

## Summary: “Our Nation’s Crumpling Infrastructure and the Need for Immediate Action”

House Ways and Means Committee

March 6, 2019

### Witnesses:

Panel I:

- The Honorable Peter A. DeFazio, Chairman, Committee on Transportation and Infrastructure
- The Honorable Sam Graves, Ranking Member, Committee on Transportation and Infrastructure

### Opening Statements

**Ways and Means Chairman Neal (D-MA)** said the U.S. is falling behind its competitors in infrastructure investment and development. He emphasized that making meaningful, sustained investments in U.S. infrastructure creates jobs and increases American competitiveness. Transportation systems are the backbone of the U.S. economy and investment in them is good not only for local communities but for the nation as a whole. He noted that President Trump has expressed support for a massive infrastructure package and that Congress has a willing partner in the Administration. He called for bipartisan, bicameral cooperation to pass an infrastructure bill.

**Ways and Means Ranking Member Brady (R-TX)** said that addressing infrastructure is crucial. With increased economic growth, it is essential the U.S. has the infrastructure to support it. He said he is eager to work with both sides of the aisle to send meaningful legislation to the President’s desk this year. However, he called the Highway Trust Fund (HTF) a “leaky bucket,” saying that funds are diverted to non-highway uses and red tape is delaying investments. He acknowledged that increased revenue is needed but also called on Congress to fill the leaks. He encouraged project delivery reform to responsibly accelerate infrastructure projects. Ranking Member Brady said the private sector will be important, as it can sometimes develop projects more affordably and reliably. He encouraged the U.S. to redesign the investment system to encourage more private investment to augment public investment. He said it would be a mistake to fund any bill by raising taxes on local businesses and corporations. He called for Congress to make investments in projects that make economic sense and not to rush projects without consideration of value.

**Transportation and Infrastructure Chairman DeFazio (D-OR)** said the House Transportation and Infrastructure Committee (T&I) can write a great bill in terms of policy but they need to work with Ways and Means to ensure it is funded. He said the federal gas tax has not been increased since 1993 and because of that, the U.S. has cut infrastructure spending by 20 percent and the HTF is running a \$16 billion per year deficit. Despite borrowing funding from other areas of the federal government, we are still not making adequate investment. He noted that the cost of doing nothing is huge, giving the example of the Brent Spence Bridge. This bridge is an essential link in the U.S. transportation network that needs to be rebuilt as the current bridge won’t be usable within 10 years. Every year construction is delayed the price of the project goes up by \$100 million. Chairman DeFazio said that public-private

partnership (P3s) are a tool but will only be able to address 10 to 12 percent of needs. Additionally, an infrastructure bank would only lend itself to projects that have revenue. Therefore, he called for a federal investment. Because vehicle miles traveled (VMT) fees still have many unknown variables, like the use of congestion pricing and privacy, he called for a national pilot program. Realistically, he said VMT would be able to be implemented in around 10 or 12 years. In the meantime, he called for a gas tax increase, citing his Penny for Progress proposal as a potential solution. This bill would raise the gas tax, index it to inflation, and issue bonds to fill the hole in the HTF. Any increased revenues could be distributed through existing Fixing America's Surface Transportation (FAST) Act programs.

**Transportation and Infrastructure Ranking Member Graves (R-MO)** said Congress has an opportunity to address how to improve infrastructure, create jobs and improve the economy. He called on Congress and the Administration to work in a bicameral, bipartisan fashion to move a bill forward that everyone can be proud of. He said the federal government has a leading role in investment and needs to continue to serve as a reliable partner to state and local governments. He called on the Ways and Means Committee to ensure funding allows for technological advancements that make infrastructure safer and less costly while also improving network efficiency. He said that streamlining the project delivery process will ensure we get the most out of federal funding. All options should be on the table in terms of funding the HTF and ensuring it remains sustainable. While the gas tax has historically been efficient, it will not meet future needs. Ranking Member Graves said Congress called for long-term solutions and proposed a VMT. He said it has the potential to be a true user-funded program that captures all users. He acknowledged that VMT faces challenges but said state pilot programs are working to develop solutions.

### **Witnesses:**

#### Panel II:

- Richard Trumka, President, AFL-CIO
- Thomas Donohue, President and CEO, U.S. Chamber of Commerce
- Gregory E. DiLoreto, P.E., 2013 ASCE Past-President, Chair of the Committee for America's Infrastructure
- Chris Spear, President and CEO, American Trucking Associations
- Marc Scribner, Senior Fellow, Competitive Enterprise Institute

### **Opening Statements**

**Mr. Trumka**, President of the AFL-CIO, said there have been widespread calls from the industry and labor to act on infrastructure investment but Congress has yet to pass the necessary legislation. Mr. Trumka said the AFL-CIO supports infrastructure investment because such investment: 1) creates good jobs; 2) spurs economic growth, for example every \$1 in investment creates \$3 in growth; 3) allows the U.S. to remain globally competitive; and 4) improves quality of life. He said the HTF is facing a dire funding cliff and indicated that the gas tax needs to be adjusted to meet current needs.

