THE IMPORTANCE OF A LONG-TERM SURFACE TRANSPORTATION AUTHORIZATION IN SUSTAINING ECONOMIC RECOVERY

(111–50)

HEARING

BEFORE THE

SUBCOMMITTEE ON
HIGHWAYS AND TRANSIT

OF THE

COMMITTEE ON
TRANSPORTATION AND
INFRASTRUCTURE
HOUSE OF REPRESENTATIVES

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Washington, DC 20515

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July 14, 2009

SUMMARY OF SUBJECT MATTER

TO: Members of the Subcommittee on Highways and Transit

FROM: Subcommittee on Highways and Transit Staff

SUBJECT: Hearing on "The Importance of a Long-Term Surface Transportation Authorization in Sustaining Economic Recovery"

PURPOSE OF HEARING

The Subcommittee on Highways and Transit will meet on Thursday, July 16, 2009, at 10:00 a.m., in room 2167 of the Rayburn House Office Building to receive testimony on the importance of a long-term surface transportation authorization in sustaining economic recovery. The Subcommittee will receive testimony from a leading official from the U.S. Department of Transportation (DOT), as well as representatives from the American Road and Transportation Builders Association (ARTBA), the National Construction Alliance, and Motor Coach Industries, Inc.

BACKGROUND

The current Federal surface transportation authorization, the Safe, Accountable, Flexible, Efficient Transportation Equity Act: A Legacy for Users (SAFETEA-LU) (P.L. 109-59), will expire on September 30, 2009. The Committee on Transportation and Infrastructure is currently in the process of developing the next surface transportation authorization that will shape Federal transportation policy and investment levels for the next six years. On June 24, 2009, the Subcommittee reported a Committee Print of the "Surface Transportation Authorization Act of 2009" (STAA), a long-term surface transportation authorization for the next six years, to the full Committee.

On June 23, 2009, the Obama Administration announced its intention to seek an 18-month extension of the current surface transportation programs and investment levels.

I. Current State of the Economy

According to the National Bureau of Economic Research, the U.S. economy is currently suffering from the longest downturn of any recession since the Great Depression.

As of June 2009, there are 14.7 million unemployed persons in the United States, for all sectors of the economy combined. When part-time and discouraged workers who want full-time jobs are included, the number of unemployed/under-employed workers increases to 25.9 million. The unemployment rate in June 2009 was 9.5 percent – the highest it has been in 26 years.

The construction sector has been particularly hard-hit. It has lost 1,283,000 jobs since the recession began in December 2007. The unemployment rate in construction was 17.4 percent in June 2009 – up 9.2 percentage points since June 2008. This is the highest unemployment rate of any industrial sector. As of June 2009, there are 1,601,000 unemployed construction workers in the nation – that is 816,000 more unemployed construction workers than in June 2008, and 1,001,000 more than in June 2007.

Seasonally adjusted employment in heavy and civil engineering construction has fallen by 144,700 since the recession began, but within the overall construction sector, employment is at the lowest it has been since April 1998.

Congress passed the American Recovery and Reinvestment Act of 2009 (Recovery Act) (P.L. 111-5), which included significant investment in ready-to-go infrastructure projects across the country. The Committee has held two hearings monitoring the States' and Metropolitan Planning Organizations' (MPOs) progress in spending these funds and creating needed jobs in the construction, engineering, and related sectors.

The Recovery Act provides $64.1 billion of infrastructure investment to enhance the safety, security, and efficiency of our highway, transit, rail, aviation, environmental, flood control, inland waterways, public buildings, and maritime transportation infrastructure. The Recovery Act included a total of $48.1 billion in investment in highway and transit projects. As of June 15, 2009, DOT made $47.5 billion available to the States, of which $20.7 billion has been obligated. Of the $27.5 billion provided for highway and bridge projects, the Federal Highway Administration has approved 5,274 projects totaling $16.4 billion.

II. Current Status of the Highway Trust Fund

While the long-term surface transportation authorization is critical to addressing the short-term economic crisis, the current surface transportation authorization, SAFETEA-LU, will expire on September 30, 2009. Before that date, steps must be taken to ensure the solvency of the primary funding mechanism for the nation's surface transportation investments. The Highway Trust Fund (Trust Fund), which finances surface transportation programs, does not have adequate revenues to meet all existing commitments.

According to DOT, the Trust Fund is running short of revenue and may not have enough funding to fully reimburse States for their Federal highway investments as early as August 2009.

DOT projects the shortfall to be $5 billion to $7 billion by September 2009, and an additional $8 billion to $10 billion in fiscal year (FY) 2010. To address this situation, DOT would begin rationing reimbursements to States, creating cash flow problems for States and significant uncertainty for the future of the program.

According to the Congressional Budget Office, current user fees are projected to generate only enough revenue to finance $36.5 billion in Federal highway, highway safety, and public transit investments in FY 2010, which would be a 34 percent decrease from this year's $53 billion funding level. Without additional revenues, a six-year surface transportation authorization bill could fund only $236 billion in highway, highway safety, and transit investment – $90 billion less than the current investment level over the next six years ($326 billion).

