

## **TRANSPORTATION, HOUSING AND URBAN DEVELOPMENT, AND RELATED AGENCIES APPROPRIATIONS FOR FISCAL YEAR 2018**

**WEDNESDAY, MARCH 8, 2017**

U.S. SENATE,  
SUBCOMMITTEE OF THE COMMITTEE ON APPROPRIATIONS,  
*Washington, DC.*

The subcommittee met at 10:02 a.m., in Room SD-192, Dirksen Senate Office Building, Hon. Susan Collins (chairman) presiding.

Present: Senators Collins, Boozman, Daines, Hoeven, Reed, Leahy, and Coons.

### **DEPARTMENT OF TRANSPORTATION**

**STATEMENT OF HON. DAVID BERNHARDT, COMMISSIONER, MAINE DEPARTMENT OF TRANSPORTATION, PRESIDENT, AMERICAN ASSOCIATION OF STATE HIGHWAY AND TRANSPORTATION OFFICIALS**

#### **OPENING STATEMENT OF SENATOR SUSAN COLLINS**

Senator COLLINS. The hearing will come to order. Today, our subcommittee is holding this hearing on the state of our Nation's transportation infrastructure and potential funding and financing options to help meet the long-term transportation needs of our Nation.

I am very pleased to be joined by Senator Jack Reed, who returns to the subcommittee as our ranking member. We have worked very, very closely together, and I am just delighted that he did not abandon me and go to some other subcommittee. I also want to also welcome our other subcommittee members who have joined us today, as well as our panel of witnesses.

We are joined by witnesses Dave Bernhardt, who is the Commissioner of Maine's Department of Transportation, and he also serves as President of the American Association of State Highway and Transportation Officials, or AASHTO, as I am told it is called. Jim Tymon, the Chief Operating Officer of AASHTO is also with us.

Todd Hauptli, the President and CEO of the American Association of Airport Executives, will be providing an important perspective, as well as Ed Mortimer, the Executive Director of Transportation Infrastructure at the U.S. Chamber of Commerce, and we are delighted that Beth Osborne, the Director of Technical Assistance for Transportation for America, or (T4A), is also with us.

The impetus for today's hearing, not surprisingly, is President Trump's intention to invest \$1 trillion in our Nation's infrastruc-

ture over the next 10 years. I doubt that there is a person in this room who would dispute that our transportation system is in disrepair and requires additional investments.

The American Society of Civil Engineers (ASCE) has rated our roads, transit, and aviation systems as a “D,” and our bridges as a “C+.” ASCE will be releasing its updated grades tomorrow.

According to Airports Council International, our airports have nearly \$100 billion in infrastructure needs over the next 5 years to accommodate growth in passenger and cargo activities.

For our Nation’s highways and bridges, the Department of Transportation’s Conditions and Performance report also identifies a backlog of unmet needs that approaches \$840 billion.

We have made marginal improvements in reducing the percentage of bridges that are either structurally deficient and functionally obsolete, but the percentage of highways rated as “poor” quality has increased, particularly in rural areas.

The DOT report projects that current funding levels are only sufficient to maintain our existing infrastructure. In order to address the \$836 billion backlog and meet the future needs over the next two decades, all levels of government combined would be required to increase spending by 36 percent.

Deficient roads have a real cost. They are costing motorists in my home State of Maine \$1 billion annually in vehicle damage, congestion delays, and traffic crashes. In Portland, those costs can exceed \$1,000 per motorist. You only have to drive on Maine roads during the spring and hit all those potholes to know what I am talking about, despite the great efforts of Maine’s DOT, I hasten to say.

So, it should be no surprise that according to a recent poll, 87 percent of American voters support increasing Federal spending on roads, mass transit, and other infrastructure.

The question is how do we pay for this much needed investment. The average American now pays less than \$160 per year in Federal gasoline and diesel taxes, virtually unchanged since the last gas tax hike in 1993.

In the interim, many states have raised their gas taxes, which makes it more difficult for the Federal tax to be increased, given the combined impact on consumers, particularly those in large rural states like mine, who have no choice but to drive long distances to get to work or to doctor appointments.

As a result of the inadequate gas tax revenues to support the Highway Trust Fund, Congress has been required to transfer \$143 billion in General Fund revenues since 2008, and will likely once again be required to plug the hole in fiscal year 2020 if we do not find a long-term solution now. Of course, with any fiscal problem, the longer you delay addressing it, the more difficult it becomes.

The challenge that this Administration and Congress faces, as previous ones have faced, is finding a way to pay for much-needed infrastructure spending without increasing taxes on those who are least able to afford them or using budget gimmicks that simply lead to more deficit spending and add to our Nation’s ever-growing debt.

It is important that we explore all potential sources of revenues that would allow us to invest in our infrastructure. Many states

are testing a vehicle miles traveled or VMT, user-fee model, while others have switched to a sales tax.

The FAST Act provided funding for states to pilot alternative funding mechanisms to allow certain states to test these concepts in the real world.

Regarding our Nation's airport infrastructure, it is critical to recognize that airports play a pivotal role in moving people and goods, and are a great economic driver for our communities.

In Maine alone, airports directly or indirectly generate \$2.9 billion in economic activity, while employing more than 26,000 people in jobs related to aviation. These astounding numbers show just how important a role airports play.

Improving our Nation's highway and airport infrastructure will also require us to look to new ways to finance projects such as public/private partnerships, tolling, expansion of the TIFIA loan program, and private activity bonds that are typically more useful in large urban areas.

However, the Department of Transportation at the Federal level has been slow to fully utilize these programs, and I hope that our witnesses will offer us ideas on how to cut red tape in order to move the available private financing, loans, and tax credits out the door faster.

For rural areas similar to Maine, what has worked well are competitive grant programs, such as the Transportation Investment Generating Economic Recovery (TIGER) Program, which allows DOT to prioritize funding to projects that are essential to our transportation network but may otherwise not be funded.

The Airport Improvement Program, or AIP, also provides the means to fund critical investments in our Nation's airport infrastructure through the collection of Passenger Facility Charges or PFCs.

Now, previous Administrations had proposed increasing the cap on the Passenger Facility Charges, but it has been accompanied by lowering the overall AIP funding substantially, and that has generated opposition in Congress.

Working with the new Administration, we in Congress have a great deal of work to do in developing an infrastructure project to promote economic development, improve the transport of people and products, and create jobs, and our biggest task is going to be figuring out how to pay for it.

[The statement follows:]

#### PREPARED STATEMENT OF SENATOR SUSAN M. COLLINS

Today, our subcommittee is holding this hearing on the state of our nation's transportation infrastructure and potential funding and financing options to help meet the long-term needs of our nation. I am very pleased to be joined by Senator Jack Reed, who returns as the Subcommittee's Ranking Member. I want to welcome our panel of witnesses. We are joined today by:

- Dave Bernhardt, the Commissioner of Maine's Department of Transportation, who is also currently serving as the President of the American Association of State Highway and Transportation Officials, or AASHTO;
- Jim Tymon, the Chief Operating Officer of AASHTO;
- Todd Hauptli, the President and C.E.O. of the America Association of Airport Executives;
- Ed Mortimer, Executive Director of Transportation Infrastructure at the U.S. Chamber of Commerce; and

—Beth Osborne, Director of Technical Assistance for Transportation for America, or T.4.A.

The impetus for today's hearing is the Administration's intention to invest \$1 trillion in our nation's infrastructure over the next 10 years. I believe there is not a person in this room who would dispute that our transportation system is in disrepair and requires additional investments.

The American Society of Civil Engineers (A.S.C.E.) has rated our roads, transit, and aviation systems as a "D", and our bridges are rated "C+". A.S.C.E. will be releasing its updated grades tomorrow.

The Department of Transportation's "Conditions and Performance" report also identifies an \$836 billion backlog of unmet needs for our nation's highways and bridges. We have made marginal improvements in reducing the percentage of bridges that are structurally deficient and functionally obsolete, but the percentage of highways rated as "poor" quality has increased, particularly in rural areas that have lower travel volumes.

The report projects that current funding levels are only sufficient to maintain our existing infrastructure. In order to address the \$836 billion backlog and meet the future needs over the next two decades, all levels of government combined would be required to increase spending by 36 percent.

Deficient roads are costing motorists in my home state of Maine \$1 billion annually in vehicle damage, congestion delays, and traffic crashes. In Portland, these costs can exceed \$1,000 per motorist. So it should be no surprise that according to a recent Quinnipiac University poll, 87 percent of American voters support increasing Federal spending on roads, mass transit, and other infrastructure. The question is: how do we pay for this much-needed investment? The average American pays less than \$160 per year in Federal gasoline and diesel taxes, virtually unchanged since the last gas tax hike in 1993. In the interim, many states have raised their gas taxes, making it more difficult for the Federal tax to be increased given the combined impact on consumers. As a result of inadequate gas tax revenues to support the Highway Trust Fund, Congress has transferred \$143 billion in general fund revenues since 2008 and will likely once again be required to plug the hole in fiscal year 2020 if we do not find a long-term solution now.

The challenge that this Administration faces, as previous ones have faced, is finding a way to pay for the much-needed infrastructure spending without increasing taxes on those who are least able to pay them or using budget gimmicks that simply lead to more deficit spending and add to our nation's ever-growing debt.

I think it is important that we explore all potential sources of revenues that will allow us to invest in our nation's infrastructure. Many states are testing a vehicle-miles-traveled, or V.M.T., user-fee model, while others have switched to a sales tax. The FAST Act provided funding for states to pilot alternative funding mechanisms to allow certain states to test these concepts in the real world.

Regarding our nation's airport infrastructure, it is critical that we remember that airports play a pivotal role in moving people and goods, and are a great economic driver for communities. Upgrading and modernizing our nation's airports are crucial to any infrastructure spending proposal.

In Maine alone, airports directly or indirectly generate over \$2.9 billion in economic activity while employing over 26,000 people in jobs related to aviation. This astounding number shows just how important a role airports play in local communities.

Improving our nation's highway and airport infrastructure will also require us to look to new ways to finance projects, such as public-private partnerships, tolling, expansion of the TIFIA loan program, and private activity bonds that are typically more useful in large urban areas. However, the Department of Transportation has been slow to fully utilize these programs, and I hope our witnesses will offer ideas on how to cut the red tape in order to move the available private financing, loans, and tax credits out the door faster.

For rural areas similar to Maine, what has worked well are competitive grant programs, such as TIGER, which allows D.O.T. to prioritize funding to projects that are essential to our transportation network but may otherwise not be funded. The Airport Improvement Program, or A.I.P., also provides a means to fund critical investments in our nation's airport infrastructure through collection of Passenger Facility Charges, or P.F.C.s.

Previous administrations have proposed increasing the P.F.C. cap from \$4.50, but this was also coupled with lowering the overall A.I.P. funding substantially, which generated opposition in Congress. Some have questioned the timing, need, and magnitude of such increases. I look forward to discussing whether a modified proposal to the P.F.C. increase could

provide additional funding for all airports, even those in rural communities. Working with the new Administration, we in Congress have a great deal of work to do in developing an infrastructure package to promote economic development, improve the transport of people and products, and create jobs.

Let me now turn to Senator Reed for his opening remarks.

Senator COLLINS. Let me now turn to Senator Reed for his opening statement. Senator Reed, welcome.

#### STATEMENT OF SENATOR JACK REED

Senator REED. Thank you very much, Chairman Collins. I want to commend you for your leadership, and your great patience and tolerance of me, which is a Herculean task sometimes. I look forward to the work of the committee, and I thank you again for your leadership.

We, on the committee are charged with trying to provide the resources for critical aspects of American life—the safe and efficient transportation and access to safe and quality housing. These are responsibilities that we take very seriously, and we are fortunate to have this Chairman in the lead.

While we are still considering the funding package for 2017 and anticipating the budget request for 2018, it is a very opportune time to discuss, with your expertise the issues that we will face as we go forward.

What is very clear is that the current levels of Federal, state, and local funding are insufficient to bring our transportation network into a state of good repair. Like many Americans, I am eager to hear the details of President Trump's plan to invest \$1 trillion in our Nation's infrastructure. It is one area where I think that we can find broad bipartisan agreement. Leader Schumer has already laid out a blueprint for how we can work together to deploy resources among a wide assortment of infrastructure needs.

Certainly, we have mechanisms in place through the Highway Trust Fund, the Airport Improvement Program, the TIGER Grant Program, New Starts, and other programs to make smart and bold investments in transportation projects across the country, not to mention addressing needs in other areas, including affordable housing, water infrastructure, and school facilities.

What I hope we do not see from this Administration is a plan built around massive tax incentives for private investors. This approach will not fix our crumbling roads, replace lead water pipes, or build new schools without placing a huge financial burden on average Americans. Those types of deals just do not pencil out in rural communities, and as a result, I am afraid those communities might be left behind.

I also hope that the Trump administration does not attempt to solve our infrastructure problems on the cheap. When we crafted the last surface transportation authorization bill, our counterparts in the House restricted investments in our transportation infrastructure, barely providing more than an inflation adjustment. If we are going to make real progress, we must do more, much more.

That is why I am also deeply concerned about the budget plan that was recently outlined by OMB Director Mulvaney. If we adhere to the steep budget cuts that the Administration is contemplating for non-defense discretionary funding, it will be impossible

to sustain even today's funding levels for critical infrastructure programs: such as TIGER, rail safety, Amtrak, and transit Capital Investment Grants.

The fact is that we cannot take \$54 billion in cuts to non-defense programs without doing significant harm to the sustainability and safety of our transportation network. Even if the Administration completely eliminated its favorite target, the EPA, another \$46 billion in cuts to the budget would still need to be made.

As we consider where funding is needed, here is what is at stake, according to the Department of Transportation's most recent Conditions and Performance Report. We are facing an \$800 billion maintenance backlog on the Federal-aid highway system and a \$123 billion maintenance backlog for structurally deficient bridges.

Traffic congestion is now wasting 6.7 billion hours and 3 billion gallons of fuel nationwide. This cost our economy \$154.2 billion last year, and that is a new record unfortunately. There is a \$90 billion state of good repair backlog on transit systems, a \$28 billion state of good repair backlog for Amtrak's Northeast Corridor, and a \$3.35 billion shortfall in airport improvement funding.

DOT's report confirms what we already knew. This moment calls for new ideas and additional funding in order to meet our current and future needs. This moment, again, beckons us to build our economy for the future and to create good paying jobs today.

As the President said, it is a chance to buy American and hire Americans. Finally, on that note, we should make sure that the infrastructure investments that we make also benefit the American workers who build our roads, bridges, railways, and airports.

We know that the wages of average Americans have stagnated, and we know that we should reject any attempts to scale back the Davis-Bacon Act as well as barriers to entry into project labor agreements. Such efforts only denigrate and cheapen the hard work that everyone from masons to welders to painters to operators do every day.

I look forward to the testimony of our witnesses today. Your ideas and experience will help to inform our funding decisions to make our transportation system smarter, safer, and more efficient going forward. Once again, thank you very much, Chairman Collins.

Senator COLLINS. Thank you, Senator Reed. I introduced the witnesses in my opening statement, so we will proceed directly to their testimony, starting with Commissioner Bernhardt.

#### SUMMARY STATEMENT OF HON. DAVID BERNHARDT

Mr. BERNHARDT. Chairman Collins, Ranking Member Reed, and members of the subcommittee, thank you for the opportunity to provide input on investing in America by funding our Nation's transportation infrastructure needs.

My name is David Bernhardt, and I serve as the Commissioner of the Maine Department of Transportation, as President of (AASHTO), the American Association of State Highway and Transportation Officials.

Today, it is my honor to testify on behalf of the great State of Maine and AASHTO, and AASHTO represents the state departments of all 50 states, Washington, D.C., and Puerto Rico.

My testimony today will emphasize four main points. One, maintaining a strong Federal investment in surface transportation by stabilizing the Highway Trust Fund, ensuring timely action on annual appropriations to minimize program disruptions, developing and deploying multimodal transportation solutions with Federal funding support, and supporting the development of a major infrastructure package that benefits every part of our Nation.

Transportation matters more today than ever before, not only in Maine but to our country and across the world. Families and businesses depend on a strong transportation infrastructure to keep our Nation competitive, and the backbone of Federal investment in transportation has been the Highway Trust Fund.

It has provided predictable stable support for most of its life, since 1956, but this crucial capital funding instrument has been at risk since 2008 when it required the first of seven general fund transfers totaling \$140 billion.

Thanks to Congress' leadership, the passage of the FAST Act has given us a temporary reprieve from the deep cuts in Highway Trust Fund investments through 2020.

At Maine DOT, we produce a three-year work plan containing all the work we plan to do over that period of time. Having stability in Federal funding makes this work much more of a reality than a guessing game.

It also means that we can keep our word with our customers, from downtown reconstruction in Ogunquit, new road construction in Presque Isle, to major bridge construction projects in Kittery and Jonesport/Beales Island. Stable funding means Mainers can depend on us sticking to our schedule.

Looking at the near term, we urge your leadership and support in enacting a final fiscal year 2017 appropriations package for transportation that honors the FAST Act obligation levels.

For state DOTs, a series of continuing resolutions this year has provided two challenges. First, states can make good on their planned investments for the Federal fiscal year, only if obligation authority for the entire year becomes available on October 1.

Especially in cold northern states like mine, with a limited construction window, not having the full year obligation authority could mean project disruptions and delays.

Second, although the FAST Act provided for \$43.2 billion in highway obligation authority for fiscal year 2017, the continuing resolution has locked in the fiscal year 2016 amount of \$42.2 billion so far. This means state DOTs are unable to access the \$1 billion that could be put to important use throughout the country.

In addition, positive train control funding was authorized only in fiscal year 2017 at \$199 million from the Mass Transit Account. This critical safety funding would be lapsed if CR is extended for the rest of 2017.

State DOTs manage an increasing multimodal and interconnected transportation network, and your subcommittee's holistic approach to funding that covers all modes has been invaluable. Thanks to the strong support from you, Madam Chairman, and high quality applications and projects, Maine DOT is fortunate to have been successful at every round of TIGER, and in the first

round of FASTLANE. The result is critically needed infrastructure that would have been difficult to build any other way.

For example, the Sarah Mildred Long Bridge connecting Maine and New Hampshire, plus rail on the bridge to the Navy Shipyard.

We have used a mix of funding, including TIGER funds. TIGER funds also support rail and port infrastructure in Northern and Central Maine, and built a commercially important breakwater in Eastport, Maine.

With the help of Federal freight funds and your support, Madam Chairman, Maine is also upgrading large portions of its freight rail network, allowing for higher speeds and weights on existing track. These projects support natural resource based manufacturing and agriculture throughout rural Maine. Similar gains and benefits have been seen across the Nation.

Finally, I urge the Congress and the Administration in designing a major infrastructure package this year that any increase in Federal funds should flow through the existing FAST Act formula-based program structure rather than through untested new approaches that will consume more time and oversight.

The current federally assisted state implemented framework has a century plus track record of success, which speaks for itself. It is also important to note that any major infrastructure package must focus on direct funding rather than on Federal financing support.

Most projects we do cannot generate a sufficient revenue stream through tolls, fares, or availability payments to service debt or provide adequate return on investment to equity.

To close, state DOTs remain committed in assisting Congress to develop strategies to ensure long-term economic growth and enhanced quality of life through robust multimodal transportation investments.

Just last week, many of state DOT leaders from all corners of the country were only a couple of blocks away attending AASHTO's 2017 Washington briefing, over three days of productive discussions.

Many of my colleagues and I were on Capitol Hill meeting with our respective congressional delegations. As we did then and as we do again now, AASHTO and the state DOTs will continue advocating for the reaffirmation of a strong Federal/state partnership to address our surface transportation investment needs.

I want to thank you again for this opportunity to testify, and I am happy to answer any questions that you may have. Thank you.

[The statement follows:]

#### PREPARED STATEMENT OF HON. DAVID B. BERNHARDT

##### INTRODUCTION

Chairman Collins, Ranking Member Reed, and Members of the Subcommittee, thank you for the opportunity to provide input on the condition of our nation's transportation system and funding and financing options to sustain long-term growth. My name is David Bernhardt, and I serve as the Commissioner of the Maine Department of Transportation (Maine DOT) and as President of the American Association of State Highway and Transportation Officials (AASHTO). Today it is my honor to testify on behalf of the great State of Maine and AASHTO, which represents the State departments of transportation (State DOTs) of all 50 States, Washington, DC, and Puerto Rico.

I first joined Maine DOT as a registered professional engineer in 1984. Prior to my appointment as Commissioner in 2011, I held several positions at the agency over the years including Director of Engineering and Operations and Director of Maintenance and Operations, among other roles. During my tenure as AASHTO President in 2016–2017, my three emphasis areas for the Association are to work closely with the new Administration and you—the members of Congress—to develop strong transportation legislation, freight and freight connectivity, and implementing AASHTO’s comprehensive committee restructuring.

My testimony today will emphasize four main points:

- Maintaining a strong Federal investment in surface transportation by stabilizing the Highway Trust Fund;
- Ensuring timely action on annual appropriations to minimize program disruptions;
- Developing and deploying multimodal transportation solutions with Federal funding support, and;
- Supporting the development of a major infrastructure package that benefits every part of our nation.

#### MAINTAINING A STRONG FEDERAL INVESTMENT IN SURFACE TRANSPORTATION BY STABILIZING THE HIGHWAY TRUST FUND

Transportation matters more today than ever before, not only in Maine, but throughout our country and across the world. Families and businesses depend on a strong transportation infrastructure to keep our state competitive. Smart investment in the maintenance and upgrade of this infrastructure is critical to sustaining a vibrant Maine economy and connecting us to a global economy.

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

For most of its life since its inception in 1956, the Federal Highway Trust Fund (HTF) has provided stable, reliable, and substantial highway and transit funding. I would be remiss if I did not share the State departments of transportation’s utmost appreciation for your Committee’s leadership, along with your Senate and House colleagues on partner committees, in shepherding the Fixing America’s Surface Transportation (FAST) Act in December 2015 to ensure stability in the federally supported passenger rail, freight, safety, highway, and transit programs through 2020. While the 5 years authorized under the FAST Act has given us a temporary reprieve—thanks to over \$140 billion of General Fund transfers since 2008—from recurring deep cuts in obligations due to the \$15 billion annual gap between Highway Trust Fund receipts and outlays, the case for maintaining a strong Federal role and investment in transportation remains as important as ever.

We in the transportation industry do everything in our power to build our projects as fast as possible, but due to the nature of large capital programs, including an extensive regulatory process many of them take several years to complete. The lack of stable funding from the HTF makes it nearly impossible for State DOTs to plan for large projects that need a reliable flow of funding over multiple years. Major transportation projects around the country will be put to risk near the expiration of the FAST Act due to the unpredictability of Federal funding at that time. Such delays have serious economic consequences both in the short- and long-term. These projects employ thousands of companies and hundreds of thousands of workers every year. More importantly, these projects are what connect the traveling public to the many of facets of their lives. Once completed, they help stimulate economic growth in every community where they are built.

At MaineDOT, we produce a three-year work plan containing all the work we plan to do over that period. Having stability in Federal funding makes this work much more of a reality than a guessing game. It also means that we can keep our word with our customers. From downtown reconstruction in Ogunquit and new road construction in Presque Isle, to major bridge construction projects in Kittery and Jonesport/Beales Island, stable funding means Mainers can depend on us sticking to our schedule.

Nationwide, State DOTs rely on the Federal surface transportation program for nearly half of their capital investment on highway and bridge projects. This year the Federal highway program apportioned over \$44 billion to State DOTs for road and bridge projects across the country, in addition to over \$9 billion in Highway Trust Fund support for transit. It is important to note that Federal dollars are not

provided to States upfront; rather, this is a program based on reimbursement. States only receive funding from the Federal Highway Administration (FHWA) when work is completed on a project and the State submits a request for reimbursement. States typically receive reimbursements electronically from FHWA the same day payments to the contractor are made.

If Congress is unable to address the structural cash shortfall in the Highway Trust Fund by 2020 and allows the Highway Account of the HTF cash balance to fall below \$4 billion, FHWA will change how quickly they reimburse State DOTs for work already completed. Rather than reimbursing States as soon as the reimbursement request is submitted, FHWA may delay reimbursements or make partial reimbursement subject to available cash in the Trust Fund. States count on prompt payment from the Federal government to be able to manage cash flow and pay contractors for work they have already completed. Any delay in reimbursement from FHWA will jeopardize the ability of States to pay contractors in a timely manner. In turn, contractors rely on prompt payment from the State to be able to pay their employees and suppliers. Disruptions to this process have the potential to send unwelcome shockwaves throughout the transportation community and other industries indirectly supported by infrastructure investment. Of particular concern should be the countless number of small businesses that perform work on our nation's highways, as they often don't have the flexibility to wait for additional days or weeks for payment on the work they have already completed on a project.

As I mentioned, we do have a bit of a grace period right now in not having to face this funding cliff until 2020—thanks to the FAST Act. But without action before then to shore up the HTF, this extremely costly and disruptive scenario will be all but inevitable.

#### ENSURING TIMELY ACTION ON ANNUAL APPROPRIATIONS TO MINIMIZE PROGRAM DISRUPTIONS

The work of your Subcommittee is absolutely crucial to the dynamic I described above with the Highway Trust Fund. That is because HTF contract authority for the Federal surface transportation program can only maximize its value and effectiveness when paired with timely annual appropriations for the entire fiscal year that provide robust obligation limitation and the liquidating cash necessary to pay for Federal reimbursements to States. While we understand the difficulties in Congress when it comes to resolving budget and spending issues, we want to raise some of the impacts that can be felt by state DOTs and our local partners from the use of continuing resolutions (CR). And we stand ready to assist the Subcommittee as you work to complete the fiscal year 2017 appropriations process and begin work on fiscal year 2018.

An important funding feature of the FAST Act was to authorize a 5.6 percent increase in highway funding from fiscal year 2015 to fiscal year 2016, with subsequent annual adjustments between 2.1 and 2.4 percent. For the mass transit program, the FAST Act authorized a 10.2 percent increase between fiscal year 2015 and fiscal year 2016, with subsequent annual increases up to 3.3 percent. In addition to avoiding a series of short-term extensions of program authorization because the FAST Act is in place until 2020, AASHTO is especially grateful to Congress for being able to build in increases in annual authorized funding levels above inflation. And we very much appreciate your Subcommittee and the full Committee for honoring the FAST Act obligation limitation in fiscal year 2016.

There are two principal challenges for States if Congress is unable to pass a full-year appropriations measure that honors the FAST Act funding levels.