**Mr. Donohue**, President and CEO of the U.S. Chamber of Commerce, said the U.S. Chamber is supportive of a vigorous infrastructure investment bill because the stakes are too high without it. Long-term U.S. competitiveness depends on our infrastructure. Crumbling infrastructure is a significant

roadblock for small businesses, which currently believe that the infrastructure they rely upon is either in poor or bad quality. Mr. Donohue called on Congress to use all funding mechanisms for this bill, including dedicated funding systems, trust funds, loans, grants, and private resources. He said there is \$100 billion in private global capital that is available to be invested. Additionally, the Chamber advocates raising the federal gas tax by 25 cents, which would generate \$400 billion over the next 10 years. He emphasized that the Chamber is also open to any other ideas for funding, noting that the gap is so large that if Congress waits to invest much longer, we won't be able to afford to fix our infrastructure at all.

**Mr. DiLoreto**, 2013 ASCE Past-President and Chair of the Committee for America's Infrastructure, said that U.S. infrastructure grades are not something to be proud of, noting that ASCE gave the overall U.S. infrastructure system a grade of D+ in 2017. The U.S. depends on its network of roads and bridges but lack of investment created a system in need. He said the U.S. needs to spend another \$200 billion annually to bring the system up to a state of good repair and that over half that gap is in the transportation sector. If Congress does not act, by 2025 the U.S. will have lost \$3.9 trillion in GDP and businesses will have lost \$7 trillion. He said each American family is losing \$3,400 annually in disposable income because of poor infrastructure. He said ASCE supports increasing the gas tax by a nickel per year over five years but also understands that all funding options should be on the table.

**Mr. Spear**, President and CEO of the American Trucking Associations (ATA), said that trucking moves 71 percent of domestic freight tonnage and that more than 80 percent of U.S. communities rely on trucks. In turn, those trucks rely on the roads and bridges that define interstate commerce. Those roads and bridges are crumbling. Additionally, he noted that the cost of doing nothing is regressive and escalating. Mr. Spear acknowledged that the users of the system should be the ones paying for investment. While trucks make up only 4 percent of highway traffic, nearly half of the funding in the HTF comes from them. And they are willing to pay more. The ATA has proposed the creation of the Build America Fund, which would increase the price of fuel 20 cents per gallon, assessed at the fuel rack. This would generate \$340 billion over 10 years. Mr. Spear said P3s or asset recycling are not viable options for road.

**Mr. Scribner**, Senior Fellow at the Competitive Enterprise Institute, said there are investment needs, but they are not uniform across all infrastructure. Additionally, he said the needs are not due to lack of federal funding. Mr. Scribner said that infrastructure does not face a broad immediate crisis in the U.S., noting that public spending has been stable across the last four decades and that structural deficiency has been declining over the last three decades. He indicated that the issues in city infrastructure stem from a failure of state and local governments to make investments and maintain their systems. He said the commitment by the federal government to invest in construction projects, not maintenance projects, has led to an incentive for states and localities to build rather than maintain. He said this bad behavior by grant recipients should not be rewarded by federal tax payers. Additionally, he called for mass transit to be removed from the HTF and for the federal government to focus its investments only on truly nationally significant projects, like freight projects. He called on federal transportation infrastructure policy to realign with a user pay principle but said the gas tax is no longer sustainable. He called on Congress to eliminate federal prohibitions on tolling and to shift toward a VMT. Additionally, he asked Congress to eliminate barriers to investment, such as the aggregate volume cap on Public Activity Bonds (PABs). Finally, he said Congress should consider reform to the permitting process, as well as to labor and procurement rules.

**Question and Answer**

**Chairman Neal** asked if the U.S. Chamber would support taxable direct pay bonds to support infrastructure investment? **Mr. Donohue** said they would support expanding a number of opportunities that allow for increased resources.

**Chairman Neal** asked for real world examples of how lack of investment is costing each American family. **Mr. DiLoreto** said it costs Americans in needed car part replacements and in extra gas required due to congestion, as well as time spent sitting in traffic.

**Ranking Member Brady** asked if infrastructure investments should be funded by increasing the corporate tax rate. **Mr. Donohue** said the recent corporate tax cut is a reason why the U.S. has its lowest unemployment rate in 60 years. Taking money out of that would not be a good idea.

**Ranking Member Brady** asked how to draw more private capital into infrastructure funding. **Mr. Scribner** said Congress should remove existing barriers, like not allowing toll roads.