III. Growing Needs of the System

The need for long-term investment in the nation's surface transportation system continues to grow every year. The system faces a mounting backlog of maintenance needs, safety costs, congestion, and environmental impacts from transportation. These issues must be addressed through the passage and implementation of a long-term surface transportation authorization.

The cost of needed maintenance of existing surface transportation infrastructure assets continues to increase. As a result, the quality of our transportation system is deteriorating. According to the DOT's 2006 Conditions and Performance Report, almost 61,000 miles (37 percent) of all lane miles on the National Highway System (NHS) are in poor or fair condition.

Meanwhile, the current NHS bridge investment backlog is estimated to be at least $32.1 billion (in 2004 dollars). According to 2008 data from the Bureau of Transportation Statistics, more than 152,000 bridges – one of every four bridges in the United States – are structurally deficient or functionally obsolete. Similarly, more than 32,500 public transit buses and vans in urban areas have exceeded their useful life. The nation's largest public transit agencies face an $80 billion maintenance backlog to bring their rail systems to a state of good repair and, within the next six years, almost every transit vehicle (55,000 vehicles) in rural America will need to be replaced.

In addition, the societal and economic toll of transportation accidents is staggering. According to the National Highway Traffic Safety Administration (NHTSA), an average of 41,475 Americans are killed and over 2.58 million injured in traffic crashes on the nation's roadways annually over the past five years. Congestion is crippling our major cities and even our small towns, at a cost of more than $87 billion a year, causing hardship for drivers and increasing costs and inefficiencies for America's businesses. Accidents and traffic delays cost Americans more than $365 billion a year – $1 billion a day – or $1,200 for every man, woman, and child in the nation.

IV. Commission Recommendations and Investment Gap

The gap between the investment levels needed to maintain and improve the nation's surface transportation system and current levels of investment by all levels of government and the private sector has grown significantly over the past decades. Failures to make the necessary level of investments to preserve and upgrade the surface transportation system have led to mounting maintenance backlogs, rising costs to complete projects, and a worsening user experience due to the deterioration in condition and performance of the system.

Congress established the National Surface Transportation Policy and Revenue Study Commission (Policy Commission) under SAFETEA-LU and charged it with determining the future needs of the surface transportation system. The Policy Commission's report, *Transportation for Tomorrow*, identified a significant surface transportation investment gap and called for an annual investment of between $225 and $340 billion – by all levels of government and the private sector – over the next 50 years to upgrade all modes of surface transportation (highways, bridges, public transit, freight rail, and intercity passenger rail) to a state of good repair. The current annual capital investment from levels of government in all modes of surface transportation is just $85 billion.

Congress also created the National Surface Transportation and Infrastructure Financing Commission (Finance Commission) to analyze future highway and transit needs and make recommendations on alternative approaches to funding and financing investments in our surface transportation system. The Finance Commission's report found that an annual investment of $200 billion by all levels of government was necessary to maintain and improve the nation's highway and transit infrastructure systems. The report found a Federal highway and transit investment gap that totals nearly $400 billion in 2010-2015, and grows to about $2.3 trillion through 2035.

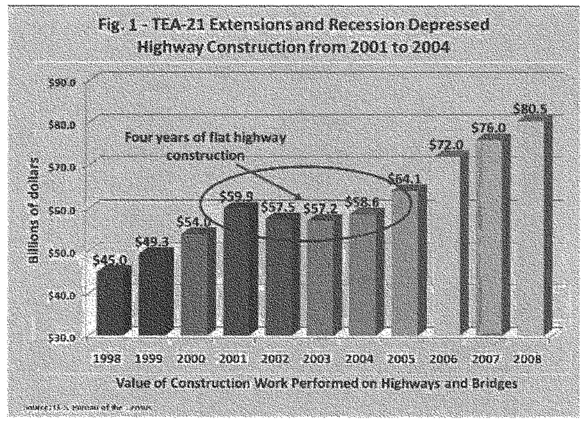
V. <u>Impact of Past Delays of Authorizations on Project Planning</u>

To address the growing investment gap, the Committee on Transportation and Infrastructure has crafted the STAA to invest $500 billion over the next six years in the nation's intermodal surface transportation system. The Administration has called for an 18-month extension of existing programs at current investment levels. This hearing will analyze the impact of delaying the passage of a long-term surface transportation authorization on the States' and MPOs' long term planning and continuity of large transportation projects.

In the past 30 years, Congress has never completed action on the reauthorization act by the date on which the programs expired. Instead, Congress has extended the programs for short-term periods until action was completed on a long-term reauthorization act. During consideration of the last reauthorization act, Congress extended the programs 12 times prior to enactment of the SAFETEA-LU.

In the past, during these periods of multiple short-term extensions of the programs, State Departments of Transportation have slowed investment because of the uncertainty regarding the long-term future of the program, and have been unwilling to invest in large, long-term projects until enactment of the reauthorization act. In this time of severe economic recession, the effects of any slowed investment could offset much of the benefits of the increased transportation investment provided under the Recovery Act. ARTBA's analysis of market data clearly shows a pullback in highway construction whenever there is more than a minor disruption in the flow of Federal highway funding (Fig. 1).