First, building on FAST Act apportionments of contract authority, States can make good on their planned investments for the Federal fiscal year—especially in cold, northern States like mine with a limited construction window—if obligation limitation for the entire year becomes available on October 1. Continuing resolutions that provide only a portion of obligation limitation mean that even if we are ready to proceed with our much-needed projects, we can only commit Federal dollars to a small portion of those projects. Missing the construction window due to a less than full year obligation limitation can mean that some projects are delayed.

Second, because continuing resolutions freeze obligation limitation levels at prior year levels, FHWA is unable to provide the full funding anticipated under the FAST Act. For fiscal year 2016, FHWA has been able to provide only \$42.2 billion of obligation limitation this fiscal year at an annualized rate as opposed to \$43.2 billion expected under the FAST Act. This translates to States around the nation receiving over \$1 billion less in Federal highway funding, with resulting reductions in funding at the State and local level. In addition, operating under a continuing resolution in fiscal year 2016 has prevented transit and passenger rail agencies from accessing

\$199 million authorized for positive train control (PTC) in the FAST Act for fiscal year 2017. Given that fiscal year 2017 is the only year for PTC funding from the Mass Transit Account, it is important that Congress enact an appropriations measure for the balance of fiscal year 2017.

AASHTO is ready to provide any and all assistance necessary to ensure the timely passage of annual appropriations bills on October 1 of each year, and respectfully request your Subcommittee and the full Committee to honor the obligation limitation contained in the FAST Act in the final fiscal year 2017 appropriations, and in future fiscal years as well.

#### DEVELOPING AND DEPLOYING MULTIMODAL TRANSPORTATION SOLUTIONS WITH FEDERAL FUNDING SUPPORT

AASHTO and its member departments of transportation proudly trace our lineage back to the early days of the State and Federal highway program at the beginning of the 20th century. Since then, State DOTs have underpinned economic activities enabled by passenger and freight movement as the primary stewards of our nation's highway infrastructure by designing, building, maintaining, and operating key highway assets ranging from 7 percent of public road miles in California to 89 percent in West Virginia. State DOTs also own and operate the Interstate Highway System which handles nearly 25 percent of total vehicle miles traveled annually and 40 percent of truck traffic even though it comprises only 1.2 percent of total public road miles.

We are also proud, however, of the fact that State DOTs manage an increasingly multimodal network by investing in public transportation at a larger share than the Federal government, and in non-motorized travel modes such as walking and biking. In addition, some State DOTs operate public transportation systems, short line railroads, airports, and harbors.

Similar to State DOTs, your Subcommittee has always brought a holistic approach to transportation funding by directing the Senate's resources to support all modes of transportation, especially through the highly successful TIGER discretionary grant program. Since 2009, the TIGER program has provided a combined \$5.1 billion to 421 projects in all 50 states, the District of Columbia, Puerto Rico, Guam, the Virgin Islands, and tribal communities. These Federal funds leverage money from private sector partners, states, local governments, metropolitan planning organizations and transit agencies. The 2016 TIGER round alone is leveraging nearly \$500 million in Federal investment to support \$1.74 billion in overall transportation investments.

Thanks to the strong support from you Madam Chairman and high quality applications and projects, MaineDOT is fortunate to have been successful at every round of TIGER and in the first round of FASTLANE. The result is critically needed infrastructure that would have been difficult to build any other way. For example, the Sarah Mildred Long bridge connecting Maine, New Hampshire and an important Navy shipyard is currently under constructions using a mix of funding including TIGER funds. TIGER funds also support rail and port infrastructure in Northern and Central Maine and built a commercially important breakwater in Eastport, Maine.

In addition, the National Highway Freight Program, a new formula-based funding category, and the Nationally Significant Freight and Highway Projects better known as FASTLANE Grants, in the FAST Act have enabled States around the country to provide more targeted freight funding support. These new programs focus investment in infrastructure and operational improvements that strengthen economic competitiveness, reduce congestion, reduce the cost of freight transportation, improve reliability, and increase productivity. They also improve the safety, security, efficiency, and resiliency of freight transportation in rural and urban areas, and enhance all aspects of the National Highway Freight Network.

I had mentioned earlier that one of my three emphasis areas during my AASHTO presidency are freight and freight network connectivity.

The International Marine Terminal, in Portland, Maine, is a great example of the FASTLANE Grant program. The Maine Port Authority and MaineDOT have undertaken major upgrades that will double the capacity of a terminal that is growing 20 percent year over year. The facility utilizes marine, rail, and truck modes to move product across the regional and internationally. The result—new markets for Maine and U.S. products, lower logistical costs for Maine businesses and fewer trucks in highly congested corridors in the Northeast.

With the help of Federal freight funds, and your support Madam Chairman, Maine is also upgrading large portions of its freight rail network allowing for higher

speeds and weights on existing track. These projects support natural resource based manufacturing and agriculture throughout rural Maine.

SUPPORTING THE DEVELOPMENT OF A MAJOR INFRASTRUCTURE PACKAGE THAT  
BENEFITS EVERY PART OF OUR NATION

For over one hundred years, we as a nation have enjoyed the fruits of the Federal government's highly successful partnership with State DOTs to build and maintain our Nation's surface transportation system. From the Federal-Aid Road Act of 1916 establishing the foundation of a federally-funded, State-administered highway program that has been well-suited to a growing and geographically diverse nation like ours, Federal investment in all modes of transportation have allowed States and their local partners to fund a wide range of projects that serve the interest of the nation as a whole. Thanks to the Federal surface transportation program's flexibility that defers project selection and investment decisionmaking to State and local governments based on extensive public input, diverse communities in rural, suburban, and urban areas of the country have all been able to help people get to and from work, and help goods get access to a larger market than ever before in a way that best meet their unique needs.

AASHTO and its member DOTs, like many of us in the transportation industry, recognize a special opportunity this year to enact a major infrastructure investment initiative given the high degree of interest from the Trump Administration and strong bipartisan support in Congress. As you and the President consider the design of this package for transportation infrastructure, based on the Federal surface transportation program's long track record of success, we recommend that any increase in Federal funds should flow through the existing FAST Act formula-based program structure rather than through untested new approaches that will require more time and oversight.

Any effort that does not rely on the existing Federal surface transportation program could undermine timely and successful delivery of the new infrastructure package. Putting the program framework that built the Interstate Highway System and the National Highway System—the backbone of our national network of roads and bridges that drive our national economy—into work again to deploy additional Federal resources represent the optimal approach to serve all corners of our country, improving mobility and quality of life in urban, suburban, and rural areas.

It is also important to note that any major infrastructure package must focus on direct funding, rather than on Federal financing support. This is because financing tools that leverage existing revenue streams—such as user fees and taxes—are typically not viable for most transportation projects in the United States. We in Maine and many of our state DOT peers certainly appreciate the ability to access capital markets to help speed up the delivery of much-needed transportation improvements. But we also fully recognize the inherent limitations of financing for the vast spectrum of publicly-valuable transportation projects that nevertheless cannot generate a sufficient revenue stream through tolls, fares, or availability payments to service debt or provide return on investment to equity holders.

The state DOTs continue to support a role for financing and procurement tools such as public-private partnerships given their ability to not only leverage scarce dollars, but to also better optimize project risks between public and private sector partners best suited to handle them. But we also maintain that financing instruments in the form of subsidized loans like TIFIA, tax-exempt municipal and private activity bonds, infrastructure banks, and tax code incentives are just simply not enough in and of themselves to meet most transportation infrastructure investment needs.

AASHTO and its member are well-prepared to work with Congress to take advantage of our strong, productive partnerships with Federal and local governments to deliver on a major infrastructure initiative.

CONCLUSION

State DOTs remain committed in assisting Congress to develop strategies to ensure long-term economic growth and enhanced quality of life through robust multimodal transportation investments. Just last week, hundreds of State DOT leaders from all corners of our country were only a couple of blocks away attending AASHTO's 2017 Washington Briefing. Over three days of productive discussions, many of my colleagues were on Capitol Hill meeting with their respective Congressional delegations. As they did then, and as I do again now, AASHTO and the State DOTs will continue advocating for the reaffirmation of a strong Federal-State partnership to address our surface transportation investment needs.

I want to thank you again for the opportunity to testify today, and I am happy to answer any questions that you may have.

Senator COLLINS. Thank you very much, Commissioner. Mr. Tymon?

**STATEMENT OF JIM TYMON, CHIEF OPERATING OFFICER AND DIRECTOR OF POLICY AND MANAGEMENT, AMERICAN ASSOCIATION OF STATE HIGHWAY AND TRANSPORTATION OFFICIALS**

Mr. TYMON. Thank you. Chairman Collins, Ranking Member Reed, members of the subcommittee, thank you for the opportunity to testify today. My name is Jim Tymon, and I serve as the Director of Policy and Management and the Chief Operating Officer at the American Association of State Highway and Transportation Officials, otherwise known as AASHTO.

I would like to begin by expressing the state DOTs' appreciation for your support and leadership in passing the Fixing America's Surface Transportation Act (FAST Act). The FAST Act provides a level of predictability for Federal highway, transit, and passenger rail programs through 2020 that allows states and local transit agencies to plan for large projects that span multiple years.

However, that predictability is threatened by the lack of a fiscal year 2017 transportation, housing and urban development appropriations bill. The predictability of a five-year authorization bill means little if we are unable to pass annual appropriations bills that are consistent with the authorized funding levels in the FAST Act.

As we approach the beginning of the spring construction season, we urge you to pass a full year 2017 appropriations bill that fully funds the surface transportation programs at the authorized levels in the FAST Act.

In addition to 5 years of predictability, the FAST Act also provided a small increase in funding over the baseline. However, this increase does not begin to meet our Nation's transportation investment needs.

As has been cited already this morning, according to the most recent Conditions and Performance Report published by the U.S. Department of Transportation, a funding increase of at least 35 percent is necessary to begin to improve the state of our Nation's highways and transit systems.

Despite these clear needs for additional investment, how we fund our Nation's Federal Surface Transportation Program remains at a crossroads. The Highway Trust Fund has provided a stable and reliable source of funding for our highways and transit programs since 1956, but today, that is no longer the case.

Since 2008, the Highway Trust Fund has been sustained through a series of General Fund transfers, and we are currently spending approximately \$15 billion a year more than we are bringing in in receipts, and that amount continues to grow each year.

If Congress were to reauthorize the FAST Act for 5 years when it expires in 2020, nearly \$100 billion in additional revenue would be needed to keep the Highway Trust Fund solvent through 2025.

The Highway Trust Fund derives about 90 percent of its revenues from taxes on motor fuels, but that revenue source is facing an increasingly unsustainable long-term future. Three factors explain the challenges facing the Highway Trust Fund.

A leveling off of the number of vehicle miles that people are driving each year, a more fuel-efficient vehicle fleet due to changes in CAFE standards, and a loss of purchasing power for a Federal gas tax that has not been increased in 24 years.

When the FAST Act expires in 2020, Congress will likely need to choose from three possible scenarios to keep the Highway Trust Fund solvent—provide additional General Fund transfers to the Highway Trust Fund, provide additional receipts to the Highway Trust Fund by either increasing existing revenue mechanisms, such as the gas tax, or implementing new sources of revenue, or by reducing funding for programs funded by the Highway Trust Fund by over 40 percent.

A cut of over 40 percent will help keep the Highway Trust Fund solvent moving forward, but again, that is a reduction on the funding levels we are spending today.

If Congress does decide to increase revenue to keep the Highway Trust Fund solvent, there are no shortages of technically feasible options.

AASHTO produces a matrix of over 35 surface transportation revenue options for Congress to consider. This matrix is included in my written testimony, and AASHTO is happy to serve as a resource as Congress works toward a long-term solution to keep the Highway Trust Fund solvent.

As Congress begins consideration of an infrastructure package, state DOTs strongly believe that the focus should be on direct Federal funding distributed to the states and transit agencies through existing programs.

Using existing programs is the most equitable and efficient way to ensure that funding is distributed to every state in the country and to every transit agency in the country.

Federal financing support, such as public/private partnerships, are a great option for state and transit agencies to consider. However, public/private partnerships are not viable for most transportation projects in the United States.

As Commissioner Bernhardt said, most transportation projects cannot generate a sufficient revenue stream through tolls, fares, or availability payments to service debt or provide a return on investment for private sector partners.

The state DOTs continue to support public/private partnerships as an option, but state DOTs believe an infrastructure package should include both direct Federal funding and innovative financing tools, such as TIFIA or private activity bonds.

I want to thank you again for the opportunity to testify today, and I am happy to answer any questions you may have.

[The statement follows:]

PREPARED STATEMENT OF JIM TYMON

#### INTRODUCTION

Chairman Collins, Ranking Member Reed, and Members of the Subcommittee, thank you for the opportunity to provide input on the condition of our nation's transportation system and funding and financing options to sustain long-term growth. My name is Jim Tymon, and I serve as the Director of Policy and Management and Chief Operating Officer at the American Association of State Highway and Transportation Officials (AASHTO). Alongside David Bernhardt, our Association's President and Commissioner of the Maine Department of Transportation,

today it is my honor to also testify on behalf of AASHTO, which represents the departments of transportation (state DOTs) of all 50 States, Washington, DC, and Puerto Rico.

My testimony today will emphasize five main points:

- Instability in Federal surface transportation funding due to recurring Highway Trust Fund shortfalls;
- Examination of well-documented surface transportation capital investment needs;
- Additional revenues needed simply to support current spending levels;
- Policy considerations on surface transportation revenue options, and;
- Critical importance of direct program funding relative to financing.

#### INSTABILITY IN FEDERAL SURFACE TRANSPORTATION FUNDING DUE TO RECURRING HIGHWAY TRUST FUND SHORTFALLS

I would like to first begin by expressing the State departments of transportation's utmost appreciation for your Committee's leadership, along with your Senate and House colleagues on partner committees, in shepherding the Fixing America's Surface Transportation (FAST) Act in December 2015 to ensure stability in the federally supported passenger rail, freight, safety, highway, and transit programs through 2020. While the 5 years authorized under the FAST Act has given us a crucial yet temporary reprieve, the case for maintaining a strong Federal role and investment in transportation remains as important as ever.

As we prepare for the post-FAST Act years, the Federal surface transportation program funding remains at a crossroads. While the Highway Trust Fund (HTF) has provided stable, reliable, and substantial highway and transit funding over many decades since its inception in 1956, this is no longer the case. Since 2008, the HTF has been sustained through a series of General Fund transfers now amounting to over \$140 billion. And according to the January 2017 baseline of the Congressional Budget Office (CBO), HTF spending is estimated to exceed receipts by about \$17 billion in fiscal year 2021, growing to about \$24 billion by fiscal year 2027. Furthermore, the HTF is expected to experience a significant cash shortfall in fiscal year 2021, since it cannot incur a negative balance.

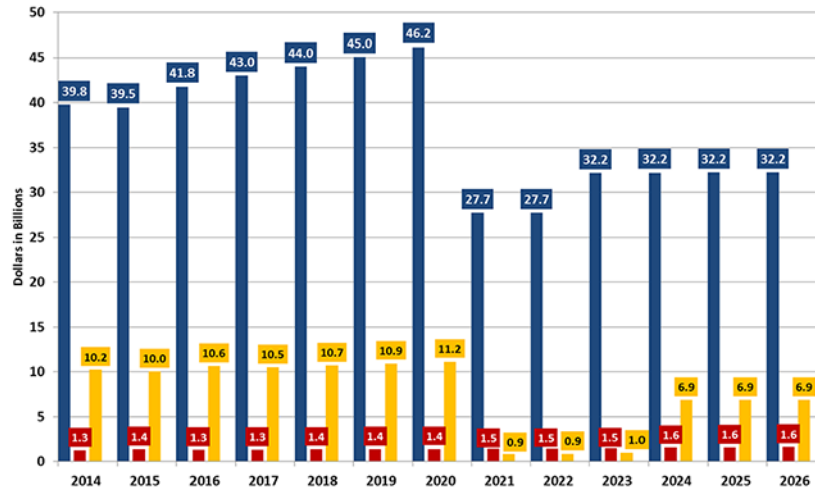
CBO projects that based on the current funding levels for surface transportation, the HTF will need at least \$144 billion to remain solvent through fiscal year 2027, which includes the minimum prudent balance of \$4 billion for the Highway Account and \$1 billion for the Mass Transit Account. To support a five-year FAST Act reauthorization (fiscal year 2021–2025), the necessary additional HTF deposits or increased tax receipts needed total about \$95 billion; to support a six-year bill, about \$120 billion would be necessary.

Framing this HTF “cliff” in terms of Federal highway obligations, we estimate that states may see a 40 percent drop from fiscal year 2020 to the following year—from \$46.2 billion to \$27.7 billion. In the past, such similar shortfall situations have led to the possibility of reduction in Federal reimbursements to states on existing obligations, leading to serious cash flow problems for states and resulting project delays. Even more alarmingly, due to a steeper project shortfall in the Mass Transit Account, Federal transit obligations are expected to be zeroed out between fiscal year 2021 and fiscal year 2023 excluding “flex” of highway dollars to transit. Simply put, this is a devastating scenario that we must do all we can to avoid.

**EXHIBIT 1. ESTIMATED FEDERAL HIGHWAY AND TRANSIT OBLIGATIONS BEYOND FY 2020 WITH NO ADDITIONAL REVENUES TO THE HIGHWAY TRUST FUND**

AMERICAN ASSOCIATION  
OF STATE HIGHWAY AND  
TRANSPORTATION OFFICIALS  
**AASHTO**

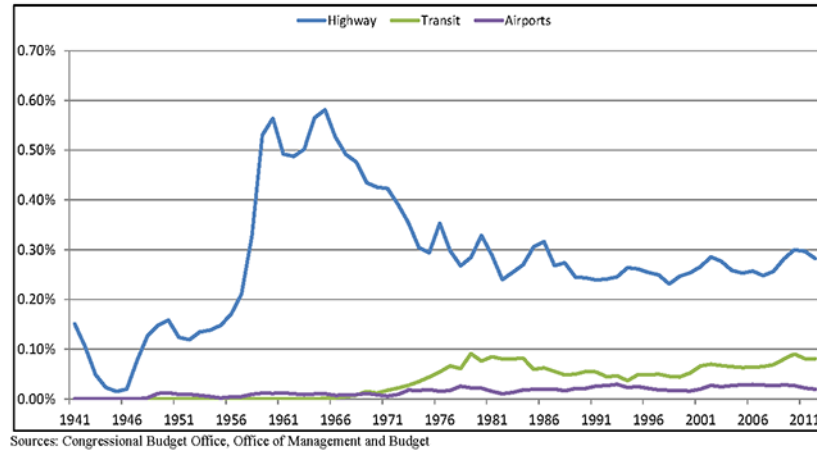
■ Highway ■ Highway Safety ■ Transit



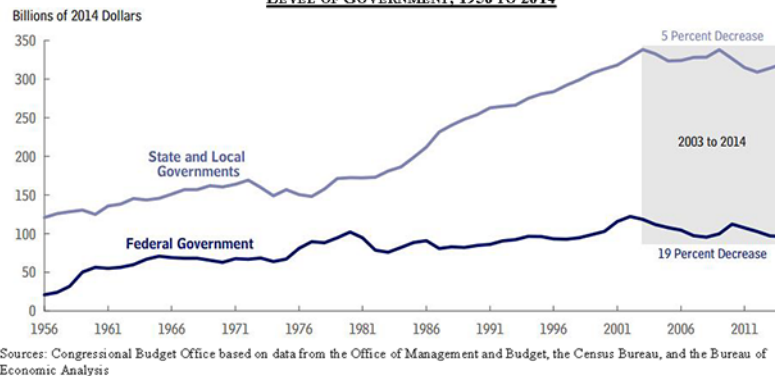
#### EXAMINATION OF WELL-DOCUMENTED SURFACE TRANSPORTATION CAPITAL INVESTMENT NEEDS

Despite Federal funding challenges, investment needs continue to mount. According to the US Department of Transportation's (USDOT) 2015 Conditions and Performance Report, \$142.5 billion in annual capital investment is necessary for highways in order to improve Interstate Highways, the National Highway System, and one million-plus miles of Federal-aid Highways. Put another way, annual funding necessary to tackle this \$836 billion backlog of highway investment needs would represent a 35.5 percent increase from 2012 levels, which itself was above the baseline spending levels due to outlays related to the temporary funding boost provided by the American Recovery and Reinvestment Act. Similar funding outlook exists for Federal mass transit investment. The Conditions and Performance Report states that low- and high-growth scenarios for transit will necessitate annual capital investment of \$22.8 billion and \$26.4 billion, respectively, equating to a 34 or 55 percent increase over 2012 levels.

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

**EXHIBIT 2. FEDERAL TRANSPORTATION SPENDING AS PERCENT OF GDP**

Given that much of the Interstate system has now reached the end of its design life and must be reconstructed or replaced—and there is considerable need for additional capital improvements to the broader Federal-aid highway network and the country's transit system—there is a strong argument that the Federal government should strive to return to this prior level of investment relative to the national economy. Yet the Federal government's share of transportation and water spending has actually been falling behind relative to state and local governments, as evidenced by its 19 percent drop between 2003 to 2014; during the same timeframe total state and local spending saw a 5 percent decline.

**EXHIBIT 3. INFLATION-ADJUSTED PUBLIC SPENDING ON TRANSPORTATION AND WATER INFRASTRUCTURE, BY LEVEL OF GOVERNMENT, 1956 TO 2014**

States are expected to reverse this decline in the coming years, however, thanks to a series of successful enactments of state-level transportation packages, numbering 23 states since 2012.

Our nation's freight network is an especially illuminating example of the capital investment backlog in our transportation infrastructure. Freight received a targeted funding boost to the tune of about \$11 billion through the new National Highway Freight Program and the Nationally Significant Freight and Highway Projects—also known as FASTLANE Grants—in the FAST Act. While we welcome this new Federal investment and focus on the freight network, it is important to provide some context regarding the scale of the need for these projects. According to the nationwide survey conducted for the State of Freight II report published by AASHTO and

the American Association of Port Authorities last year, 57 percent of surveyed states have already identified 6,202 projects through their freight plan development process. Furthermore, \$259 billion in project costs have been identified by just 35 percent of all states—therefore we know the national figure is much higher.

At the same time, we continue to fall behind global peers in infrastructure quality and economic competitiveness. The recent Global Competitiveness Report rankings from the World Economic Forum on infrastructure quality has listed the United States at just 11th place overall.

#### **EXHIBIT 4. US INFRASTRUCTURE QUALITY RANKINGS**

|                                                        |    |
|--------------------------------------------------------|----|
| 🚧🚧 2nd pillar: Infrastructure                          | 11 |
| 2.01 Quality of overall infrastructure                 | 12 |
| 2.02 Quality of roads                                  | 13 |
| 2.03 Quality of railroad infrastructure                | 13 |
| 2.04 Quality of port infrastructure                    | 10 |
| 2.05 Quality of air transport infrastructure           | 9  |
| 2.06 Available airline seat kilometers millions/week   | 1  |
| 2.07 Quality of electricity supply                     | 17 |
| 2.08 Mobile-cellular telephone subscriptions /100 pop. | 66 |
| 2.09 Fixed-telephone lines /100 pop.                   | 25 |

Sources: *The Global Competitiveness Report 2016-2017*

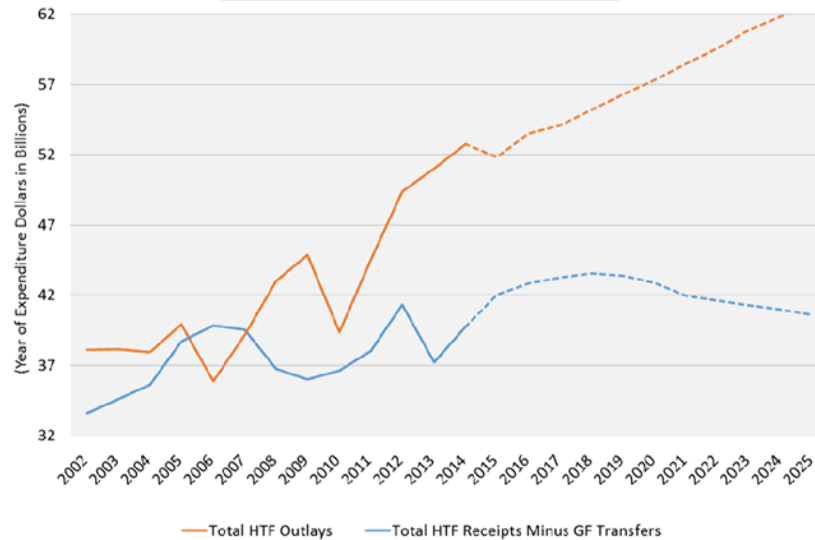
Sources: The Global Competitiveness Report 2016–2017

In light of continued population growth and increases in freight movements for all modes, capacity enhancements—and not just maintenance of existing infrastructure stock—must remain a key element of the national transportation investment strategy. A potentially catastrophic disruption to the Federal transportation program in fiscal year 2021 will produce serious losses that threaten the macroeconomic gains made since 2008.

#### **ADDITIONAL REVENUES ARE NEEDED SIMPLY TO SUPPORT CURRENT SPENDING LEVELS**

While the HTF continues to derive about 90 percent of its revenues from taxes on motor fuels, they are facing an increasingly unsustainable long-term future, therefore placing the viability of the HTF in question.

**EXHIBIT 5. HIGHWAY TRUST FUND DISCREPANCY IN RECEIPTS AND OUTLAYS  
EXCLUDING GENERAL FUND TRANSFERS**



Three factors explain the structural challenge faced by long-term motor fuel tax revenue prospects.

First is the slowdown in the growth of vehicle miles traveled (VMT) in the United States, on an aggregate basis. A steady increase in VMT has allowed the HTF to see corresponding revenue increases without necessitating constant adjustments in fuel tax rates for most of its existence. While total VMT has resumed its growth in the last 2 years due to increases in both population and economic activity in the post-recessionary environment, it is unlikely to see the 3.2 percent growth rate experienced on average between 1956 and 2007.

Second, motor fuel taxes at the Federal level were last increased to the current rates of 18.4 cents per gallon for gasoline and 24.4 cents for diesel 24 years ago in 1993. As an excise tax levied per gallon, taxes on motor fuel have lost a significant share of its purchasing power. Compared to the Consumer Price Index, the gas tax had lost 39 percent of its purchasing power by 2015, and is expected to lose more than half of its value—or 52 percent—by 2025. Put another way, while college tuition has increased by 379 percent and healthcare by 180 percent in nominal costs since the last time Federal motor fuel taxes were increased, Federal motor fuel taxes have stayed at the exact same rate during this period.

