CAGTC
Coalition for America's Gateways & Trade Corridors

Summary: "The Economic Benefits of Highway Infrastructure Investment and Accelerated Project Delivery"

Senate Committee on Environment and Public Works

March 6, 2019

Witnesses:

- Mr. Patrick McKenna, Vice President, American Association of State Highway and Transportation Officials & Director of the Missouri Department of Transportation
- Mr. Steven Demetriou, Member, Business Roundtable Infrastructure Committee & CEO of Jacobs Engineering Group
- Mr. Michael Replogle, Deputy Commissioner for Policy, New York City Department of Transportation

Opening Statements

Chairman Barrasso (R-WY) opened the hearing by linking our nation's economic health to that of our infrastructure, talking about the growth in freight movement and our need to keep pace. CBO projects the Highway Trust Fund will become insolvent in 2021, and the Chairman called for a surface transportation authorization that is on-time and fiscally responsible in order to allow states and local governments to continue investing. As such, the Environment and Public Works (EPW) Committee is asking Senate offices for their priorities in the surface transportation bill. The Chairman shared his wishes to 1) continue investing through formula approaches to states, and 2) speed up project delivery without sacrificing environmental safeguards.

He also spoke of the need to invest in both rural and urban communities, paying special attention to the need to invest in freight corridors traveling through rural states including Wyoming.

Ranking Member Carper (D-DE) called for the Committee to bear in mind three important facts: 1) the best way to accelerate project delivery is to have the funds to pay for projects; 2) while the level of investment is critical, we need new thinking on which innovative solutions will improve outcomes; and 3) we must identify ways to deal with climate change that are impacting our infrastructure. Ranking Member Carper said that FAST Act and MAP-21 both had significant streamlining changes, and while he is open to considering all new ideas, he is not open to weakening environmental protections. Rather, he sees these conversations as distracting from the real issue at hand, which is the need to increase federal investment and identify how we will do so.

Witness Panel

Mr. Patrick McKenna, Vice President, American Association of State Highway and Transportation Officials & Director of the Missouri Department of Transportation opened the panel by talking about the messaging surrounding infrastructure investment – he stressed the need for stakeholders to do a better job communicating the benefits of investment: economic returns, saved lives, etc.

Mr. McKenna cited Missouri's Rocheport Bridge, a 60-year old structure that is in need of rehabilitation and eventually, replacement. The bridge is nationally significant to the freight network, carrying goods that reach all corners of the continental United States.

While the nation cannot "streamline [its] way to funding," Mr. McKenna suggested a handful of changes to the existing permitting process, including:

- Authorize any federal agency to apply a categorical exclusion (CE) that has been adopted by any other federal agency, which would make CEs interchangeable among all federal agencies;
- To make the NEPA process work more smoothly with other substantive environmental requirements, USDOT and its modal administrations, along with state DOTs, should work with Federal environmental agencies to develop programmatic approaches to streamline environmental processes;
- Adding NEPA assignment authority to Title 49 to allow states to assume the federal NEPA responsibilities of any USDOT modal administration; and
- Simplifying the NEPA assignment and application process.

Mr. Steven Demetriou, Member, Business Roundtable Infrastructure Committee & CEO of Jacobs Engineering Group stressed the need for strong infrastructure to support business in the modern economy. Mr. Demetriou observed a troubling trend in the diminished commitment to infrastructure investment – between 2003 and 2017, public investment in infrastructure fell by 8 percent. The gap between infrastructure needs and investment continues to grow. The Business Roundtable recently conducted a study of the potential impacts of matching infrastructure investments to needs. Among other things, it found: every additional $1 invested in infrastructure delivers roughly $3.70 in additional economic growth over 20 years; the investment would create 1.1 million jobs over the next decade; and the average U.S. household would gain an extra $1,400 in disposable income annually for the next 20 years.

On the topic of permit reform, Mr. Demetriou said Business Roundtable supports the one Federal Decision policy and encouraged Congress to codify the two-year deadline for the federal government to reach a decision on a given proposed infrastructure project.

Mr. Michael Replogle, Deputy Commissioner for Policy, New York City Department of Transportation began his testimony by stressing the importance of ensuring that urban centers receive federal funding, recognizing that recent trends have shifted discretionary program funds to rural communities and in large part direct funds away from urban communities.

New York City recognized years ago that its congestion problems could not be solved by building more highways. The city has taken many steps to address congestion, including investment in bike and pedestrian alternatives as well as public transportation. The city has been successful in slashing both fatalities and emissions. While pedestrian deaths nationwide are up since 2013, in New York City, they have been reduced by 1/3.