The most recent example of the pullback in investment due to this uncertainty occurred in 2002 and 2003. In February 2002, President George W. Bush proposed a FY 2003 funding level for the Federal Highway program that was $8 billion less than the previous year and $4 billion less than the amount authorized by Congress. This proposed was due to a provision in surface transportation law that required highway funding levels to be reduced when Trust Fund revenues fall below previous estimates. The issue was not finally resolved until February 2003 when Congress restored virtually full funding. The uncertainty, however, contributed to flat highway construction spending in both 2002 and 2003, with the total amount of spending—Federal, State and local—on highway construction falling from almost $60 billion in 2001 to $57.5 billion in 2002 and $57.2 billion in 2003.



The delay in reauthorizing the Transportation Equity Act for the 21st Century (TEA 21) (P.L. 105-178) required that the Federal highway program be financed through 12 short-term extensions. The impact of these extensions and the uncertainty resulting from the process was flat highway construction spending in 2003 and 2004. Once SAFETEA-LU was signed into law in August 2005, highway construction spending and activities began to increase from $64.1 billion in 2005 to $76 billion in 2007.

In late 2003, the American Association of State Highway and Transportation Officials (AASHTO) asked State transportation agencies to evaluate the effects of short-term extensions of TEA 21 ranging from six months to one year to two years.[1] With 45 States reporting, the survey found that a short-term extension of TEA 21 would have negative impacts on their highway and transit programs. Thirty-three States reported that a short-term extension bill would be detrimental, with eighteen States specifically identifying $2.1 billion in project delays and the loss of over 90,000 jobs.

In its response to the survey, officials from California reported that "[i]t is clear that the shorter the extension period, the more difficult it becomes to program, plan, and fund long-term projects. On a minimal level, a six-month extension would cause the state to focus its efforts on meeting existing commitments and reduce the number of projects that are advertised and awarded. A two-year program would increase the range of projects we would be able to let, but it would still create uncertainty over three-fifths of our State Transportation Improvement Plans (STIP)."

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[1] AASHTO, *TEA 21 Impacts of Delay: $2.1 Billion in Projects Delayed 90,000 Jobs Lost* (2004).

Officials in Indiana reported that "[i]f TEA-21 is extended for six months at flatline levels, Indiana would be short $60 million for its planned construction program. If TEA-21 is extended for one year at flatline levels, Indiana would have a negative impact of $125 million for its planned construction program. If TEA-21 is extended for two years at flatline levels, Indiana would face a shortfall of $250 million in its planned construction program."

Officials in Montana reported that "...anything less than a six-year bill would clearly create risk for the future funding plan for eight major reconstruction projects worth $125 million."

Finally, the State of Missouri responded to the survey saying that "[n]o new projects would be started in Missouri until a long-term act is in place. We won't even consider starting our major projects until we can be assured of a long-term, reliable revenue stream. A six-month to two-year temporary fix will not provide that."

PREVIOUS COMMITTEE ACTION

On January 17, 2008 and February 13, 2008, the Committee on Transportation and Infrastructure met to hear testimony on the Policy Commission's Report, *Transportation for Tomorrow*, which focuses in part on the need to reform the current transportation planning processes.

On June 24, 2009, the Subcommittee on Highways and Transit met to mark up a Committee Print of the STAA.

WITNESS LIST

Panel I

The Honorable Roy Kienitz
Under Secretary for Policy
U.S. Department of Transportation

Mr. Carlos Braceras
Deputy Director
Utah Department of Transportation

Mr. David A. Bruffy
General Manager
Mountain Line Transit Authority

Mr. Charlie Potts
Chief Executive Officer
Heritage Construction and Materials

Mr. Raymond Poupore
Executive Vice President
National Construction Alliance II

Mr. Michael P. Melaniphy
Vice President, Public Sector
Motor Coach Industries, Inc.

HEARING ON THE IMPORTANCE OF A LONG-TERM SURFACE TRANSPORTATION AUTHORIZATION IN SUSTAINING ECONOMIC RECOVERY

Thursday, July 16, 2009

HOUSE OF REPRESENTATIVES
SUBCOMMITTEE ON HIGHWAYS AND TRANSIT,
COMMITTEE ON TRANSPORTATION AND INFRASTRUCTURE,
Washington, DC.

The Subcommittee met, pursuant to call, at 10:00 a.m., in Room 2167, Rayburn House Office Building, the Honorable Peter A. DeFazio [Chairman of the Subcommittee] presiding.

Mr. DEFAZIO. The Subcommittee will come to order. We are going to take testimony today on the importance of a long-term surface transportation authorization in sustaining our economic recovery.

I believe that it would be an extraordinary mistake for this Congress to accede to the demands that popped out of the White House three weeks ago, asking that we should delay changes in policy that are long overdue and needed, changes in objectives, changes in the organization of the Department of Transportation, and enhanced funding for additional investment.

And, as we all know, an 18-month delay will not be an 18-month delay. I guess the rationale there is we are after the next Congressional election. Well, after the next Congressional election we are into the Presidential election. Guess what? It is very likely to morph from 18 months to 42 months or probably 56 months at that point. So, for that reason alone I find this a very misguided proposal.

We have put together a bill and we will note, when we hear from the Administration witness, that we seem to be in sync on many policy changes that are necessary. If, at the end of his testimony, he said, therefore, we support the bill, as opposed to taking a left turn and saying, therefore, we have to have an 18-month delay but would like policy changes, that would have made more sense.