**EXHIBIT 6. PURCHASING POWER LOSS OF THE GAS TAX RELATIVE TO OTHER HOUSEHOLD EXPENSES**

**Sample of Nominal Price Changes Relative to Federal Gas Tax**

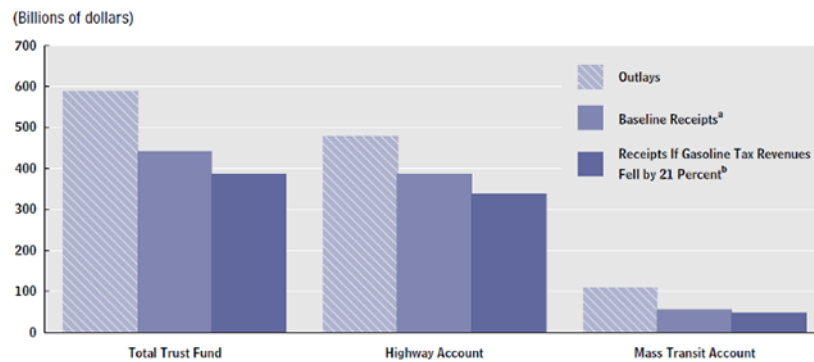
| Item                   | Description                                          | 1993           | 2015           | Percent Change |
|------------------------|------------------------------------------------------|----------------|----------------|----------------|
| College Tuition        | Average Tuition & Fees at Public 4-year Universities | \$ 1,908       | \$ 9,145       | 379%           |
| Healthcare             | National Expenditure Per Capita                      | \$ 3,402       | \$ 9,523       | 180%           |
| House                  | Median New Home Price                                | \$118,000      | \$292,000      | 147%           |
| Gas                    | Per Gallon                                           | \$ 1.08        | \$ 2.56        | 137%           |
| Beef                   | Per Pound of Ground Beef                             | \$ 1.97        | \$ 4.38        | 122%           |
| Movie Ticket           | Average Ticket Price                                 | \$ 4.14        | \$ 8.43        | 104%           |
| Bread                  | Per Pound of White Bread                             | \$ 0.75        | \$ 1.48        | 98%            |
| Income                 | National Median Household                            | \$ 31,241      | \$ 56,516      | 81%            |
| Stamp                  | One First-Class Stamp                                | \$ 0.29        | \$ 0.49        | 69%            |
| Car                    | Average New Car                                      | \$ 16,871      | \$ 25,487      | 51%            |
| <b>Federal Gas Tax</b> | <b>Per Gallon</b>                                    | <b>\$ 0.18</b> | <b>\$ 0.18</b> | <b>0%</b>      |

Source: Bureau of Labor Statistics, Center for Medicare and Medicaid Services, College Board, Federal Reserve Bank of St. Louis, Oak Ridge National Laboratory, Census Bureau, Energy Information Agency, Postal Service

Source: Bureau of Labor Statistics, Center for Medicare and Medicaid Services, College Board, Federal Reserve Bank of St. Louis, Oak Ridge National Laboratory, Census Bureau, Energy Information Agency, Postal Service

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

**EXHIBIT 7. PROJECTED OUTLAYS AND RECEIPTS OF THE HIGHWAY TRUST FUND BY ACCOUNT, 2012-2022**



**POLICY CONSIDERATIONS ON SURFACE TRANSPORTATION REVENUE OPTIONS**

While its annual cash imbalance widens, the HTF cannot incur a negative balance unlike the General Fund. This situation leads to three possible scenarios for fiscal year 2021:

1. Provide additional General Fund transfers to the HTF in order to maintain the current level of investment and prevent a dramatic drop;
2. Provide additional receipts to the HTF by adjusting existing revenue mechanisms or implementing new sources of revenue, or;

3. Reduce Federal highway obligations supported by the HTF by 40 percent in fiscal year 2021 and beyond, and reduce Federal transit obligations supported by the HTF by 100 percent for 3 years.

In order to support the first two scenarios where current highway and transit investment levels are maintained or increased, there is no shortage of technically feasible tax and user fee options that Congress could consider.

**EXHIBIT 8. MATRIX OF ILLUSTRATIVE SURFACE TRANSPORTATION REVENUE OPTIONS**

| Existing Highway Trust Fund Revenue Mechanisms  | Illustrative Rate or Percentage Increase | Definition of Mechanism/Increase                                    | \$ in Billions      |                                  |
|-------------------------------------------------|------------------------------------------|---------------------------------------------------------------------|---------------------|----------------------------------|
|                                                 |                                          |                                                                     | Assumed 2014 Yield  | Total Forecast Yield 2015–2020*  |
| Motor Fuel Tax—Diesel                           | 15.0¢                                    | ¢/gal increase in current rate (approx. 10% increase in total rate) | \$6.54              | \$41.79                          |
| Motor Fuel Tax—Gas                              | 10.0¢                                    | ¢/gal increase in current rate (approx. 10% increase in total rate) | \$13.21             | \$78.12                          |
| Heavy Vehicle Use Tax                           | 50%                                      | Increase in current revenues, structure not defined                 | \$0.55              | \$3.42                           |
| Sales Tax—Trucks and Trailers                   | 10%                                      | Increase in current revenues, structure not defined                 | \$0.33              | \$2.19                           |
| Tire Tax—Trucks                                 | 10%                                      | Increase in current revenues, structure not defined                 | \$0.04              | \$0.23                           |
| Potential Highway Trust Fund Revenue Mechanisms | Illustrative Rate or Percentage Increase | Definition of Mechanism/Increase                                    | Assumed 2014 Yield* | Total Escalated Yield 2015–2020* |
| Container Tax                                   | \$15.00                                  | Dollar per TEU                                                      | \$0.66              | \$4.26                           |
| Customs Revenues                                | 5.0%                                     | Increase in/reallocation of current revenues, structure not defined | \$1.80              | \$11.66                          |
| Drivers License Surcharge                       | \$5.00                                   | Dollar annually                                                     | \$1.08              | \$6.98                           |
| Freight Bill—Truck Only                         | 0.5%                                     | Percent of gross freight revenues (primary shipments only)          | \$3.07              | \$19.90                          |
| Freight Bill—All Modes                          | 0.5%                                     | Percent of gross freight revenues (primary shipments only)          | \$3.80              | \$24.60                          |
| Freight Charge—Ton (Truck Only)                 | 10.0¢                                    | ¢/ton of domestic shipments                                         | \$1.17              | \$7.54                           |
| Freight Charge—Ton (All Modes)                  | 10.0¢                                    | ¢/ton of domestic shipments                                         | \$1.44              | \$9.29                           |
| Freight Charge—Ton-Mile (Truck Only)            | 0.10¢                                    | ¢/ton-mile of domestic shipments                                    | \$1.41              | \$9.15                           |
| Freight Charge—Ton-Mile (All Modes)             | 0.10¢                                    | ¢/ton-mile of domestic shipments                                    | \$3.48              | \$22.52                          |
| Harbor Maintenance Tax                          | 25.0%                                    | Increase in/reallocation of current revenues, structure not defined | \$0.43              | \$2.79                           |
| Imported Oil Tax                                | \$2.50                                   | Dollar/barrel                                                       | \$5.76              | \$37.28                          |
| Income Tax—Business                             | 1.0%                                     | Increase in/reallocation of current revenues, structure not defined | \$2.79              | \$18.06                          |
| Income Tax—Personal                             | 0.5%                                     | Increase in/reallocation of current revenues, structure not defined | \$6.70              | \$43.36                          |
| Motor Fuel Tax Indexing to CPI—Diesel           | —                                        | ¢/gal excise tax                                                    | —                   | \$5.22                           |
| Motor Fuel Tax Indexing to CPI—Gas              | —                                        | ¢/gal excise tax                                                    | —                   | \$10.87                          |
| Oil, Gas, and Minerals Receipts                 | 25.0%                                    | Increase in/reallocation of current revenues, structure not defined | \$2.20              | \$14.25                          |
| Registration Fee—Electric LDVs                  | \$100.00                                 | Dollar annually                                                     | \$0.01              | \$0.06                           |
| Registration Fee—Hybrid LDVs                    | \$50.00                                  | Dollar annually                                                     | \$0.17              | \$1.12                           |
| Registration Fee—Light Duty Vehicles            | \$15.00                                  | Dollar annually                                                     | \$3.57              | \$23.11                          |
| Registration Fee—Trucks                         | \$150.00                                 | Dollar annually                                                     | \$1.63              | \$10.54                          |
| Registration Fee—All vehicles                   | \$20.00                                  | Dollar annually                                                     | \$4.98              | \$32.21                          |
| Sales Tax—Auto-related Parts & Services         | 1.0%                                     | Percent of sales                                                    | \$2.32              | \$15.04                          |
| Sales Tax—Bicycles                              | 1.0%                                     | Percent of sales                                                    | \$0.06              | \$0.38                           |
| Sales Tax—Diesel                                | 7.6%                                     | Percent of sales (excl. excise taxes)                               | \$9.65              | \$62.50                          |
| Sales Tax—Gas                                   | 5.6%                                     | Percent of sales (excl. excise taxes)                               | \$24.05             | \$155.66                         |
| Sales Tax—New Light Duty Vehicles               | 1.0%                                     | Percent of sales                                                    | \$2.41              | \$15.61                          |
| Sales Tax—New and Used Light Duty Vehicles      | 1.0%                                     | Percent of sales                                                    | \$3.46              | \$22.40                          |
| Tire Tax—Bicycles                               | \$2.50                                   | Dollar per bicycle tire                                             | \$0.08              | \$0.53                           |
| Tire Tax—Light Duty Vehicles                    | 1.0%                                     | Of sales of LDV tires                                               | \$0.33              | \$2.12                           |
| Transit Passenger Miles Traveled Fee            | 1.5¢                                     | ¢/passenger mile traveled on all transit modes                      | \$0.84              | \$5.45                           |
| Vehicle Miles Traveled Fee—Light Duty Vehicles  | 1.0¢                                     | ¢/LDV vehicle mile traveled on all roads                            | \$27.12             | \$175.58                         |
| Vehicle Miles Traveled Fee—Trucks               | 4.0¢                                     | ¢/truck vehicle mile traveled on all roads                          | \$10.93             | \$70.73                          |
| Vehicle Miles Traveled Fee—All Vehicles         | —                                        | ¢/vehicle mile traveled on all roads                                | \$38.05             | \$246.31                         |

\* Base annual yield escalated using CPI-U.

An area of rapid deployment thanks to seed funding in the FAST Act is in the area of mileage- based user fees. The Surface Transportation System Funding Alternatives grants from the Federal Highway Administration (FHWA) provides \$95 million through fiscal year 2020 to states or groups of states to demonstrate user-based alternative revenue mechanisms that utilize a user fee structure to maintain the long-term solvency of the Highway Trust Fund. The objectives of the program are:

- To test the design, acceptance, and implementation of two or more future user-based alternative mechanisms;
- To improve the functionality of the user-based alternative revenue mechanisms;
- To conduct outreach to increase public awareness regarding the need for alternative funding sources for surface transportation programs and to provide information on possible approaches;
- To provide recommendations regarding adoption and implementation of user-based alternative revenue mechanisms; and
- To minimize the administrative cost of any potential user-based alternative revenue mechanisms.

For the first round of funding under this program, FHWA identified eight state DOT projects—including two multistate consortia on east and west coast—to test various user-fee concepts.

**EXHIBIT 9. FY2016 SURFACE TRANSPORTATION SYSTEM FUNDING ALTERNATIVE PROGRAM SELECTION**

| State DOT  | Project Description                                                                                                                                                                    | Funding      |
|------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------|
| California | Road User Charge (RUC) using pay-at-the Pump/ charging stations.                                                                                                                       | \$750,000    |
| Delaware   | User fees based with on-board mileage counters in collaboration with members of the I-95 Corridor Coalition.                                                                           | \$1,490,000  |
| Hawaii     | User fee collection based on manual and automated odometer readings at inspection stations.                                                                                            | \$3,998,000  |
| Minnesota  | Use of Mobility-as-a-Service providers (MaaS) as the revenue collection mechanism.                                                                                                     | \$300,000    |
| Missouri   | Implementation a new registration fee schedule based on estimated miles per gallon.                                                                                                    | \$250,000    |
| Oregon     | Improvements to Oregon's existing road usage charge program.                                                                                                                           | \$2,100,000  |
| Oregon     | Establishing the consistency, compatibility and interoperability in road user charging for a regional system in collaboration with members of the Western Road User Charge Consortium. | \$1,500,000  |
| Washington | Testing critical elements of interoperable, multi-jurisdictional alternative user-based revenue collection systems. Piloting methods of road usage reporting with Washington drivers.  | \$3,847,000  |
|            | Total                                                                                                                                                                                  | \$14,235,000 |

Source: Federal Highway Administration

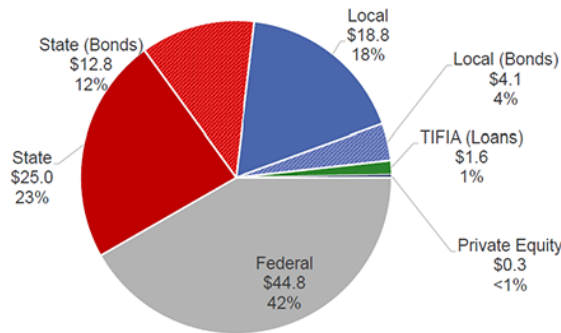
However, if no new revenues can be found for the HTF and the third scenario prevails in fiscal year 2021, state DOTs and their local partner agencies will be left to face a dire program disruption that will severely undermine much-needed transportation investments throughout the nation and therefore, will have a significantly negative impact on the nation's economy.

#### CRITICAL IMPORTANCE OF DIRECT PROGRAM FUNDING RELATIVE TO FINANCING

Beyond fixing the HTF, it cannot be emphasized enough that any major transportation infrastructure package must focus on direct funding based on formula apportionments, rather than on Federal financing support. This is because financing tools that leverage existing revenue streams—such as user fees and taxes—are typically not viable for most transportation projects in the United States. AASHTO's member DOTs certainly appreciate the ability to access capital markets to help speed up the delivery of much-needed transportation improvements, and many states already rely on various forms of financing and procurement as seen below:

- General obligation or revenue bonds: 45 states, DC, Puerto Rico (PR)
- GARVEE bonds: 33 states, DC, PR
- Build America Bonds: 15 states
- Private Activity Bonds: 6 states
- TIFIA Federal credit assistance: 12 states, PR
- State infrastructure banks: 34 states, PR
- Public-private partnerships: authorized in 33 states, PR
- Design-build: authorized in 45 states, DC, PR

At the same time, states fully recognize the inherent limitations of financing for the vast spectrum of publicly-valuable transportation projects because they cannot generate a sufficient revenue stream through tolls, fares, or availability payments to service debt or provide return on investment to equity holders. In 2014, non-direct funding sources amounted to less than 18 percent of total capital outlays.

**EXHIBIT 10. SHARE OF FINANCING IN CAPITAL OUTLAYS FOR HIGHWAYS, 2014**

Sources: Mercator Advisors based on Highway Statistics, Table HF-10; Bond Buyer Annual Statistics; FY 2016 Budget, DOT Appendix

The state DOTs continue to support a role for financing and procurement tools such as public-private partnerships given their ability to not only leverage scarce dollars, but to also better optimize project risks between public and private sector partners best suited to handle them. But we also maintain that financing instruments in the form of subsidized loans like TIFIA, tax-exempt municipal and private activity bonds, infrastructure banks, and tax code incentives are just simply not enough in and of themselves to meet most transportation infrastructure investment needs.

AASHTO and its member are well-prepared to work with Congress to take advantage of our strong, productive partnerships with Federal and local governments to deliver on a major infrastructure initiative.

#### CONCLUSION

There is ample documented evidence that shows infrastructure investment is critical for long-term economic growth, increasing productivity, employment, household income, and exports. Conversely, without prioritizing our nation's infrastructure needs, deteriorating conditions can produce a severe drag on the overall economy. In light of new capacity and upkeep needs for every state in the country, the current trajectory of the HTF—the backbone of Federal surface transportation program—is simply unsustainable as it will have insufficient resources to meet current Federal investment levels beyond fiscal year 2020.

Congress could address the projected annual shortfalls by substantially reducing spending for surface transportation programs, by boosting revenues, or by adopting some combination of the two approaches. Whichever revenue tools are utilized, it is crucial to identify solutions that will, at a minimum, sustain the FAST Act-level of surface transportation investment in real terms.

A potential 40 percent reduction of Federal highway funding fiscal year 2021 and a virtual wipeout of Federal transit funding from fiscal year 2021 to fiscal year 2023 will have a devastating impact on all aspects of the national and regional economy. To overcome this significant challenge, AASHTO looks forward to assisting you and the rest of your Senate colleagues in finding and implementing a viable set of revenue solutions to the HTF not only for fiscal year 2021, but that can also be sustained for the long term.

I want to thank you again for the opportunity to testify today, and I am happy to answer any questions that you may have.

Senator COLLINS. Thank you very much. Mr. Hauptli?

#### **STATEMENT OF TODD HAUPTLI, PRESIDENT AND CEO, AMERICAN ASSOCIATION OF AIRPORT EXECUTIVES**

Mr. HAUPTLI. Senator Collins, thank you for holding this hearing, thank you all for your service to the country. I am Todd Hauptli, the President and CEO of the American Association of Airport Executives.

I want to make three points this morning. The first point is that we are chronically and systematically underinvesting in infrastructure in this country, and it is not just airport infrastructure or aviation infrastructure, or for that matter, transportation infrastructure, the subject of this hearing, we are also underinvesting in communications and power and water infrastructure.

Increasingly, this lack of infrastructure investment is negatively impacting both our domestic and our international competitiveness. It is my belief that we need to do something about this now for our generation, for my children's generation, and for the generations that follow, so thank you for holding this important hearing today.

Point number two. It is our belief that the Federal Government and the Federal Government alone cannot solve this problem. I will use airport infrastructure as an example. Airports have about \$20 billion a year in capital development needs. The FAA says that the Airport Improvement Program, the primary Federal program for infrastructure investment in aviation, has about \$7 billion a year in eligible projects, yet the Congress funds that program at a little over \$3 billion a year.

Senator, your colleagues on the authorizing committees could double the authorization level for the Airport Improvement Program, and you and your colleagues in the Appropriations Committee in the House and Senate could double the obligation limitation each year for AIP, and you still would not be in any danger of overinvesting in airport infrastructure.

There is still a significant gap between what the needs are and what we are able to meet through the sources that we have for the Airport Improvement Program, through local fees, with the Passenger Facility Charge, through non-aeronautical revenues at airports, and also through access to the capital markets.

That is why we believe it is so important that Congress lift the cap on the Passenger Facility Charge Program. This is an antiquated Federal cap that has been in place for 17 years without adjustment. This is the single biggest bang for the infrastructure buck with the least impact on the Federal budget.

Point number three. Senator Reed, as a military history fan and a fan of history, I hope you will appreciate this. Winston Churchill once said that democracy is the worst form of government, except for all the others. When it comes to infrastructure investment and aviation infrastructure investment, the Passenger Facility Charge Program is much like democracy. It is the worst option, except for all the others.

There is only so much Federal AIP money. There is only so much that airports can raise through non-aeronautical revenues, and the access to the capital markets is uneven across the country.

The Passenger Facility Charge Program allowing local communities and local governments to decide, not the Federal Government, but the governments closest to the people, to decide what those local fees should be will allow for the leveraging of those infrastructure dollars that you referenced earlier.

P-3s are exciting and interesting in some circumstances, access to the capital markets work in some circumstances. The Passenger Facility Charge Program is the only program that can benefit every airport of all sizes across the country.

I will be happy to answer your questions. Thank you.  
[The statement follows:]

PREPARED STATEMENT OF TODD HAUPTLI

Chairman Collins, Ranking Member Reed, and members of the Senate Appropriations Subcommittee on Transportation, Housing and Urban Development, and Related Agencies, thank you for inviting me to participate in this hearing on the condition of our nation's transportation system and financing options to sustain long-term growth. It is an honor for me to be here today.

The American Association of Airport Executives (AAAE) is the world's largest professional organization representing the men and women who manage commercial service, reliever, and general aviation airports. On behalf of all our members, I would like to begin by thanking each of you for helping airports in your respective states and throughout the country build critical infrastructure through the annual appropriations process.

This committee has a strong track record of supporting the Airport Improvement Program (AIP)—a Federal program that airports of all sizes rely on to upgrade aging facilities and construct runways, taxiways and other capital projects. Airport executives are also grateful that this Subcommittee has funded programs that ensure people who live in rural and less populated areas have access to safe and reliable air service. We are also appreciative of the strong support for the Contract Tower Program.

Unfortunately, the limited Federal funding that airports receive is not nearly enough to cover their AIP-eligible projects let alone the longer list of capital projects that airports must fund with other revenues. By any measure, airports need additional resources to upgrade aging facilities, accommodate rising demand, and to keep pace with evolving safety and security standards.

While a number of difficult and complicated proposals for infrastructure investment are swirling in Washington, airports have a simple solution for expediting airport infrastructure: We are calling on Congress and the Administration to eliminate the outdated Federal cap on Passenger Facility Charges (PFCs), local airport user fees that are imposed locally, justified locally, and used locally for key airport projects. At a time when there is enormous pressure to reduce Federal spending, allowing airports to finance a greater share of their projects with local revenue free from Federal interference is by far the easiest way to improve our nation's airport infrastructure.

THE NEED FOR INFRASTRUCTURE INVESTMENT

Considering the significant infrastructure needs in this country, the women and men who operate airports around the country are encouraged that this Subcommittee, lawmakers in both chambers, and the Administration are focusing on improving our nation's infrastructure. Investing in infrastructure will help rebuild our nation's airports, roads, and bridges while supporting good-paying jobs.

We are systematically and chronically under-investing in infrastructure in this country. And it is not just airport infrastructure, aviation infrastructure, or even transportation infrastructure. We are under-investing in water infrastructure, power infrastructure, and communications infrastructure. And, increasingly, this lack of investment in infrastructure across the board is having a negative impact on our domestic and international competitiveness.

According to the 2016 Global Competitiveness report, the United States has the 11th best infrastructure in the world and the 9th best aviation infrastructure. The report points out that the United States has been falling behind on infrastructure since 2007. It also makes the case that "effective modes of transport—including high-quality roads, railroads, ports, and air transport—enable entrepreneurs to get their goods and services to market in a secure and timely manner . . . ."

I'm sure all of us would agree that we can and should do better. After all, 9th or 11th place simply isn't good enough if we want to compete in the 21st century. That's why airport executives are encouraged that Congress and the Administration are exploring various ideas for a major infrastructure investment package.

President Trump and his advisors have talked about a \$1 trillion infrastructure package that could include possible tax credits for private investors. Senate Democrats recently unveiled their own proposal that includes \$30 billion to improve airports and our aviation system. In the House, there appears to be some level of bipartisan support for legislation that proposes to eliminate the PFC cap.

Like other infrastructure stakeholders, we're awaiting details on the Administration's approach and are anxious to see what proposals Congress may ultimately coa-

lesce around. Different approaches from the White House and both chambers of Congress may have various components that could help airports in some ways. But the PFC is the biggest bang for the buck to build critical safety and security infrastructure at our nation's airports without stressing the Federal budget.

Giving airports more local autonomy through additional PFC flexibility would help airports of all sizes move forward with a long list of critical infrastructure projects. Allowing large airports to finance a greater share of their projects with local revenue could also open the door to focus limited Federal dollars on smaller airports around the country that rely on Federal assistance the most.

#### RISING DEMAND, AGING FACILITIES, AND A LONG LIST OF AIRPORT CAPITAL NEEDS

*Rising Demand:* 2016 was a banner year for our airline partners. According to Airlines for America (A4A), U.S. passenger airlines set multiple traffic and capacity records last year. The airline group indicated that passenger enplanements, revenue passenger miles, available seat miles and load factors all hit record highs in 2016.

Considering the current trajectory, it should be no surprise that the FAA anticipates passenger levels will continue to grow in the short- and long-terms. The agency's 2016 Aerospace Forecast estimates that U.S. commercial air carrier enplanements will increase from an estimated 786 million in 2015 to 839 million this year. That's an increase of more than 50 million passenger enplanements in just 2 years.

The FAA's latest Forecast also indicates that passenger enplanements will reach the one billion mark by 2027—just 10 years from now and 2 years earlier than previously expected. By 2033, passenger levels are expected to reach 1.16 billion. Adding approximately 325 million passengers between now and 2033 is the equivalent of adding the entire U.S. population to our already constrained aviation system.

Sixteen years may seem like a long time into the future. But planning, designing, and building runways, terminals and other capacity-enhancing projects can take an enormous amount of time. Airports need to prepare now for rising passenger levels to come in order to avoid congestion on the ground.

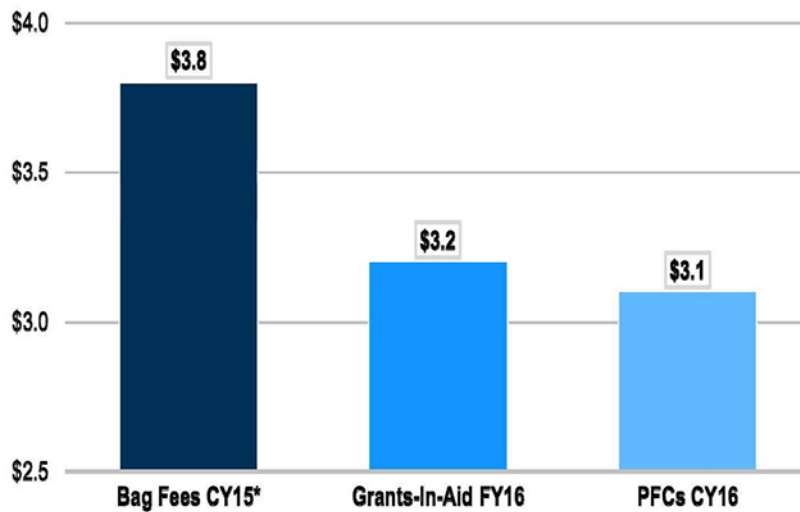
Along with increasing passenger enplanements, the number of aircraft operations is also slated to rise in the years ahead. According to the FAA's Forecast, operations are expected to increase from 50,000 in 2016 to almost 60,000 by 2036—a 20 percent jump. But the FAA warns that “inadequate” infrastructure could result in congestion and delays as well as impact the agency's projections for demand and operations.

*Increasing Airport Capital Needs:* With increasing passenger levels and aging facilities, large and small airports are also facing significant capital needs. As part of its 2017 National Plan of Integrated Airports System (NPIAS) report, the FAA estimated that airports have \$32.5 billion in AIP-eligible projects between 2017 and 2021 or approximately \$6.5 billion annually.