**Congressman Buchanan (R-FL)** asked about the need for investment both now and in the future. **Mr. Donohue** said Congress typically talks in 10-year cycles, but to fix our infrastructure and get ahead they should use a 30- or 40-year cycle.

**Congressman Buchanan** asked how to best reform the permitting process. **Mr. Donohue** said there have been recent improvements but more should be done in this bill.

**Congressman Doggett (D-TX)** said Congress should not change the current funding formula from 80-20 in federal to local funding to 20-80. He acknowledged that there should be incentives for states to do their part but noted that some states have already increased their funding.

**Congressman Smith (R-NE)** said that increasing funding without addressing existing issues will not be enough. He asked what other processes need to be addressed. **Mr. Scribner** said there are variations in regulations and that top-down federal requirements in things like environmental permitting can hurt the process. Additionally, many projects do not take into account life cycle costs.

**Congressman Thompson (D-CA)** cited the poor condition of existing infrastructure as well as the projected growth in population. He asked about the impact of continued lack of investment. **Mr. DiLoreto** said it is a quality of life issue and a business issue for those who sell goods and services. **Mr. Spear** said congestion is a measurable element as are productivity costs.

**Congressman Thompson** stressed the importance of resilience and called on Congress to do more to protect infrastructure. He also said a national infrastructure bank will be an important component moving forward. **Mr. Donohue** said infrastructure banks still require money to start.

**Congressman Marchant (R-TX)** said increases in investment should not be made without revising the federal permitting process. **Mr. DiLoreto** said the most pressing issue is funding. He acknowledged that permitting can also be cumbersome. He called for a comprehensive approach and applauded Congress for doing that in the most recent surface transportation bill.

**Congressman Marchant** asked about other funding mechanisms beyond federal investment. **Mr. Scribner** said that barriers to P3s exist and called for the federal government to not stand in the way of states participating in them.

**Congressman Larson (D-CT)** said there seems to be general consensus about increasing the gas tax, to which all witnesses except **Mr. Scribner** agreed. **Congressman Larson** asked if there was a consensus about VMT. **Mr. Trumka, Mr. DiLoreto, and Mr. Scribner** agreed while **Mr. Donohue** and **Mr. Spear** said the gas tax should be increased immediately and then there should be more research into a VMT. **Congressman Larson** asked if a carbon tax could be used. **Mr. DiLoreto** said it could be a tool, **Mr. Donohue** said a gas tax is a carbon tax. **Mr. Spear, Mr. Trumka, and Mr. Scribner** said they would need more information. **Congressman Larson** said that industry stakeholders should push for increased federal funding and any Member of Congress that votes against the funding should then not be able to receive any of the money in their district.

**Congressman Reed (R-NY)** criticized the concept of decoupling infrastructure investments from the user pay system. He asked about the downsides of decoupling. **Mr. Scribner** said a user pay system is the bedrock of sound transportation policy and allows for funding predictability. **Congressman Reed** asked if any witnesses supported general revenue funding sources. **Mr. Trumka and Mr. DiLoreto** both supported general revenue sources of funding. **Mr. Donohue, Mr. Spear, and Mr. Scribner** did not.

**Congressman Blumenauer (D-OR)** criticized the lack of investment, noting that nothing has changed in years, except that the federal government is a less reliable partner. He said infrastructure investment should not be partisan and called on stakeholders to hold conversations on the importance of investment in every Congressional district over the next two months. He asked about the harm of inaction. **Mr. Spear** said not investing is regressive and is costing people in terms of congestion and repairs to vehicles.

**Congressman Kelly (R-PA)** said one option for paying for infrastructure is his Generating American Income and Infrastructure Now (GAIIN) Act, which would direct the Department of Agriculture to sell off distressed assets and use the funds to pay for infrastructure investments as well as to pay down the national debt. He noted that those who use the system should pay for it but so should those who benefit from it, which is every American.

**Congressman Kind (D-WI)** said that investing in infrastructure is a way to remain globally competitive, especially when it comes to competing with China.

**Congressman Rice (R-SC)** criticized the current permitting process and acknowledged the gas tax is no longer working. However, he criticized the tax because of the HTF's transit account and because states sometimes got back less than what it paid in taxes. **Mr. Spear** said that users should focus on what they're paying in damage, which is much more than any tax. **Mr. Donohue** said the transit account is necessary to getting support across the board for the HTF.

**Congressman Pascrell (D-NJ)** criticized the idea that some states get less from the HTF, noting that the U.S. is one nation and so saying an individual state does not get as much back is absurd. He said that

Congress has failed to make hard choices about infrastructure investment and called for an increase of the gas tax as well as indexing it to inflation.

**Congressman Schweikert (R-AZ)** said infrastructure investment is a financing, technology and permitting issue. He suggested that there is insurance capital available. He urged Congress to make technology a larger part of this discussion. He asked how to make increase permitting speeds. **Mr. Trumka** said a number of reforms were included in the FAST Act that have not been implemented.

