. This broad idea of what infrastructure is benefits our company and our community. We operate in rural areas where increased investment is necessary, and infrastructure projects help create jobs and move goods that are essential to the American way of life. These rural areas also lack a critical component of today's technology infrastructure; the lack of broadband cost us hundreds of thousands of dollars as we have had to work around the lack of connectivity to our business network.

However, we need to focus on both the project and the supply of materials. Streamlining permitting for a road so that it can be built in two years instead of ten is a great stride forward, but if the material needed to create it takes 5 or 10 years to permit and is so expensive due to over regulation that it doubles or triples the cost of the project, then we are failing to fix the root problem.

For example, the application of the Endangered Species Act (ESA) and the definition of "Waters of the United States" have been expanded far beyond what Congress intended, and often these act as impediments to any development. Both involve open-ended processes that have become a true roadblock to any sort of development because of the lack of clearly defined requirements and timely response by federal regulators, both of which can delay projects significantly.

NSSGA supports the administration's withdrawal of the 2015 Waters of the United States Rule, which would have radically expanded jurisdiction under the CWA to include areas suspected of only tenuous connections to navigable waters. While the agencies' decision to return to the "pre-rule" status quo once the 2015 rule is rescinded is not an ideal long-term solution, the action at least restores the guidance that aggregate operators are familiar with while the agencies work to develop a rule that provides clarity and certainty. While the 2015 rule would have cost aggregates operations millions of additional dollars in mitigation to expand or open new facilities, the current system is cumbersome and lengthy. Even without the expansive 2015 rule,

determining applicability under the CWA can create confusion and delays which are particularly burdensome for small businesses.

My company has firsthand experience with unreasonable delays and mitigation requirements at our Countryside Sand and Gravel Dredging operation in South Dayton, NY. The dredge in this location acts as a virtual vacuum cleaner picking up aggregate from the bottom of our lake. As we wash our material, fine sand and silts are removed from the usable sand and gravel resulting in a slurry mixed with the water. We use created ponds to settle this material out before discharging or reusing the water at our site. While these are water treatment systems and should not be considered a federally regulated water, the lack of clarity in this program causes the Corps to sometimes consider them so.

We operated this way from the late 1960s, consulting with the Corps to confirm compliance. This changed significantly in 2006 when a pair of bald eagles built a nest in a tree adjacent to the lake we were dredging in at the time. The New York Department of Environmental Conservation contacted US Fish & Wildlife who then brought in the Army Corps of Engineers. The Corps promptly showed up and shut our operation down, claiming that our settling basins were "Waters of the U.S.," despite extensive correspondence we had over the years with their office.

The Corps decided our settling basins that were located 25' higher in elevation than the surrounding grounds were also "affected wetlands." We explained the settling basins were wet because of introduced hydrology and if we stopped pumping, the water would not remain. However, Corps personnel insisted that we had disturbed 1.164 acres of wetlands. When we tried to work with the Corps to mitigate or fix this alleged disturbance, the amount and method of repair was a moving target. This lack of clarity is devastating to a small business; we need to know what a problem is and how to fix it.

The mitigation ended up being so convoluted and expensive. The Corps accepted leaving an area to cede back into wetland growth, plant 500 bare root trees and shoot topsoil into a portion of the lake, and plant 5 acres of wetland species planting. We also had to install 10 miles of string to create a goose fence, as well as a six-foot plastic fence in the water to keep the muskrats away from the plantings, only to have fish and a swan get stuck in the fence and drown. At that point we said "no more" to the Corps but were still required to mitigate for the bare root trees that failed and the water plants that were eaten. Finally, the Corps agreed to let us build a hemi-marsh which included placing over 300,000 cubic yards of material back into a portion of the lake to build the marsh. Unfortunately for us we had already excavated and moved this material as part of our reclamation process, necessitating an additional \$750,000 to move it again so that we could operate.

In an effort to prevent a repeat of this debacle, we have revised our reclamation plans to include building more marsh area concurrent with stripping, allowing us to only handle the materials once. When completed, our Company will have created 40 acres of individual submerging marshes. But that is hardly a silver lining in a cloud of uncertainty that covered this project; moving targets and unclear expectations dragged a process much longer – and made it much more expensive than it needed to be. This took 12 years; we operated but spent hundreds of thousands of dollars on attorney and consultant fees, employee time and effort, and equipment all in the quest to hit that moving target. 12 years that could have been better spent on other projects and supporting our workers and our community. 12 years where state and federal standards caught us in the crosshairs. 12 years for a small business means something, and I would encourage this committee to look at ways to reform our regulatory system so that Gernatt does not have to constantly worry if by following the rules, we will find ourselves in another expensive years-long battle.

As my personal experience shows, small businesses in all sectors depend on clear and certain federal rules and regulations, as well as consistent investment in infrastructure.

When Federal, State and City Regulators work together great things can and do happen. An excellent example is the Ohio St. Inner and Outer Harbor Connector project in Buffalo, NY for which we were the materials supplier to another small business - CatCo Construction. This infrastructure project has revitalized the old first ward neighborhood in the City while providing access between the downtown and the progressive outer harbor. Bridges were rehabilitated, abandoned buildings torn down, water, sewer and electrical utilities replaced, and a barely industrial road was replaced by a beautiful new highway including bike and walking paths.

This project cleaned up environmental problems, created water side parkland and recreational ship canal access and has spurred millions in residential and commercial development. Projects like Ohio St. are examples of how a small business like Gernatt can improve a community.

There are thousands of small businesses in my industry alone that in partnership with the federal government can help improve the communities we live and work in. To do that, we need an open discussion of how to streamline regulations, and how to ensure that federal funding is a consistent and uninterrupted stream that states – and small businesses – can depend on.