As members of this Subcommittee know, Congress has appropriated \$3.35 billion for AIP in recent years, down from \$3.5 billion a few years ago. Of the current amount, approximately \$3.2 billion is designated for actual capital projects. The remaining amount goes to the FAA to administer the program and to fund other research and small community programs. At \$3.2 billion, AIP funding is only enough to cover about half of airport's annual AIP-eligible projects.

## Airline Bag Fees vs. AIP and PFCs

(Dollars in Billions; Source: Bureau of Transportation Statistics)



\*Last complete year available.

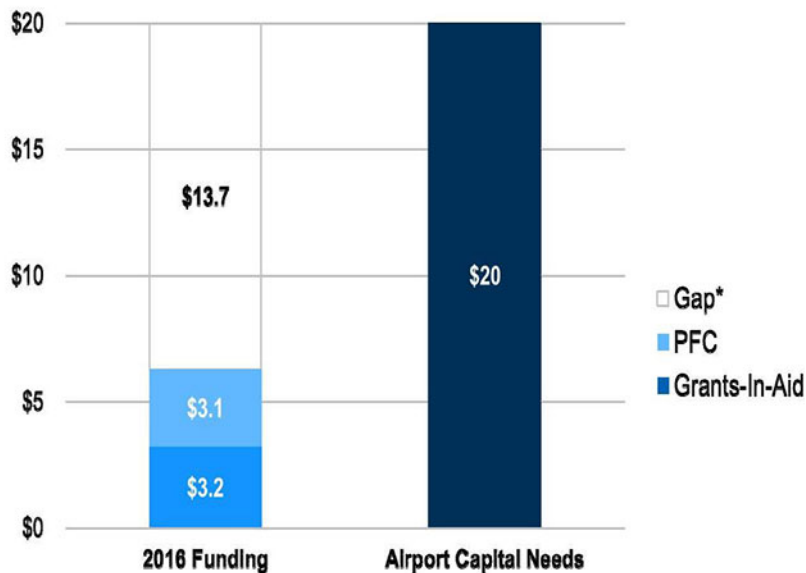
The FAA's NPIAS provides a snapshot of certain airport capital needs. But it is important to note that the FAA estimate only reflects some projects that are eligible for Federal funds. The FAA report does not include other necessary but ineligible infrastructure projects such as gates and certain terminal projects that airports fund with PFCs and other revenue sources.

Like the FAA, our colleagues at Airports Council International-North America (ACI-NA) evaluate airport capital needs. The association's latest Airport Capital Needs Survey—which evaluates the full range of airport capital needs rather than just AIP-eligible projects—estimates that airports will face \$100 billion in capital needs between 2017 and 2021 or approximately \$20 billion annually.

The results from ACI-NA's latest Airport Capital Needs Survey are up from its survey 2 years ago that showed \$15.1 billion in annual capital needs. The new estimate is also more than three times the \$6.3 billion that airports received in AIP funds and PFC revenue last year.

## Annual AIP and PFC Funding vs. Airport Capital Needs

(Dollars in Billions; Sources: FAA, ACI-NA 2017 Airport Capital Needs Survey)



\*Gap does not reflect funding from bonds; other sources.

**Construction Cost Inflation:** In addition to rising passenger levels, airports have been hit hard by rising construction costs. According to the Means Construction Cost Indexes, the average construction costs for 30 major U.S. cities have jumped approximately 75 percent since 2000—the last time Congress raised the PFC cap.

Unfortunately, rising construction costs have eroded the purchasing power of artificially-capped PFCs and stagnant AIP funding levels. Because the PFC has not been adjusted for inflation over the years, a \$4.50 PFC is worth only about \$2.20 today according to the Means Construction Cost Indexes. Unless corrective action is taken, the value of PFCs will erode even more. The easiest way to keep up with annual construction inflation is to completely eliminate the PFC cap.

### RECOMMENDATIONS FOR HELPING AIRPORTS FINANCE CRITICAL INFRASTRUCTURE PROJECTS

Airports rely mostly on local PFCs, Federal AIP grants, and bonds to finance infrastructure projects at their facilities. Ensuring that airports have adequate funding to build critical infrastructure projects will require Congressional action in all three areas. Needless to say, flat or reduced AIP funding will only increase pressure on airports to secure funds from other revenue sources like PFCs.

As you continue to move forward on the annual appropriations bills and prepare to debate a possible infrastructure package, airports have four steps that Congress could take to ensure that they have the revenue they need for airport capital projects.

## ELIMINATE OUTDATED FEDERAL CAP ON LOCAL PFCs

Airports are united behind a proposal to eliminate the Federal cap on local PFCs. For more than 25 years, the PFC program has helped airports increase safety, security, and capacity; mitigate the impact of aircraft noise; and increase competition.

PFCs are local fees that must be approved locally, imposed locally, and used locally for projects approved by the Department of Transportation (DOT) in consultation with the airlines. There is an inherent level of accountability locally that ensures any revenues raised through the PFC are used for critical locally-supported projects.

A PFC adjustment is long overdue. Congress has not adjusted the cap since 2000—17 years ago. Considering the ongoing pressure to reduce Federal spending, it is now more important than ever that Congress eliminate the Federal cap on local PFCs. Eliminating the cap would allow airports to finance a greater share of critical infrastructure projects with their own local revenues.

*PFCs Help Increase Capacity; Enhance Competition:* Airports use PFC revenue to build infrastructure projects that increase capacity, reduce delays, and enhance competition among carriers. With over \$13 billion in capital needs, the Seattle-Tacoma International Airport (SEA-TAC) is a good case study for why Congress should eliminate the Federal cap on local PFCs.

*Seattle-Tacoma International Airport:* Last week, Lance Lyttle, SEA-TAC's Managing Director, testified before the House Aviation Subcommittee during a hearing on the state of American airports. He told lawmakers that the airport plans to invest more than \$3.2 billion in capital improvement projects during the next 7 years including \$660 million for a new International Arrivals Facility.

He also indicated that these upcoming capital projects will “use essentially all of Sea-Tac's anticipated PFC collections through 2035, and most PFC collections through 2047, to pay revenue bond debt service on PFC eligible projects.” In other words, unless Congress adjusts the outdated PFC cap, the airport will be PFC-constrained for the foreseeable future.

But SEA-TAC, like other airports around the country, needs to continue to repair aging infrastructure and expand its facilities to accommodate rising passenger levels. The airport expects its passenger levels will jump from 46 million last year to 66 million by 2034. To accommodate the huge influx of travelers, SEA-TAC will need another \$10 billion to build 35 more gates, expand ticketing/check-in facilities, and rebuild airport access roads.

With AIP funding held flat in recent years, many in the airport community think a big boost in Federal funding is unlikely. In Seattle, airport officials would prefer that funds for their infrastructure projects come from PFCs rather than from airline rates and charges. Absent additional PFC flexibility, SEA-TAC has few feasible options remaining.

*PFCs Help Small Airports:* Although large airports obviously benefit from PFCs, the local user fee is an important source of income for smaller commercial service airports around the country, too. In fact, some of the most compelling calls for self-help come from communities like Bangor, Maine; Providence, Rhode Island; and Missoula, Montana.

Small airports rely on PFCs to augment their AIP funding and to help pay the higher local matching requirement for AIP funds. The last FAA reauthorization bill regrettably doubled the local matching share requirement for small communities over the previous requirement. Doubling the local match requirement has had an enormous financial impact on small airports. Eliminating the PFC cap would help small airports generate more local revenue to meet their higher local requirements.

*Bangor International Airport:* Madame Chair, as you know, the Bangor International Airport recently completed work on a \$14 million terminal project that allowed the airport to add another passenger gate and jet bridge for domestic travelers. That major renovation project was made possible by a combination of local PFCs, AIP grants, and other revenue sources.

Officials at the non-hub airport now have their sights set on two major airside projects including rehabilitating a taxiway that parallels the runway. At over 11,000 feet in length, the project is expected to cost approximately \$10 million. The airport, which is home to the 101st Air Refueling Wing, also plans to redo the adjacent runway. The runway project could cost twice as much as the taxiway, and the airport plans to use AIP grants and PFCs for both.

The Bangor International Airport is experiencing tremendous passenger growth. Last year the airport had a record 492,000 enplanements. That's 120,000 more enplanements than the airport had just 8 years ago. With increasing passenger loads and the continuous need to upgrade aging facilities, it's clear that the airport will need to invest in other necessary airside and landside projects. Lifting the PFC

cap would give the airport another financing option to meet its infrastructure demands.

*T.F. Green Airport:* T.F. Green Airport near Providence, Rhode Island has relied on Federal grants and PFC revenue for critical infrastructure projects. Two weeks ago, Rhode Island Airport Corporation officials, Ranking Member Reed, and other leaders announced that the airport will begin receiving new international service this summer. Senator Reed deserves a great deal of credit for facilitating that new service by helping to secure \$110 million in AIP grants to upgrade the airport and extend its runway.

Looking ahead, airport officials indicate that raising or eliminating the PFC cap could help the airport fund critical infrastructure projects and airfield equipment. With potential growth in service to international destinations, airport officials point out that they may need to use PFCs to help pay for expanding or potentially building a new Federal Inspection Service facility. The airport also intends to use PFCs to pay for debt service on associated airfield projects.

*Missoula International Airport:* The Missoula International Airport is another airport in need of a new terminal. The current terminal at the Montana airport was built in the late 1940s, and the airport has added on to it about a dozen times since then. In an effort to replace outdated facilities and accommodate unprecedented passenger growth, airport officials are preparing to break ground next year on a new \$72 million terminal. The airport plans to use a combination of PFCs, AIP grants, and other revenue sources to pay for the much-needed project.

Adjusting the PFC cap would allow the airport to service a higher level of debt and complete all phases of the new terminal project. Airport officials also point out that a higher PFC cap would allow them to pay off the terminal-related debt more quickly. It would also allow them to use PFC revenue for other high-priority projects such as airfield pavement, Aircraft Rescue and Fire Fighting equipment, and Snow Removal Equipment.

*Response to Airline Arguments:* Unfortunately, airports and airlines don't agree on the need to eliminate the PFC cap. We've been going around and around on this issue for the past 25 years. It is a dispute about money. But, more importantly, it is a dispute about control. Airlines don't like the fact that airports can use PFC revenue to help increase competition at their facilities, which can lead to lower fares.

The dispute between airports and airlines is also about perspective. Airlines tend to look at the world in 90-day increments of time and their next quarterly report. That is understandable since their job is to maximize revenue for their shareholders. Airports, on the other hand, look at the world in 3-, 5-, 7-, 10-, even 15-year increments because that's how long it takes to build necessary infrastructure.

Airports, like you, are representatives and stewards of their communities. Airports are trying to provide the best opportunities for competition and enhanced service. If an airline doesn't like their yield in a particular market, they can pick up and leave. We believe that our interest, as units of local government, aligns with your interest, as members of the United States Senate, in looking out for what is best interest of your community.

The airlines often make the erroneous claim that PFCs are taxes. But PFCs are not taxes. They are local user fees charged to passengers using airport facilities to help defray the costs of building airport infrastructure. Moreover, PFCs are imposed by states or units of local government—not the Federal government. PFCs are not collected by the Federal government, not spent by the Federal government, and not deposited into the U.S. Treasury.

Marc Scribner from the libertarian Competitive Enterprise Institute described PFCs as “classic example of a user fee.” He correctly pointed out that “unlike taxes, user fees can only be imposed on the service beneficiaries . . . . The primary beneficiaries of airports are the passengers who use the airports; thus, charging them a facility user fee that will be used solely for specific, statutorily-defined airport improvements cannot constitute a tax.”

Our airline partners will continue to try to make the case in that raising the PFC cap isn't necessary because commercial service airports collected \$24.5 billion in revenues in 2013. The airlines might have a point if airports could have devoted that entire amount for capital projects. But, not surprisingly, airports use various revenue sources to pay for capital and operational expenses.

The fact is almost half of the airline's estimate—or \$11.7 billion—paid for airport operating expenses such as personnel costs, firefighting and law enforcement. According to airport financial reports, airports also had \$6.3 billion in debt service costs in 2013. That's the amount of principal and interest that airports paid for long-term bonds during the year. When combined with airport operating expenses, airport non-capital costs were \$18 billion in 2013—or 73 percent of A4A's estimate.

Another 25 percent of A4A's estimate—or \$6.2 billion—came from AIP funds and PFCs. That estimate is misleading because airports didn't actually receive the full \$3.4 billion in AIP grants. According to the FAA, airports received less than \$3 billion in AIP grants in 2013 and slightly less than \$2.8 billion from PFCs. There's no question that \$5.8 billion is a large amount of money. But revenue from those two programs would only cover a fraction of the \$20 billion in annual airport capital needs.

Finally, A4A's estimate also doesn't take into account the amount of debt that airports have outstanding. Airport financial reports show that airports had more than \$83 billion in outstanding debt in 2013, and that number climbed to more than \$88 billion by 2015. Without a PFC increase, airports that have more borrowing capacity will have to issue even more debt to finance their infrastructure projects. Eliminating the PFC cap and paying for more projects on is a fiscally responsible approach that would help both airports and airlines.

#### CONTINUE TO INVEST IN FEDERAL AIRPORT IMPROVEMENT PROGRAM

Airports are also urging Congress to continue to provide full funding for AIP in the annual appropriations bills. As members of this Subcommittee are well aware, no general fund revenues are used for AIP grants. The AIP program is supported entirely by users of the aviation system through various taxes and fees deposited into the Airport and Airway Trust Fund.

AIP is a critical source of funding for airports of all sizes and especially smaller airports around the country that don't generate as much PFC revenue or have easy access to the bond market. Large and medium hub airports also depend on AIP funding—particularly money distributed through the Letter of Intent Program—to help pay for large capacity-enhancing projects.

AIP funds key airport projects that improve safety, security, capacity, and efficiency. Airports often rely on Federal grants to construct and rehabilitate runways and taxiways. Despite enormous demand and increased construction cost inflation, the authorized funding levels for AIP has dropped in recent years from \$3.515 billion to \$3.35 billion.

It is important to point out that not all AIP funding actually flows to airports for actual construction projects. In fiscal year 16, for instance, only about \$3.2 billion went to actual infrastructure projects. Slightly more than \$107 million of AIP went to the FAA to operate the program. At that funding level, the annual appropriations for AIP amount is only enough to cover half the FAA's estimated \$6.5 billion in annual AIP-eligible projects and one-third of airports' entire annual capital needs.

The next FAA reauthorization bill may propose slightly higher funding levels for AIP. But we realize that it is unlikely that the program will double in size any time soon. It is for that reason that we believe that it is absolutely imperative for Congress to eliminate the PFC cap. Doing away with the cap could potentially open the door to recalibrate the AIP program. With a PFC increase firmly in place, limited Federal funds could be focused on smaller airports that need AIP funds the most.

#### PRESERVE AND RESTORE TAX EXEMPT FINANCING FOR AIRPORT BONDS

While it isn't under this Subcommittee's jurisdiction, airports urge you to work with your colleagues on the Senate Finance Committee to help airports pay for their infrastructure projects with bonds. Specifically, we are urging Congress to retain the tax exemption for municipal bonds and to eliminate the tax burden of the Alternative Minimum Tax (AMT) on airport private activity bonds.

AAAE and ACI-NA have long argued that Federal tax law unfairly classifies the vast majority of bonds that airports use as private activity even though they are used to finance runways, taxiways and other facilities that benefit the public. Since private activity bonds are subject to the AMT, airport bond issuers traditionally have been charged higher interest rates on their borrowing.

A permanent AMT fix would help airports reduce their borrowing costs, allow them to invest in more infrastructure projects, and support more jobs. Since reducing borrowing costs would benefit airports and their customers, this is one airport infrastructure financing proposal that airports and airlines will likely continue to agree makes sense.

But it is important to note that unlike AIP and PFCs, bonds are not a revenue source—they are essentially loans that airports need to pay back. In terms of additional borrowing, many airports are unable to issue new bonds because they have reached the limits of their debt capacity. Other small airports are simply unable to go to the bond market to finance infrastructure projects.

## CLOSE BAG FEE LOOPHOLE

While airports and airlines may agree on the need for AMT relief, we continue to have a fundamental disagreement over the impact of airlines' increasing reliance on baggage fees and other ancillary charges. AAAE is recommending that those fees be subject to the same aviation excise taxes as base air fares and that the revenue be deposited into the Airport and Airway Trust Fund.

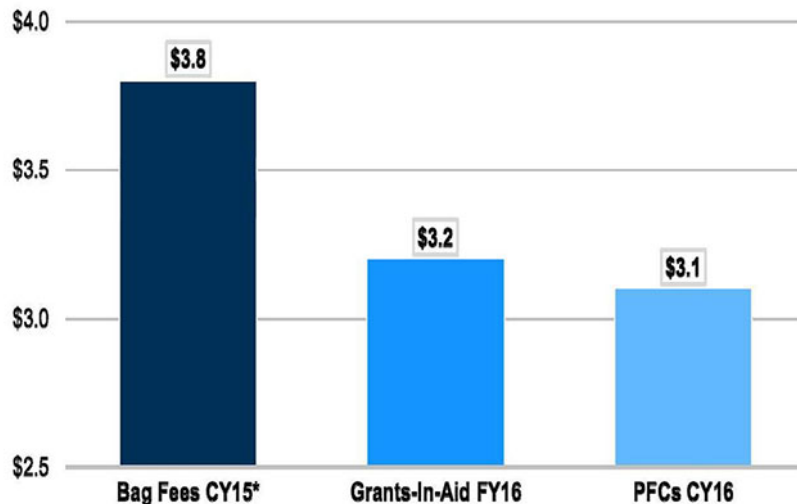
Airport operators respect our airline partners and the highly competitive nature of the commercial airline industry. However, at a time when Federal funding for airport infrastructure projects is stagnant, and the purchasing power of PFCs is eroding, the airlines' current business model simultaneously reduces funds that could be used for airport infrastructure projects and air traffic control modernization.

Air carriers are increasingly relying on revenue generated from checked baggage fees and other ancillary charges and less on funds from base airline tickets. Unlike airline tickets, baggage fees and some other ancillary charges are not subject to a 7.5 percent excise tax. In other words, the airlines' a la carte pricing model allows carriers to avoid paying aviation excise taxes for services that were once included in the price of traditional airline tickets.

According to DOT's Bureau of Transportation and Statistics, U.S. airlines collected more than \$3.8 billion in baggage fees in 2015—the last complete year available. And carriers were on track to exceed that amount in 2016 having collected approximately \$3.15 billion in first three quarters of the year. Those figures are for bag fees alone and do not include revenue that carriers generate from reservation change fees and other ancillary charges. The 2015 airline bag fee revenue exceeds the amount that Congress approved for AIP in fiscal year 16 and the amount that airports collected in PFC revenue in the same calendar year.

## Airline Bag Fees vs. AIP and PFCs

(Dollars in Billions; Source: Bureau of Transportation Statistics)



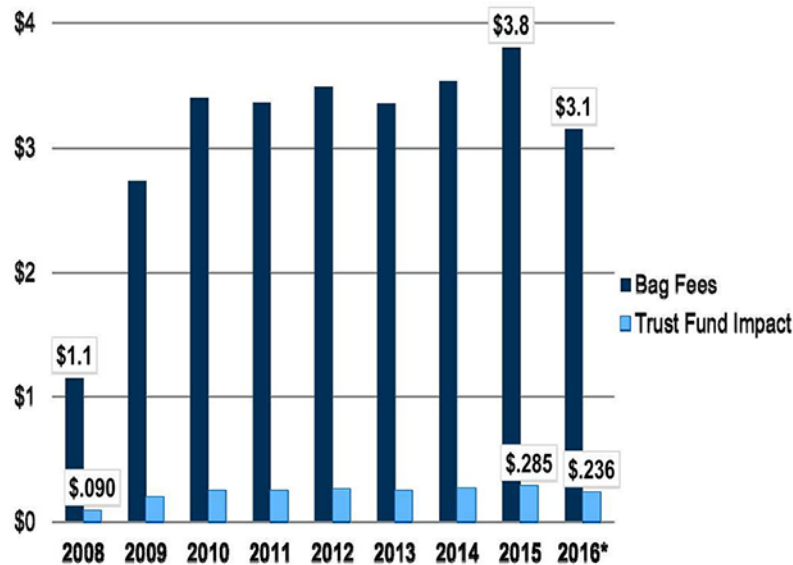
\*Last complete year available.

The airlines' use of ancillary fees shortchanges the Airport and Airway Trust Fund of revenue that could otherwise support airport infrastructure projects, air traffic control modernization, and other aviation system improvements. Between 2008 and the third quarter of 2016, the airlines raked in almost \$28 billion in revenue from bag fees. By the end of the first quarter of 2017—less than 1 month from now—that number will likely climb to approximately \$30 billion.

Closing the baggage fee loophole and charging the same 7.5 percent as base fares would have generated approximately \$285 million in 2015 alone. From 2008 through the first quarter of 2017, the bag fee loophole is expected to cost the Airport and Airway Trust Fund approximately \$2.2 billion in foregone revenue.

## \$30 Billion in Bag Fees; \$2.2 Billion Loss to Aviation Trust Fund

(Dollars in Billions; Source: Bureau of Transportation Statistics)



\*Through 3Q 2016

We appreciate the airlines' responsibility to answer to their shareholders. And airports want our airline partners to be successful. But the ancillary fee loophole should be closed. Doing so would generate over \$1 billion every 4 years that could be used for AIP and NextGen. It would also help the nation meet the long-term needs of our aviation system.

### RECOMMENDATIONS FOR HELPING SMALL COMMUNITIES

This Subcommittee has long looked out for small communities by supporting programs that ensure people who live and work in rural areas have access to our aviation system. As you consider the annual appropriations bills, we urge you to protect the cost-effective Contract Tower Program and maintain funding for small community programs.

*Contract Tower Program:* On behalf of the 253 airports with FAA contract towers, we would like to thank this Subcommittee for the full and dedicated funding you

have provided the contract tower program over the years. This successful program allows smaller airports in 46 states to have air traffic control services that have a direct impact on aviation safety. It also plays a key role in connecting smaller airports and rural communities with our national air transportation system.

As you well know, the Contract Tower Program continues to enjoy strong bipartisan and bicameral support in Congress for the way it enhances aviation safety and provides significant cost savings to the FAA and U.S. taxpayers. The enormous benefits of this highly-regarded government/industry partnership have been validated repeatedly by DOT's Office of Inspector General.

Almost half of all military operations at civilian airports in the U.S. occur at contract towers and approximately 70 percent of all contract controllers are veterans. Contract towers operate together with FAA-staffed facilities throughout the country as part of a unified national air traffic control system. Without this Federal program and critical support from this Subcommittee, many of these towers would be forced to close.

We are grateful that Senate and House versions of the fiscal year 17 DOT Appropriations bill include \$159 million for the Contract Tower Cost Share program. We urge you to include that full amount in the final fiscal year 2017 and fiscal year 2018 DOT spending bills.

*Essential Air Service:* Congress created the Essential Air Service (EAS) program as part of the Airline Deregulation Act of 1978 to ensure that small communities could maintain a minimal level of scheduled air service. Since then, this program has successfully allowed people who live in rural and less populated areas to have access to the national aviation system. According to DOT, 173 communities participate in the EAS program including 61 in Alaska.

Commercial air service is not just a matter of convenience for leisure travelers. It is also critical to economic development efforts in communities around the country. Without the EAS program it would be difficult for many small communities to retain commercial air service and attract businesses that promote economic development and create jobs.

The EAS program is funded by a combination of annual appropriations and revenue from overflight fees. On behalf of EAS communities around the country, we urge you to continue to support this program.

*Small Community Air Service Development Program:* AAAE has been a strong supporter of the Small Community Air Service Development Program. Since its creation, the program has helped numerous small communities suffering from insufficient air service or unreasonably high fares.

DOT officials have pointed out that small community grants fund a variety of projects including financial incentives for airlines and marketing initiatives. At a time when small airports are trying to do everything they can to hold on to commercial air service and attract new service, the Small Community Air Service Development Program can provide small communities with a much-needed boost.

It is worth noting that small communities that participate in the program bring significant local funds to the table. When announcing grant recipients last year, DOT noted that "nearly all the communities pledged local cash and/or in-kind contributions from local, state, airport, or private sources to complement their requests for Federal assistance."

Vision 100 authorized \$35 million per year for the Small Community Air Service Development Program, and authorizers reduced that level to \$6 million annually in the FAA Modernization and Reform Act of 2012. This Subcommittee has approved even higher funding levels for the Small Community Air Service Development Program in recent years, and we urge you to help airports in small communities by continuing to support this program in fiscal year 17 and fiscal year 18.

#### CONCLUSION

Chairman Collins, Ranking Member Reed, and members of the Senate Appropriations Subcommittee on Transportation, thank you again for inviting me to participate in this hearing on airport issues and infrastructure financing. We appreciate your long-standing support of the nation's airports and maintaining air service. We look forward to working with you as we seek to better prepare airports to deal with the significant challenges on the horizon.

Senator COLLINS. Thank you very much.  
Mr. Mortimer.

**STATEMENT OF EDWARD L. MORTIMER, EXECUTIVE DIRECTOR FOR  
TRANSPORTATION INFRASTRUCTURE, U.S. CHAMBER OF COM-  
MERCE**

Mr. MORTIMER. Great. Good morning, Chairman Collins, Ranking Member Reed, and members of the subcommittee. My name is Ed Mortimer. I serve as Executive Director of Transportation Infrastructure at the U.S. Chamber of Commerce.

I also have the privilege of serving as Executive Director of the Chamber-led Americans for Transportation Mobility Coalition, which includes business, labor, and transportation stakeholders advocating for improved and increased Federal investment in the Nation's aging and overburdened transportation system.

America's transportation network is a vast system that connects people and places, moves goods, and boosts our economy, and ensures our quality of life and safety. It has served as the backbone of the Nation's economy.

For almost 100 years, America's infrastructure has been the envy of the world, from our transcontinental railroads to our airports, and from subways to the interstate highway system.

Our Nation's history of providing state-of-the-art infrastructure is impressive, but like those who own a home know, failure to maintain an asset allows minor problems to turn into major reconstruction, and now we see an infrastructure that we need to rebuild and modernize.

The U.S. Department of Transportation's Beyond Traffic Report describes in detail what the future may hold for our changing population. The report finds that the U.S. population is expected to grow by 70 million people in the next 30 years. By 2045, the Nation's economy is forecasted to grow by 115 percent.

