

Summary: “Building a 21st Century Infrastructure for America: Highways and Transit Stakeholders’ Perspectives”

House Transportation and Infrastructure Subcommittee on Highways and Transit

Witnesses:

- Mr. Patrick McKenna, Director, Missouri Department of Transportation; on behalf of the American Association of State Highway and Transportation Officials
- Mr. James Roberts, President and CEO, Granite Construction; on behalf of the Transportation Construction Coalition
- Mr. Brent Booker, Secretary-Treasurer, North America’s Building Trades Unions
- Mr. Ray McCarty, President and Chief Executive Officer, Associated Industries of Missouri; on behalf of the National Association of Manufacturers
- Mr. Peter Rogoff, Chief Executive Officer, Sound Transit

Opening Statements

Subcommittee Chairman Graves (R-MO) explained that the purpose of the hearing was to gather input from stakeholders and develop steps to build a 21st century infrastructure system. He applauded the success of the Fixing America’s Surface Transportation (FAST) Act but noted that additional investments are needed. He called on Congress to enact a long-term, sustainable solution to the Highway Trust Fund’s (HTF) insolvency problem. Chairman Graves also called for Federal funding certainty, noting that it is essential for state and local planning efforts.

Subcommittee Ranking Member Norton (D-DC) called on Congress to act in a bipartisan way to not only draft policy relating to U.S. infrastructure needs but to also develop a method to fund investments. She said that earlier in 2017 over 250 Members of Congress submitted a bipartisan letter to the House Committee on Ways and Means asking them to develop a permanent solution to the HTF crisis. She noted that the U.S. infrastructure network spans across state lines and therefore is the responsibility of the Federal government. Ranking Member Norton emphasized that when one segment of the network is underfunded, it affects the entire network. She called on Congress to ensure any infrastructure bill is neither biased toward urban areas nor rural areas, calling for a balance to improve the system as a whole. Congresswoman Norton supported the need for alternative funding measures, like public-private partnerships (P3s), but cautioned against using them for every project, as they can sometimes create inequality.

Full Committee Chairman Shuster (R-PA) said investing in U.S. infrastructure not only creates jobs but also increase U.S. efficiency and competitiveness. He called on Congress to address funding for these investments and noted that he has been working closely with the White House to develop an outline of principles for an infrastructure program. He hoped a more detailed list of principles would be released soon. Chairman Shuster emphasized the need to fix the HTF and to support those states that have already raised their own gas taxes.

Ranking Member DeFazio (D-OR) noted that the U.S. transportation system links America together and does not end at state lines. Therefore, the network requires Federal investment. He applauded the 24 states that have raised their own gas taxes but called on the Federal government to step up and act as a partner. Ranking Member DeFazio criticized the Administration and the majority party for calling for infrastructure investments while simultaneously cutting funding in their budget proposals. He also criticized the confusion surrounding funding options coming out of the White House, including the back and forth of the President's position of the use of P3s. He encouraged Congress to take the lead on infrastructure funding.

Mr. McKenna, the Director of the Missouri Department of Transportation, testified on behalf of the American Association of State Highway and Transportation Officials (AASHTO). He said any infrastructure package should secure the HTF through a long-term solution and emphasized that Federal funding is essential. He also advocated for traditional Federal authorities in the permitting process to be assigned to States in order to streamline the process. He suggested developing a project delivery pilot program that would encourage innovative practices to streamline delivery and environmental outcomes. Mr. McKenna noted that the U.S. must invest in projects that will help to secure the future success of the network, not just those that are shovel ready. He applauded the stability the FAST Act provided to states and urged Congress to develop a package that continues that stability while focusing on direct Federal funding rather than financing. While financing instruments like loans, bonds, and infrastructure banks are tools in the tool box, he said they are insufficient to fund infrastructure projects alone.

Mr. Roberts, the President and CEO of Granite Construction, testified on behalf of the Transportation Construction Coalition (TCC). He applauded states that have increased their funding for infrastructure and called on the Federal government to commit to leadership in this area. He expressed concern over the HTF's revenue shortfall and noted that should it not be addressed states will start scaling back their infrastructure investments. Mr. Roberts applauded the policy changes brought about by the FAST Act, especially its emphasis on national goals and increased flexibility, but noted that its funding levels paled in comparison. He encouraged Congress to include a HTF fix in any tax reform legislation, which could in turn provide the platform for an infrastructure package. While he noted that increasing the fuel tax and indexing it to inflation is the simplest fix, he added that other funding solutions should be considered as cars continue to move away from their reliance on gas. Mr. Roberts called for the merging of NEPA and the Clean Water Act section 404 permitting processes and said they could be placed under the authority of the Army Corps of Engineers.