Statement by

**Kevin Beyer**

**General Manager**

**Farmers Mutual Telephone Company of Bellingham, MN  
and Federated Telephone Cooperative of Chokio, MN**

On behalf of

NTCA—The Rural Broadband Association

Before the

United States House of Representatives  
Committee on Small Business

*American Infrastructure and the Small Business Perspective*

April 25, 2018

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## **INTRODUCTION**

Chairman Chabot, Ranking Member Velázquez, and members of the Committee, thank you for this opportunity to testify about the importance of broadband infrastructure to rural areas and how rural broadband networks are deployed and sustained. I am Kevin Beyer, the General Manager of Farmers Mutual Telephone Company, which is headquartered in Bellingham, MN, and Federated Telephone Cooperative, which is headquartered in Chokio, MN. My remarks today are on behalf of Farmers and Federated, as well as NTCA–The Rural Broadband Association, which represents approximately 850 rural community-based carriers that offer advanced communications services throughout the most sparsely-populated areas of the nation.

NTCA members and companies like them serve just under five percent of the U.S. population spread across approximately 35 percent of the U.S. landmass; in most of this vast expanse, they are the only fixed full-service networks available. Small telecom providers connect rural Americans with the world – making every effort to deploy advanced networks that respond to consumer and business demands for cutting-edge, innovative services that help rural communities overcome the challenges of distance and density. Fixed and mobile broadband, video, and voice are among the services that millions of rural Americans can access thanks to our industry's networks and commitment to serving sparsely populated areas.

Farmers and Federated are local, community-based telecommunications providers with 26 employees serving a combined area of 2,736 square miles with an average of two customers per square mile. The total connections – or homes/businesses passed – are 6,166 with the capability of delivering voice and Gigabit broadband services. We employ fiber-to-the-home technology to provide both voice and broadband services to our customers.

Our networks allow rural small businesses to communicate with suppliers and sell to new markets, they enable education of our children on par with opportunities in urban areas, and they make our communities attractive destinations for people and businesses to relocate. In rural America, that translates into economic development that produces jobs, not only in agriculture, energy, manufacturing, and other industries with a strong rural presence, but in the healthcare sector, and just about any other retail industry that requires broadband to operate.

## **BROADBAND IS ESSENTIAL RURAL INFRASTRUCTURE**

*Rural Broadband Benefits the Entire U.S. Economy*

Rural broadband has far-reaching effects for both urban and rural America, creating efficiencies in healthcare, education, agriculture, energy, and commerce, and enhancing the quality of life for citizens across the country. A report released in 2016 by the Hudson Institute in conjunction with

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the Foundation for Rural Service (FRS) found that investments by rural broadband companies contributed \$24.1 billion to the economies of the states in which they operated.<sup>1</sup> While \$8.2 billion (or 34 percent of this sum) accrued to rural areas, the remaining 66 percent – \$15.9 billion of economic activity – accrued to the benefit of urban areas. Additionally, the report found that the rural broadband industry directly and indirectly supported nearly 70,000 jobs nationwide in 2015, with 46 percent of those being in rural areas and 54 percent located in urban areas.

In addition, iGillotResearch and FRS released a paper in March 2018 that underscores the value of Internet transactions and further reveals how rural broadband benefits the entire economy:

- Rural consumers are responsible for more than 15% of all internet-driven transactions – approximately 10.8 billion internet-driven transactions.
- Internet-driven transactions drive a substantial portion of U.S. gross domestic product (GDP) – approximately \$9.6 trillion annually.
- The estimated value of rural online transactions is nearly \$1.4 trillion – or 7% of the U.S. nominal GDP.<sup>2</sup>

The economic impacts of broadband can be seen close to home for Farmers and Federated. We have deployed fiber-to-the-home networks in 28 exchanges – enabling 1 Gbps for more than 6,000 homes and businesses over 2,736 square miles. Our fiber deployment has enabled many local success stories, including Superior Industries, Inc. – an American manufacturing company headquartered in Morris, MN. Superior employs approximately 1,600 people across multiple divisions that engineer, manufacture, service, and sell dry bulk processing and handling equipment, fuel delivery and storage equipment, and precast concrete products. More than half of Superior’s work force is employed at one of its three campuses in Stevens County, with the remaining employees spread throughout 25 other manufacturing, engineering, or repair center facilities in the United States, Canada, and Brazil. Federated provides Superior with a broadband connection that not only allows the customer to efficiently connect its three Stevens County locations together with a WAN, but also allows Superior to communicate with its additional locations throughout the United States, Canada, and Brazil, as well as its numerous customers around the globe.

#### *Broader Benefits for Consumers and Communities*

Beyond these economic impacts of broadband network investment and operations, the broader socioeconomic benefits of broadband services for users and communities cannot be ignored. A Cornell University study, for example, found that rural counties with the highest levels of

<sup>1</sup> [The Economic Impact of Rural Broadband](#), Hanns Kuttner, Hudson Institute (April 2016).

<sup>2</sup> [A Cyber Economy: The Transactional Value of the Internet in Rural America](#), iGR (March 2018).

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broadband adoption have the highest levels of income and education, and lower levels of unemployment and poverty.<sup>3</sup>

Access to healthcare is a critical issue for rural areas, where the lack of physicians, specialists, and diagnostic tools normally found in urban medical centers creates challenges for both patients and medical staff. Telemedicine applications help bridge the divide in rural America, enabling real-time patient consultations and remote monitoring, as well as specialized services such as tele-psychiatry. One study found that doctors in rural emergency rooms are more likely to alter their diagnosis and their patient's course of treatment after consulting with a specialist via a live, interactive videoconference. A rural Wisconsin community experienced the broadband difference when a rural telco deployed a fiber network to a 25-bed critical access hospital and its satellite clinics to enable patients to obtain broadband-supported healthcare closer to home. Telehealth services enabled by high-speed broadband also facilitate "aging in place," as seen in rural North Dakota where a small, rural broadband provider developed a telemedicine link with a local pharmacist that enabled a neighboring community pharmacy to remain open upon the retirement of its pharmacist.