On the Senate side, Barbara Boxer, Senator Boxer has insisted that the 18-month delay be devoid of any policy changes, and that is what she reported out of her Committee.

So we can go 18 months with the status quo, with programs that are in need of elimination, consolidation, a department that needs overhaul and streamlining, processes that lack benchmarks and accountability, that don't account for many of the 21st century objectives we would like to have in this bill, or we can press ahead; and it is the intention of this Committee, the full Committee Chairman, the Ranking Members, that we will push ahead. We recognize the short-term deficiency in the Trust Fund and we are in discussions with our leadership about how to get us to October 1st, but it is still our intention to go forward with a long-term authorization in September.

And we can put this up there, but I am a low-tech guy. This is the difference. This is what we lose if we don't pass this bill. And I would hope that this Administration and all the advocates out there, and everybody who cares about the future of this Country and this economy, is thinking about this. Can we afford to walk away from six million jobs? I don't think so. The construction sector is the hardest hit sector in this Country; massive unemployment.

And then the spillover effects. If you just take and look at the construction, say, of a new bus and where all the different States, there are about 30 States that have manufacturers that provide a piece of a new bus. And, of course, we have transit systems that are driving obsolete buses. I think there are over 20,000 that are past their theoretical expiration. We won't make the increased investment to acquire those.

We won't make the "Made in America" streetcars the first ever, which was unveiled by the Secretary of Transportation just a few weeks ago in Oregon. We won't do that. We won't be building the light railcars and all the spillover jobs there. We won't be patching the potholes. We won't be rebuilding the bridges. We will still be detouring trucks. People will still be caught in traffic. And they will be told, oh, wait, in 18 months we might have a plan for you. It is not acceptable.

I turn to the Ranking Member.

Mr. DUNCAN. Well, thank you very much, Mr. Chairman. I would say that I certainly agree with everything you just said. Not only do I agree with it, I am convinced that all the Members of this Committee and almost all the Members of the House on both sides agree with what you have just said. Not only that, but over these last several months, the last year or so, I have met and you have met with people from all over this Country who have come to see us, telling us of some needs in their States or in their areas.

I appreciate your calling today's hearing. Today's discussion will provide Members of the Subcommittee and others with guidance on which path to choose, a short-term extension or a six-year authorization bill. I expect that most of our witnesses here today firmly believe that a long-term authorization of the highway safety and transit programs will create jobs and help improve our transportation and infrastructure system.

Our investments in infrastructure, our investments in the future deteriorating bridges, congested highways and insufficient freight movement over our Nation costs this Country. Not only does it cost lives, it costs money, and it costs a lot of time. We have estimates that congestion costs this Country $78 or $80 billion a year. The American Society of Civil Engineers estimates that we need to invest $2.2 trillion in our Nation's infrastructure to remain globally, and even nationally, competitive.

A short-term extension will force States to delay major transportation projects due to lack of predictable Federal funding. And we all know that any time we delay a project, the cost of the project increases greatly because the cost of labor and materials increase over time.

A six-year authorization bill will allow States to make plans and begin hiring workers for long-term projects. States will be assured that funding will be available for multi-year projects and construction can begin. With unemployment closing in on 10 percent—and most people are predicting it is going to go much higher—we cannot afford to delay construction projects.

I might add that the big stimulus bill was sold to the Country on the backs of stimulus. Because so many people, such a great majority of the people in this Country, support infrastructure funding, it was emphasized over and over again that the stimulus bill was an infrastructure bill. However, only somewhere between 7 and 8 percent of that bill was devoted to infrastructure.

My own area, my home area of East Tennessee, for many, many years now, has been one of the most popular places to move to in the whole Country. Because of that, our economy has been very strong, stronger than most places in the Country. Yet even in my area, over the past year, we have started being hit pretty hard. In fact, I represent five full counties and a fourth of another county, so I don't represent all that many counties.

One of my counties has 18 percent unemployment; another county has 14.5 percent unemployment; and another county has 10.5 percent unemployment, which is the State average for Tennessee. So we need the work that could be done and the boost to the economy that a six-year full authorization would provide.

I know there were 13 amendments filed at the Subcommittee markup and there are several more amendments that Members plan to file at the full Committee. We need to work through these issues to ensure that this bill will move with the support of all the Members of the Committee. A six-year bill will provide long-term economic stimulus that will create jobs and get people back to work. I support Chairman Oberstar and Chairman DeFazio's work to move a six-year authorization bill that will provide solutions to our Nation's transportation challenges.

I look forward to hearing from the witnesses and I thank all of you for taking time out of your very busy schedules to come and be here today.

Thank you, Mr. Chairman.

Mr. DEFAZIO. I thank the gentleman.

With that, I turn to see if any Members on my side have opening statements. Mr. Larsen has an opening statement. We reward brevity.

Mr. LARSEN. Well, you are going to maybe see something, Mr. Chairman, you haven't seen in a long time, and that is an angry Norwegian, because specifically for Mr. Kienitz today, I have to say that, in Washington State, we were shocked and disappointed by the U.S. Department of Transportation's decision that was announced Tuesday that Washington State was receiving only .012 percent—not 12 percent or 1.2 percent, but .012 percent—of the $60 million in the stimulus package that was directed for ferry systems around the Country.