Mr. Booker, the Secretary-Treasurer of North America's Building Trades Unions, said that highway bills are the largest job creator for his organization. He called for a big, broad, bold plan to address infrastructure construction and urged Congress to follow President Trump's original proposed investment of \$1 trillion. He encouraged any infrastructure bill to apply to all modes, including schools and broadband, and to address duplicative programs to increase efficiency. He supported a variety of measures to fix the HTF, noting that its solvency is the greatest challenge facing Congress.

Mr. McCarty, the President and Chief Executive Officer of Associated Industries of Missouri, testified on behalf of the National Association of Manufacturers (NAM). He said a modern transportation network is essential for not only manufacturing but provides economic and quality of life benefits. He applauded

the FAST Act and called on Congress to build upon it to address the system's needs. Manufactures rely on efficient supply chains and Mr. McCarty noted that congestion is an increasingly costly problem to the industry. He called for Federal leadership in funding to address bottlenecks and the long-term solvency of the HTF. NAM supports a reliable user based long-term funding stream for the HTF and Mr. McCarty added that P3s are also a tool in the tool box. He called for expedited environmental reviews and for bipartisan leadership in the development of any infrastructure package.

Mr. Rogoff, the Chief Executive Officer of Sound Transit, agreed with President Trump that America's crumbling infrastructure must be replaced but expressed disappointment in the Administration's budget proposals, which do not reflect that call to action. Mr. Rogoff encouraged the Federal government not to penalize local and state efforts to increase their own transportation funding. He also called for streamlining of the Federal environmental review process but emphasized that any changes should be not short circuit the process. He encouraged any streamlining changes to also include increased staffing to ensure projects receive the attention and detail they deserve.

Question & Answer:

Full Committee Chairman Shuster said any infrastructure initiative must include a long-term funding stream and applauded Ranking Member DeFazio's bill, the Investing in America: Penny for Progress Act, saying it could be one solution. However, he encouraged Congress to keep the funding solutions simple while remaining open to all possible options. The Chairman said that while P3s are not the only answer, they are a good tool. He also suggested asset recycling, when infrastructure assets are leased and the revenue from the lease is invested in other infrastructure projects, as another potential tool, using Australia as an example. He asked for the witnesses' thoughts on asset recycling. **Mr. McKenna, Mr. Roberts and Mr. Booker** agreed said that asset recycling is a tool in the tool box but that its use should be determined on a project by project basis. **Chairman Shuster** agreed that it should be done on a case by case basis but added that it has been successful and could be successful in the future.

Full Committee Ranking Member DeFazio said that a special select committee determined, through a bipartisan consensus, that P3s can address around 10-12 percent of U.S. infrastructure needs. So, while well regulated P3s are one tool, the Federal government must also work to develop a robust long-term funding stream. He called into question the use of asset recycling, noting that Australia only used the program for two years and discouraged the U.S. from following the same path. **Full Committee Chairman Shuster** pushed back against Ranking Member DeFazio's criticism of asset recycling, saying the program in Australia was designed to last two years. He urged Congress to look at all potential funding streams while acknowledging that Federal dollars are important.

Full Committee Ranking Member DeFazio said the Federal government should facilitate the various funding options but again emphasized that a robust Federal investment is critical. He encouraged the Administration to not only award those states that look to provide their own funding solutions in the future but to also include a "look back" provision to award states that have already taken action. **Mr. Rogoff** said there is a program that looks at what a state or municipality has done for funding and takes that into consideration for Federal rewards.

Subcommittee Ranking Member Norton supported Chairman Shuster's idea to explore new options for funding. She criticized the Administration for seemingly punishing localities and states that have raised their own gas taxes by saying they would provide fewer Federal dollars in those areas. Instead, she said the Federal government should reward those areas, incentivizing such actions rather than disincentivizing them.

Subcommittee Ranking Member Norton asked how the Federal government can work to address the entire transportation network, not just rural or urban areas. **Mr. McKenna** said resources should be allocated based on objective criteria and not show a preference of urban versus rural projects.

Congressman Gibbs (R-OH) asked the witnesses about the progress made in the FAST Act for intermodal transportation and specifically asked if the freight program is working. **Mr. McKenna** applauded the freight program for forcing states to create state freight plans. These plans help to focus state funding efforts and provide a baseline for future investments.

Congressman Gibbs asked about the FAST Act's requirement that the National Academies of Sciences (NAS) review the Compliance, Safety, Accountability (CSA) program and asked what the witnesses thought of the NAS recommendations. **Mr. McCarty** said safety scores are important but the Federal Motor Carrier Safety Administration (FMCSA) should create a national hiring standard to check motor carriers for their qualifications prior to manufacturers hiring them. **Congressman Gibbs** was critical of the current CSA design, saying it treats truckers unfairly.