We talked earlier about the needs that are out there. My written statement really gets into those, but again, the needs are great and the resources are limited.

What has changed? We are very excited that President Donald Trump has announced his desire to enact an infrastructure investment package, which many in Congress, many on this committee and others, including the leadership, have expressed a willingness to advance such legislation.

The Chamber and the ATM Coalition believes this is a once in a generation opportunity to modernize America's infrastructure, and that this effort is critical to future economic success.

As this process moves forward, the Chamber believes any package should include the following three principles: first, the legislation should focus on actual infrastructure projects whose completion can create greater potential for long-term economic growth. The package should not be a replication of what happened in 2009 with the Recovery Act.

These projects need to be selected and funded based on potential to support long-term economic growth, not at the speed at which they can be brought into construction and completion.

Second, the legislation should employ a variety of funding mechanisms tailored to various infrastructure project lines and where possible utilize existing Federal programs. Funding should come in the form of direct Federal funding, revolving loan programs, direct

Federal loan programs, tax-preferred financing, and public/private partnerships.

Again, as my colleagues from AASHTO said, any legislation must ensure the long-term solvency of the Highway Trust Fund, and I will speak about that further in a minute.

Thirdly, while new Federal programs may be necessary to reflect the breadth of infrastructure projects envisioned, where possible, existing programs should be utilized and reformed as necessary.

Additional financing and funding should be accompanied by reforms that increase accountability, maximize and expedite the use of scarce Federal resources, and accommodate future needs. Best practices and performance requirements are needed to ensure projects are selected to maximize economic competitiveness, and that our national transportation system remains cohesive and efficient.

By expediting permitting, modernizing procurement practices, promoting innovation, and committing to project analysis that focuses on long-term risk management, the Federal Government can extract greater value out of limited funds, and support the delivery of higher quality, longer lasting infrastructure.

Rebuilding the Nation's transportation infrastructure should also include embedding new technologies that can leverage the impact of advances such as autonomous vehicles and drones.

Before I get into some of the funding and financing options for this infrastructure package, I would like to reiterate what Commissioner Bernhardt and Jim Tymon from AASHTO said, we do believe this committee needs to make sure that when the fiscal year 2017 appropriations are done, that we fully fund this year the FAST Act.

It is critical to maintain trust with our state partners and business community to ensure that the funding levels authorized in the FAST Act are met.

Now, I would like to talk about some of the funding and financing options that could be evaluated as we look forward to how we do this critical infrastructure package. Again, the Federal Highway Trust Fund will run out of money after the FAST Act expires in 2020. I think Jim talked about this.

Obviously, we have a hole at the end of that legislation of over \$100 billion, just to maintain the funding in the last year of the FAST Act.

This shortfall will result in significant uncertainty, and you all have seen what happened when we had extension after extension of authorization, it really caused a lot of uncertainty and it slowed down a lot of projects around the country because of the lack of Federal long-term planning, again, this is something we believe needs to be addressed as part of any infrastructure package this year.

We believe that business, labor, public transit advocates, and other key stakeholders must partner with Congress to find long-term sustainable funding for the Highway Trust Fund.

Currently stuck at 18.4 cents per gallon, the Federal gasoline tax has not been increased since 1993. Since then, the user fee has lost more 35 percent of its purchasing power.

Could you imagine if we had indexed that and kept pace with inflation? We would not have a lot of the problems we have today.

Look, we understand that politically, this is the most challenging one, but as the business community, we are committed to stand with members of Congress to try to make sure this is addressed this year, and we are willing to support this type—it has been the way that has worked since 1956, and we are willing to stand with elected officials to make that tough decision and to make it happen.

Of course, there are several funding and financing tools that are also available. We talked about TIFIA. Again, we believe TIFIA can be reformed, and utilization of the Build America Bureau can provide new opportunities. We also believe the Railroad Rehabilitation and Improvement Financing (RRIF) can be another program that can be reviewed.

The private activity bonds, we believe that cap on private activity bonds should be lifted. There is a lot of opportunity there moving forward. Tax credit bonds, we know Senator Hoeven on this committee and others have looked at trying to use some type of tax credit bonds.

But again, while these are all valuable private sources, they are not a replacement for core Federal funding.

In closing, this is a critical juncture in our country, the business community stands ready to work with all of you to ensure that we actually have an infrastructure that can serve the Nation for the next 50 years, just like Dwight Eisenhower developed the interstate highway system.

Thank you for your time, and I look forward to your questions.

[The statement follows:]

#### PREPARED STATEMENT OF EDWARD L. MORTIMER

##### INTRODUCTION

Good morning Chairman Collins, Ranking Member Reed, and members of the Subcommittee. My name is Ed Mortimer and I serve as the Executive Director for Transportation Infrastructure at the United States Chamber of Commerce. I also serve as the Executive Director of the Chamber-led Americans for Transportation Mobility Coalition (ATM), which includes business, labor and transportation stakeholders advocating for improved and increased Federal investment in the nation's aging and overburdened transportation system.

The U.S. Chamber is the world's largest business federation. We represent the interests of over 3 million businesses of all sizes, sectors, and regions, as well as state and local chambers and industry associations.

##### CONDITION OF THE NATION'S TRANSPORTATION INFRASTRUCTURE

America's transportation network is a vast system that connects people and places, moves goods and boosts our economy, and ensures our quality of life and safety. The country's transportation system is comprised of roads, bridges, public transit, airports, ports, and interchanges affecting thousands of communities, multiple industries and job sectors. It has served as the backbone of the nation's economy.

For almost one hundred years, America's infrastructure has been the envy of the world. From the transcontinental railroads to electric streetcars, and from subways to the interstate highway system, our nation's history of providing state-of-the-art infrastructure is impressive.

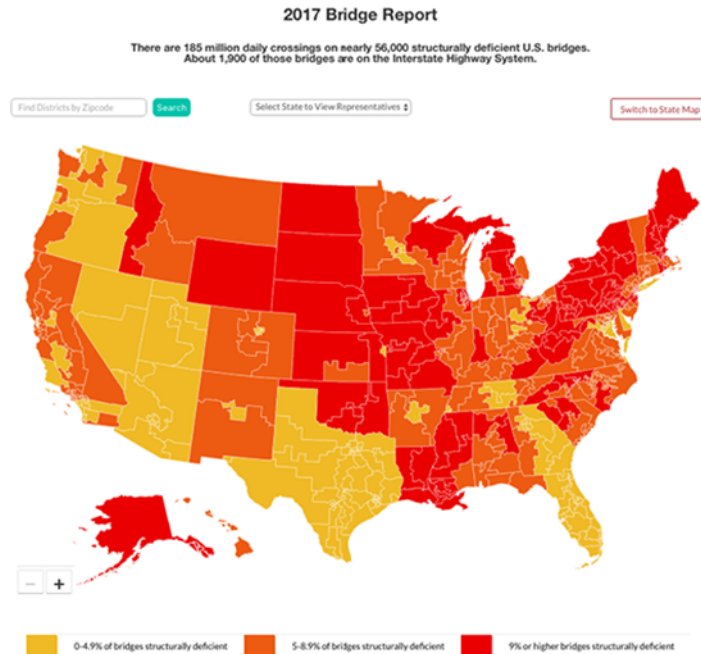
"Today, there are more than 4 million miles of road, 600,000 bridges, and 3,000 transit providers in the U.S. And yet, over the past 20 years, total Federal, state, and local investment in transportation has fallen as a share of Gross Domestic Product—while population, congestion, and maintenance backlogs have increased," ac-

cording to 2014 White House document entitled: “An Economic Analysis of Transportation Infrastructure Investment.”

But like those of us who own a home know, failure to maintain an asset allows minor problems to turn into major reconstruction. In the infrastructure market, the latest American Society of Civil Engineers Infrastructure Report Card, which will be revised tomorrow, tells this sad story, ranking the nation’s infrastructure a D+. Shockingly, this is an improvement from a grade of D in the previous report. Grades that should give this subcommittee pause include: Bridges (C+); Aviation (D); Roads (D) and Transit (D).

Study after study has shown that investing in transportation infrastructure leads to better safety, faster economic growth and higher quality of life. Not maintaining the infrastructure will have the reverse effect; the recent challenges of the Washington Metropolitan Area Transit Authority are just the most recent example.

Another recent report analyzing the U.S. Department of Transportation’s (U.S. DOT) recently-released 2016 National Bridge Inventory data finds cars, trucks and school buses cross the nation’s 55,710 structurally compromised bridges 185 million times daily. About 1,900 are on the Interstate Highway System. State transportation departments have identified 13,000 Interstate bridges that need replacement, widening or major reconstruction.



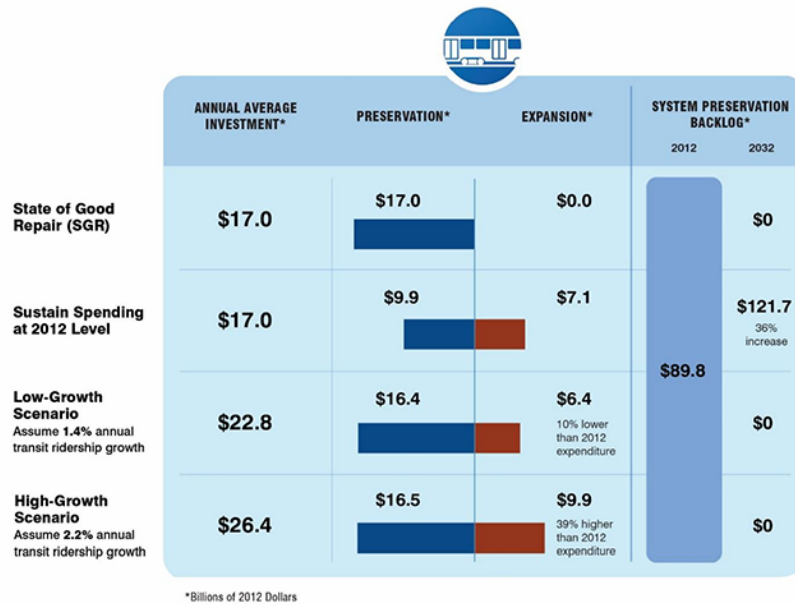
*Source: American Road and Transportation Builders Association, 2017 Bridge Report*

The data in the report shows 28 percent of the nation’s bridges (173,919) are over 50 years old and have never had any major reconstruction work in that time.

The most recent 2015 U.S. DOT conditions and performance report highlighted the current state of good repairs needed for highways and bridges at an estimated \$830 billion. Of the total backlog, \$394.9 billion (18.8 percent) is required for the Interstate System; \$394.9 billion (47.2 percent) is for the National Highway System, and \$644.8 billion (77.1 percent) is for Federal-aid highways.

This U.S. DOT report also stated the current state of good repair needs for public transit at \$89.8 billion. (2015 Status of the Nation’s Highways, Bridges, and Transit, U.S. Department of Transportation) Some of the impacts of future transit capital investment scenarios are listed below.

## 2012–2032 Future Transit Capital Investment Scenarios

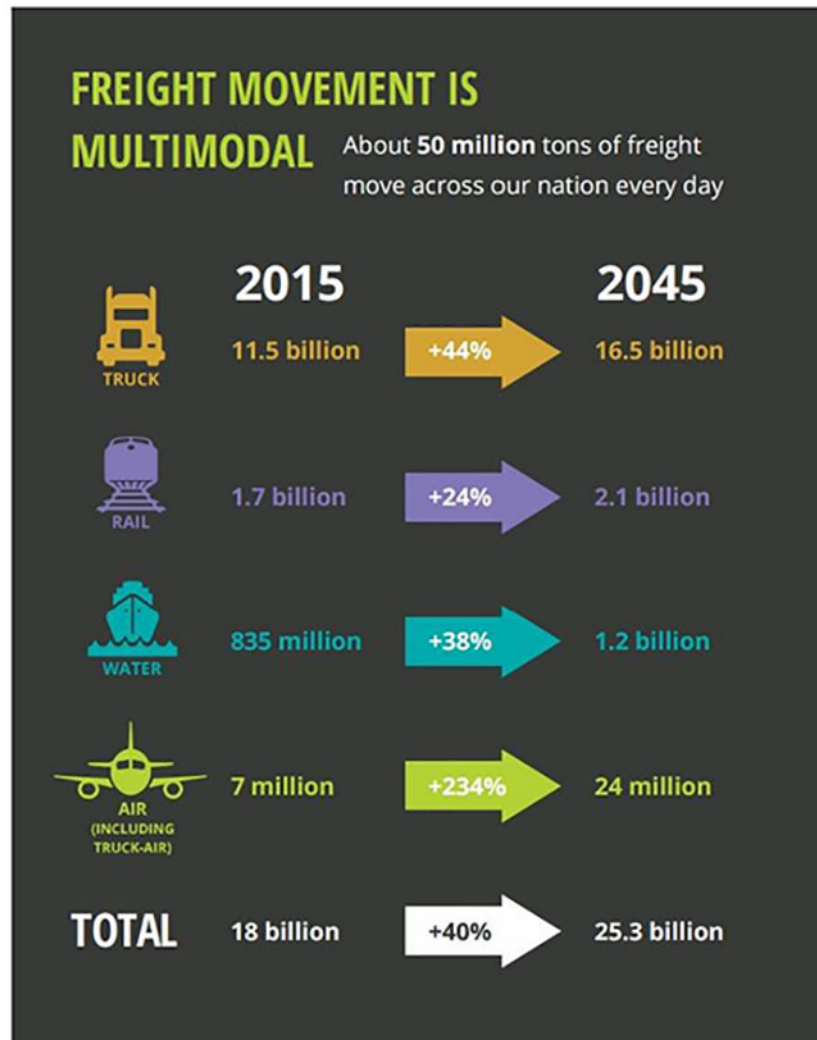


Source: U.S. Department of Transportation *Status of the Nation's Highways, Bridges, and Transit*

In the airport sector, a recent survey by the Airports Council International-North America (ACI-NA) showed U.S. airports have an estimated \$75.7 billion in infrastructure investment needs through 2019 to accommodate growth in passenger and cargo activity, rehabilitate existing facilities, and support aircraft innovation (Airport Capital Development Needs: 2015–2019).

### IMPORTANCE TO SYSTEM CONDITIONS TO FREIGHT MOVEMENT

The nation's freight network continues to experience strain. In 2015, our nation's transportation system moved 18.1 billion tons of goods, worth \$19.2 trillion, according to a Bureau of Transportation Statistics document entitled "DOT Released 30-year Freight projection" (March 2016). A recent U.S. DOT report, *Beyond Traffic*, projects that the amount of freight traveling on our nation's transportation network will grow 40 percent over the next 40 years. The chart below shows the breakdown of those estimates by transportation mode:



Source: *Beyond Traffic*, U.S. Department of Transportation

The nation's supply chain is also adapting to American consumers expecting quicker delivery of product. Supply-chain programs are moving from an inventory based "manufacture-to-supply" model to a "manufacture-to-order" model. Emerging technologies such as vehicle-to-vehicle and vehicle-to-infrastructure communications and autonomous vehicles need to have a transportation infrastructure able to allow these innovations to achieve the desired effort of maximizing the efficiency of the transportation network.

#### THE CHALLENGE AHEAD

The *Beyond Traffic* report describes in detail what the future may hold for our changing population. The report finds that the U.S. population is expected to grow by 70 million people in the next 30 years. By 2045, the nation's economy is fore-

casted to grow by 115 percent and the transportation sector will represent \$1.6 trillion of gross domestic product.

The same report shows investment in surface transportation is not meeting demand. For example, improving the condition and performance of highways and bridges over the next 5 years is estimated to cost \$120 billion annually from all levels of government. Yet, we currently are investing only \$83.1 billion. For public transportation, current investment is \$17.1 billion annually, a far cry from the necessary \$43 billion.

#### WHAT SHOULD BE INCLUDED IN AN INFRASTRUCTURE PACKAGE

President Donald Trump has announced his desire to enact an infrastructure investment package, and many in Congress, including leadership, have expressed a willingness to advance such legislation. The Chamber and the ATM Coalition believe this is a once in a generation opportunity to modernize America's infrastructure, and that this effort is critical to future economic success. As this process moves forward, the Chamber believes any package should include the following principles:

LEGISLATION SHOULD FOCUS ON ACTUAL INFRASTRUCTURE PROJECTS WHOSE COMPLETION CAN CREATE GREATER POTENTIAL FOR LONG-TERM ECONOMIC GROWTH.

- Infrastructure includes transportation (roads, bridges, transit systems, aviation, rail, ports and waterways), energy infrastructure, water and wastewater infrastructure, and broadband. Initiatives outside of these core areas should not be included in the package.
- The package should not be a “stimulus” bill. Projects should be selected and funded based on the potential to support long-term economic growth, not the speed at which they can be completed.

LEGISLATION SHOULD EMPLOY A VARIETY OF FUNDING MECHANISMS TAILORED TO THE VARIOUS INFRASTRUCTURE PROJECT LINES AND, WHERE POSSIBLE, UTILIZE EXISTING FEDERAL PROGRAMS.

- Funding should come in the form of direct Federal funding, revolving loan programs, direct Federal loan programs, tax-preferred financing, and public-private partnerships.
- Any legislation must ensure the long-term solvency of the Highway Trust Fund (HTF).
- While new Federal programs may be necessary to reflect the breadth of infrastructure projects envisioned, where possible, existing programs should be utilized and reformed as necessary.
- A discretionary grant program should be created to fund mega-projects, fund projects without existing Federal funding source, stimulate competition, and maximize leveraging state, local, and private-sector funds.

ADDITIONAL FINANCING AND FUNDING SHOULD BE ACCOMPANIED BY REFORMS THAT INCREASE ACCOUNTABILITY, MAXIMIZE AND EXPEDITE THE USE OF SCARCE FEDERAL RESOURCES, AND ACCOMMODATE FUTURE NEEDS.

- Accountability, best practices, and performance requirements are needed to ensure projects are selected to maximize economic competitiveness and that our national transportation system remains cohesive and efficient.
- By expediting permitting, modernizing procurement practices, promoting innovation, and committing to project analysis that focuses on long-term risk management, the Federal government can extract greater value out of limited funds and support the delivery of higher quality, longer lasting infrastructure.
- Rebuilding the nation's transportation infrastructure should include embedding new technologies that can leverage the impact of advances such as autonomous vehicles.

NEED TO UTILIZE VARIOUS FINANCING AND FUNDING OPTIONS TO INCREASE TRANSPORTATION INFRASTRUCTURE INVESTMENT

#### *Reauthorization, 6-year Highway Trust Fund Fix*

The Federal Highway Trust Fund (HTF) will run out of money after the Fixing America's Surface Transportation Act (FAST Act) expires in 2020. It will require an investment of approximately \$150 billion over current revenue projections just to maintain funding at FAST Act levels over the following 6-year period. This shortfall will likely result in significant uncertainty with states possibly delaying major transportation projects. The size of the shortfall also will likely mean that Congress

will be unable to complete a well-funded authorization bill in a timely manner and might force undesirable policy outcomes that run counter to the best interests of the nation.

#### *Funding Highway Trust Fund*

We believe that business, labor, public transit advocates and other key stakeholders must partner with the Congress to find a long-term, sustainable funding source for the Highway Trust Fund. Currently stuck at 18.4 cents per gallon, the Federal gasoline tax has not increased since 1993. Since then, the user fee has lost more than 35 percent of its purchasing power. Even with the passage of the FAST Act, our nation's current level of investment in surface transportation is less than half of what is needed.

It is the Chamber's position that the simplest, most straight forward solution to the immediate problem we face is to increase user fees—gasoline and diesel taxes—going into the HTF. Adding a penny, a month for a year and indexing the total user fee to inflation could support current services funding levels for the foreseeable future. The collection system itself is highly efficient: the owner of the fuel at the time it breaks bulk from the terminal rack pays the excise tax to the Internal Revenue Service. According to the American Petroleum Institute, there are about 1300 terminals in the country, translating to a low number of payers and low cost of administration. The gas tax, if adjusted in amount and indexed, is ideal and most transparent as a revenue source.

And yes, in the long run, we know that there is a need to look to other methods to pay for surface transportation investment. The vehicle fleet is becoming more fuel-efficient. Driving patterns are changing. Construction costs typically grow faster than the Consumer Price Index. And multi-modal transportation investment calls for more diversified sources of revenue. We have been closely following pilot programs looking at transitioning to vehicles miles traveled such as Oregon and others. While progress is being made, we believe that national implementation of such a funding mechanism is at least 10 years away.

#### *Financing Tools*

**Federal Loan Programs**—Direct Federal loans are a critical tool to bringing private capital to the infrastructure market. The most successful loan program is known as Transportation Infrastructure Finance and Innovation Act (TIFIA), which makes loans to highway and transit projects. The Federal cost of loan programs (known as subsidy cost) is determined based on the expected value of a potential default of each project, which has historically been 8 percent. Each dollar provided in subsidy cost historically leverages \$30 in total project funding. The FAST Act lowered subsidy cost funding from \$1 billion to \$350 million because there was not enough demand for the higher level of loans. We believe that with increased resources in U.S. DOT's Build America Bureau, more project sponsors will find it easier to utilize TIFIA.

We also would like to see expanded use of a financing tool for rail projects, known as the Railroad Rehabilitation & Improvement Financing (RIFF). The program, authorized in 1998, has experienced limited use due to the private sector being required to pay the government the subsidy cost when the loan closes, along with its restrictive loan terms.

**Private Activity Bonds**—Private Activity Bonds (PABs) allow private-sector project sponsors to issue tax-exempt bonds when financing public-benefit infrastructure projects. Currently there is a \$15 billion cap on such issuances. We believe that raising or eliminating this cap would provide a further incentive to increase private sector investment in surface transportation projects. We propose increasing the cap by \$10 billion. The average P3 project is funded 25 percent with PABs, so we assume an additional \$10 billion cap could leverage \$40 billion in projects.

**Tax-Credit Bonds**—There are several competing proposals to leverage private-sector investment by creating a new category of bonds, including Build America Bonds (BABs) and Transportation and Regional Infrastructure Project Bonds (TRIP Bonds). Many of the proposals would provide a tax credit in lieu of paying the bondholder interest. We believe they can be utilized as an additional tool to supplement other financing/funding sources.

These valuable Federal credit tools, along with other sources of debt and equity, are not free. When a project sponsor determines to utilize private financing, revenues are required to repay lenders and investors. Although using P3's and other private financing instruments can free up pay-as-you go funding sources for projects that are not amenable to private investment, they are no replacement for fixing the revenue problem facing the HTF.

The Chamber has joined with the Bipartisan Policy Center and several other industry stakeholders, including the National Governors Association, the Business Roundtable, North America's Building Trades Unions, the National Association of Manufacturers and the Securities Industry and Financial Markets Association to promote robust, reliable Federal funding as well as unleashing the power of the private sector to address these infrastructure needs.

#### REGULATORY RELIEF

The FAST Act and MAP-21 have made great strides in improving project delivery for highway and transit projects, but many of the provisions have yet to be fully implemented. Also, not all infrastructure projects benefited from those changes. The Chamber urges Congress to pass permit streamlining legislation, which would help all infrastructure projects move forward in a timely but environmentally responsible manner.

It is difficult to estimate the amount of direct saving regulatory relief could bring to infrastructure projects. Generally speaking, streamlining the permitting process accelerates spending rather than leveraging additional funds. However, this acceleration of project completion saves money. Additionally, the added certainty of a more reasonable timeline for approval of Federal permits would likely attract additional private capital to the U.S. infrastructure market.

#### CONCLUSION

The bottom line is that the time to make important infrastructure investments is NOW. Delaying action only makes the decisions more difficult and projects costlier. From the business community's perspective, the question is not if we need to make these decisions, but when.

The Chamber strongly supports Federal investment in transportation. We need a smooth flowing, efficient national transportation network that will support the transportation needs of businesses from origin to destination across the globe, and from the factory to the corporate headquarters to main street retailers to medical centers.

From all levels of government, there is no single funding solution that will solve all of our infrastructure problems. The Chamber believes communities should have a large toolkit of funding and financing options available that can be utilized to provide the infrastructure needed, not just to succeed, but to lead the world in providing economic and social mobility. Improving our current infrastructure will be a key component in modernizing many parts of the country. The Chamber and the ATM Coalition are committed to working with elected officials to ensure our nation provides an infrastructure that keeps up with the changing times.

Thank you for the opportunity to testify today. The Chamber as well as the ATM Coalition look forward to working with this subcommittee to provide the tools necessary to modernize America's transportation network, stabilize the HTF, and grow investment in this nation's transportation infrastructure so each state and region can get out of the system what they need to be successful—whether that is moving freight or their employees.

Senator COLLINS. Thank you very much for your testimony. Ms. Osborne, I hope you will forgive me if I yield to the ranking member of the full committee who has joined us and is on a very tight timetable, and would like to give a very brief opening statement.

Ms. OSBORNE. Of course.

Senator COLLINS. Senator Leahy, welcome.

#### STATEMENT OF SENATOR PATRICK LEAHY

Senator LEAHY. Madam Chair, I appreciate the courtesy very much. I am glad to see somebody from Maine and New England. You have three New England Senators here, and our distinguished colleague from Delaware.

Look, every single state could talk about the crumbling infrastructure. We have the power to improve it. We should not talk as though we do not have the power to do it. We used to do this in a bipartisan way. We have to come back to that. We cannot have a small minority in the Congress block what we need to do.

Mr. Mortimer, you talked about the gas tax, that had it been indexed, where we would be on that. Whatever we do, it cannot be with hope and smoking mirrors, if you will excuse the cliché. It has to be real. We cannot talk about, especially those of us who come from rural areas, well, we will just build toll roads or something of that nature; that just does not work.

I join with my fellow Democrats to building a \$1 trillion infrastructure unit. It creates 15 million jobs, both in urban and rural centers.

The President says he wants to invest in infrastructure, but when he talks about increasing money as part of defense spending, \$25 billion for a wall on our southern border, that takes money away from infrastructure, job creation, education, and the environment.

If you think we are going to do this just by some kind of tax incentives, that is not going to help rural America at all. We do a lot in our state, in our small state, but we do need help.

Madam Chair, I thank you for holding this hearing.

Senator Collins: Thank you very much, Senator Leahy.

Ms. Osborne.

**STATEMENT OF BETH OSBORNE, SENIOR POLICY ADVISOR, TRANSPORTATION FOR AMERICA**

Ms. OSBORNE. Thank you very much for having me today. On behalf of Transportation for America (T4A) and our alliance of local transportation civic and business leaders across the country, we are very pleased to be here.

Transportation for America seeks to ensure that local leaders are better represented in the Federal programs since that is the level at which most travel happens.