Although Senator Murray's efforts on our State's behalf have remedied this problem in the short-term, I am here to let you know that the situation still demands a full explanation of how the decision came to be made in the first place, and let me explain why that is.

The Washington State ferry system serves over 23 million riders per year and nearly 11 million vehicles per year, which are 42 percent and 77 percent, respectively, of nationwide totals. So the math, frankly, doesn't add up at all.

DOT granted funding to several small city and county ferries that carry a couple thousand people across rivers and other bodies of water each year, including one in my own district Gwimus Island Ferry, $750,000 which represented that .012 percent of the $60 million total.

Given the size of Washington State's ferry system, and being one of the States most dependent upon this water-borne transportation element, it was a shock to us about the egregious neglect from the U.S. DOT.

I should also note for the Chairman, Chairman DeFazio, that, unfortunately, the situation is a perfect example why I am not sure that we can rely on the U.S. DOT to be trusted to make the right decisions on some of these issues, and highlights while I and others are pushing to make Federal ferry dollars in the reauthorization go out through a formula. However, it makes me skeptical that the DOT can be relied upon to provide the Committee with the appropriate assistance in developing that formula.

So, as we hear from our witnesses, and certainly from Mr. Kienitz today, I look forward to hearing a few answers:

Did DOT take into account whether a State's transportation system is dependent upon ferries?

What criteria did DOT use to make their funding decisions?

Is there something specific about Washington State's projects that were a problem? It is my understanding that Washington State submitted projects that were both in economically distressed areas and non-economically distressed areas.

And, finally, did this decision go through proper challenges at DOT before there was a sign-off?

So, with that, Mr. Chairman, I appreciate the chance for an opening statement and yield back.

Mr. DEFAZIO. I thank the gentleman.

To the Ranking Member, Mr. Mica.

Mr. MICA. First of all, I have to thank you, Mr. DeFazio, for convening this meeting. It is very timely; it is needed. We do need to look at the implications of not passing a long-term surface transportation authorization, and I think the implications are huge.

Yesterday, I said that the action by the Senate, with an 18-month extension, is a prelude to economic disaster. I cannot think of any piece of legislation that is more important than a six-year, fully funded transportation infrastructure bill that would help jump-start the economy and provide jobs. There is nothing that is under consideration or will do more to put people to work. We are in a very serious situation and it is turning south as far as unemployment, as far as economic activity in this Country.

Let me say the problem is not going to go away, and by putting an 18-month Band-Aid, I think we are compounding the damage that will be done to the economy and the potential for any recovery in this Country.

First of all, this is a betrayal of the code that we work under in the Congress. Mr. DeFazio will recall, Mr. Duncan will recall we had a Big 8 meeting with the Senate and they agreed and we all agreed to move forward with a bill, and that the House of Representatives would lead and Mr. Oberstar would take that lead.

Now, I worked in a bipartisan fashion, Mr. Duncan did. There are some things in the bill that was passed that we didn't particularly like, but we felt this isn't a partisan issue, this is an issue that is important and vital to the Country, and we had to move forward. So we moved forward on this side of the aisle, as we said we were going to do, and we did it.

I have never seen a Chairman undermined by an Administration in the 30 years I have been around this place like they hosed our Chairman. Coming out the day after we had reached agreement to pull the rug out from underneath him in moving forward with a long-term bill.

Now, the Trust Fund is in crisis. It will go bankrupt next month. The problem is not going to go away. The manner in which a solution for 18 months, which would require about $20 billion, a billion dollars a month, to fund the Trust Fund and keep this going at a minimal basis is not a solution. It really will close down any long-term major infrastructure projects in the Country.

You read some of the testimony, and your staff, Mr. Chairman, did a good job in putting together the impact on some of the States. Read what it does to Illinois. Read what it does to Indiana. We are closing down the major infrastructure operations and we are shortchanging State DOTs across the Country.

So I am not very pleased about this, but I am pleased that you are holding a hearing that will deal with airing the consequences of this action. I do not intend to give up on a bill. That is the right thing to do. We started it in a bipartisan manner and I hope Members will support the Chairman and the effort to get people working to get infrastructure being built in this Country and moving a long-term solution to the crises transportation faces in our Nation.

Thank you. I yield back the balance.

Mr. DEFAZIO. I thank the gentleman.

I am going to recognize other Members for opening statements, but I will just remind Members we do have a panel. We have a whole pile of votes coming up in the not too distant future, so I would urge Members to be brief if they need to speak.

With that, I turn to Mr. Baird.

Mr. BAIRD. Mr. Chairman, in the interest of brevity, you are right, the Ranking Member is right, and Mr. Larsen is right. I yield back.

Mr. DEFAZIO. Wow. All right. That has got to get you another ferry at least.

[Laughter.]

Mr. DEFAZIO. Mr. Coble.

Mr. COBLE. Mr. Chairman, I will be equally brief. I want to thank our witnesses for being here. I have two other hearings, so

I am going to have to come and go, but I want to associate with the comments you made, the gentleman from Tennessee, and the Ranking Member from Florida. You are on the money and I concur. I yield back.