The city also recognizes the severity of climate change and the transportation sector's significant contribution to emissions. Expedited project delivery should not and need not undermine environmental protection. Mr. Replogle advocated for a direct aid model that resembles the FTA process by granting 'self-certification' and delegation of design authority directly to cities.

Question & Answer

Senator Inhofe asked the panelists to expand a bit on the returns on investment in infrastructure. **Mr. McKenna** said that Missouri has closely tracked its capital investment program and measured the economic returns. When funding certainty exists, the state sees 4:1 returns over five year periods; when funding instability occurs (such as through expired surface transportation authorizations and short-term continuing resolutions), it drops to 2:1. He encourage lawmakers to consider the difference in economic returns between a significant capital improvement project and those of a paving project. **Mr. Demetriou** added that the Business Roundtable has developed fact sheets tailored to each state that show the economic returns to various industries operating in said state.

Senator Inhofe next asked whether more work could be done to improve project streamlining. **Mr. McKenna** said that permit streamlining has been improving on a spectrum – improvements have been made, but there are more that could benefit the overall process without harming the environment. If three months could be shaved off the average project timeline, there would be significant savings to the tax payer.

On the topic of a gas tax increase, **Senator Carper** described a meeting he had with President Trump during which he was asked by the President what he might suggest doing to pay for infrastructure. Senator Carper suggested increasing the gas tax by 4 cents/ gallon per year for a number of years to catch up to inflation – President Trump responded that he didn't think that was enough and believes an immediate increase of 25 cents a gallon is more in line with needs.

In response to the Senator asking for reactions from the panel, **Mr. Replogle** encouraged Congress to consider a diverse array of new revenues and to ensure they are targeted to the right kinds of investments. **Mr. Demetriou** agreed, saying there is no silver bullet; the gas tax was a silver bullet for a period of time, but with the increased use of electric vehicle, a bifurcated approach may be necessary whereby an immediate increase in the gas tax is matched with a vehicle miles traveled system.

Senator Braun (R-IN) expressed concern that it seems disingenuous for states to rely on the Federal government given the Federal government's financial state. He believes states have the capacity to do more and should rely more heavily upon the use of P3s. He asked the panel to react to his suggestion that states should be carrying more of the investment burden. **Mr. McKenna** said Missouri has a 15-year history of cost share with local communities; states and localities are putting skin in the game. They have been able to reduce federal share on several significant projects, but this cannot be a systematic approach. **Senator Braun** later asked how Missouri would feel about moving from an 80/20 model to a 50/50 model of investment with the Federal government, as he no longer sees 80/20 as a sustainable model from the Federal perspective. **Mr. McKenna** responded that reducing the Federal share is particularly dangerous for freight projects. He again referenced the Rocheport Bridge and the nationally-significant freight that it moves.

Senator Capito (R-WV) said at the state level, it has been effective to talk about the negative consequences of underinvesting – it has been successful and she believes people are willing to pay to have better infrastructure. She asked the panel how effective message from the opposite perspective has been; in other words, promoting the potential benefits of making investments. **Mr. McKenna** responded that all states need to drive a costs and benefits conversation to increase awareness. In Missouri, it has been determined that the cost of doing nothing exceeds $180 each month per household. **Mr. Demetriou** added that businesses are closely monitoring what states are doing to make investments and they are more inclined to invest in states that are taking care of their infrastructure.

On the topic of streamlining, **Senator Joni Ernst (R-IA)** said that she supports the notion of allowing CEs to be used by multiple agencies. **Mr. McKenna** offered to cull examples from across the nation through AASHTO to demonstrate when non-transferences have slowed the permitting process**. Senator Ernst** asked what is keeping states from participating in the NEPA assignment process; **Mr. McKenna** said that some states have resource issues that have stunted their ability to receive and coordinate the responsibility and he'd like to see a level of streamlining to the NEPA authority application process. Mr. McKenna added that NEPA assignment is a higher priority in states with significant and complicated projects.

Senator Cardin (D-MD) expressed concern that as a nation, we're doing a poor job at 1) investing in existing assets; and 2) investing in resiliency measures. **Mr. Demetriou** said that every project Jacobs works on has maintenance measures built in so that forward planning for maintenance is constantly considered. **Mr. Replogle** said the New York City has taken a triple-bottom-line approach to asset management; the city has increased its repaving and he noted that a significant portion of the city's capital budget goes toward keeping its bridges in a state of good repair. The average age of a bridge in New York City is over 75 years.