Congresswoman Esty (D-CT) informed the Subcommittee that she recently helped launch a bipartisan congressional infrastructure conference and is recruiting Members from all committees to join. She called on Congress to develop a revenue stream for funding infrastructure projects and urged Members to be aware of the future challenges to the gas tax, such as car sharing and electric vehicles. She acknowledged that P3s are a tool but expressed concern that they prioritize making money and not the public interest of a project. She also noted they often focus on new construction instead of life cycle costs and maintenance. **Mr. Rofoff** said life cycle costs are extremely important, saying that if a sponsor wants to build a new project, the maintenance of its current footprint should first be assessed. **Mr. McKenna** recommended the Federal government ensure funding options are flexible so local needs can be met. **Mr. Roberts** said maintenance must be a priority and that if it is not addressed now it will be more expensive the future.

Congressman Davis (R-IL) said raising the gas tax will not be sufficient to stabilize the HTF and called for diversification. He asked how the funding streams could be diversified, especially as cars move away from their reliance on gas. **Mr. McKenna** said Georgia recently implemented an adjustment on their gas tax so the state does not lose any revenue based on the rising fuel economy. He said the U.S. will need to look for such adjustments in the future. **Mr. Rogoff** said some states are looking into Vehicle Miles Traveled (VMT) taxation programs as potential solutions to this issue.

Congressman Lowenthal (D-CA) said an additional revenue source could be his proposed goods movement network user fee, which would collect around \$8 billion a year for a dedicated freight funding stream. He emphasized the importance of diversification and noted that with projected volume increases it will become even more vital. He asked the witnesses if they felt that key freight corridors

have the resources to meet the increased volumes without dedicated freight infrastructure funding from the Federal government. **Mr. McKenna** said the industry does not have sufficient resources to meet the current need. He welcomed the focus on freight and noted that Missouri will be submitting an INFRA grant application.

Congressman Lowenthal said the FAST Act created a discretionary grant program intended to make direct investments in critical freight infrastructure needs. He noted the Administration made changes to the program in their most recent notice of funding opportunity that would reduce the emphasis on the worthiness of projects and instead focus on projects with the lowest Federal cost share. He asked how that could affect investment in critical infrastructure improvements. **Mr. McKenna** said that often there is an overlap because the most significant projects will draw the most support. **Congressman Lowenthal** criticized this change, saying the Federal government is trying to reduce its responsibility for infrastructure funding.

Congressman LaMalfa (R-CA) said citizens often worry their taxes are not being used for their intended purpose and this is no different with the gas tax. Because of this mistrust, he asked how the Federal government can make its existing funds go further. Specifically, he noted a bill that would create a lead agency for water supply projects for permitting decisions and asked if that could also be used for surface transportation projects. **Mr. Roberts** said a lead agency and common oversight could help to reduce the number of redundancies and simplify the permitting process. **Mr. Rogoff** said a lead agency would be beneficial but that increasing staffing would still be necessary to ensure they can efficiently do their jobs. **Congressman LaMalfa** asked if there are other processes that could benefit from streamlining. **Mr. Roberts** said the environmental review process could be simplified.

Congresswoman Lawrence (D-MI) applauded Congress and the Administration for acknowledging the needs of infrastructure but emphasized that talking is not enough, there must also be action. She asked how many jobs would be created should a large infrastructure initiative be passed. **Mr. Booker** said hundreds of thousands of jobs could be created.

Congressman Westerman (R-AK) said urban areas are highly dependent on rural areas to connect them to the rest of the country but noted that many parts of the rural transportation network are not complete. He asked how important a completed system is. **Mr. McKenna** said that when roads are incomplete it can disrupt supply chains and harm the connection of both people and goods in the region and beyond.

Congressman Westerman asked if there could be improvements at the Federal level to more effectively address the entire transportation system. **Mr. McKenna** said the main issue is the amount of funding from the Federal government, not the distribution of the funds.

Congresswoman Napolitano (D-CA) called on Congress to provide sustained and efficient funding for the HTF.

Congressman Johnson (D-G) asked if infrastructure projects would have enough funding if the Federal gas tax was replaced with P3s. **Mr. McKenna** said America needs both. **Congressman Johnson** asked if an increased gas tax would be a viable option for funding transportation projects. **Mr. McCarthy** said it

would work as part of the overall solution and **Mr. Rogoff** said not all problems would be solved with just a gas tax increase. **Congressman Johnson** asked if a VMT tax would be a viable solution in rural areas. **Mr. Rogoff** said a VMT tax could result in more hardship for rural areas than urban areas.

Subcommittee Chairman Graves asked if any of the witnesses have made progress with alternative funding programs. **Mr. McKenna** said Missouri has received two grants, created by the FAST Act, to explore the possibility of a fuel economy based adjustment to registration fees in order to strengthen the revenue base. The first grant helped them to study demographics of the registration database and the second grant, which was just awarded, will allow them to explore implementing such a fee.

Congressman Graves (R-LA) called for Congress to complete an inventory of all Federal funding efforts, including those in agencies other than traditionally transportation focused ones, to better understand how dollars are being spent. This could allow the Federal government to better use the dollars they already have.

Subcommittee Chairman Graves concluded the hearing.