Mr. DEFAZIO. I thank the gentleman.

Mr. Carnahan.

Mr. CARNAHAN. Thank you, Mr. Chairman. In the interest of brevity also, I cannot believe the shortsightedness of our colleagues across the Hill in doing something as silly as they did yesterday in terms of our Nation's infrastructure and certainly our transportation, and I encourage every Member of this Committee to walk in lockstep to make sure that this doesn't stand and we can push a bill through rapidly. Thank you.

Mr. DEFAZIO. I thank the gentleman.

Others? Mr. Diaz-Balart?

Mr. DIAZ-BALART. Thank you, Mr. Chairman. I think there is a consensus here about the extension, about the fact that the one thing that we can do to really help this economy is get a bill out of here as soon as possible.

Look, even though some may not want to publicly admit it yet, even though it is becoming more and more evident, the stimulus didn't work. We were promised 8 percent unemployment; we are way beyond that. We were promised 3.5 million jobs created; we lost 2 million jobs since the bill has passed.

I have a bill that is not the answer, but it is an option that would get the unencumbered stimulus money and put it into the DOT Trust Fund to actually create jobs and start building projects.

So, again, I think there is a consensus that, if there is one area that we know creates jobs, puts people to work, helps our economy short-term and long-term, it is transportation. So I concur with what has been said about we should be moving forward and not finding excuses to delay the process.

Thank you, Mr. Chairman.

Mr. DEFAZIO. I thank the gentleman.

Mr. Arcuri.

Mr. ARCURI. Thank you, Mr. Chairman. I will be brief.

Too much is at stake for us to simply pass our responsibility by opting for a mere extension of the current law. We owe it to our constituents, the American people, to do work in a timely manner so as not to cause further economic disruptions. There has been talk here in Washington and around the Country about whether there is a need for a second stimulus or further action to stimulate the economy. The only additional action that is needed is for us to do that which we are supposed to already do. We must pass a long-term surface transportation authorization act; we must do it before September.

Thank you, and I yield back the balance of my time.

Mr. DEFAZIO. I thank the gentleman.

Mrs. Napolitano.

Mrs. NAPOLITANO. Thank you, Mr. Chair. I also congratulate you and Ranking Member Duncan, but also Mr. Oberstar and Mr. Mica. I associate myself with the remarks of my Chairs and Ranking Members, especially of the full Committee.

I strongly support, vehemently support passing the surface transportation bill. Lots of California jobs, jobs, jobs that are ready to go, and with the Trust Fund being on the brink of bankruptcy, we need to move, and we hope that everybody impresses upon our Administration the need to ensure that this does pass.

Yield back.

Mr. DEFAZIO. With that, okay.

Oh, the Chairman. Excuse me. He came in so quietly and demurely, and he has no strong feelings about this, so he probably doesn't want to do an opening statement.

[Laughter.]

Mr. OBERSTAR. No, Mr. Chairman, thank you.

Mr. DEFAZIO. I would recognize the Chairman.

Mr. OBERSTAR. It is awfully good. It has been a good day. I got a good night's rest, I slept well, I went out and got a 10 mile bike ride this morning, read all the witness statements, and glad to have all of you.

Mr. DEFAZIO. While you were riding?

Mr. OBERSTAR. No, after I rode the bike. No, you can't do that on the road; that is dangerous. That is worse than using a BlackBerry while you are driving a car.

Mr. Kienitz, you said all the right things. I read your entire statement. It was really good; well prepared; good thought out. But you came to the wrong conclusions. It is just too bad.

You know what I think this Administration needs—and every administration—in addition to or maybe in place of the Council of Economic Advisors is a council of engineering consultants. And probably Mr. Potts would agree with that, and a few others.

While the President, Mr. Obama, as Senator, was campaigning for President, we weren't sitting on a stool somewhere; we were holding hearings in this Committee room over two years, in-depth hearings to understand the needs, the problems, the shortfalls, the fixes that are necessary for the future of transportation. We fashioned them into a bill. We don't need an 18-month learning curve, I have news for the Administration.

You are a seasoned professional; you know better. We are not going to wait 18 months. And as other Members of the Committee have said, and as witnesses will testify this morning, we need to move ahead now. Inertia is the enemy of progress, and we don't have time to wait. The economy doesn't have—people who are spending 40 to 100 hours a year in traffic, goods that are wasting time en route to their destination, companies that are spending millions and millions of dollars in overtime charges and late delivery fees can't wait 18 months for this crowd to make up its mind.

We made up our mind; we have a bipartisan bill. We need some refinements to it; we are continuing to do that. We will figure out a way to finance it. We just need your partnership. We need the partnership of all those at this table. We are going to move ahead; we are not going to wait 18 months.

Thank you.

Mr. DEFAZIO. Thank you, Mr. Chairman.

With that, we will turn to our panel. We have, first, the Honorable Roy Kienitz, Under Secretary for Policy.

Mr. Kienitz, as I believe you have all been informed, the Chairman has already told you he has read your testimony, and you can bet on it. He can quote it back to you in several languages. And I have read your testimony and highlighted it, and I am sure other Members have too. So what we ask you to do—because it gets really boring listening to people read—is summarize your most cogent and best points that you want to make that were either in your testimony, or respond to something you have heard here. You have two minutes, and then we will go on to questions.

