



## Summary: “Infrastructure: The Road to Recovery.”

Senate Committee on Environment and Public Works

June 4, 2020

### Witnesses:

- Mr. Steve McGough, Chairman, American Road & Transportation Builders Association; and President and Chief Financial Officer of HCSS
- Dr. Doug Holtz-Eakin, President, American Action Forum
- The Honorable Greg Fischer, Mayor, Louisville, KY; and Incoming President of the U.S. Conference of Mayors

### Opening Statements

**Chair Barrasso (R-WY)** opened the hearing by emphasizing that strong, sensible infrastructure investment would facilitate job creation and economic growth. He cited America’s Transportation Infrastructure Act (ATIA), the five-year surface transportation reauthorization unanimously approved by the Committee in July 2019. He advised against a short-term extension, noting unpredictable funding would make state and local governments’ planning activities more difficult, resulting in project delays, cancellations, and increased costs. Chair Barrasso also spoke about the Highway Trust Fund’s (HTF) approaching insolvency, which will likely occur sooner than previously projected due to COVID-19. He emphasized the need for continued distribution of formula funds to ensure states are given the flexibility to each address their own specific needs.

**Ranking Carper (D-DE)** called for a broad approach toward infrastructure, including provisions to address clean drinking water, broadband access, and connectivity to jobs and schools. He urged infrastructure investments that will provide environmental, community, and economic benefits. He also spoke about the urgent need to address HTF solvency as well as the drastic impacts on state and local government revenues. Ranking Member Carper emphasized his support for continued strategic and reliable infrastructure investment.

### Witness Panel

**Mr. Steve McGough**, Chairman, American Road & Transportation Builders Association; and President and Chief Financial Officer of HCSS, stated his support for the ATIA and urged Senators to continue working toward its passage. To address the current economic challenges, he emphasized the need for strategic investments in projects that will generate long-term benefits rather than focusing solely on shovel-ready projects. He cited a recent forecast by the Congressional Budget Office that predicted economic recovery may take as long as ten years.

**Dr. Doug Holtz-Eakin**, President, American Action Forum, spoke about the unprecedented unemployment levels and economic downturn. He stated Congress should respond by encouraging long-term investments. He believed the ATIA is well-suited to support economic recovery as it provides a multi-year authorization for infrastructure programs and addresses the supply side of the economy. He also noted that any infrastructure policy should prioritize projects with a national or regional scope, emphasizing the need for improved connectivity across ports, railroads, airports, and trucking operations to increase efficiency.

**The Honorable Greg Fischer**, Mayor, Louisville, KY; and Incoming President of the U.S. Conference of Mayors, said federal support is necessary to ensure mayors are able to promote equitable economic growth through strategic investments. He advocated for fiscal relief for city, county, and state governments to mitigate revenue shortfalls. He also stated recovery should focus on direct funding for metropolitan regions, arguing these are the main drivers of economic activity. As most cities will begin their new fiscal year on July 1, he urged Congress to act quickly and supported its efforts to pass reauthorization legislation.

### Question & Answer

**Chair Barrasso (R-WY)** asked how stable, long-term funding for infrastructure would support economic recovery. **Dr. Holtz-Eakin** replied that a well-designed surface transportation package will raise productivity, increase cost-effectiveness, and provide lasting benefits. He added that it would create job opportunities during a time that others have disappeared as many industries will restructure due to the pandemic. **Mr. McGough** agreed that for the construction industry in particular, funding certainty is a vital factor as it guides business decisions. He added that state DOTs need reliable funding to inform long-term decisions and planning efforts.

**Chair Barrasso** spoke about the different funding levels the ATIA provides for highways (80%) and transit (20%) and asked if witnesses supported this. **Mr. McGough** said he supported the traditional split but called for an increase in both highway and transit funding.

**Ranking Member Carper (D-DE)** discussed funding mechanisms, stating that there has been a bipartisan consensus that those who use infrastructure have the obligation to help pay for it and that the funding source must be predictable and sustainable. He asked for recommendations to structure existing fees and implement new revenue sources. **Mr. McGough** agreed fees should be user based. He expressed support for a fuel tax increase as well as any other user fee proposals, noting the best strategy would be a combination of different revenue sources. **Dr. Holtz-Eakin** argued that the fuel tax is not an appropriate base anymore and recommended a transition to a vehicle-miles-traveled (VMT) fee, adjusted for weight. He offered that Congress could pass such provisions now but should wait to implement them. He advised against raising any taxes or fees in 2020 and 2021 to allow time for recovery. **Senator Carper** agreed that this year would not be the right time to raise taxes or fees but believed such increases could begin in 2021.

**Senator Inhofe (R-OK)** asked about the return on investment infrastructure funding provides. **Mr. McGough** referred to a study commissioned by the Department of the Treasury which found that for every \$1 spent on select capital infrastructure projects the net economic benefit ranged from \$3.50-\$7. He added that infrastructure repairs and improvements increase transportation network efficiency by reducing congestion.

**Senator Cardin (D-MD)** expressed his support for a robust infrastructure package to support job creation and economic competitiveness. He emphasized that every community is different and asked how these needs should be addressed. **Mr. Fischer** recommended a systemic approach to ensure state and local transportation agencies can direct funds to the areas that need them most.

**Senator Capito (R-WV)** cited the Coronavirus Relief Fund Flexibility Act which would add a provision to the CARES Act allowing state and local governments to use available funding to replace lost revenues. She asked if state fuel tax shortfalls should be included. **Mr. Fischer** replied that including all types of revenue would maximize funding and flexibility for states and localities.

**Senator Cramer (R-ND)** asked witnesses to discuss the advantages of a long-term infrastructure bill as opposed to a one-year extension. **Dr. Holtz Eakin** said short-term extensions can result in a diversion of funds to projects without lasting benefits, reducing productivity. He argued previous proposals touting large infrastructure investments were too broad in terms of scope rather than focusing on surface transportation. He also believed many bills incorporated short-term solutions to larger problems. Instead, he recommended identifying high value projects to better understand future infrastructure needs.

**Senator Braun (R-IN)** asked how road users could be convinced to support an increase in user fees which have remained stagnant for many years. **Mr. McGough** reiterated his support for such an increase. **Dr. Holtz-Eakin** said Congress should ensure a strong, observable connection between the user fee an individual pays and the investment they receive back in terms of infrastructure improvements. **Mr. Fischer** noted his agreement with Dr. Holtz-Eakin's statement.

**Senator Boozman (R-AR)** asked witnesses to discuss strategies to streamline project delivery and reduce backlogs for infrastructure projects. **Mr. McGough** stated Congress should expedite the review process for infrastructure projects, expressing his support for the One Federal Decision Executive Order. **Dr. Holtz-Eakin** agreed on the importance of speeding up project timelines and reviews. He added that emergency waivers have been a successful measure during the pandemic. **Mr. Fischer** said local governments support a streamlined process. However, he urged Congress to ensure environmental testing is properly conducted to safeguard communities that could be negatively impacted.

**Senator Van Hollen (D-MD)** asked whether deficit financing would be an appropriate mechanism for infrastructure investment. **Dr. Holtz Eakin** replied he supports deficit financing as a component of the recovery strategy, stating mitigation of the current crisis should be the top priority. He hoped a user fee would be in place to provide infrastructure funding by 2024.