

**Summary: “Rebuilding Infrastructure in America: State and Local  
Transportation Needs”**

**Senate Committee on Commerce, Science and Transportation Subcommittee on Surface  
Transportation and Merchant Marine Infrastructure, Safety and Security**

*March 13, 2018*

**Witnesses:**

- Mr. Kyle Schneweis, Director, Nebraska Department of Transportation
- Mr. Dan Gilmartin, Executive Director and Chief Executive Officer, Michigan Municipal League and Member of the National League of Cities
- Mr. Jordan Kass, President, Managed Services, TMC Division, C.H. Robinson
- Ms. Jo Strang, Senior Vice President, Safety and Regulatory Policy, American Short Line and Regional Railroad Association

**Opening Statements**

**Chairman Fischer (R-NE)** opened the hearing by highlighting the poor state of U.S. infrastructure. She said the Federal government plays an important role in developing and maintaining infrastructure across the country. State and local government involvement is also necessary, as they handle the majority of the design, construction, and maintenance of infrastructure. She was pleased with the permitting proposals included in the President’s infrastructure plan, noting that duplications in regulations and requirements increase time and costs. She also applauded the plan for including provisions recognizing that states and localities know their infrastructure needs best and therefore should have greater authority over the design and approval process. Chairman Fischer praised the plan’s inclusion of dedicated rural funding. She called on Congress to work together to craft legislation to invest in infrastructure. Chairman Fischer highlighted her Build USA Infrastructure Act which would use fees already collected by Customs and Border Patrol, among others, to invest in infrastructure. The bill would also provide states with more flexibility by including agreements under which states could repay 10 percent of Federal aid highway dollars in exchange for state design and permitting control over Federal aid highway projects. She encouraged Congress to use currently available funds more efficiently in order to improve and expand the infrastructure system.

**Ranking Member Peters (D-MI)** called for the Federal government to help upgrade the nation’s crumbling infrastructure and emphasized the need to rethink current systems in light of transformative technologies being deployed. He said there are infrastructure challenges across the country but criticized President Trump’s infrastructure plan, saying it requires already cash strapped states and localities to pay for the investments. He also said the plan leaves rural communities behind. Ranking Member Peters called for a strong Federal partner in the beginning of the process, not just at the end after something has gone wrong. He said that cities cannot make investments alone and called for Congress to work in a bipartisan fashion to partner with cities and states to make investments now.

**Mr. Schneweis**, Director of the Nebraska Department of Transportation, highlighted Nebraska’s efforts to fund their own transportation investments, including a state sales tax and the creation of a state transportation infrastructure bank. Nebraska also focuses on innovative project delivery methods, which

has allowed them to move forward with many previously delayed projects. He said the state has applied for NEPA delegation. He was encouraged by D.C. discussions in regards to infrastructure, particularly the dedicated funding for rural areas and the permitting streamlining provisions. He said the White House's framework provides an opportunity for states and cities to be creative in project funding. He provided a few key recommendations: 1) funds should have as few Federal fees and ties as possible, as states and localities are best positioned to know where to spend the money; 2) the Rural Infrastructure Program should be supported; 3) Congress must recognize the prior commitments that state and local governments have made in infrastructure funding by ensuring any bill has a look back provision; 4) while rural areas may have challenges with public-private partnerships (P3s), they are a tool in the tool box; and 5) Congress should streamline the permitting and approval process and allow state DOTs to assume more Federal responsibilities.

**Mr. Kass**, President of Managed Services in the TMC Division at C.H. Robinson CH Robinson, said third party logistics providers focus on creating cost effective, predictable supply chains. The private sector has continuously made improvements to create more efficient networks while the public sector has failed to keep up. He said congestion as well as other transportation infrastructure related concerns is increasingly causing the U.S. to fall behind overseas competitors. He applauded the Fixing America's Surface Transportation (FAST) Act's creation of state freight advisory committees as they have given the private sector an opportunity to connect more with transportation planners. He asked that Congress continue to bolster and expand such programs. He called on Congress to decouple traditional freight funding by separating the historic link between the gas and diesel taxes. He said the industry much prefers the diesel tax or a vehicle miles travels (VMT) tax to tolling. He also criticized the idea of a highway services tax or waybill tax based on the value of freight transportation costs, saying it would be very complicated and could potentially harm small carriers.

**Ms. Strang**, Senior Vice President of Safety and Regulatory Policy for the American Short Line and Regional Railroad Association, said short lines are one of the most capital intensive industries and provide essential services to the industry. She called on Congress to make the short line tax credit permanent. She expressed support for the CRISI program because it provides direct access for short line eligibility and emphasizes benefit-cost analysis. She also supported the TIGER grants as well as the INFRA grants but called for an expanded small project component in INFRA as well as the removal of the \$500 million multimodal cap. While she acknowledged that RRIF has been improved, she said that it will never be a broad solution for short line railroads. She called for any infrastructure plan to include three provisions: 1) grants that have direct eligibility for short line railroads and a simple and transparent process; 2) project evaluations that are not one-size-fits-all; and 3) continued examination of unnecessary federal regulations.

**Mr. Gilmartin** is the Executive Director and Chief Executive Officer of the Michigan Municipal League and also a Member of the National League of Cities. He said cities are partners to the Federal government in infrastructure and called for a national, comprehensive infrastructure bill. He said any bill should include five principles: 1) sustainable investment to address the infrastructure backlog and establish long-term funding; 2) locally driven projects that give local leaders a strong voice in decision making; 3) federal-local partnerships, as cities are already investing billions and need a steady Federal partner; 4) expanded revenue tools while protecting existing funding sources; and 5) rebuilding and reimagining of infrastructure to ensure transportation is intermodal, sustainable and interconnected. He

said Michigan has already raised its taxes and increased registration fees but still falls short on funding. He called for a Federal partner to address the Highway Trust Fund (HTF) shortfall and to provide a reliable 21<sup>st</sup> century transportation network.