So, with that, Mr. Kienitz.

TESTIMONY OF THE HONORABLE ROY KIENITZ, UNDER SECRETARY FOR POLICY, U.S. DEPARTMENT OF TRANSPORTATION, WASHINGTON, D.C.; CARLOS BRACERAS, DEPUTY DIRECTOR, UTAH DEPARTMENT OF TRANSPORTATION; DAVID A. BRUFFY, GENERAL MANAGER, MOUNTAIN LINE TRANSIT AUTHORITY; CHARLIE POTTS, CHIEF EXECUTIVE OFFICER, HERITAGE CONSTRUCTION AND MATERIALS; RAYMOND POUPORE, EXECUTIVE VICE PRESIDENT, NATIONAL CONSTRUCTION ALLIANCE II; AND MICHAEL P. MELANIPHY, VICE PRESIDENT, PUBLIC SECTOR, MOTOR COACH INDUSTRIES, INC.

Mr. KIENITZ. Yes, sir. I will do my best.

Thank you, sir, and Members of the Committee for having us here. I have four basic points that I would like to make, which I think Mr. Oberstar probably summarized, actually, better than I will, so I will be very brief, the first of which is there is no disagreement from us about the long-term economic benefits of transportation and infrastructure investment; that is an obvious known and important thing. So that puts us in a position where I think our goals are very similar.

Second, the best way to assure the greatest long-term benefits for the Country are through a long-term reauthorization of Federal transportation programs. I think we all understand why that is the case; it creates predictability. And, in particular, at this moment, given who the Chairs of this Committee are and the mood of the community, I think, there is a huge opportunity for major reform in a way that we haven't seen for a long time, and I know these two gentleman are certainly the biggest supporters of that around here. So we see that as a huge opportunity.

Third, unfortunately, is the paid for issue, and I think that has been the biggest stumbling block. In past years, the struggle over this program, as the Members here have lived through, has been there is money in the Trust Fund; can we spend the money in the Trust Fund? Or taxes were dedicated to this program but have ended up going elsewhere. So there have been various Herculean efforts by Members of this Committee to assure that the taxes that appropriately should go for transportation do to go the Trust Fund and once in the Trust Fund they don't sit there with a very large balance while projects need to be funded but the monies provided are spent contemporaneously.

This, I fear, is a case of a different order, where the shortfall between the funding levels that have been proposed here and the revenue levels that exist are quite large, as Mr. DeFazio's chart pointed out. So I think that is the principal thing that has led the Administration to propose an 18-month extension with, frankly, General Fund dollars hopefully paid for through matters that the Finance and Ways and Means Committees will work out to prevent a fall in funding in this interim period while principally the tax or revenue issues are worked out, but also then the details of the reauthorization are worked out as well.

So I am 15 seconds short and I will stop.

Mr. DEFAZIO. Thank you.

Mr. Carlos Braceras, Deputy Director, Utah Department of Transportation.

Mr. BRACERAS. Thank you, Mr. Chairman, Members of the Committee. It is a pleasure to be here today, and I will keep my remarks short.

There has been quite a bit of discussion about the critical nature transportation plays in the Nation's infrastructure and also in our economy, and I won't belabor that point. We at AASHTO believe that we need to increase the investments at all levels of government for transportation because of the critical role that transportation plays in the lives of the American people.

But the second point I would like to make is the very important point that AASHTO believes that we need to have a predictable, well-funded, multi-year authorization measure that reinforces the existing Federal-State partnership. To get transportation projects that represent a collaborative solution to transportation challenges, it takes time to do that, and we need to have that predictable funding source in order to be able to work with all partners at the local, State, and Federal level in order to come up with those appropriate solutions for that.

AASHTO has called for an authorization bill with substantial reforms, many of which were also proposed in Chairman James Oberstar's bill. Nevertheless, we do have some concerns with some of the details, and we recognize that we are at the beginning of the process and look forward to working with the Members of this Committee to help resolve some of the concerns that our member States have. But simply put, a well-funded six-year authorizing bill that respects that essential role of the States in administering and delivering the surface transportation program is critical for your State DOTs and for the governors.

The short-term funding crisis is the element that—first of all, let me appreciate the work that is going on right now to help resolve this, but this is something that does keep me awake at night. We have contracts going right now, and we only have two weeks left to solve this issue. It is critical that Congress transfer an additional $8 billion from the General Fund to help get us through this fiscal year so that we can have surety in being able to pay those contractors that are working today out on our projects.

Funding should also be provided to assure that there is no interruption in the 2010 highway program, which begins in October of this year. It is our estimation that an additional $10 to $12 billion will be needed to be transferred into the Highway Trust Fund in order to ensure solvency through the end of fiscal year 2010.

Mr. Chairman, we urge Congress to increase the Trust Fund resources so the Trust Fund can meet the short-and long-term investment needs of our Nation. Thank you.

Mr. DEFAZIO. I thank the gentleman.

With that, we turn to Mr. David A. Bruffy, General Manager, Mountain Line Transit Authority, Morgantown, West Virginia.