The unique "hometown focus" of smaller providers, as captured in NTCA's Smart Rural Community initiative, helps in promoting innovative uses of these networks for the benefit of rural America. For example, in western Oklahoma, high-speed broadband supports a community-based charitable organization that assists clients with mental health therapy and foster child placement; the broadband connection enables rapid transfer of data across great distances to speed the settlement of children in new homes. A Wisconsin rural telco serves as technology partner to local children's charities that rely on electronic auctions for fundraising revenue.

Other benefits accrue in the form of distance learning. A shortage of teachers in parts of rural America means public school districts rely on high-speed connectivity to deliver interactive video instruction for foreign language, science, and music classes. For example, high school students in a rural Nebraska community can now receive college credits for courses taken online thanks to fiber connectivity to area school systems and community colleges, and students at a small private college in rural South Carolina use high-speed broadband to engage coursework in programming, advanced mathematics, engineering, research, and design – preparing them to enter a tech-centric job market.

#### *Consumer Demand, Fiber, and Future-Proof Networks*

Despite unique rural challenges of high deployment costs due to distance, density, and terrain with too few customers gained to even cover the costs of operating a network, small rural telcos have made remarkable progress in deploying advanced communications networks. A survey of NTCA

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<sup>3</sup> Broadband's Contribution to Economic Health in Rural Areas, Community & Regional Development Institute, Cornell University (February 2015).

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members conducted in 2016 found that 41 percent of respondents' customers are served via fiber-to-the-home (FTTH), up 12 percent from 2013. Forty-five percent of customers are served via DSL service, 12 percent cable modem, 1 percent fixed wireless, and 0.2 percent satellite. Due in no small part to increased fiber deployment, rural customers have access to faster broadband speeds. Per the 2017 survey, 87 percent of NTCA members' customers can purchase broadband at speeds of 10 Mbps or higher. Sixty-seven percent can now access speeds above 25 Mbps.<sup>4</sup>

Farmers and Federated serve many important community anchor institutions, including four rural hospitals and related EMS services, eight school districts, a public liberal arts college, and numerous public libraries and public safety entities – including police and rural volunteer fire departments.

Farmers and Federated's tag line is "Future. Communications. Today." This concept means we will look beyond the next year or two as we attempt to forecast the future needs of our customers and our communities. Not unlike many of our rural counterparts, we have seen our average data usage increase over 1,000 percent over the last five years. This number will continue to grow exponentially as we move to continued growth in all forms of data services including precision agriculture, distance learning, telemedicine, 4k video, virtual reality, and autonomous vehicles.

We have responded to this demand by taking aggressive steps for our customers. Over the past 15 years, Farmers and Federated have invested \$60 million in their networks, primarily with fiber and fiber-related electronics. It is clear that the speed and sustainability of fiber deployment will depend on both reasonable access to capital to finance construction and the availability of USF support to make sure user rates on these rural networks, once upgraded, are not astronomical and unaffordable.

*Much Progress, but Much More Work to Do*

Despite this great progress, many parts of rural America still need better connectivity. Thirteen percent of NTCA member customers don't have access to even 10/1 broadband. And while the Federal Communications Commission (FCC) has indicated that 90 percent of Americans already have affordable access to 25/3 Mbps service and many urban consumers and businesses benefit from 100 Mbps or Gigabit speeds, broadband access in rural America lags behind urban areas despite the best efforts, innovation, and entrepreneurial spirit of NTCA's members. Thirty-three percent of NTCA member customers still cannot obtain 25/3 speeds given the very rural nature of the areas in which they live. And even where broadband has been deployed, sustaining it in areas where consumers are scattered across great distances is itself a substantial and often underappreciated challenge.

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<sup>4</sup> NTCA 2016 Broadband/Internet Availability Survey Report (2017). NTCA—The Rural Broadband Association, Arlington, VA.

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The rural broadband industry and our nation as a whole has a great story of success but we also have much more work to do – and this is where public policy plays such an important role in helping to build and sustain broadband in rural markets that would not otherwise justify such investments and ongoing operations.

#### **KEY PRINCIPLES FOR BROADBAND INFRASTRUCTURE POLICY**

As policymakers consider potential initiatives to promote broadband infrastructure deployment, we believe it is essential to build upon what has worked to date, leveraging successes and taking account of lessons learned from prior efforts. In doing so, there are several key principles that should guide next steps on infrastructure policy.

##### ***1. Nothing Else Matters Without a Business Case for Investment and Operation***

Because of the distances and population densities involved, and in some cases the terrain as well, it is difficult, if not impossible, to make the business case for investing in broadband in many rural markets. Moreover, even if the upfront capital expenditures can be justified, the markets are so rural that the high ongoing costs of operation undermine the business case for deployment. Therefore, ongoing support from the High-Cost Universal Service Fund (USF) initiatives overseen by the FCC has been central to promoting rural broadband. USF programs help providers offer rural Americans more affordable rates, consistent with the Communications Act mandate for reasonably comparable rates and services in urban and rural areas alike. Without USF, rural consumers in many areas could not cover the costs of building and operating the network and delivering services that go far beyond what was once imaginable in a legacy “telephone” business.

It is the availability of a predictable and sufficient universal service mechanism that justifies use of a provider’s own cash or financing from the few lenders that tend to serve rural Internet service providers – the Department of Agriculture’s Rural Utilities Service (RUS), CoBank, the Rural Telephone Finance Cooperative, or community banks. For these reasons, it is critical that any infrastructure initiatives include resources dedicated to making the business case for deploying and sustaining broadband in rural America. Without such resources, any effort is likely to be effective only on the margins or in very limited respects, leaving behind many areas that still lack broadband access and/or putting at risk investments already made to deploy advanced broadband networks in deeply rural areas.