We also provide technical assistance to state and local transportation agencies on measuring the performance of their transportation systems, implementing practical and multimodal design strategies, and successful models for raising state and local money to support transportation.

As everybody testifying today has said, we have a great need to invest in the transportation system, and one of the best things about going last is I get to say what they said.

We at Transportation for America have been very supportive of putting more funding into this program. Two years ago, we produced a revenue proposal that suggested several ways to do that. AASHTO has gone much further. Ours was just a subset.

I believe Jim said 35 different techniques that we could use to fund those programs, and we agree that funding should be sustainable and reliable, so that transportation agencies can do the thoughtful planning and asset management necessary to maintain our national transportation system.

However, funding is not the only thing that we need. We need programs that promote innovation, that encourage collaboration and maximize benefits. This committee funds most of the programs that do that the best, including the TIGER Program, New Starts, Small Starts, and potentially the Consolidated Rail Infrastructure and Safety Improvements Program, known as CRISI, which I think is an adorable name.

In fact, while we talk about the need to put more funding into our crumbling infrastructure, that is not necessarily where existing funding is going.

A 2014 report called “Repair Priorities” found that between 2009 and 2011, states collectively spent \$20.4 billion annually to build new roadways and add lanes, but at the same time, they spent only \$16.5 billion repairing and preserving the existing system.

As we talk about large infrastructure packages, it is only fair to ask that the priorities of our transportation program more closely align with the rhetoric we use to justify spending on it.

There are some parts of the program, as I mentioned, that do a better job of aligning these priorities with needs, priorities like maintenance, and encouraging innovation and leveraging local and Federal funds.

These programs tend to rely on you, and my particular favorite is the TIGER Program, which I know many people on this committee agree. To some extent, that is because when I was at the U.S. Department of Transportation, it was my office that was in charge of it. It also could possibly be that as a graduate of Louisiana State University, I like the name.

This program is very popular with local and state governments and transportation agencies across the country because of its wide-ranging eligibility. It can fund anything from ports to rail to transit to highways, and it has wide-ranging eligible recipients.

Any governmental entity can apply. In fact, since the loss of earmarks, this is one of the only programs that allow local and county governments to directly access Federal funds.

The popularity has stayed strong in spite of the fact that only five to 6 percent of applicants receive any funding from the program, and that is because stakeholders can see the enumerated strategic priorities of the U.S. Department of Transportation in the funded project.

The program encourages people to try things that they never tried before, like design-build project delivery or complete street designs, or public/private partnerships.

It turns out that American cities and states will go a long way to beat out their neighbors. Competition also makes it possible to better coordinate transportation and development decisions, which occur at the local level, and I hear a lot of state engineers complain that they are always “chasing the land uses.”

I think about an example that was provided to me by folks at Florida DOT of two houses that were 70 feet apart, but it was a seven-mile drive between the two of them. This kind of roadway design and local land use pattern seems almost designed with the express purpose of generating traffic snarls.

When the problem is addressed, it is brought to the state and the Fed, as if this is a congestion problem that requires massive Federal spending.

No one is suggesting that the Fed needs to get involved in local development decisions. That sounds like a terrible idea. However, there should be a way to reward cities and states that consider these issues and take action to produce better results, and to lower all of our costs, and competitive programs are the best ways to do that.

While I started my testimony by pointing out that Federal funding is not the sole answer to addressing our Nation's transportation needs, I do want to make clear that Federal funding is essential.

Across the country, our cities, our suburbs, our rural towns are in a serious bind. They know they must have top notch transportation networks to attract the talent, and to compete on a global scale, and preserve their quality of life. They know they need to get workers of all wage levels to jobs, they need to eliminate crippling bottlenecks.

And these communities are stretching themselves to raise their own funds and to innovate, but they cannot bring these important projects to fruition without a strong Federal funding partner.

The programs that this committee funds are often the lynchpin for aiding states and localities in meeting these demands.

Thanks again for having me here today.

[The statement follows:]

PREPARED STATEMENT OF BETH OSBORNE

On behalf of Transportation for America and our alliance of local transportation, civic and business leaders across the country, I'd like to thank Chairman Collins and Ranking Member Reed for inviting me to testify today. Transportation for America seeks to ensure that local leaders are better represented in the Federal program since this level is where most travel happens and where people and freight are getting stuck. We provide technical assistance to state and local transportation agencies as well as metropolitan planning organizations (MPOs) on measuring the performance of the transportation system, implementing practical and multi-modal designs, and successful models for raising local money to support transportation.

As everyone testifying today will say, we have great need to invest in our transportation system, including our roads, bridges, and transit systems. We can all cite big numbers from many studies, such as the American Society of Civil Engineers infrastructure report card and the U.S. Department of Transportation's (USDOT) System and Performance report, explaining the challenge in stark numbers. However, Transportation for America believes that our problems run far deeper than just overall lack of funding.

To be clear, Transportation for America has been very supportive of more funding for this program and has produced a revenue proposal that suggests several specific ways that the Federal government could raise more money for our nation's transportation needs, which can be found here: <http://t4america.org/our-vision/investment>. This funding should be long term and reliable so that transportation agencies can do the thoughtful planning and asset management necessary to maintain our national transportation system.

Because the bulk of the Federal program is handled outside of the annual budget and appropriations process, we only sporadically talk about how this funding is spent or how we could get more from our sizable Federal investment. Yet, the programs that this committee funds each year have an outsized role in promoting innovation, encouraging collaboration and maximizing benefits. I am speaking specifically about TIGER, New Starts, Small Starts, Core Capacity, and the Consolidated Rail Infrastructure & Safety Improvements (CRISI) programs.

These programs are a vital part of the solution to our transportation challenges. For decades now, Congress has consistently increased transportation spending with each successive reauthorization bill, sometimes by large amounts (like with TEA-21 and SAFETEA-LU) and sometimes more modestly (as in MAP-21 and the FAST Act). While some progress has been made, progress has been uneven and we are simply not getting the maximum benefit—even with increasing Federal spending.

For one, we do nothing to require that current spending be prioritized for repairs. So while we all cite huge figures for mounting repair needs to make the case for investing more transportation dollars, there is no guarantee that the current transportation program—no matter how well funded—will actually repair our roads, bridges and transit systems.

In fact, a 2014 report conducted by Smart Growth America called "Repair Priorities" found that repair and maintenance was not getting its due. The report found that between 2009 and 2011, the latest year with available data at the time of the report, states collectively spent \$20.4 billion annually to build new roadways and

add lanes to existing roads. During that same time, states spent just \$16.5 billion annually repairing and preserving the existing system, even while roads across the country were deteriorating. On a scale of good, fair or poor, 21 percent of America's roads were in poor condition in 2011. Just 37 percent of roads were in good condition that year—down from 41 percent in 2008.

In fairness, that report showed that not all states approach the problem equally, and some states dedicated a higher proportion of funding to repair and maintenance needs. In the years since, as funding has gotten tighter, some states report that they have increased their focus on state of repair needs. However, in my technical assistance work, I have found that some agencies classify expansions as state of repair projects if they feel they are bringing a road or bridge “to standard.”

It's only fair to ask that the priorities of our transportation program more closely match the rhetoric we use to justify more spending on it — especially at a time when we are discussing major cuts that are likely to impact other major infrastructure spending programs, such as housing and stormwater.

There are some parts of the Federal program that support aligning spending with priorities and also encourage innovation and leveraging of Federal funds. These are the competitive grant programs, my favorite of which was created by this committee—the TIGER program. When I was at USDOT, my office managed this program. This program is by far the most popular at USDOT, and that is because it is the most flexible in terms of eligible uses (everything from ports to rail to transit to highways) and in terms of eligible recipients (any governmental entity).

In fact, this is one of the only programs that allow cities and counties to directly access Federal funds.

This popularity stayed strong in spite of the fact that only 5–6 percent of applicants received any funding. In fact, part of my job was explaining to the 94–95 percent of applicants who didn't get funded why their applications weren't chosen. It is not easy to have a popular program when you are saying no to almost everyone. But through competition, applicants and stakeholders could see the enumerated strategic priorities of USDOT in the funded projects. The program encouraged project sponsors to try strategies they had never tried before—like design-build project delivery or complete street designs or public-private partnerships. While I was at USDOT, TIGER projects brought two non-Federal dollars to the table for every one TIGER dollar they received. I have seen some analysis that shows this leveraging has continued to increase. I also saw project delivery complaints, like issues with the National Environmental Policy Act (NEPA), fade away when project sponsors faced time constraints on the TIGER funding. Turns out that American cities and states will go a long way to beat out their neighbors and to keep a Federal grant. Competition brings out the best.

TIGER, along with programs like New Starts, Small Starts, and the Consolidated Rail Infrastructure & Safety Improvements (CRISI) program, encourage transportation agencies to work with their sister agencies to coordinate funding streams and planning efforts.

One of the places where this can have the greatest impact is when transportation and development decisions are coordinated with one another to serve the same goals. Aligning transportation investments and development patterns can prevent transportation agencies from a complaint I regularly hear from transportation agencies is that they are continuously “chasing land uses.” They say as soon as they address one group of needs along a corridor, poorly designed development pops up and undercuts their investment, sending them back to the drawing board. Using competitive programs can reward those that interrupt this pattern, create better connectivity and avoid trying to fix poor land use choices with expensive (and often ineffective) transportation solutions.

I think about the two houses in Florida that are 70 feet apart but require a seven-mile drive to get from one to the other. Such a roadway and land use pattern is almost designed with the express purpose of generating traffic snarls. But the problem is not categorized as a development or road connectivity problem. It is put to the state and the Federal government as a congestion problem that requires big spending to widen roads. I think about my brother's house in Baton Rouge that is three blocks from the grocery store but he has to drive there because he is not willing to walk in 45 mph traffic with his kids. Then the mass of cars required to carry everyone on every three-block trip is presented not as a development and connectivity problem but as a traffic problem that requires big spending to widen roads.

When I was at USDOT, I would regularly hear from school districts that had sited a new school or consolidated schools to save money on facilities. Only after this investment was made did people think about the transportation burden they were putting on families and the cost that would be associated with busing everyone to

schools that once were easily reached on foot. They would come to USDOT and present this not as a siting error but as a transportation challenge that required transportation spending to fix.

Land use is a local issue, making it one of the reasons that local governments are essential to the transportation program. That is the level of governance that can best coordinate these efforts. However, we are starting to see states seek ways to better engage in the development conversation as well.

Governor Doug Burgum of North Dakota stated it about as well as anyone I've ever heard when talking about his Main Street Initiative. He calls for smart, efficient infrastructure as part of this initiative and explains why it is important this way:

"A community's horizontal, low density expansion often results in a geographic footprint that is increasingly expensive over time, even to the point of becoming economically unsustainable. Larger footprints require communities to invest more in virtually every category—from new water towers, sewer lines and sewage systems, to streetlights, sidewalks, snow plows, lawnmowers, garbage collection, and more. And these aren't one-time costs—they're ongoing expenses that require personnel and maintenance, year after year.

"Ultimately, this leads to bigger government, higher property taxes, and unsustainable spending.

"As one example, let's look at three cities: Fargo, North Dakota; Ann Arbor, Michigan; and Boulder, Colorado. All of these cities have comparable populations, yet Fargo's geographic footprint (about 49 sq. miles) is nearly twice as large as either Ann Arbor or Boulder. This means that in Fargo, there are more roads to plow and patrol, more pipes to fix, and an overall larger infrastructure to maintain, for a similar population. Fargo now has over 2,000 lane miles of roads to plow after each snow storm. That's almost twice as long as the distance from Fargo to Frisco, Texas.

"Simply put, one of the major determinants of cost for a city or community is linear feet. The more linear feet, the greater the cost of everything."\*

I am sure Governor Burgum is not calling for the Federal government to get involved in local land use decisions. No one is calling for that. It is not an issue that can be handled through Federal dictates or regulation. However, it is not a cost burden that the Federal taxpayer should have to bear either. Through competitive programs that this committee funds, the Federal government can reward the states and local leaders that are coordinating land use and transportation to encourage less expensive local development patterns. This can reduce the need for humungous funding increases and make the case to the American taxpayer that we are maximizing Federal investment and not passively reacting to and throwing money at the problems caused by inefficient land use patterns.

Competition can also make it possible to reward those that are getting more out of their transportation investment. With the new Federal rules requiring states and MPOs to measure the performance of their transportation system in terms of safety, state of repair and system reliability, transportation leaders will set goals for their programs and report to stakeholders and the public whether they have met their own goals. While the new Federal rules are rather gentle—transportation agencies set their own targets, grade their own papers and suffer no real consequence for failure—these rules are an important first step to greater transparency in this program and to making clear to stakeholders and the public how far current spending can really take us in meeting Federal, state and local policy objectives.

My organization works with overachieving transportation leaders that want to go beyond the Federal minimum requirements and more typical engineering measures to consider metrics like transportation costs and access to jobs, education and essential services. Finding ways to reward agencies that set tougher performance targets, get greater results and use more innovative outcome measures is going to be an important task for Congress in the future. The competitive programs that you all fund can play a significant role.

While I started this testimony by pointing out that Federal funding is not the sole answer to addressing our nation's transportation needs, I do want to make clear that Federal funding is essential. Across the country, our cities, rural towns and suburbs—the local centers of commerce that form the backbone of America's economy—are in a serious bind: They know they must have top-notch transportation

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\* <https://doughburgum.com/main-street-initiative/>

networks to attract talent, compete on a global scale and preserve their quality of life. They know they need to get workers of all wage levels to jobs. They also know they need to eliminate crippling bottlenecks in freight delivery. These communities are stretching themselves to raise their own funds and to innovate, but they cannot bring these important projects to fruition without a strong Federal funding partner. The programs that this committee funds are often the lynchpin for aiding states and localities in meeting the twin demands of maintaining their existing infrastructure and preparing for the future.

Senator COLLINS. Thank you very much. Mr. Tymon, you put in your testimony a very interesting matrix of some 35 options for dealing with the financial problem and funding problem that we face. I wish I had thought to put them all on a chart and blow them up because you do go through every possible alternative.

In your professional judgment, which of these options would best meet our need to fund the Highway Trust Fund without being unduly burdensome for the average American driver?

Mr. TYMON. Well, again, thank you for recognizing the hard work that was put into producing this matrix. I agree, it does present better in a larger format, but we do have copies for all of the members of the committee, as well as for the staff, and we can get that to you.

I would say that the existing revenue sources for the Highway Trust Fund have served the Trust Fund very well for over 50 years. I would say that it is probably also the most efficient way of collecting revenue from the users of the system and being able to funnel that revenue back into surface transportation programs.

The Federal gas tax is a very efficient program or a very efficient method of collecting revenue, even if it is not something that has been adjusted in the last 24 years.

I do think that using those existing revenue sources, taking a look at them, is probably the most efficient way. We are doing a lot of work in looking at vehicle miles traveled. There is the pilot program that was referenced in the FAST Act. The first round of money went out last year to essentially further explore whether or not vehicle miles traveled fees are the solution to moving forward.

The gas tax is very efficient. It served the program very well for the past 50 years. It is something that I think Congress should continue to look at.

Senator COLLINS. Thank you. Mr. Mortimer, you, too, have suggested that we look at the gas tax. In preparing for this hearing, I was surprised to see the number of states, including some very conservative states, like Idaho and Wyoming, that had acted to increase their gas tax.

To what do you attribute the reluctance at the Federal level to even consider indexing the gas tax?

Mr. MORTIMER. Thank you, Chairman Collins. Look, it comes down to political courage. If you go and look at a lot of those states that you just mentioned, the business community was there with organized labor helping, and none of those people I am aware of have lost their seat because they supported increasing revenue to pay for infrastructure.

I know some members here have signed a pledge saying they did not want to raise revenue for anything. I think our belief is everyone needs to come into Congress as elected officials with an open mind, and we need to look at this.

Jim lays out there has been two national commissions that Congress has authorized. There have been more studies known to man.

The gas tax is the most sufficient, and the least administrative cost, and getting to your earlier question, what is the easiest way that does not impact rural America versus others, there is no simple answer to that. Unfortunately, we have to pay for the infrastructure. There has to be a component of revenue.

Even all the private investment that I talked about, and I think there is a great opportunity to increase private investment, there has to be public investment.

The gasoline tax is the only way we have seen. Now, we are open to other options. Jim talked about the vehicle miles traveled. We are watching those pilot programs very closely. We do believe that is the future. We believe it is 10 plus years away. We are not there yet.

Senator COLLINS. Thank you. I am shocked that you would suggest state legislators have more courage than members of Congress, but I will try to get over that, but that was an interesting analysis.

Commissioner Bernhardt, given your role as President of AASHTO, could you tell us how states around the country are coping with the insufficient transportation funding?

Mr. BERNHARDT. Madam Chairman, so what we are doing, DOTs, we understand that the Nation's infrastructure is running on less than optimal at this point in time efficiency. So, we are problem solvers.

Some of the things we are doing is we are getting our own houses in order, becoming more efficient and effective. We are using innovative materials, innovative designs, innovative ways of getting projects out. We are trying to stretch the dollar as much as we can. We use asset management principles where we optimize with the funding we have the amount of assets we can get to.

I can tell you we are not getting to all the assets that we would like to. There is only so much we can do to become efficient and effective with the resources we have. At some point in time, there will be a breaking point, and something will fail.

Senator COLLINS. Thank you.

Senator Reed.

Senator REED. Thank you very much, Madam Chairman, for your leadership. Thank you, ladies and gentlemen, for your great testimony; it was extraordinary.

Mr. Bernhardt, Maine and Rhode Island have many things in common. Unfortunately, one of them is their deteriorating bridges, but I think Rhode Island has the record, 56 percent of our bridges are structurally deficient or functionally obsolete. In fact, at one point we, had to close Interstate 95 because of a bridge in Pawtucket, Rhode Island, and, as a result all of New England was slowed to a crawl.

With that in mind, have you done an assessment of what you need to fix your bridges, and related to that, to the extent that you do not fix them and they keep deteriorating, the situation gets worse, I assume. Is that accurate?

Mr. BERNHARDT. That is accurate. So, it was just a few years ago that I had asked through my chief engineer to put a team together

to do just that. So, we did a report. Anybody can get it online. It is "Keeping Our Bridges Safe Report."

What it came down to, it took them about a year to put this report together, we had great asset inventory on every one of our bridges, so what they did is they looked at what we were spending and what was necessary to spend, so we were spending on average around \$70 million per year on bridges.

So, I asked, are we moving the needle, and the answer was no, and the answer came back that we needed to spend around \$140 million per year.

One, we have not been able to get to that level yet. We are at around \$119 million per year. One of the things that we looked at heavily is what are some of the trade-offs on the bridges.

There are certain bridges that we have to post, we post down to weight. We might go fix them, but we might only fix them up to another certain weight, just to get a school bus across, a fire truck, a fuel delivery. We might not bring it back to its optimal level.

So, those are the tradeoffs we have to do. Maine being very rural, spread out. There are certain bridges that we have to get to that 100,000 pound because of the types of vehicles that are crossing them. We are a heavy fiber industry. We have to focus on those. It is a tradeoff.

Senator REED. Let me just raise a point, which I think throughout the course of the hearing will come back, and that is if a project is a private/public partnership, the private entity has to be able to realize profits, which means the private benefits have to exceed the costs. It is a simple analysis.

In many cases, particularly when it comes to bridges in rural areas and many other infrastructure projects, those private benefits are not as substantial as the public benefits, i.e., getting a school bus or an emergency vehicle across the bridge.

As a result, the likelihood of a public/private partnership there is close to zero, but the necessity of fixing the bridge exists, and that calls for much more direct public investment. Is that your view?

Mr. BERNHARDT. That is my view. That is correct.

Senator REED. Thank you. Let me switch gears slightly. Ms. Osborne, we tend to categorize projects in terms of rail, transit, highway, et cetera, but the real future is intermodal transportation.

We have some successful examples. We have an old Navy Base, Quonset Point. It has an airport. It has rail service. It has access to the sea. In fact, it is one of our biggest import ports for automobiles on the East Coast. That success has resulted from over 20 years of effort. Also, at T.F. Green airport, we are working very diligently to get trains to stop, including MBTA, et cetera.

One of the things that strikes me is that we have different categories in the programs of Federal matches, Federal requirements, et cetera, which sometimes do not encourage intermodal transportation. In fact, discourage it.

Can you comment about that?

Ms. OSBORNE. Absolutely. You are absolutely right, that a lot of our programs are very siloed and kind of put the thumb on the scale for particular modes. If you want to connect to communities

by a highway, you can get 80 percent Federal funding. If you want to connect those same communities by transit, it is down to about half. If you want to do it by rail, it is generally about zero.

So, people make the logical decision based on where the funding is. Through the FASTLANE Program, we encourage states to do really thoughtful freight planning that looks at the needs across the state to set the priorities, and then it says but we will really only fund the highway ones. That also sends a very clear indication about where the priority is from the investor.

Also, when you are trying to put all those various programs together, it actually is a lot more complicated than it needs to be. That is just within DOT. That is one agency trying to put together funding for ports and highways in the various programs, even between surface and aviation, it is very complicated. If you then try to bring in funding from other agencies that are authorized by totally different committees, it gets even more complex.

When I was at USDOT, we tried to do joint planning grants between USDOT and HUD. We made joint awards, but when we tried to go and sign grant agreements with the recipients, we had to do two separate grant agreements from the two agencies because of all their different rules and their cultures.

So, it really puts a huge onus on those local leaders to figure out how to overcome all of these different rules and cobble together the funding.

That is why programs like TIGER are so important because you can come in with a project that has a great objective, and you can ignore those silos. You can just come in and say these are the things we want to accomplish, the methods that we are going to use to accomplish include many different modes, and programs like TIGER can meet that.

Senator REED. Thank you. Thank you, Madam Chairwoman.

Senator COLLINS. Thank you.

Senator BOOZMAN.

Senator BOOZMAN. Thank you, Madam Chair, and thank you all for being here. You know, the nice thing about these committee hearings is as we look around, everybody really is in agreement we want to get these things. This is not a Republican or Democrat thing. This is about trying to improve the infrastructure.

I have been running back and forth between the Environment and Public Works Committee, and there is great ranker on the environment part of that, but the public works part of it, again, people are joined at the hip trying to get these things done. We do appreciate your hard work in that respect.

Commissioner Bernhardt, we have had a lot of talk about the public/private partnerships and stuff. The tolling in rural states, tolling in places like Arkansas, because of traffic and things, it really does not seem to benefit that much.

Can you talk about specific areas that perhaps specific public/private partnerships would be of benefit, when you take tolling out of the equation?

Mr. BERNHARDT. I can give examples in Maine, as was discussed. Very difficult for public/private partnerships because of the rural nature, the inability to toll, how are you going to pay it back. We already do financing through bonding and stuff. I can get a much

better rate than they would give me to pay them back, so I can do that.

We in Maine do public/private partnerships. It is something I developed about 4 years ago, we call it "business partnership initiative." In those public/private partnerships, it is not necessarily the equity firm, it is not the person coming with capital, it is a business that benefits from what we do at a certain location.

I am building an interchange on the interstate, and the business is paying a third. I do not have to pay them back because in the end, they are going to get it back because their business is going to be able to grow.

There are some states that have large projects where public/private partnerships will work. I can tell you in Maine I have had equity firms come to me, sit with me in my office, and the dollar amounts they talk about are much bigger than what I would ever put out as a project, and anything lower than that, they really do not want to talk to you. It has to be \$100 million plus.

Even some of your bigger states that have the ability, they still have hundreds and hundreds of projects that go out every year that would not meet that public/private partnership need.

Senator BOOZMAN. Very good. Mr. Mortimer, it is encouraging again that we are talking and the Administration is talking, really about trying to get some of these things done. One of the things that I am a little bit concerned about is the fact that when we talk about infrastructure, we do just talk in terms of roads and bridges and things, or inland waterways, the infrastructure that is so important. We talk about rural states. All of that. Our ports, our harbors. With the economy that we have, so much imports. Hopefully, we are working hard to get more going in the other way. Our farmers relying on our inland waterways and things.

Can you talk about how important it is for reliable and efficient ports and waterways to help our industries remain competitive in both the domestic and global marketplace?

Mr. MORTIMER. Sure, glad to, Senator Boozman. Well, I mean, ports are kind of the gateways to trade, so our ports are critical to the economy, and we are in a global economy.

We have done a lot of research on the ports, and what we found is while there are some water access needs, a lot of it is the connections with the rail and the last mile of the infrastructure, getting in and out of the port areas.

Again, our inland waterways, as you mentioned, they are critical to agriculture and other communities. We continue to under invest and we continue to have locks and dams in this country that are over 100 years old. The Army Corps of Engineers has a project list that says some projects will not be got to until 2097. That is unacceptable.

So, we need to figure out a way—the Congress has done a good job, so at least now we are authorizing new Army Corps' projects every 2 years. That is very important, to show that Federal commitment to continue to move this process forward, but we need to come up with more innovative ways.

Again, encouraging more public/private partnerships in the water infrastructure to supplement Federal funding. The bottom line is there is no—this conversation about public/private partnerships,

there is no one tool or solution that is going to solve all these infrastructure funding and financing needs, what we talk about is we would like to have communities to have a toolkit of options so they choose what makes sense in their communities.

In some communities, it is a toll. In rural communities, public/private partnerships work, like in Pennsylvania, they took a rural bridge program, put it together, and they used a P-3. Public/private partnerships are not always tolls, they are also availability payments.

There are a variety of tools and options we would love to see project stakeholders have, so they can choose which ones they want to use to fund and finance their projects.

Senator BOOZMAN. Did you say 2097?

Mr. MORTIMER. That is correct, Sir.

Senator BOOZMAN. That is remarkable. Thank you, Madam Chair.

Senator COLLINS. Thank you.

Senator Coons.

Senator COONS. Thank you, Madam Chair, Ranking Member Reed. If I could be an honorary New Englander, I would be thrilled.

Senator COLLINS. We will not tell your constituents.

Senator COONS. I said honorary.

Senator REED. Your state is small enough; you might qualify.

Senator COONS. I really appreciate all of the witnesses today. I think it was Commissioner Bernhardt who at the outset reviewed the deeply failing grade given by the ASCE to our infrastructure. The chairwoman also reviewed that they are about to give another grade, which we expect will also be well below a "D."

There are some areas of rail that are only a "C," but there is nothing that is above a C. We have D grades in roads, aviation, transit, inland waterways, rail and ports get Cs.

If my kids came home from school with grades like this, my wife and I would be deeply disappointed, and why we consider it acceptable year in and year out as Federal legislators for us to deliver this sort of a report card to the American people about our shared investment in the infrastructure that moves our families, our goods, and tries to keep us competitive, I think it is completely unacceptable.