**Congresswoman Walorski (R-IN)** said Congress needs to stop using budget gimmicks to fund the HTF and instead needs to develop a long-term funding stream. She also called for permit reform. She asked about the status of the freight network and other freight provisions that were created under the FAST Act. **Mr. DiLoreto** said the biggest issue facing the freight network is congestion as well as poor facilities. **Congresswoman Walorski** asked if the witnesses would support a freight VMT that would invest into priority freight corridors. **Mr. DiLoreto** said it could be a future option but is not an immediate solution.

**Congresswoman Walorski** asked if expanding tax credits and bond programs would be beneficial. **Mr. Scribner** said yes, anything that allows more private investment is good.

**Congressman Higgins (D-NY)** said Congress should consider funding mechanisms outside of the user-pay model, noting that infrastructure investments benefit everyone and can lead to huge economic growth.

**Congresswoman Sewell (D-AL)** called for increased promotion of advanced bond refunding and for the lifting of the cap on PABs.

**Congressman LaHood (R-IL)** called for a multifaceted approach, including state, local, federal and private funding. He asked if the insurance industry could be involved in funding. **Mr. Donohue** said investment by international and domestic insurance companies will be part of the solution.

**Congresswoman Chu (D-CA)** asked about the importance of investment in the freight rail system, citing the reliance on rail by the Ports of Long Beach and Los Angeles. She noted that there are issues where rail and roads meet and applauded the work of the Alameda-Corridor East Project to address these issues, lamenting that federal contributions to grade separations have been low despite their significance. **Mr. DiLoreto** said freight rail received the highest grade on the ASCE report card because they spent quite a bit of their own money.

**Congressman Estes (R-KS)** said the country needs to streamline permitting. Additionally, he called on the HTF to focus on road funding. **Mr. Scribner** called for the HTF to be refocused on highway assets. **Congressman Estes** asked how to identify nationally important projects. **Mr. Scribner** said the national focus should be on moving freight.

**Congressman Beyer (D-VA)** said the transit portion of the HTF is there because it allows states to invest in modes that remove cars from the roads and highways. He also said funding could be decoupled from user-fee mechanisms because of the importance of infrastructure.



**Congressman Arrington (R-TX)** called for rural infrastructure to be a priority because while there may be smaller populations, the goods produced in these areas are essential for all Americans. **Mr. Donohue** said transportation issues are fundamental for the delivery of agricultural products.

**Congressman Arrington** asked if investing in goods movement corridors should be prioritized. **Mr. Spear** said it is important to invest in trade corridors and that trade and infrastructure policy are interconnected.

**Congressman Arrington** asked how Congress can determine nationally important projects. **Mr. Scribner** said investing in the Interstate Highway System should be the priority, especially in freight corridors.

**Congressman Schneider (D-IL)** asked what the most urgent projects are, which would give the government the highest return on investment, and which would be the most transformative. **Mr. DiLoreto** said that investment in all modes is important because the system is interconnected. **Mr. Spear and Mr. Scribner** said Congress should prioritize investment in the most congested areas.

**Congressman Wenstrup (R-OH)** asked about the use of express lanes. **Mr. Scribner** said express lanes are an example of a successful P3. **Mr. Spear** said Congress needs to make a distinction between tolling on existing roads and tolling on new construction. **Congressman Wenstrup** said express lanes give people choices. He asked if businesses directly invest in infrastructure. **Mr. DiLoreto** said there are times when businesses directly invest.

**Congresswoman Murphy (D-FL)** asked if Congress should prioritize funding, financing or taxing. **Mr. Spear** said all are options to help pay for the system but that for roads, a user-fee based system is best. He noted that P3s don't work on roads but that they could be good for other modes.

**Congressman Holding (R-NC)** said Congress needs to address the long-term solvency of the HTF but that it also needs to discuss how to improve spending. He frowned upon 25 percent of HTF funds being spent on non-highway projects. **Mr. Scribner** said spending the HTF funds on non-highway projects is not appropriate and called for Congress to refocus it on high freight corridors on highways.

**Congressman Gomez (D-CA)** asked if the infrastructure package should include credit for states and localities that have already taken measures to increase their infrastructure funding. **Mr. Spear** said there should be a balance between investors and that local matches help. However, he warned against devolution. **Mr. Scribner** said rewarding states and localities for maintaining their infrastructure and investing in a cost-efficient manner would be beneficial.

**Congressman Boyle (D-PA)** said ensuring the federal government properly invests and does not just assume the private sector will fund investments is essential. He called for an increase in the gas tax.

**Congressman Horsford (D-NV)** said as the population grows, so do infrastructure needs. He asked how Congress can best address both short and long-term commitments. **Mr. Spear** said Congress needs to prioritize investments.