##### ***2. Leverage Existing Experience and Expertise***

The know-how that an operator needs to construct a network in a downtown business district in a large metropolitan area – where there could be more people in a single building than in an entire rural town and surrounding areas – does not necessarily translate into success in rural broadband.

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With finite resources available for supporting deployment, it is necessary to leverage the real experience and technical expertise of those providers that have in fact previously deployed and operated networks over many miles of rural terrain. It is particularly important to “screen” the technical claims of those promising a solution for rural broadband to ensure that their networks are engineered to deliver on that promise – to reach all consumers within the proposed rural service area and provide them with a consistent, reliable service that will not fail over time as more users adopt and greater demands are placed on the network.

### ***3. Rural Broadband Is Not a Short-Term Business Proposition***

Rural broadband depends upon long-term capital investments that last for (and must be recovered over) decades. Putting resources toward inferior infrastructure that might seem cheaper upfront but needs to be substantially rebuilt in only a few years’ time could turn out to be resources wasted – and risks leaving rural America behind. To get the best return for the users of a given network and for America as a whole, rural broadband networks must be scalable and still capable of delivering value a decade or more after being built.

### ***4. Targeting Resources for New Construction Is Critical***

It is important to target any resources made available to the areas where they are needed most. Unfortunately, today’s broadband maps are incomplete and imprecise, depending upon self-promoted claims of coverage that represent an entire census block as served even if only one customer in that block can actually get service. While not perfect and still in need of improvement, the FCC employs a variety of processes in its USF programs aimed at validating where service is or is not already available in order to direct funding to where it is needed most. Regardless of which agency ultimately administers these programs, such efforts to target support should be part and parcel of any infrastructure initiative moving forward to ensure both that funding remains in place where it is needed and, conversely, funding is not put to work in areas where another provider can already deliver service.

### ***5. Coordination of Efforts Among Governmental Programs Is Key***

Rather than creating new programs from scratch, we believe it makes sense to leverage existing programs that have time-tested processes and procedures to direct funds to the right places and already have experience in vetting proposals to deploy and sustain rural broadband. If, however, new programs are to be created or existing programs expanded, these programs must complement – and not compete with – the existing efforts already underway. It will be a waste of finite government resources if one agency finances the deployment of a network in an area where another agency is already supporting the deployment and operation of a network by another provider.

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#### ***6. Streamlining Construction Processes Will Be Helpful***

While making the business case for deployment and operation of a network in the first place is vital, steps can and should be taken to mitigate permitting delays, complicated application procedures, and high costs of access once that business case is made. Such efforts are especially important so that any federal resources made available as part of an infrastructure plan can help consumers as soon as possible.

#### ***7. Accountability Must Be Expected***

Any infrastructure plan must hold recipients of any resources accountable for their use. One framework to consider is what the FCC has done in the USF programs, where it will require recipients of support to: (1) report on the latitude and longitude of every location to which they deploy broadband going forward using such support; and (2) comply with performance testing measurement standards still under development. Similar measures should be considered in connection with disbursement of any resources through an infrastructure plan.

### **RECOMMENDED NEXT STEPS**

With these principles in mind, policymakers should consider several steps moving forward.

#### ***1. Leverage Existing Programs***

##### ***a. Universal Service Fund***

Given its track record and the many efforts made in recent years to recalibrate the program toward promoting broadband availability and affordability, strong consideration should be given to leveraging – and supplementing – the existing High-Cost USF program as a means of implementing a broadband infrastructure initiative.

The High-Cost USF/Connect America Fund (CAF) initiatives are essential both in justifying the business case for broadband infrastructure investment in the first instance, and then in sustaining such investments by keeping consumer rates for services more affordable atop the networks once they are built. While the FCC recently adopted a much-needed and welcomed reprieve from USF funding shortfalls, this reprieve is temporary and partial in nature, and these initiatives remain underfunded.

For example, more than \$60 million per year is still needed to fund an alternative USF model that the FCC created to promote broadband deployment – and that level of funding is needed for 10 years, making the shortfall for the model more than \$600 million in total. In addition, under a

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budget control mechanism that is applied only to some carriers, many small rural telecom operators were seeing their support slashed by an unpredictably escalating budget control that reached 12.3 percent on average, translating into denied recovery of more than \$170 million in actual costs for private broadband network investments *already made*. The recent FCC action patched this shortfall through June of this year. But if the agency does not act by then to provide more sufficient and predictable High-Cost funding over the long term, such cuts in USF support will resume in July, and will likely grow in coming years.

These shortfalls make it difficult, if not impossible, to justify effective use of available capital for rural broadband, and they translate into real harm for rural Americans in the form of lower speeds or no broadband at all, or higher rates where broadband is available. Budget shortfalls force carriers to recover costs by increasing prices for rural Americans (if possible) well above what urban Americans pay – and, if rates cannot be increased, these shortfalls may lead to defaults on loans used to finance the construction of those broadband networks.

If sufficiently funded, the FCC's High-Cost USF efforts could have a meaningful near-term impact on our nation's broadband goals. By contrast, creating new programs from scratch requires much more administrative effort than leveraging existing programs, and the rules for any such new programs must still be informed by the principles articulated above in terms of administration and accountability – while also making sure not to undermine the important work that the FCC's USF/CAF efforts and other existing programs (such as some described below) are already achieving despite being underfunded.

*b. Rural Utilities Service*

Another alternative to tackle our nation's rural broadband infrastructure challenges would be to direct additional resources for rural broadband to the Department of Agriculture's RUS programs that have been and remain critical for so many small rural operators in stimulating infrastructure deployment. If any infrastructure resources are directed to RUS rather than to the FCC's USF/CAF efforts, it will be essential to ensure that those programs are coordinated effectively and complement, rather than compete with, the ongoing efforts of the federal USF programs.