I am going to agree with what every member of the panel said. We need to find sustainable bipartisan ways to finance America's infrastructure. Those of us who have the opportunity to occasionally travel overseas and see the world class cutting edge competitive infrastructure that our competitors enjoy recognize just how much this is putting us at risk, and just how much this is causing us to fall behind.

If I might, Mr. Mortimer, on Amtrak, as someone who rides Amtrak virtually every day to and from my home state, I understand passenger rail is a critical part of our transportation network, it reduces congestion, it improves efficiency, it connects towns and cities across our country.

Does continued funding for Amtrak through discretionary investment help take cars off the road and reduce pressure on the highway system in your view, and does it make sense for Congress to continue to fund Amtrak really only through discretionary funding

rather than having a predictable and dedicated source of funding for rail?

Mr. MORTIMER. Sure. Thanks for the question. Look, passenger rail is a critical component of the national transportation system from the business community's perspective. There are parts of the country, and in particular, where you are from in Delaware, the Northeast Corridor, where passenger rail service is critical to mobility.

Those are places we believe need investments, and there has to be a variety of sources. We are very excited with the new leadership at Amtrak and looking at trying to operate more like a business. We believe there are some great opportunities there for growth and expansion.

At the same time, one of the challenges Amtrak has always had is to get support in Congress. We have service in a lot of parts of the country that perhaps the ridership needs do not meet it. So, we would like to see focused investment in Amtrak and passenger service to those communities that most need it, and that it is a partnership.

It cannot just be the Federal Government. The Federal Government can play a role. It has to be a public/private partnership of everyone coming together. I think you know in Delaware the business community works with your elected leaders to make sure that Amtrak service in Delaware is good, and I think those opportunities are there.

How we fund it through the Federal Government, discretionary or not discretionary, I am not sure I have the exact answer to that question except that there is a Federal role, and it is a partnership though that the Federal Government cannot overtake and just do all of it, it is a partnership as we move forward.

Senator COONS. Thank you, Mr. Mortimer. One of the funding vehicles that is a partnership, as you just testified, Ms. Osborne, is TIGER. My state relies on a variety of different transportation means. We are part of the Southeastern Pennsylvania Transportation Authority (SEPTA) regional rail network. We benefit from the Port of Wilmington. We have civil aviation terminals in several places.

As you said in your testimony, TIGER is popular because of its flexibility, to support a wide range of uses and funding recipients. Would you agree we should invest more in TIGER, obviously, and what can we do in Congress to support and empower local government transportation decisions through that, and tell me if you would about the economic importance of investing in rail and transit capacity and train stations, and the role that CRISI grants might play?

Ms. OSBORNE. Yes, there is a lot there. Starting from the latter and talking about the importance of investing in rail infrastructure, you know, one of the great innovative financing tools in rail is value capture. That tells you a lot about the importance of investing in rail. It often creates value next to it so you can take some of those increased property values and put it back into the system to support its maintenance and operating.

That shows you right there what a value that investment is. It creates a center of gravity. It brings a focal point for development in an area.

When I was at USDOT, one of the things we worked on between Federal Transit and HUD was the fact that in many cases when we invest in rail, we create so much excitement and development around that infrastructure that we increased the cost of living there to the point where those that are transit dependent cannot afford to then take advantage of the service and be close by.

It is just a sign of what a huge level of demand there is for this kind of transportation, but we are holding the supply very low, making sure only people who have a lot of money can compete to get into those communities.

We definitely need to reach deeper into that demand and make sure we are providing those centers of gravity for our communities.

Senator COONS. Thank you, Ms. Osborne. I would like to thank the whole panel. Thank you, Madam Chair.

Senator COLLINS. Thank you, Senator.

Senator Daines.

Senator DAINES. Thank you, Madam Chair. Thank you all for testifying today. I come from the State of Montana. We have an extensive transportation system. It is truly a pillar of our economy. We are land locked. Agriculture is our number one business. Energy is one of our huge sectors. So, without having infrastructure, we are not able to compete in a global economy.

It is a big topic for us back home and it is how we stay connected to the rest of the world.

As it relates to the energy sector, we have about 14,000 Montanans who work in the energy sector. Obviously, relying on our transportation infrastructure to get goods to market. We are working to expand production. We have tremendous opportunities. In fact, Montana has more recoverable coal than any other state in the United States.

When I think of my home state, I think about fly fishing and the amazing national parks we have, incredible public lands. Absolutely true, it is what keeps Montanans there.

We also have to have jobs so we can stay there, so we do not just become a playground for the rich and famous, but the average Montanan who buys their elk tag at Wal-Mart still can stay and raise their kids there, and that is why these energy jobs are also so important.

Mr. Mortimer, in your testimony you touched on the increasing multimodal demands to move freight, which includes energy commodities. As demand grows, how do we ensure the infrastructure will meet future needs and our rural communities will have access to this funding?

Mr. MORTIMER. Thanks, Senator, great question. Obviously, the Chamber truly believes that we need to have a country that is energy independent, and a big part of that is making sure we are able to get those energy sources to and from market, so it is a combination of sources.

Obviously, the freight rail business, which is largely private, we need to allow them to continue to innovate and grow. It used to be

whether it is rail or truck, I think that debate is pretty much over. We need to have a lot more of both.

Making sure communities have those tools because we know the freight is coming. Again, energy independence is critical on transportation options. Having those sources.

You touched on just getting the workers to and from work, that is something a lot of businesses—we talk to local chambers around the country, and when the local chambers are looking to attract businesses to those communities, one of the first questions they ask is what is the infrastructure in that community, are they connected by rail, is there adequate highways, is there an airport close by, what are the connections.

These are all questions that businesses ask for where they locate. As you are looking at the State of Montana, those are the types of things that businesses look at when they locate. We need to make sure that the tools are there for those communities to make those decisions so they can grow in the economy.

Senator DAINES. Thank you. Speaking of connectivity and infrastructure, a question for Mr. Hauptli. I was very glad to hear you reference Missoula's airport's new terminal in your written testimony. This is one great example of aviation development certainly in Montana, and I am grateful. Aviation allows many of us to get back and forth to work here in Washington, D.C.

You mentioned Passenger Facility Charges (PFC), being used to finance these projects, and argue that the cap should be increased.

I held an aviation roundtable recently back home. It was clear the jury was still out on whether or not the cap should be raised, while it may be a local user fee, it can disproportionately affect rural airports which require more connections. It is rare as a Montanan we can get to our destination without having to make a connection. That would therefore raise ticket prices for Montanans.

How do you ensure that increases in fees will not negatively affect rural Americans? I speak as someone who lives in a state where we are typically in the bottom quartile if not in the bottom 10 percent in per capita wages.

Mr. HAUPTLI. Senator Daines, thank you for the question. It is good to see you again. It is an interesting question in terms of connectivity for rural America.

As I noted before you had a chance to come in the room, the Passenger Facility Charge, lifting the cap there, really is the only funding option for airports that guarantees that airports of all sizes, whether they are urban or rural, whether they are large hub, medium hub, small hub, non-hub, or general aviation airports, they will actually benefit.

The larger airports as they increase funding will then give up Federal funding through the AIP, and that recirculates back into the smaller airport fund, generating additional revenues for smaller airports. Point one.

Point number two, your concern, as I understand it, would be let's say we are going to go from Bozeman to Chicago or Denver and then on from there, and the concern that a Chicago or a Denver might increase their fee to a non-competitive rate.

Airports have an incentive to keep their passenger costs as low as possible because they are competing against each other for traf-

fic as well, and in the case of Chicago, we will use that as an example, lots of people flowing through Chicago as a hub, but it is almost equally split between those that are going through Chicago as a transit point versus those that would originate in Chicago.

So, if I am the mayor of Chicago, I do not want to raise that local fee to an unhealthy amount, an uncompetitive amount that is going to hurt my own constituents any more than they would want to hurt yours.

Senator DAINES. I am out of time here. Thank you, Madam Chair.

Senator COLLINS. Thank you very much. I want to follow up, Mr. Hauptli, on the very good question—I am sorry, Senator Hoeven, it is your turn.

Senator HOEVEN. Thank you, Madam Chairman, and to the ranking member as well, and thanks for holding this hearing on this very important issue, and thanks to our panelists, appreciate it.

If you want to go on with your question, I am sure it is a really good one, I would be happy to listen.

Senator COLLINS. It can wait.

Senator HOEVEN. The President said that he wants to do an infrastructure package, which I think is a great idea, and he also said that we ought to have public/private partnerships, which I also think is a great idea.

In fact, I have introduced legislation along with Senator Ron Wyden, called the “Move America Program.” Has anyone heard of it? Oh, good. Then you get to answer first. I am going to ask you all the same question.

Essentially, the Move America Program provides either a tax credit or tax exempt financing so that we can capture private investment along with public investment to build all kinds of infrastructure, and the states, there is an allocation to every state, and that number would be \$1.5 billion for the least populous states, all the way up to more. It is based on a population calculation, and other considerations.

The state essentially gets to decide. So, if you need a bridge, you build a bridge. If you need an airport, you build an airport. If you need to deepen your port, you deepen your port. Right? We like that, instead of the Federal one size fits all.

As you might not be surprised to hear, I am advocating for this legislation, and I would like to know what each of you think. That is kind of dangerous, right? Because somebody might say something negative, which would break my heart, of course. I would like all of your honest opinions on the legislation and maybe thoughts on how we can advance it.

Mr. MORTIMER. Senator Hoeven, thanks for the question. I appreciate your leadership. Look, we think tax credit financing is a tool in a toolkit. It is not necessarily going to solve every problem, but as you mentioned, it can be used for a variety of infrastructure financing needs, and we think it needs to be part of this package and part of this discussion.

It is an important part of the discussion. We think as the Congress is going to take up tax reform, this is going to be an impor-

tant part of the discussion, this infrastructure package, an important part of the discussion.

Again, from our perspective, it is another tool in a variety of tools that are needed. There is no one thing that is going to solve all the problems. We certainly think your proposal along with many others has to be part of the solution.

Senator HOEVEN. Well, I am glad you raised your hand first. I agree. I think that is right, it is not the whole thing. We need public sector financing, too. It is part of the package, but it does create dramatic leverage. I think it scores it at about \$8 billion, but leverages \$226 billion, which would be a very significant part of the package, particularly when you consider the FAST Act was \$305 billion.

Maybe you would like to go next.

Ms. OSBORNE. Absolutely. I am going to make this easy and not take up much of your time. I am just going to echo everything that Ed said. I could not have said it better myself.

Senator HOEVEN. I thought he did a good job, too.

Mr. HAUPTLI. I will go next, Senator. As Ed said, we are for any additional tools in the toolkit that can help with leveraging. In the case of airports and the advantage of lifting the cap on the Passenger Facility Charge Program, just like your legislation, it allows for that dramatic leveraging to occur without negatively impacting the Federal budget.

Senator HOEVEN. And at local discretion, too. Steve raised a real good point, but who's better to make that decision than the local authority. Their customers are staring them in the face every day. That is what counts. I appreciate that.

Mr. TYMON. Senator Hoeven, I would also echo what Ed had said. I would also say that AASHTO is an organization that has had a long history with this concept and providing technical assistance to your office, Senator Wyden's office, and your predecessors that have sponsored this bill in the past.

It is an important tool to have in the toolkit. It is something that helps us better leverage. Let's be honest. It has been politically difficult to insert additional funding on the transportation side in recent years, and this is an innovative approach to get additional money out there, like you said, provide states and localities with the flexibility to choose which projects are the best fit to address their transportation challenges.

We did talk earlier about the fact that the Highway Trust Fund is continuing to run a deficit. We are spending more out of it than we are bringing in. We talked about the existing revenue streams and the gas tax. Obviously, that has politically been difficult to address that from a gas tax standpoint or for the existing revenue sources.

Looking at kind of innovative options like your bill is certainly important in moving forward.

Senator HOEVEN. AASHTO has been very helpful, and we appreciate it. Thank you.

Mr. BERNHARDT. So, I am last. We like any new tool in the toolbox, not specifically knowing enough about that, it would only be one of the tools. The fact that states will still need some type of

funding mechanisms, not only just financing mechanisms, especially in some of the more rural states.

Senator HOEVEN. Right, and that is absolutely true, and I agree with you. What I would emphasize is this is a tool that is at your discretion. You get to decide how to use it, whether you want to use the tax credit to draw on private investment, whether you want to use the tax exempt financing, what you want to do in terms of how you bid the projects, where you do the construction, any of the pay-fors, and again, I emphasize, because I do not want this to get into an either/or. This is part of a package that includes public funding, right?

Thank you very much, appreciate it. Again, Madam Chairman, thank you.

Senator COLLINS. Thank you. Mr. Hauptli, I want to go back to the issue of the Passenger Facility Charges and the Airport Improvement Program. If the funding for the Airport Improvement Program remains flat, how would an increase in the Passenger Facility Charge benefit small and medium hub airports such as in the State of Maine that are competing for funding?

Mr. HAUPTLI. Thank you very much for the question, Senator Collins. The way the Passenger Facility Charge Program interacts with the Airport Improvement Program is important here, and as larger airports with an increased Passenger Facility Charge, larger airports would forego AIP entitlement funds.

Those dollars then flow under the formulas in the authorization legislation into what is called the Small Airport Fund. Smaller, non-hub airports and general aviation airports all across the country have increased revenues to tap into to help them.

So, even if for some reason an airport in Maine decided with the additional PFC authority that this committee will grant, they did not want to do that, they would still benefit from that because there would be a larger pool of dollars on the AIP side for them to get.

Senator COLLINS. Thank you. That is very helpful. Ms. Osborne, in your role at Transportation for America, you provide technical assistance to state and local governments that are applying for the TIGER Grant Program, which is extremely competitive, and one of my favorite programs.

Could you tell us what specific benefits you are seeing from the TIGER Program that the traditional formula highway and transit programs are not able to provide? In other words, I fully expect when we get the budget, that we may well see the TIGER Grant Program slashed.

Help me make the case for why we need the TIGER Grant Program in addition to the traditional formula programs.

Ms. OSBORNE. Absolutely. To be clear, the formula program is essential because it allows for real asset management, which is what we want, but programs like TIGER reward performance and innovation in a way that formula grants cannot.

In the formula grant program, whether you are ambitious or innovative or performing beautifully or not so well, your formula stays even. In competition, when you do more than your neighbor, you get the money, you win.

What I found is a lot of agencies, in many cases, they have something they want to try on the books, and the competition is what gets it off the shelf and gets them to just go ahead and give it a try. They know it sets them apart by adding that to the project, so maybe they make it a little more multimodal, maybe they try a new project delivery method, maybe they try a completely different type of project than is funded by formula grant programs.

I think of places like Rochester, New York that took a 12-lane highway that had no more traffic on it than H Street here in D.C., but they were paying for 12 lanes, and decided maybe that was not an efficient expenditure of dollars, and they are shrinking it down to an urban boulevard, reclaiming a lot of what they used to maintain for economic development that will generate profit.

That is a great thing that the regular program does not do quite as well, it is something that is outside of the norm. I have also seen locals come in and say just the process of preparing for a TIGER grant has gotten more stakeholders involved, not just in supporting the project but in funding a project, and in many cases, even when they do not get funded by TIGER, they have so much excitement generated behind the project, they are able to go forward even without it.

Senator COLLINS. Thank you. Commissioner Bernhardt, if you could just add to that. In Maine, we have seen the ability to use TIGER grants for regional projects with New Hampshire. Could you expand on that? You talked a little bit about the Sarah Mildred Long Bridge. There was a second bridge as well.

Mr. BERNHARDT. Yes, the Sarah Mildred Long and the Memorial Bridge both had TIGERs. The unique thing about the Sarah Mildred Long Bridge, which is under construction now, is the fact that it is not just a highway bridge, but it is also a freight rail bridge, which goes to the Portsmouth Naval Shipyard.

The fact of the matter is you cannot use Federal highway money for a freight rail. So, what TIGER grants have done, because it is through USDOT, has allowed us to do things, projects, two of them were through Maritime Administration (MARAD), three of them have been through Federal Railroad Administration (FRA), some of them have been a mix, and it has allowed us to make those regional connections, those freight connections, where in the past, we would not have been able to do or we would have had to come up with massive amounts of state funding to make that happen.

A lot of these things like the Sarah Mildred Long, is a very regional project, so half of it is being paid for by New Hampshire, half by us. Without the TIGER, it would have been very difficult to make that project happen.

Senator COLLINS. Thank you. That is a great example. Of course, that bridge and that freight line are absolutely essential to the public shipyard, the Portsmouth Naval Shipyard in Kittery, Maine, which overhauls nuclear submarines. This is an example of a project that also had implications for our national security as well. Thank you.

Senator Reed.

Senator REED. Thank you, Madam Chairman. First, let me thank you all for your excellent testimony. I particularly want to recognize Mr. Mortimer, who reminds us that we really have to put our

money where our mouth is when it comes to the Highway Trust Fund. Revenue is necessary, and we have to find ways to generate it. It is challenging, but we have to meet that challenge.

Let me just switch briefly to Ms. Osborne. Your organization has put together some proposed solutions in terms of how we generate that revenue. Can you kind of give us an idea of what your preference or what your preferred option would be?

Ms. OSBORNE. That is a very good question. My answer is we do not have a strong preference between them. There are pluses and minuses to all the approaches. I really like what Jim said earlier about the gas tax being an incredibly efficient way to fund the program. Each way you might fund it comes with pluses and minuses that might need to be ameliorated with other policies.

I also want to mention something that Ed said about while locals and states are raising money, we are not seeing people lose their seats due to voting for increases in these areas.

In fact, we did an analysis a couple of years ago of what happened after the gas tax was raised, and even in Massachusetts where the voters reversed the tax increase, they still did not throw the people out of office who voted for the thing they just reversed. People get why this is important.

One of the things we just need to do, I think, at the Federal level, is make the Federal program a little bit more understandable to the taxpayer. It is very much removed from them, and how the money is raised and where the money goes is not very well understood by our taxpayers, making it a little bit harder to understand why they want to put more money in our hands up here. At the state and local level, they are a little bit better connected, so there is more confidence there.

Senator REED. Thank you. Let me just shift gears for a minute. Mr. Bernhardt, transit is the stepchild of most of our transportation programs, frankly. The Committee with jurisdiction is the Banking Committee, not the Public Works Committee. It does not enjoy some of the built-in structural preferences that we give to other modes of transportation, but it is absolutely critical to every state in the country, and particularly urban communities.

In your position, what is the main challenge? Is it funding for capital investment, operations, or both, or everything? Can you comment?

Mr. BERNHARDT. Everything above. The big challenge is our rural nature and our aging population when it comes to transit. What we have done is we have put together a 25-year strategic plan working with all our providers.

It is not always the capital side. Sometimes we can come up with the capital, but it is the operating of those, and who is going to even drive the bus. Those are the things that we are having issues with. We are so spread out that it is very difficult for us to get providers out to those people that have need.

Senator REED. Again, as you point out, some of this is basic human capital, including trained, adequate drivers, mechanics, et cetera. That is a challenge too.

Mr. BERNHARDT. That is a challenge.

Senator REED. Again, I think we tend to focus on the Highway Trust Fund, building roads, rail, airports, et cetera, and then we

forget that transit is so important, particularly to seniors and to entry level workers trying to get to their jobs. We have to focus on that quite significantly.

A final point I would make is that I am still processing your comments about Winston Churchill. He was a remarkable gentleman. Let me share; he was at a dinner party once with a very, very difficult woman, who went on and on, and finally she was so frustrated that she said Mr. Churchill, if I was your wife, I would put poison in your coffee, to which he replied, Madam, if you were my wife, I would drink it.

A tip of the hat to a historian. Thanks.

Mr. HAUPTLI. Senator Reed, before you yield, may I just make one comment?

Senator REED. Yes.

Mr. HAUPTLI. I just wanted to compliment you on the work at Providence. You have done amazing work with the airport management there in bringing that airport new opportunities for air service, new resources with CBP and others, and it is making a very big difference in the region. I just wanted to compliment you on that.

Senator REED. Thank you very much. Thank you, Sir.

Senator COLLINS. Thank you. I want to thank all of our witnesses today. This was indeed an excellent hearing. When I first heard of the President's plan for \$1 trillion infrastructure investment, I was extremely excited about it, but I started thinking about the financing and the fact that no one was really talking in specific terms about the financing.

So, it is my hope that this hearing today will help advance the dialogue as we move forward on what I believe could well be one of the few bipartisan activities of this Congress, and I think there is widespread support and recognition of the need for major investments in our infrastructure.

It has been extraordinarily helpful to have such an expert panel before us today, and I thank all of you for participating.

I also want to thank our staff. I think we are very fortunate to have our staff directors back with us during this Congress, and the supporting staff as well.

#### ADDITIONAL COMMITTEE QUESTIONS

I should mention before I do that the record will remain open until next Wednesday, March 15, 2017. That means there may be some additional questions from members who are not able to be here today or from us that may come your way.

[The following questions were not asked at the hearing, but were submitted to the Department for response subsequent to the hearing:]

#### QUESTIONS SUBMITTED TO HON. DAVID B. BERNHARDT

##### QUESTIONS SUBMITTED BY SENATOR STEVE DAINES

*Question.* Mr. Bernhardt, local and regional surface transportation benefits the nation. For example, those in Chicago benefit from Interstate 90 traversing Montana—they get access to the best beef in the nation and they receive goods cheaper from our coasts than if they had to be flown. You understand this as a rural state department of transportation (DOT) commissioner. As we continue the conversation

about long-term infrastructure financing, how do we ensure Congress fully appreciates the benefits to urban centers from rural infrastructure? How do we ensure there is equitable financial support for this infrastructure?

*Answer.* The Federal surface transportation program supports communities located in urban, suburban, and rural areas across our nation. I would offer the following reasons to aid in Congress's appreciation of investment in rural transportation infrastructure, and how this investment directly benefits urban areas as well:

- Rural transportation system serves as a safe and reliable route for truck and personal traffic between other states and between major metropolitan areas, advancing interstate commerce and mobility;
- Rural transportation system serves the nation's agriculture, ethanol production, energy extraction, and wind power industries, which are located largely in rural areas;
- Rural transportation system provides access to scenic wonders like the Acadia, Glacier, and Yellowstone national parks, along with many other great national parks, monuments, and forests located in rural states;
- Rural transportation system enables people and business to access and traverse vast tracts of federally-owned land, and;
- Rural transportation system facilitates military readiness.

The best way to ensure equitable financial support for rural transportation infrastructure is to rely on direct funding through the federally-assisted, state administered transportation program that has worked well for over a hundred years and is exemplified by the FAST Act. The formula-based apportionments remain well-suited to a growing and geographically diverse nation like ours, allowing states and their local partners to fund a wide range of projects in all parts of the US that serve the interest of the nation as a whole. This means Federal support for financing mechanisms rather than funding would face inherent limitations given that most transportation projects simply cannot generate a sufficient revenue stream through tolls, fares, or other user fees to service debt or provide return on investment to private-sector equity holders. In 2014, such non-direct funding sources amounted to less than 18 percent of total capital outlays.

*Question.* In your testimony, you mentioned supporting an infrastructure package that would reach all corners of the nation. To be holistic, we should include communications infrastructure. Would you please elaborate on how state DOTs can leverage their tools to facilitate this connectivity? How can the Federal government equip state DOTs?

*Answer.* An important component to advance roadway technology is the ability to create a digital highway with fiber optics to make our roads smarter and safer, benefiting surrounding communities, including underserved rural areas. I believe this is best accomplished through voluntary partnerships between transportation agencies and communication providers. In addition, streamlining Federal regulations that provide maximum flexibility to states would better enable us to successfully support expansion of service provider networks. Rigid regulations or mandates can remove the very flexibility that is needed, complicating implementation and adding unnecessary additional system costs.

#### QUESTIONS SUBMITTED BY SENATOR CHRISTOPHER A. COONS

##### INVESTMENT IN TRANSIT

*Question.* Every day, Americans take more than 35 million trips on public transportation. This level of ridership enables the nation's largest regions to sustain a level of economic output that is essential for our international competitiveness. However, aging transit infrastructure, reflected in a \$90 billion state of good repair backlog, is suppressing transit ridership. Because reliable transit is such a critical part of the nation's transportation network and helps Americans save millions of hours of travel time and preventing billions of dollars in lost productivity, how does public investment in maintaining transit infrastructure support the nation's overall transportation goals and priorities?

*Answer.* In both metropolitan and rural areas, a well-performing transit network expands commuting options as well as providing expanded access to jobs and essential services. AASHTO supports continued investment in public transportation with a goal of doubling transit ridership to 20 billion trips by 2035.

Public transportation is indispensable to move people in both urban and rural areas and remains a critical part of the nation's multimodal transportation system. It also provides basic mobility options for elderly individuals, individuals with disabilities, and low-income individuals. Public transportation continues to play a sig-

nificant role in state and national efforts to mitigate traffic congestion, conserve fuel, enhance the efficiency of highway transportation, address air quality issues, and support security and emergency preparedness activities. As our nation's population is expected to top 400 million by 2050 and the population of seniors is expected to slightly more than double by this time, our member DOTs are continuing to focus on providing public transportation as a mobility option.

Historical funding patterns demonstrate the important role that state DOTs fulfill in public transportation finance and administration. State DOTs spent approximately \$17.2 billion on transit in fiscal year 2014, which is an increase over the past 5 years when states spent \$13.6 billion in fiscal year 2010. (It is also larger than \$10.6 billion in Federal investments in fiscal year 2014.) States remain committed to sustain these important investments in order to grow our public transportation system.

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QUESTIONS SUBMITTED TO JIM TYMON

QUESTIONS SUBMITTED BY SENATOR DIANNE FEINSTEIN

*Question.* I hope that Congress will decide to invest more in our nation's infrastructure, and one of the key reasons is that we have an enormous maintenance and repair backlog. One-third of our major roads are in poor or mediocre condition, and one-tenth of our bridges are structurally deficient. The American Society of Civil Engineers have given the nation's infrastructure a grade of "D+". More specifically, bridges received a grade of "C+", aviation a "D", ports a "C+", roads a "D", and transit a "D-".

But when Congress has provided new funding, we have not actually required the states to focus on a fix-it-first approach.

Mr. Tymon, as a representative of state highway officials, how do you decide what the right balance is between maintenance of existing road networks and expansion of those networks?

*Answer.* State departments of transportation (State DOTs) are constantly optimizing their program to find the appropriate balance between preservation/maintenance and new capital investments. When making this determination, states rely on extensive input from the public and their local partner agencies to develop planning and programming frameworks including, but not limited to, the statewide long-range transportation plan, statewide transportation improvement program, asset management plan, and project financial plans.

