

Summary: “Rebuilding Infrastructure in America: Administration Perspectives”
Senate Committee on Commerce, Science and Transportation

March 14, 2018

Witnesses:

- Secretary Elaine Chao, U.S. Department of Transportation
- Secretary Wilbur Ross, U.S. Department of Commerce
- Secretary Alexander Acosta, U.S. Department of Labor
- Secretary Sonny Perdue, U.S. Department of Agriculture
- Secretary Rick Perry, U.S. Department of Energy

Opening Statements

Chairman Thune (R-SD) opened the hearing by saying the nation’s interconnected infrastructure has fueled years of economic growth but noted that investment is needed to maintain and improve these assets. He said technology has evolved in ways that were impossible to predict and therefore it is now necessary to facilitate access to those technologies for everyone. He criticized the poor current state of infrastructure and added that rural states often have unique needs. He praised President Trump’s plan for speeding project delivery times and lowering construction costs by limiting permitting timelines to two years. He proposed a few key principles to be included in any infrastructure plan: 1) the bill should address all infrastructure needs, not just those of highways; 2) the bill should build on successful programs and, where necessary, remove inefficiencies; and 3) the bill should be national in scope and include all areas, including rural. Chairman Thune said that addressing infrastructure is a bipartisan topic and called for both sides to develop a plan this year to invest and modernize infrastructure while breaking down barriers for innovative technologies and improving existing programs.

Ranking Member Nelson (D-FL) said infrastructure demand is increasing across the country while the need to build new infrastructure and to repair existing infrastructure of all types grows as well. He questioned how such an investment would be paid for, noting that Congress passed a tax cut that added \$1.5 trillion to U.S. debt. He said Florida has used tolling well, but added that Congress cannot expect all travelers to pay for access to roads. He highlighted the Senate Democrats’ plan to fund \$1 trillion in direct Federal investment by reducing the corporate tax cut and using the additional revenue for infrastructure investment. He called on Congress to work together to come up with and fund an infrastructure plan.

Secretary Chao, U.S. Secretary of Transportation, said U.S. infrastructure is the backbone of a world class economy and the key to U.S. growth and productivity. She highlighted the poor condition of U.S. infrastructure and explained that 12 agencies came together to develop the Administration’s infrastructure plan in order to address the needs. The plan is based on four principles: 1) using Federal dollars as seed money to incentivize other investments; 2) providing for rural areas; 3) streamlining the permitting process; and 4) reducing unnecessary regulations. She said Federal resources alone will be unable to address the challenges and therefore the President’s plan allows the private sector to invest in public infrastructure. She recognized that different regions require different solutions but added that private investment is currently allowed in 35 states and should be encouraged where appropriate. Secretary Chao said the U.S. Department of Transportation (USDOT) is implementing the President’s

“one federal decision” Executive Order to help speed delivery of new infrastructure and reduce costs. However, this will not be enough to reduce the process to the goal of two years and therefore she called for additional reforms to address redundancies and inefficiencies.

Secretary Ross, U.S. Secretary of Commerce, called for investment in U.S. infrastructure to support continued U.S. economic growth. He also called for streamlining the permitting process, removing unnecessary impediments to progress, and reducing the permitting timeline from eight years to two years or less. He said a faster process would provide certainty and free up capital currently wasted on red tape. He said Commerce has identified 50 deregulatory actions that will address regulations that currently prevent or delay infrastructure projects. He said the Administration’s plan is not privatization of infrastructure but instead is targeted Federal spending that promotes state and local investments while incentivizing public-private partnerships (P3s). Secretary Ross said the Department of Commerce (DOC) will lead the Administration’s proposed \$20 billion Transformative Project Program, which will provide Federal aid for bold and innovative projects. Such projects would not otherwise attract private sector investment because of risk but their potential impact could provide a significant benefit.

Secretary Perdue, U.S. Secretary of Agriculture, said the U.S. surplus in agricultural exports depends upon a strong infrastructure system. He said investment in infrastructure of all kinds is essential for agriculture and the Administration’s proposal opens an opportunity to work together to decide how to pay for the investments.

Secretary Perry, U.S. Secretary of Energy, spoke about the outdated state of U.S. infrastructure, noting that it is damaging national competitiveness and affecting U.S. citizen’s quality of life. He said Washington often proposes top-down approaches to uniquely local challenges. The President’s plan is based on the common sense notion that the government closest to the people is the best suited to meet the needs. He added that the President is committed to reforming the permitting process to substantially reduce timelines.

Question and Answer

Chairman Thune asked if the Administration is willing to work with Congress on a bipartisan basis to tackle an infrastructure bill. **All Secretaries** said yes.

Chairman Thune asked if USDOT has implemented the permitting reforms made by Moving Ahead for Progress in the 21st Century (MAP-21) and the Fixing America’s Surface Transportation (FAST) Act. **Secretary Chao** said all but two have been completed. The outstanding two reforms should be introduced by June. **Chairman Thune** asked if USDOT will be prepared to take additional reforms on from the Administration’s plan. **Secretary Chao** said yes, noting that past reforms were helpful but did not address multiagency or multidepartment permitting. She emphasized the reforms will not compromise environmental protections but are instead common sense changes to streamline the process and reduce duplication, such as encouraging concurrent reviews and allowing agencies to share information. **Secretary Perry** said that existing requirements often result in conflicts and confusion between Federal agencies. Reforming the process will allow projects to proceed to construction sooner.