Although some people may confuse the roles of RUS programs and the USF, these initiatives play unique and distinct roles. USF does not finance networks; private banks and other lenders (including RUS programs) provide upfront financing necessary to construct networks (although few banks lend to construct broadband infrastructure in rural America where the return on investment is typically measured in decades). On the other hand, RUS programs and other banks and financing programs do not sustain networks or aim to make services atop them affordable for consumers; again, these efforts focus upon upfront deployment financing, with the USF then helping to sustain

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networks by ensuring that consumers can obtain reasonably comparable services at reasonably comparable rates atop the networks once financed and built.

This long-standing complementary relationship between RUS and the USF initiatives must continue by ensuring that each program continues to focus upon its core mission, and that they help to provide complementary, rather than competitive, support for rural broadband efforts. Congress acknowledged the important role that RUS can play when it appropriated \$600 million recently for a new rural broadband loan and grant pilot program in the FY18 Omnibus bill. Congress also rightly recognized the importance of targeting funds and coordinating broadband initiatives in this bill by requiring that 90% of locations in project areas be without 10/1 Mbps and barred awardees from duplicating existing networks financed by RUS.

Congress should include similar provisions in any future legislative initiatives. Indeed, if new resources are provided (as they should be) to spur broadband deployment, there should be an explicit prohibition against one entity obtaining financing or funding from any such new federal program to overbuild or duplicate *another entity's* network that has itself been built and operated leveraging *other* federal programs. We must ensure that the nation's broadband efforts work in concert rather than conflict, and that they continue to complement one another so that resources go as far as possible in addressing rural broadband challenges.

## ***2. Collect Better Data on Service Availability***

More accurate data on service availability is essential to ensure that government efforts to support broadband target resources as efficiently as possible. We need to ensure both that any such support goes to where it is needed *and* ensure that support is not eliminated based upon a false impression of where providers claim to serve.

Since the National Broadband Map has not been updated for years, the FCC's Form 477 data represents the best current source for information on broadband coverage. But even the Form 477 data suffers from imprecision and an inherent lack of granularity. Although the Form 477 is certified by the provider, there is no means of validating the data submitted. Moreover, the Form 477 data is submitted by census block – this unit of measure means that in a rural area, just one consumer with service can result in unserved consumers miles away looking "served." To help address this issue in the Universal Service Fund context, the FCC has engaged in periodic data collections and "challenge processes" to try to develop a record of better evidence to validate where service truly does and does not exist notwithstanding the claims of Forms 477 received. But even these efforts have been incomplete, and some have questioned whether some of the processes work well enough to achieve the desired result.

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Better mapping and more robust challenge processes are ultimately going to be essential to drive broadband policy. The FCC’s High-Cost USF program has attempted to get better data by requiring recipients of support to geocode individual locations where new broadband is installed (and, in some cases, for prior deployments too, which is a rather burdensome task). The geocoding of *new* installations and upgrades going forward on a wider scale could help bring us closer to identifying where broadband exists with much greater precision, which would allow better identification of where resources are needed to fill gaps.

The FY18 Omnibus bill included \$7.5 million for NTIA to “update the national broadband availability map in coordination with” the FCC, even as the FCC recently updated the map with Form 477 data from 2016. More guidance from Congress will probably be necessary for an accurate map that can be readily updated. Regardless of the means that might ultimately be chosen to obtain more accurate and granular data, it will be important to: (1) avoid unreasonable burdens in the data-gathering process; and (2) reconcile and coordinate data-gathering and mapping efforts so that we do not end up with duplicative, burdensome reports at different agencies or, even worse, inconsistent data among agencies.

### ***3. Streamline Permitting***

Where the business case for deploying rural broadband can be made, removing barriers to deployment through streamlining of governmental permitting procedures can then promote quicker rural broadband deployment at relatively lower cost. We are pleased that so many in Congress, at the FCC, and elsewhere in the Administration are considering these questions and taking a fresh look at how to remove unnecessary or inefficient barriers to deployment. For example, standardization of application forms and fees to the extent possible across various federal agencies could offer great help for small businesses trying to navigate approval processes, and the steps taken in this direction by including RAY BAUM’S Act in the recent Omnibus bill are welcome. Reliance upon prior environmental and historical preservation approvals in areas where a network has already been built would also aid in upgrading services for consumers while continuing to achieve appropriate levels of protection.

Finally, ensuring that application processes consider the need not only for wireless facility installations, but also fixed network (*e.g.*, fiber) deployments, is essential too. Any changes and coordination with respect to permitting should be made on a “technology neutral” basis. Although much of the discussion with respect to streamlining of permitting processes appears to focus on the promise of 5G wireless services and small cell deployment, the ultimate success of these services – especially over vast rural areas – will depend upon massive fiber investment to connect all those small cells. The fact is that “wireless needs wires,” and thus any efforts to streamline permitting must factor in both wired and wireless networks if these efforts will pay off.

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## **CONCLUSION**

Robust broadband infrastructure is crucial to the current and future success of rural America. Small, rural telecom providers like Farmers and Federated are deploying faster broadband throughout their service areas, but no carrier – regardless of size – can deliver high-speed, high-capacity broadband in rural America without the business case to justify and then recover the initial and ongoing costs of sustaining such infrastructure investment in high-cost areas.

A national infrastructure initiative offers a unique opportunity to help promote these broadband investments, and mechanisms that ensure efficiency and accountability in the expenditure of resources toward this mission are already in place. Our industry is excited to participate in this conversation regarding broadband infrastructure initiatives, and we look forward to working with policymakers and other stakeholders on a comprehensive infrastructure strategy to ensure that all Americans will experience the numerous agricultural, economic, health, and public safety benefits of broadband.

Thank you for the opportunity to testify, and for the Committee’s commitment to creating an environment conducive to broadband infrastructure investment in rural America.