By AASHTO's estimate based on state DOT-reported data to the Federal Highway Administration's Office of Policy Information, state DOTs invest about 71 percent on highway system preservation and 29 percent on capacity expansion. System preservation includes restoration, rehabilitation and resurfacing of existing facilities, bridge replacement, bridge rehabilitation, reconstruction of a facility on an existing footprint, minor widening and right of way acquisition. System expansion includes new construction, major widening, and new bridge construction. Our estimate excludes spending on operational investments such as safety, traffic operations and control systems, and environmental enhancement.

There are other analyses that in some case estimate state DOT investment in capacity expansion at 45 percent of all expenditures. We have found such analyses to inaccurately portray state DOT investments because they tend to focus on "road repair and preservation" to the exclusion of state DOTs investments in bridges. Bridge preservation is an important aspect of "road repair and preservation," and a basic element of transportation asset management.

*Question.* America's failure to adequately maintain existing infrastructure will only get worse with climate change. I worry that neither the Federal government nor states have done enough to anticipate increased storm damage, both in terms of retrofitting existing infrastructure, but also in terms of long-term planning to move infrastructure away from increasingly hazardous areas.

For example, California's State Route 37 runs along the north edge of San Pablo Bay near San Francisco. It is surrounded on both sides by marsh land that is increasingly vulnerable to rising sea levels, and it was just out of commission for weeks due to storm-related flooding.

Mr. Tymon, what steps has your national association taken to ensure that state highway officials are including climate change in their assessments of maintenance needs and even relocation projects?

*Answer.* In order to ensure transportation infrastructure resiliency and sustainability, AASHTO provides technical assistance to our member DOTs through the Resilient and Sustainable Transportation Systems (RSTS) Program. It is designed

to help state DOT practitioners better understand the potential effects of extreme weather and the range of strategies and options for mitigation and adaptation.

RSTS technical assistance covers a broad range of topics, including climate change, energy efficiency, energy security, infrastructure adaptation, alternative vehicles and fuels, and other relevant topics. This program is a critical resource for state DOTs to examine climate change and energy issues, while also providing the information needed to engage in and influence infrastructure resiliency and energy policy developments at the Federal level.

Examples of RSTS products are listed below (links embedded within product name):

- State-by-State Interactive Map: This interactive map of the United States contains links to information on state DOT climate change and energy activities. Links include reports, policies, plans, and research sponsored by the designated state DOT or generated as part of a collaborative effort that involves the state DOT. Information on both greenhouse gas mitigation activities as well as climate adaptation activities is provided.
- Extreme Weather 101 Briefs: These briefs provide high level information on four common extreme weather events: coastal flooding; heat waves; heavy rainfall; and drought, dust storms, and wildfire. Each one-pager includes a brief overview of the event, as well as regional trends and regional projections. They also give examples of how state DOTs and MPOs are effectively responding to these events, and provide links to additional resources for further investigation.
- Extreme Weather Sessions: As a follow-up to the 2013 Extreme Weather Events Symposium, AASHTO in partnership with the FHWA and sponsored by the Center for Environmental Excellence by AASHTO, presented practitioner-focused updates on the latest research, case studies, and tools pertaining to extreme weather and climate change in 2014 and 2015.
- Extreme Weather Events Symposium 2013: In 2013, AASHTO held a national symposium entitled “Impacts of Extreme Weather Events on Transportation” in Washington, D.C. The symposium was sponsored by the RSTS Program, in coordination with the Center for Environmental Excellence by AASHTO and the FHWA. The symposium provided an opportunity for DOT staff from a broad range of disciplines to convene and discuss the implications of extreme weather events on transportation. The event covered state DOT case studies related to experiences with extreme weather events; an overview of trends and projections for extreme weather in the United States; costs of extreme weather events; and risk management strategies in design, operations and maintenance, and asset management, and emergency response.
- Workshop on Adapting Infrastructure to Extreme Weather Events: In 2012, AASHTO hosted a 3-hour workshop titled “Adapting Infrastructure to Extreme Weather Events: Best Practices and Key Challenges.” The purpose of the workshop was to provide a forum for information exchange on state transportation agencies’ past experiences and future plans for managing impacts of extreme weather events on transportation infrastructure.
- National Climate Change Symposium: In 2010, Center for Environmental Excellence by AASHTO, FHWA, FTA, the RSTS Program, AASHTO Environmental Technical Assistance Program, and the AASHTO Standing Committee on Planning, held a Climate Change Symposium in Washington, D.C. The purpose of the symposium was to provide information, both policy-oriented and technical, to support State DOTs in their efforts to address the challenges of climate change.
- Climate Change Adaptation Strategies Workshop: This workshop was held in conjunction with the T&DI/ASCE Green Streets & Highways Conference in Denver, Colo. Held in 2010, the workshop discussed strategies for public agencies to proactively and retroactively adapt infrastructure to the impacts of global climate change. The workshop’s technical focus was targeted at planners, engineers, and environmental scientists from government agencies, consulting, academia, and industry.
- State DOT Climate Change Workshops: In 2010, AASHTO sponsored climate change workshops for 10 state DOTs: Colorado, Georgia, Hawaii, Iowa, Missouri, Mississippi, Pennsylvania, Rhode Island, Tennessee, and West Virginia. In 2011, an additional 7 workshops were conducted: Arizona, Connecticut, District of Columbia, Illinois, Massachusetts, North Carolina, and Vermont. These 17 states were selected from 30 states that applied to AASHTO for a workshop. The workshops were one full day, followed by a 1–2 hour executive session the following day.
- Webinar Series: These webinars, delivered February 2010 through June 2012, cover myriad relevant climate change mitigation and adaptation topics.

## QUESTIONS SUBMITTED BY SENATOR CHRISTOPHER A. COONS

## INVESTMENT IN TRANSIT

*Question.* Every day, Americans take more than 35 million trips on public transportation. This level of ridership enables the nation's largest regions to sustain a level of economic output that is essential for our international competitiveness. However, aging transit infrastructure, reflected in a \$90 billion state of good repair backlog, is suppressing transit ridership. Because reliable transit is such a critical part of the nation's transportation network and helps Americans save millions of hours of travel time and preventing billions of dollars in lost productivity, how does public investment in maintaining transit infrastructure support the nation's overall transportation goals and priorities?

*Answer.* Public transportation is a critical part of the nation's multimodal transportation system and State DOTs spend more on public transportation each year than the Federal government. In 2014 State DOTs spent approximately \$17.2 billion on public transportation compared to \$10.6 billion in Federal investments in the same year. AASHTO supports continued investment in public transportation with a goal of doubling transit ridership to 20 billion trips by 2035.

In metropolitan areas, a well-performing transit network expands commuting options as well as providing expanded access to jobs. This multimodal approach to transportation helps mitigate traffic congestion, conserves fuel, improves highway efficiency, addresses air quality issues, and supports security and emergency preparedness.

But public transportation is also essential to moving people in rural areas. Our nation's public transportation network provides basic mobility options for elderly individuals, individuals with disabilities, and low-income individuals. State DOTs receive Federal transit funding to assist in providing rural public transportation services including non-fixed route paratransit services and intercity bus service.

As our nation's population is expected to top 400 million by 2050 and the population of seniors is expected to slightly more than double by this time, our member DOTs are continuing to focus on providing public transportation as a mobility option.

## QUESTIONS SUBMITTED TO TODD HAUPTLI

## QUESTIONS SUBMITTED BY SENATOR STEVE DAINES

*Question.* Mr. Hauptli, as we discussed, connectivity is important for rural America and our economic opportunity. We must continue to expand this infrastructure without unduly increasing fees for rural passengers that typically have to make more connections. You described passenger facility charges (PFC) as a local user fee. As we continue the debate on PFC changes, we should ensure airports justify fees to the communities they serve. Enabling local accountability and not subjecting transiting passengers to increased fees, what are your thoughts on allowing an increase to the PFC cap for only the originating airport?

*Answer.* Senator, I completely agree with your assessment that airports should justify local user fees with their local communities. Unlike Federal taxes, Passenger Facility Charges are local user fees that airports must justify locally. Most commercial service airports are owned and operated by state and local governments or by airport authorities that are ultimately accountable to local citizens. As a result, airport operators answer to local officials and their constituents who live in nearby communities.

AAAE is advocating for Congress to eliminate the outdated Federal cap on local PFCs to help airports finance critical infrastructure projects, recognizing that it is highly unlikely that Congress will dramatically increase annual spending for airport construction given Federal budget constraints. If Congress agrees to adjust the PFC cap, many—but not all—airports would consider raising their fee to help pay for necessary capital projects.

At the same time, however, airports would be under enormous pressure to keep their cost structure as low as possible in order to retain and attract new commercial air service, to encourage passengers to use their facilities, and to compete with other commercial service airports—regionally, nationally, and internationally. In many ways, airport executives and governing bodies that oversee airport operations are judged by their ability to keep air service options as high as possible and their costs as low as possible. Any decision about possible fee or costs increases is made carefully with a keen eye on what it means for an airport's cost per enplaned passenger or CPE.

Given the imperative that exists to get local buy-in to any proposed fee increases and the market principles that exist to ensure that airport costs remain as low as possible to ensure regional, national, and international competitiveness, AAAE and others continue to advocate for the complete elimination of the antiquated Federal cap on local passenger facility charge user fees. We understand that proposals have emerged to provide for a possible increase only at originating airports recognizing the legitimate concern that you and others have articulated about the potential impact on rural passengers who may be required to travel through “hub” airports to reach their ultimate destinations because of the airline hub and spoke system. We are certainly open to discussions on those proposals.

*Question.* I share your assessment about the importance of commercial air service to the economic development of rural communities. What concerns do you have about a reliance on private capital to airports with only 10,000 enplanements or less per year?

*Answer.* I believe there is a role for private investment in airport infrastructure and that airports could benefit from more Public-Private-Partnerships (P3s). There are, however, legitimate concerns that private investment may not be the solution for a large number of smaller commercial service airports in Montana and throughout the county that are seeking funds for capital projects.

In 2015, the Port Authority of New York and New Jersey (PANYNJ) selected a private consortium for a massive \$4 billion project at LaGuardia. Other large airports in Denver and Los Angeles are also turning to P3s for financial assistance. There may be instances where P3s make sense at smaller airports, too. But, private investment is not likely to be a widely deployable option for a large number of smaller commercial service airports including those non-hub airports with less than 10,000 enplanements.

That’s why AAAE continues to urge Congress to eliminate the PFC cap, which in addition to helping airports directly through local fee collections can also boost funding for smaller airports because of the return by larger airports of certain entitlement funding through the Airport Improvement Program as I noted during the hearing. We are also highly supportive of increasing Federal AIP funding overall, which would obviously provide a direct impact to smaller airports. These are two time-tested ways that Congress could quickly help large and small airports rebuild aging facilities and construct critical infrastructure projects.

*Question.* In your testimony, you highlighted the anticipated increases in aircraft operations and looming congestion. As you know NextGen air traffic control should help, but it has been slow to deliver. That is why I introduced the NextGen Accountability Act requiring tangible benchmarks and increased transparency in deployment. How would this help airport planning and operations?

*Answer.* Senator, your proposal, which calls for annual performance goals, makes sense. I am hopeful that Congress, the Administration, and aviation stakeholders will continue to work together to expedite the implementation of NextGen. Transitioning to a satellite-navigation system should increase efficiency and capacity at a time when passenger levels and aircraft operations are continuing to rise.

But improving efficiency through NextGen-related initiatives is only part of the answer to enhancing capacity and reducing congestion. We also need to focus on traditional infrastructure projects that require bricks, mortar, concrete, and asphalt. We need to ensure we have enough runways and taxiways to accommodate more aircraft. Airports also need more gates and terminal space to accommodate increasing numbers of passengers. As the FAA’s latest Aerospace Forecast points out, inadequate infrastructure “could result in even more congestion and delays.”

Finally, as the FAA continues to move forward with NextGen, it is absolutely critical that the agency consult with airports and local communities about new flightpaths that expose nearby residents to aircraft noise. The FAA has already experienced problems at a number of airports and communities around the country. I hope Congress will continue to monitor this issue to ensure the FAA is working with closely with airports and local communities.

#### QUESTIONS SUBMITTED BY SENATOR CHRISTOPHER A. COONS

##### INVESTMENT IN TRANSIT

*Question.* Every day, Americans take more than 35 million trips on public transportation. This level of ridership enables the nation’s largest regions to sustain a level of economic output that is essential for our international competitiveness. However, aging transit infrastructure, reflected in a \$90 billion state of good repair backlog, is suppressing transit ridership. Because reliable transit is such a critical part of the nation’s transportation network and helps Americans save millions of

hours of travel time and preventing billions of dollars in lost productivity, how does public investment in maintaining transit infrastructure support the nation's overall transportation goals and priorities?

*Answer.* Senator, I completely agree that transit is a critical part of our nation's transportation system. I think we need an "all of the above" approach to improving our nation's infrastructure. That means increasing our investment in highways, bridges, transit, and airports. All modes of transportation need to work together seamlessly to ensure passengers can move efficiently on the ground and in the air. But we have a lot of work to do. As you know, the American Society of Civil Engineers recently issued its infrastructure report card. According to the report, transit received a D-, and aviation received a slightly better D.

It's critical that we continue to press for an efficient multi-modal transportation system. Airline passengers often rely on public transportation to get to and from our nation's airports. Without reliable transit systems, airports would face increasing road congestion. They would also likely be forced to invest in more roadside projects and parking garages at a time when airports are struggling to come up with enough funding to pay for runways, taxiways and other critical infrastructure projects.

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#### QUESTIONS SUBMITTED TO EDWARD L. MORTIMER

#### QUESTIONS SUBMITTED BY SENATOR STEVE DAINES

*Question.* Mr. Mortimer, we discussed the long-term economic importance of multimodal transportation infrastructure that moves energy commodities. In your testimony you also mentioned the importance of broadband deployment within an infrastructure package to create greater economic potential. As a former tech executive for a global cloud computing company based in Bozeman, Montana, I know firsthand the importance of digital connectivity in addition to physical connectivity for economic opportunity. How can we leverage limited resources to expand broadband to rural America?

*Answer.* The Chamber believes Federal decision-makers should continue to work in partnership with the private sector and states to foster infrastructure deployment in remaining unserved areas. An important role the Federal government can play is facilitating the planning and approval process to provide regulatory certainty to this process. With regulatory certainty, we believe leveraging limited resources can play a key role in ensuring all parts of America have broadband access.

*Question.* In your testimony you mentioned leveraging advances in autonomous vehicles. Nationally, 54 percent of automobile fatalities occur on rural roads, despite the fact that only 19 percent of Americans live in rural areas. There is an opportunity here to save lives as well as improving passenger and freight mobility. How do you think we can accelerate those benefits to rural America?

*Answer.* The Chamber believes that making "smart" infrastructure a priority by leveraging Internet of Things (IoT) solutions in new and existing construction would increase connectivity, computing capabilities, and the utilization of data analytics. Below are some examples on how this could be done:

- Investment in 5G infrastructure to accelerate Automated Vehicles, Vehicle-to-Vehicle safety, and Vehicle-to-Infrastructure communications.
- Prioritize integration of IoT and data-centric solutions that connect, secure, and manage actionable data from existing and new infrastructure.

IoT solutions increase safety, efficiency and mobility—by improving real-time decisionmaking and management of infrastructure assets, enabling predictive maintenance, lowering long term infrastructure cost, and increasing infrastructure lifespan—thereby saving significant taxpayer dollars, improving societal challenges, and boosting the economy.

#### QUESTIONS SUBMITTED BY SENATOR DIANNE FEINSTEIN

*Question.* Mr. Mortimer, you mentioned in your testimony the need for Congress to think beyond just transportation when it considers infrastructure. Should Congress pass legislation leading to \$1 trillion in new infrastructure investments, what proportion would you recommend be dedicated to improving America's water infrastructure?

*Answer.* The U.S. Marine Transportation System (MTS) consists of ports, coastal and inland waterways, the Great Lakes, and the St. Lawrence Seaway and is an integral part of the global supply chain and the broader transportation network. While Congress did approve the Water Infrastructure Improvements for the Nation (WIIN) Act, further investment is needed to address many critical navigation needs.

The Chamber also recognizes that Federal investment and regulatory relief for our drinking water, wastewater, and storm water systems should be a part of any infrastructure package. The water the nation uses for agriculture, manufacturing, and power production drives economic development, maximize societal returns, and build strong communities. While most water investments are made at the local level or involve private investment, we do believe there is a targeted Federal role to ensure limited resources are maximized to provide adequate water investments.

Without knowing the scope of what infrastructure components would make up a \$1 trillion infrastructure investment bill, we are unable to put a precise number on the proportion of an infrastructure package should go to water investments. But we do believe water investments should be included in any Federal legislation.

#### QUESTIONS SUBMITTED BY SENATOR CHRISTOPHER A. COONS

##### INVESTMENT IN TRANSIT

*Question.* Every day, Americans take more than 35 million trips on public transportation. This level of ridership enables the nation's largest regions to sustain a level of economic output that is essential for our international competitiveness. However, aging transit infrastructure, reflected in a \$90 billion state of good repair backlog, is suppressing transit ridership. Because reliable transit is such a critical part of the nation's transportation network and helps Americans save millions of hours of travel time and preventing billions of dollars in lost productivity, how does public investment in maintaining transit infrastructure support the nation's overall transportation goals and priorities?

*Answer.* Public transportation must continue to be an important option in solving our infrastructure crisis. Businesses nationwide determine where they locate based on transportation options available. For a growing amount of communities, public transportation is a critical component of the transportation solution. Study after study has shown that investing in transit leads to better safety, faster economic growth and higher quality of life. Not maintaining the infrastructure will have the reverse effect. A strong Federal role in public transportation investment ensures mobility for its over 35 million riders each day.

#### QUESTIONS SUBMITTED TO BETH OSBORNE

##### QUESTIONS SUBMITTED BY SENATOR STEVE DAINES

*Question.* Amtrak's Empire Builder serves 12 communities along Montana's Hi-Line. It currently passes through the City of Culbertson. This is an opportunity to expand Amtrak's service and produce a net positive financial impact, according to a previously completed Amtrak feasibility study. Transportation for America has shared its expertise with Culbertson as it works to reinstate this service.

Ms. Osborne, in your testimony, you discussed the potential for the Consolidated Rail Infrastructure & Safety Improvements (CRISI) program, should it be funded. Would you please elaborate on what we as a nation can accomplish if Congress fully funds CRISI and allows all eligible projects, as authorized, to compete?

*Answer.* This program can provide connections for communities to job centers, medical facilities and airports, which is especially important to rural areas as Essential Air Service becomes unavailable in more and more places. It is also important to improve the safety of the railroad system by providing communities with much needed funds for grade separations and crossing controls.

##### QUESTIONS SUBMITTED BY SENATOR DIANNE FEINSTEIN

*Question.* I hope that Congress will decide to invest more in our nation's infrastructure, and one of the key reasons is that we have an enormous maintenance and repair backlog. One-third of our major roads are in poor or mediocre condition, and one-tenth of our bridges are structurally deficient. The American Society of Civil Engineers have given the nation's infrastructure a grade of "D+". More specifically, bridges received a grade of "C+", aviation a "D", ports a "C+", roads a "D", and transit a "D-". But when Congress has provided new funding, we have not actually required the states to focus on a fix-it-first approach.

Ms. Osborne, how do you recommend that Congress, and specifically this Committee, ensure that sufficient resources are devoted to maintaining rather than just expanding the transportation infrastructure we already have?

*Answer.* Absolutely. For decades, the American people have been told that roads and bridges are crumbling. Every few years Congress passes a transportation bill

and promises it will fix things only to come back a few years later and complain about the condition of infrastructure again. Smart Growth America reviewed transportation spending across the nation in a 2014 report called “Repair Priorities” and found that the majority of funding is currently spent on new capacity, not state of repair. Congress needs to make its rhetoric and its spending consistent.

*Question.* America’s failure to adequately maintain existing infrastructure will only get worse with climate change. I worry that neither the Federal government nor states have done enough to anticipate increased storm damage, both in terms of retrofitting existing infrastructure, but also in terms of long-term planning to move infrastructure away from increasingly hazardous areas.

For example, California’s State Route 37 runs along the north edge of San Pablo Bay near San Francisco. It is surrounded on both sides by marsh land that is increasingly vulnerable to rising sea levels, and it was just out of commission for weeks due to storm-related flooding.

Ms. Osborne, how do you recommend that Congress ensure that states are using Federal funds to make their infrastructure more climate resilient?

*Answer.* Congress required transportation agencies to create asset management plans and to measure the state of repair of the transportation system in MAP-21. Congress could require that asset management plans and state of repair performance measures be inclusive of climate resilience. Congress might also require that design standards for roadway infrastructure include resiliency in those designs.

*Question.* The area where this subcommittee has the most direct impact on infrastructure is the Capital Investment Grant or New Starts program for transit investment. I am particularly grateful to Chairman Collins for always treating the transit investment projects fairly and keeping them moving along with the annual funding they need.

As Congress begins to discuss additional funding for infrastructure investments, I want to point out that other modes of transportation do not receive the same level of scrutiny and opportunities for Congressional delays that transit does. For example, when a state wants to invest in new highway capacity, it can direct its share of Federal funds in almost any manner it chooses. But when a transit agency wants to invest in new rail capacity, it has to come before Congress for each individual project, year after year.

Ms. Osborne, how do we ensure that states are building new highway capacity in ways that actually reduce congestion and encourage the development of more sustainable communities?

*Answer.* The simplest approach is to put the entire Federal Transit program and the new rail programs under the Highway Trust Fund, so that project sponsors need not come to Congress every year. While considering this, it might also be worthwhile to think about aligning the design of the highway, transit and rail programs. Many facets of the transit program should be considered for the entire transportation program. For example, in the transit program formula funds are used for maintenance of the system while new capacity requirements have to come to the Federal government for evaluation based on 1) project benefits, 2) the sponsor’s ability to maintain the project once built and 3) evidence that the sponsor can maintain the rest of their system with the addition of the project. At the very least, the latter two factors should be evaluated before any Federal investment is made, whether through grants or loans.

#### QUESTIONS SUBMITTED BY SENATOR CHRISTOPHER A. COONS

##### LOCAL GOVERNMENTS

*Question.* I noted in your testimony that the TIGER program is one of the only programs that support transportation projects at the local level. As a former county executive, I understand the headaches that can come from trying to combine land use planning, transportation decisions, and other local community priorities; and I appreciate the flexibility that TIGER grants can provide. Other than TIGER grants, what are a couple of things we can do in Congress to support and empower local government transportation decisions?

*Answer.* Congress could make more funding available to local communities, either through growing programs like TIGER or by increasing local involvement in decisionmaking within the formula programs.

Additionally, local governments often run into challenges because they are more likely to prioritize serving regional businesses with boulevards and main streets while states are more likely to prioritize throughput by moving vehicles through and past those businesses on high speed and wide roadway designs. State transportation engineers often want to give locals what they are seeking but feel their hands are

tied by Federal requirements and by the highway-focused engineering standards laid out by the American Association of State Highway and Transportation Officials (AASHTO) “Green Book.” More flexibility in design of roadways would help local governments get the roadway network that best serves their needs.

#### LAST MILE CONNECTIONS

*Question.* Passenger rail brings more and more riders, many of them commuting to work, some on business travel, some of them tourists exploring towns and cities on these routes. What can we do to improve last mile connections, both rail-to-rail (i.e. passenger rail to local or regional transit) and multi-modal connections such as rail to busses, or rail to shared-use platforms such as ride shares and bike shares to allow these customers to experience seamless integration of their travel experience?

*Answer.* There are two things that can be done. First, Congress can provide more for these purposes either through increasing the size of the Transportation Alternatives or getting flexible funding down to the local level where these investments are best understood.

Second, first and last mile challenges with transit and rail are a sign of poor roadway design and/or poor land use decisionmaking. To address the roadways, the Federal government could push for a modernization of roadway design that more consistently supports the safe movement of all users (drivers, bicyclists, transit users and pedestrians) rather than focusing solely on moving cars and trucks at high speeds.

Land use is a local issue; however, the Federal government need not reward and subsidize land use decisions that drive up costs and reduce mobility and safety. Spread out, low-density development results in more need for driving, which in turn causes more and more expensive infrastructure on the back of a smaller tax base. It also makes walking to destinations difficult because they are farther away. That larger infrastructure needed to support the induced car travel caused by spread out development leads to the roadway design (referred to above) that is both expensive and unsafe. A good place to start to fix this is to emphasize the connection between land use and transportation throughout the transportation program and project development process. Congress could also provide the Federal Highway Administration (FHWA) with funding and a directive to develop transportation models that are capable of recognizing how land use can impact travel demand. The current four-step model cannot.

#### PEDESTRIAN SAFETY

*Question.* Delaware is one of the deadliest states for pedestrians in America, with one of the highest rates of pedestrian deaths per capita (#1 in 2015). My understanding is that most attention paid to this problem has focused on urban areas, but this is largely a suburban problem for us, with most fatalities occurring due to uncontrolled pedestrian crossings of high-speed suburban commercial corridors. What kind of support can we provide at the Federal level to help address this issue?

*Answer.* Pedestrian deaths are often by poor roadway design and/or poor land use decisionmaking. To address the roadways, the Federal government could push for a modernization of roadway design that more consistently supports the safe movement of all users (drivers, bicyclists, transit users and pedestrians) rather than focusing solely on moving cars and trucks at high speeds.

Land use is a local issue; however, the Federal government need not reward and subsidize land use decisions that drive up costs and reduce mobility and safety. Spread out, low-density development results in more need for driving, which in turn causes more and more expensive infrastructure on the back of a smaller tax base. It also makes walking to destinations difficult because they are farther away. That larger infrastructure needed to support the induced car travel caused by spread out development leads to the roadway design (referred to above) that is both expensive and unsafe. A good place to start to fix this is to emphasize the connection between land use and transportation throughout the transportation program and project development process. Congress could also provide the Federal Highway Administration (FHWA) with funding and a directive to develop transportation models that are capable of recognizing how land use can impact travel demand. The current four-step model cannot.

The National Complete Streets Coalition can bring national leaders to these communities analyze the transportation and land use changes needed to address the problem.

SUBCOMMITTEE RECESS

Senator COLLINS. This hearing is now adjourned.

[Whereupon, at 11:39 a.m., Wednesday, March 8, the subcommittee was recessed, to reconvene at a date and time subject to the call of the Chair.]