Ranking Member Nelson said the President's infrastructure plan calls for state and local communities to bear more of the cost for infrastructure projects. He asked if this would lead to increased taxes and tolls. **Secretary Chao** said increasing taxes or tolling are not the only options for financing and suggested other funding sources such as private activity bonds, asset recycling, and other types of access to public and private markets. She said the Federal government owns only 10 percent of roads and bridges in the U.S. and that the majority of investment costs are already borne by state and local governments. **Ranking Member Nelson** said P3s are a tool but noted that they require a toll in order to reimburse investments by private entities. **Secretary Chao** said tolls are not the only option.

Senator Peters (D-MI) said it is easy to identify the problem but that determining how to pay for it has been more difficult. He said state and local governments are already stretched and by flipping the traditional funding ratio on its head, the President's plan would further burden them. He said that without a funding mechanism, this plan will not move forward.

Senator Duckworth (D-IL) applauded the focus on infrastructure but said the Administration has failed to set the stage for meaningful investments. She spoke about various instances where the President's budget requests compared to the increases in infrastructure investment as proposed in his plan have actually resulted in net losses in overall investment. She noted that none of the \$1.5 trillion from the tax reform bill will be used for infrastructure investment. She asked if any of the agencies have proposals for funding mechanisms. **Secretary Chao** said the Administration submitted principles and not actual legislative language to show their willingness to work with Congress in a bipartisan fashion and not be prescriptive. She said that USDOT's budget request for fiscal year 2019 is very similar to fiscal year 2017 levels and not necessarily a cut. **Secretary Ross** said asset recycling is one potential funding source for state and local governments as well as the Federal government. He said the proposed Capital Revolving Fund could be used to address Federal real estate spending.

Senator Fischer (R-NE) asked how the Rural Infrastructure Program would define rural. **Secretary Perdue** said the Federal government currently has a number of definitions for rural and he would like to work with Congress to develop one definition. He recommended rural be defined as an area with a population of less than 50,000-75,000 people.

Senator Inhofe (R-ND) asked how projects could be completed faster. **Secretary Perry** said through permitting and regulation reforms. **Senator Inhofe** said one area of funding for this program could come from the monetary savings resulting from the recently passed tax cuts.

Both **Senator Heller (R-NV)** and **Senator Hassan (D-NH)** thanked USDOT for awarding TIGER grants in their regions. However, **Senator Hassan** expressed concern that the President's budget request eliminates the program. She emphasized how important TIGER is to states. She added that states have already been doing their part to raise revenues for transportation infrastructure and that traditionally the Federal government invests in nationally beneficial projects. She was concerned that the President's plan identifies the problem but is not supported by the Federal investment needed to make it a reality.

Senator Udall (D-NM) spoke about the importance of boarder infrastructure and the implications of the renegotiation of the North American Free Trade Agreement (NAFTA) as well as consequences of withdrawal.

Senator Tester (D-MN) asked how the Federal government expects states to provide the required 80 percent match in the infrastructure plan. **Secretary Ross** said each proposed program in the plan has its own economic characteristics and added that the Administration is not concerned with the specific sources of revenue but instead focused on the quantity of revenue. **Senator Tester** said states struggle to come up with enough funding under the current 80 percent Federal, 20 percent state ratio. He criticized the idea that selling off assets would be the best route and noted that tolls do not work in rural areas. **Secretary Chao** said the plan sets 25 percent of the \$200 billion in direct Federal investment aside for the Rural Investment Program, 80 percent of which will be distributed through a formula program.

Senator Capito (R-WV) applauded the Administration's emphasis on rural America and noted that West Virginia recently passed a gas tax increase for infrastructure investments. She said states can bring more money to the table and urged any plan to acknowledge actions that states have taken.

Senator Gardner (R-CO) criticized the Senate Democrats' proposal to fund infrastructure through a 19 percent tax increase on the American economy. He asked if this would have negative effects on various U.S. economic sectors, such as costs of concrete, increased cost of U.S. products, and lost jobs. **All Secretaries** agreed it would have negative consequences.

Senator Sullivan (R-AK) expressed support of the permitting reforms. **Secretary Chao** emphasized that they are common sense approaches and could result in more projects available for private sector investment. **Senator Sullivan** said permitting reforms present an opportunity to move forward in a bipartisan manner.

Senator Cantwell (D-WA) expressed appreciation for the freight focus in the INFRA grant program and noted that efficient freight movement is important to ensuring U.S. competitiveness.

Senator Cortez Masto (D-NV) asked if the Administration completed modeling to explain how the \$200 billion in direct Federal investment will stimulate \$1.5 trillion in total investment. **Secretary Chao** said USDOT did analysis and used the traditional level of leverage on TIFIA loans as one example. **Secretary Ross** said they did analysis and found that each program will have a different level of leverage. **Secretary Perdue** said they based their analysis on historic leveraging numbers from rural development programs and **Secretary Perry** said they did analysis as well. **Senator Cortez Masto** asked for the Secretaries' commitment to working with Congress on a bipartisan basis to which the secretaries agreed.

Senator Young (R-IN) expressed appreciation for the inclusion of a look back period to recognize the proactive steps states and localities have already taken. He asked about the multiplier effect of the Infrastructure Incentives Program (IIP). **Secretary Ross** said at a minimum the IIP is expected to leverage at a four to one ratio but could be as high as seven to one.

Senator Young supported the guiding principle of streamlining the permitting process and asked about the potential benefits of such actions. **Secretary Perdue** said streamlining the process will result in lower costs and timelines. **Secretary Ross** added that often legal bills, consulting bills, and inflationary cost increases due to permitting delays are equal to about 1/3 to total cost of the project. Streamlining the process will reduce those costs.