Statement of Mr. Bob Dagostino  
President and Owner of  
Dagostino Electronic Services

on behalf of the  
National Electrical Contractors Association  
to the Committee on Small Business

U.S. House of Representatives

for a hearing on:

“American Infrastructure and the Small Business  
Perspective”

March 21, 2018

NECA is the voice of the \$160 billion electrical construction industry that brings power, light, and communication technology to buildings and communities across the U.S. NECA's national office, its 4,000 members, and 119 local chapters advance the industry through advocacy, education, research and standards development.

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**Statement of Mr. Bob Dagostino**  
**President and CEO of Dagostino Electric Services**  
**On behalf of the National Electrical Contractors Association (NECA)**  
**Committee on Small Business**  
**March 21, 2018**

Thank you, Chairman Chabot, Ranking Member Velazquez, and members of the committee for inviting me to testify today at this very important hearing. On behalf of the National Electrical Contractors Association (NECA), we greatly appreciate the opportunity to submit a statement for the record to the House Small Business Committee on "American Infrastructure and the Small Business Perspective." The committee is to be commended for holding this important hearing to better understand how small businesses view the increased conversation around rebuilding America's infrastructure.

My name is Bob Dagostino and I am the owner and president of Dagostino Electric Services, Inc. (DES). Since founding DES in 1973 in Pittsburgh, Pennsylvania we have grown to more than 100 employees some of which are members of our signatory union partner, the International Brotherhood of Electrical Workers (IBEW). My more than 45 years of service in the electrical industry have given me experiences in a vast array of systems, infrastructure, and federal procurement.

We at DES are proud members of the National Electrical Contractors Association (NECA), where I have had the honor to serve as a board member for the Western Pennsylvania chapter since 2015. NECA is the nationally recognized voice of the \$160 billion electrical construction industry, that brings power, light, and communication technology to buildings and communities across the United States. NECA's nearly 4,000 member contractors continue to build on a legacy of protecting the public and making innovation possible.

**Small Business and America's Infrastructure**

**Our Work and What We Do:**

Our work at DES is as varied as the people who participate in our company. Over the years our family owned business completed projects on everything from installing systems for the National Air and Space Administration to providing electronic solutions for the six-time Super Bowl Champion Pittsburgh Steelers. Our well-trained employees pride themselves on the fact that they are skilled enough to handle anything and everything with a wire running to it. NECA's contractors and their employees hold the same degree of variability in their work, especially as it relates to infrastructure. With 85 percent of NECA's members being small businesses our companies must remain agile and in doing so we touch so much more than just the streetlights that line our way home. We are truly the men and women who work our infrastructure all while empowering lives and communities across our nation.

**Infrastructure - Surface Transportation and Broadband:**

NECA contractors play a crucial role in the building and maintenance of our transportation system. Our members power our nation's buildings, hospitals, and schools; light our highways and streets; connect transit and rail switches; install complex electrical systems at airports; operate and maintain the plants that keep our water clean, and much more. Unfortunately, a systemic failure to adequately invest in our infrastructure is taking its toll on the system. We must reverse course and properly fund investments in our transportation infrastructure.

We must address the coming insolvency of the Highway Trust fund in 2020. The series of short-term surface transportation extensions and insufficient funding has made it impossible to address the current and future needs of our transportation system. Years of uncertainty have taken its toll and the funding crisis facing the Highway Trust Fund, which is no longer generating sufficient revenue to maintain the needs of the system, compounding the problem. Congress must enact a long-term sustainable revenue source for the Highway Trust Fund that makes the fund whole, and significantly increases our investment in transportation infrastructure. This issue truly affects every sector of our economy and is the construction industry's number one priority.

A growing populace, traffic jams, and high gas prices have lead many commuters to increasingly rely and utilize mass transit. The nation's public transportation systems are owned and operated by state and local governments or governmental agencies, in partnership with the federal government. Currently, there are over 7,700 transit providers operating in the U.S. NECA contractors nationwide provide design support, construction engineering, project management, installation, testing, startup and maintenance for transit systems in heavy rail, light rail, and automated people mover systems. Railroads are experiencing a competitive resurgence as both an energy-efficient freight transportation option and a viable city-to-city passenger service. Since 1980 over \$500 billion in private funding has been invested in our railroad lines without any federal assistance. The U.S. rail network is made up of more than 160,000 miles of track, 76,000 rail bridges, and 800 tunnels across the nation that are shared by all operators moving freight and passengers. NECA contractors perform a variety of work for rail carriers nationwide, including: installing fiber optic communication systems, trolley poles & contact systems, overhead catenaries, rail switches, and switch yard and rail diamond reconstruction.

In addition to these infrastructure types, NECA has long supported the expansion of broadband infrastructure especially in rural areas. While private sector investment in wireline and wireless broadband networks has been laudable, regulatory and permitting restrictions have inhibited further deployment. Nearly 40 percent of Americans living in rural areas lack sufficient access as a result, underserved areas that offer very limited educational and employment opportunities in their communities. Government at every level should promote incentives for additional private investment in digital infrastructure. Broadband technologies enable technological innovation and as we find ourselves in modern information age, broadband technology is key part of infrastructure investment.

**Preparing Small Businesses for Infrastructure Work: Concerns and Contracts**

While each and every member of NECA and our staff at DES welcome the opportunity to participate in more infrastructure work, the members of this committee must be made aware of the current challenges and concerns we as industry members face. While the challenges of under-funding, lack of prompt payment, and workforce shortages are daunting, we at NECA feel the solutions to each of these problems are within this committee's grasp.

**Lack of Direct Federal Funding:**

Finding a NECA contractor that is not excited in one form or another with the proposed increase in infrastructure construction would be a challenging task. As businessmen our members welcome the opportunity to rebuild this nation but as citizens we realize that the "D+" rating which the American Council of Engineering Companies (ACEC) gave our nation's infrastructure is justified. As a contractor who has completed work all over this country, I have seen it firsthand.