### **Question and Answer**

**Chairman Fischer** asked about the benefits of assuming NEPA authority and if this process could be a model for other permitting authorities. **Mr. Schneweis** said assumption of NEPA saves both time and money if the state DOT has the experts to complete the reviews. He said it could be a model for other permitting authorities, highlighting the Section 404 process specifically. He said that generally, states have had positive experiences assuming NEPA authority and both experienced states and the Federal Highway Administration (FHWA) have been supportive throughout Nebraska's assumption process.

**Chairman Fischer** said Nebraska recently received a TIGER grant but noted that traditionally formula funding is extremely important to the state. She asked about the importance of the HTF and formula funding. **Mr. Schneweis** said TIGER grants are important as they can help partner on transformative projects that transcend boundaries. He said formula funds are spent on preserving the existing system and are essential.

**Chairman Fischer** asked about the importance of consistent long-term funding for planning. **Mr. Gilmartin** said that sustainable, long-term funding is essential because transportation infrastructure investments play out over decades.

**Ranking Member Peters** asked what states and local governments are doing to fund infrastructure and if those actions are sufficient. **Mr. Gilmartin** said Michigan has already raised taxes and fees but is almost tapped out. He said infrastructure investment requires all three levels of government and asked the Federal government to take a leadership role.

**Senator Hassan (D-NH)** highlighted her Safe Bridges Act which would provide funding for structurally deficient bridges. She asked how important it is to make investments in infrastructure and if such investments are a matter of national security. **Mr. Schneweis** said investments are very important and that it takes partnerships to invest properly, highlighting a bridge matching program in Nebraska that incentivizes innovative thinking in bridge investment. He said that infrastructure is vital, especially when it comes to getting food to market and national security. **Mr. Gilmartin** supported a multi pronged revenue structure for infrastructure and noted that bridges would be a part of that. He said infrastructure is a security issue as well as a commerce issue. He emphasized that at its core, infrastructure investment is a safety issue.

**Senator Hassan** asked what the short line rail industry needs to remain viable. **Ms. Strang** asked Congress to make the short line railroad tax credit permanent.

**Senator Hassan** emphasized that states and cities are already making many of the investments in infrastructure and said it is unrealistic to rely on either them or else private entities to make all the investments in infrastructure.

**Senator Inhofe (R-OK)** asked how Congress can bolster state freight advisory committees and other advisory committees to ensure supply chain professionals are part of the process. **Mr. Kass** asked for broader education for professional so they are aware that these outlets exist. He applauded the increased opportunities for industry to connect with government.

**Senator Inhofe** asked how Congress could make large grants more accessible for short line railroads. **Ms. Strang** said it is essential that grant processes are clear and simple as short lines are usually small businesses and therefore do not have grant writers on staff nor do they have the money to hire consultants. She recommended Congress fully fund the CRISI program to authorized levels.

**Senator Klobuchar (D-MN)** asked why it is important to fund programs that support all modes, like TIGER. **Mr. Gilmartin** said the public is increasingly demanding different modes of transportation and therefore there must be flexibility in investment, which TIGER can help provide.

**Senator Klobuchar** noted that the efficient flow of freight across the multimodal transportation system is very important to economic competitiveness. She asked where Congress should invest to improve the flow of freight. **Mr. Kass** said the vast majority of freight is shipped by truck and that ATRI has a report on the top bottlenecks in the U.S. He recommended Congress address those first.

**Senator Klobuchar** noted that bottlenecks also exist on railroads and in the connecting infrastructure. She said that while P3s are one option, it could be difficult to use them in rural areas and encouraged a combination of direct funding and other methods. **Mr. Schneeweis** said Congress must invest in all infrastructure to ensure the most efficient freight network. **Ms. Strang** said trucks and rail need to work together.

**Chairman Fischer** asked how e-commerce will impact the freight industry. **Mr. Kass** said e-commerce will create a system that is rapid fire, crosses shorter distances, carries small goods, and ends at the consumer's door. He said this could result in a shift in the flow of trucks from highways to neighborhoods.

**Chairman Fischer** asked how the Federal role in freight policy can be improved. **Mr. Schneeweis** said the Federal role in freight transportation is clear, as freight movement transcends borders. He said freight planning conversations are very helpful as is considering the economic impacts of projects.

**Chairman Fischer** asked about the negatives of the RRIF program. **Ms. Strang** said RRIF is difficult for short line railroads because there is a credit risk premium that must be paid up front, which is daunting to small business. Furthermore, the loans can take a long time to be approved.

**Ranking Member Peters** said that in order for the President's proposal to leverage the amount of money needed to result in \$1.5 trillion in investments, there will most likely be a need for toll roads. He asked if the witnesses would support toll roads. **Mr. Schneeweis** said Nebraska has not used toll roads in the past and that citizens in Nebraska would be unlikely to support tolls on existing roads. However, he said there is an opportunity for new roads to use them. He said tolls will not be the only solution but they could be a tool. **Mr. Gilmartin** said Michigan does not have tolls but that they could work in other states. **Mr. Kass** said that shippers can use technology platforms to route their shipments in order to



avoid toll roads, which could push large vehicles to local roads. He added that tolling would add extra administrative burdens to trucking companies, the majority of which are small businesses.

**Ranking Member Peters** asked about the importance of TIGER grants to short line rail and noted that President Trump called for the elimination of TIGER in his budget request. **Ms. Strang** said TIGER grants give short line rail the ability to improve and upgrade track to handle Class I locomotives.