After decades of underfunding and systematically degrading the structures that have enabled our nations commerce to prosper, we are beginning to see positive signs of reversal. While the recent proposal from the White House is encouraging, NECA continues to have concerns over the lack of direct federal funding for an infrastructure initiative of this magnitude. We must provide more robust funding to address the state of the repair backlog across the transportation network and upgrade the system to expand capacity. This is critical to ensuring the safety and efficiency of the network and will help the flow of goods and people around the country.

An increase in this direct federal spending has clear benefits. Most economic studies show that every \$1 billion in infrastructure investment creates 28,500 direct and indirect jobs, providing our economy and the American taxpayers with a high return on investment. As a contractor that has worked on numerous port authority and water way projects, it is worthwhile to add that investments in this area, particularly in flood reduction can result in an eight-to-one return on federal investment.

The solution to the lack of direct federal spending is clear. Congress should appropriate additional funds for all sectors of infrastructure work. Whether it is through efforts like the passing of a six-year FAA reauthorization or by fully funding the Fixing America's Surface Transportation (FAST) Act of 2015, Congress, and the members of this committee are in a unique position to rebuild our nation.

**Limited Guidance on Davis Bacon:**

As the conversation regarding infrastructure comes into perspective, there continues to be a distinct lack of direction regarding prevailing wage rates. The Davis-Bacon Act was enacted to establish local wage rates for construction projects receiving federal funding. The Act requires public works contractors to pay trades people no less than the wages that prevail on similar projects within the same region.

Comparable prevailing wage rate legislation has also been adopted by most states for bidding on state and local government projects. Their intent is to reasonably limit the possibility of actors outside of the region from drastically undercutting wages.

There is no denying the competitive nature of the construction industry. With limited opportunities to trim costs on project design or materials, many in the industry are inclined to underbid competitors by cutting wages. Prevailing wage laws ensure workers are fairly compensated for the work they perform.

This act allows the federal government to protect its investment in the infrastructure of our country in a twofold manner. (1) While the Act does not set specific wage rates, it allows the workers of this country to anticipate a rate of pay from which they can provide for their families and prosper. To invest in our nation's infrastructure and portray it as a boon for our economy and workers, and to then short-change the very workers it was lauded to benefit would be a travesty. (2) Secondly, as with any service industry role a well-compensated and well-trained worker consistently out-performs its antithesis. Low-wage, low-skilled workers who have not been trained as well as higher-paid workers, often take longer to complete work, are more vulnerable to job-site accidents, and often need additional government assistance because they cannot adequately provide for their families. Conversely, higher wage earners receive a superior level of training, offer greater productivity, a better end product, and ultimately contribute more to the economy.

As this committee searches to understand the relationship between infrastructure development and small businesses, they should keep in mind that work done well, the first time, by higher skilled tradesmen is the best investment they could make. Congress should ensure the application of Davis Bacon for all federally procured infrastructure projects. In doing so, Congress should deny any efforts to modify, suspend or repeal the Davis-Bacon Act or remove existing prevailing wage law provisions from construction contracts that utilize federal funds or assistance, including financing proposals providing federal assistance to local projects.

**Limited Guidance on Project Labor Agreements:**

Infrastructure projects, particularly large ones are complex: they tend to require numerous trades, hold varying interests, and wrestle with conflicting scopes of work. Our industry has understood these complexities for decades and have use Project Labor Agreements (PLA) as a method for creating project stability, efficiency and productivity. The collectively bargained agreements are designed to facilitate these complicated construction projects. As this committee continues to investigate the role of small businesses in infrastructure and the expansion thereof, PLAs should be viewed as a beneficial method for mitigating the risks and inconvenience to the public that often accompanies public work projects. They also act as a tool towards ensuring that projects are completed on time, and under budget.

PLAs are not just a 'union tool' nor are they strictly used for large business, (although many Fortune 500 companies regularly utilize them) they are an instrument for small businesses to ensure their companies prosper. They do so by standardizing

work schedules, apprentice-journey level ratios, hours, payment arrangements, and other terms and conditions, providing greater cost efficiencies and stability.

In addition to these benefits, project labor agreements guarantee an available supply of knowledgeable, well-trained workers. This helps ensure that projects are completed on-time and correctly, ultimately saving taxpayer dollars. PLAs often include additional provisions such as: no-strike clauses, provisions for grievances and arbitration of disputes, trade jurisdictional issues, and constructive vehicles such as safety and labor management committees. Other features include, the regular scheduling of second shifts with caps on premium rates, common starting times, lunches for all trades, and hiring preferences for workers based on residency.

The continued use of PLAs on infrastructure work across the country will ensure that the money appropriated by Congress is best utilized towards well-maintained, promptly-completed, and safety-oriented projects. NECA supports the use of PLAs on Federal and Federally-assisted construction and urges Congress to reject all bills or amendments to budget, appropriations, and authorization bills that would limit the ability of a Federal agency to utilize a PLA.

#### **Bundling of Contracts:**

Since the 1997 Small Business Act, Congress has implemented and subsequently reformed the process known as 'bundling.' This term is used to describe the Federal governments practice of consolidating smaller contracts into larger ones. While the initial law has been amended numerous times over the decades, it continues to allude its original well-intended purpose of decreasing cost and simplifying the bidding process. Instead, bundled contracts often grow to a point where small business are monetarily incapable of bidding on them.

The original language in the Small Business Act sought to decrease federal costs associated with administrating projects in addition to encouraging greater competition on larger bids. Instead, they have continued to result in a method that excludes small business from participating. The problems associated with bundling stem not only from the financial burden placed on small business to fund such projects but on receiving bonding for such work (without adequate bonding a contractor will not be awarded the work). To make matters worse, if a small contractor is capable of receiving bonding and risks the completing of this job on his company's existence, they run the risk of going out of business because of a program that was originally intended to benefit them.

The solution for this issue is simple, unbundle contracts to the maximum extent practicable. It is a program that has received patchwork fixes for multiple decades only to have its original failings persist. The design and/or project team should break projects into smaller pieces with separate project IDs in order to create stand-alone projects; for larger projects, create mandatory subcontract requirements.

**Historic Failure to Follow Prompt Payment Law:**

Nearly 3,400 NECA contractors enter the marketplace every day as small business. These hardworking enterprises prosper by continuing to manage the day-to-day risks that come in an industry where the job is always to work yourself out of a job. Meaning that, with construction projects being completed on a timeline, our contractors and their workers continuously work to finish the job they were awarded, thereby ending the task they receive their pay for. A key component in managing such risk comes through analyzing when one will be paid for their work.

Too often in the construction industry our contractors, working as both the prime contractor and the subcontractor, do not receive pay for months. Even with the deadlines imposed by prompt payment laws, small business contractors continue to tell horror stories of not receiving payment for years on end. Small business knowingly assume risk by agreeing to complete work, but they do so under the assumption that they will be paid within a reasonable timeframe. In fact, a recent study by ELECTRI International entitled, "*Addressing Inequitable Payment Practices*," confirmed that payment cycles are indeed slowing down. While all industry participants feel this effect, the study identified that subcontractors, who ironically provide the bulk of the short-term capital, are the actors least capable of altering the current pay practices.

These types of payment practices are the result of regulations and laws without teeth. The same ELECTRI study claimed there was "little evidence that any contract terms incentivized owners and general contractors to pay subcontractors promptly." It is because of this lacking structure that recent trends have indicated that payment practices in the industry are negatively affecting business growth, construction prices, and in some cases have resulted in bankruptcy. The lack of an adequately structured payment process has had a clear ripple effect. Because subcontractors are not able to anticipate payment, they have begun to bid less work, forcing general contractors to bid at a higher price thereby deterring contracting officers. This unintended chain-reaction has begun to undermine our industry as a whole.

To begin the process of rectifying these type of issues, we at NECA encourage members of the committee to continue their support for the Rep. Fitzpatrick, Knight, and Murphy bill, H.R. 2594, the *Small Business Payment for Performance Act* which requires the project owner (in this case the federal government) to submit interim partial payment of at least 50 percent for any require change order work requested. Legislation such as this is needed to address the improper pay practices of the construction industry; practices which will undoubtedly hamper the economic benefits of any future infrastructure plan.

**Workforce Shortage:**

With markets growing at a strong rate and our economy returning to its pre-2008 levels, the construction industry has seen a clear increase in work. In fact, in many cities across the country work has become so plentiful that our contractors are challenged to finding enough skilled workers to complete the job. The reasons for this shortage are numerous and have been described by thousands of stake holders; who make it clear

that regardless of the issue's origin, if our nation is to adequately address its infrastructure needs the shortage must be addressed.

In response to this shortage, NECA has turned to a 70-year-old partnership that has produced unequivocally the best electricians in our nation's history. Decades ago NECA and the International Brotherhood of Electrical Workers (IBEW) embarked on a joint venture to develop the National Joint Apprenticeship Training Program (NJATC). The newly rechristened "*Electrical Training Alliance*" invests \$100 million in private funds annually in what we believe is the largest and most successful apprenticeship and training program in the nation. Today, there are more than 300 jointly administered local programs that are trust financed.

This program is an organized and time-tested method for taking people with little or no prior knowledge of a craft or trade and turning them into capable, qualified crafts persons. Our program is full-time, paid (with benefits), and includes both on-the-job and classroom learning. Ultimately, the goal is to provide the electrical construction industry with the highest level of training and skilled workforce possible. To accomplish this goal, apprentices receive a required 8,000 hours of on-the-job training and 900 hours of classroom time. Throughout this multiyear education, all electrical apprentices receive incremental raises as they reach certain milestones. They are not a burden to the taxpayers because the training is fully funded by the industry without any taxpayer assistance. Each year, participants in the program contribute in excess of \$600 million dollars in federal, state, and local taxes. Lastly, they also receive retirement plans and medical coverage for themselves and their families that are also provided at no cost to the American taxpayer.

NECA believe that through (1) further encouraging our young people to recognize the opportunities that a job in the trades presents, (2) financially incentivizing young people who chose this route (proposed by Senator Scott under S. 574) and (3) removing any financial or institutional roadblocks for potential entry (see the Rep. Meehan/Norcross bill on 529 reform, H.R. 3395), we can responsibly address the skilled labor shortage. If we neglect to address this issue, we risk hamstringing the growth that has begun to elevate our nation from one of its deepest declines since the great depression.

With that said, addressing our nation's current and future employment needs is critically important to our industry and we believe the existing apprenticeship infrastructure provided by construction trades is a sure-fire bet for success, particularly for small businesses. More important, the program is 100 percent industry designed and funded and is a wheel that does not need to be reinvented.

**Conclusion:**

As a small business contractor, I am extremely encouraged by this committee's efforts to understand the role of infrastructure projects and the way in which they relate to my business. Although particular issues may vary state-to-state, the overarching themes of funding, contract reform, and workforce shortages can be found nationwide. These issues do not only affect my business in Western Pennsylvania, or

solely the electrical industry; these are issues that affect each-and-every small business contractor and others bidding on government contracts nationwide.

Thank you for the opportunity to testify at this very important hearing. NECA applauds the committee's unwavering efforts to examine the world through the perspectives of small businesses. We are optimistic that this committee remains capable to address the many challenges described above. We continue to offer our support in helping advance the committee's agenda and look forward to working with you all as you move forward in enacting smart and sound policy for the entirety of the construction industry.