Mr. BRUFFY. Mr. Chairman, Mr. Chairman, and Members of the Committee, thank you very much for the opportunity to offer testimony today. I would like to take a couple of minutes to highlight some of the more significant local impacts of your Committee's efforts and to answer any questions you might have.

I have three primary points that I want to share with you and emphasize. This is a tenuous time for transit. It is imperative we have a new funding bill. We need a new national vision for surface mobility, and we can't wait any longer.

This is a tenuous time for transit, a transit paradox, if you will, when fuel costs, insurance, utilities are all on the rise; local funding sources are being reduced, even in one of the strongest local economies in the Country, in Morgantown, West Virginia. West Virginia University has cut their funding by 16 percent this year. Another local funding source eliminated $100,000 in support that provided 95,000 passenger rides last year. At the same time, Mountain Line's ridership is up 41 percent year to date.

This is a tenuous time for transit and I need your support so that we can plan the way forward for my service and for my community.

Secondly, a new investment bill is imperative. With $950,000 in recovery money, my system bought three heavy-duty buses manufactured in California, with fare boxes built in Illinois, with seats manufactured in Michigan. They come from all over the Country. We need two new buses a year, at $700,000, to sustain our current services. Recovery investment is but a beginning; it needs to continue.

Thirdly, we need a new vision for surface mobility. More than 40 percent of my buses are past their useful life. I get retired buses from other systems to expand service. I run light-duty buses with 280,000 miles on them and they are twice their intended life span. In the last six years, Mountain Line's FTA investments increased 33 percent, from about $400,000 to about $700,000.

Yet, our ridership has increased 194 percent, from 400,000 rides to 1.1 million rides. We serve seniors, rural areas, college students. We even go to Pittsburgh with intercity bus service. Currently, there is very little relationship between success and investment. We need a new vision that will enable people a meaningful alternative to the personal auto, and we can't wait any longer.

Mr. Chairman and Members of the Committee, I respectfully request you submit my written comments into the record, and I look forward to your questions.

Mr. DEFAZIO. Thank you.

With that, we are going to turn to Mr. Charlie Potts, Chief Executive Officer, Heritage Construction and Materials, Indianapolis, Indiana.

Mr. POTTS. Mr. Chairman, Members of the Committee, good morning. I am here today as the Chairman of the American Road and Transportation Builders Association. I have spent over 40 years in transportation development, both as an executive of the Florida Department of Transportation and as a CEO of two national construction and materials firms, and I would like to begin by saying that we are appalled by recent calls for and actions to postpone the enactment of a new surface transportation program investment bill until at least March of 2011.

I assure you the only people who might possibly see any benefit from such delay are right here in Washington, D.C. They are certainly not in the real world that I have worked in for four decades. In the real world, that delay means companies like mine will not be hiring people and will not be making the expensive capital investments in materials and equipment, because, quite frankly, there is no prospect that the market is going to turn around anytime soon without that investment. And make no mistake, the evidence shows the transportation construction market in this Country is constricting in many States at a very critical time.

We are not expanding to help lead the economic recovery by creating jobs that this Nation desperately needs. We learned the hard way, from 2001 to 2005, that the uncertainty at the Federal level at a time of economic and State budget difficulty leads to an overall stagnation of national effort to delivery surface transportation improvements.

Mr. Chairman, we commend you and your Committee for doing its job and leading in this effort. We encourage the Committee to continue pushing forward to enact a bill this year. And I want to thank you for this opportunity to participate in this dialogue with you and other Members of the Committee.

Mr. DEFAZIO. I thank the gentleman for a very cogent and effective statement.

Mr. Raymond Poupore, Executive Vice President, National Construction Alliance II.

Mr. POUPORE. Thank you, Chairman DeFazio, Ranking Member Duncan, and distinguished Members of the Highways and Transit Subcommittee. On behalf of the National Construction Alliance, better known as NCA II, partnership between two of the Nation's leading construction unions, the Operating Engineers and the Carpenters, want to express our appreciation for the opportunity to join you today.

The two unions and the Alliance represent nearly one million workers, the same workers who build the Nation's surface transportation system. My message today is simple and straightforward: the NCA II respectfully requests that Congress move forward with the reauthorization of the Nation's surface transportation law as soon as possible.

The Administration's proposal to extend existing legal authority for 18 months is unacceptable. An 18-month extension in practice indefinitely postpones reauthorizing the law, ensuring that substantive work developing this legislation is pushed into the 112th Congress.

Chairman DeFazio, the NCA II seeks to make three main points: first, early signs of progress from the Recovery Act will quickly be dashed without long-range commitment to infrastructure; second, the uncertainty of an 18-month extension undermines the long-range planning of major transportation projects; and, third, there is no logical connection between the problems in the Highway Trust Fund and an 18-month extension of the Nation's surface transportation law. Indeed, both problems call for a solution.

The NCA II fears that the short-term injection of resources into the Nation's transportation system from the passage of the American Recovery and Reinvestment Act will not have the intended result unless a longer range commitment to infrastructure spending through a timely reauthorization of the Nation's transportation law is passed by the 111th Congress and signed into law by President Obama.

The good news, in a small subsector of streets and highways and bridges, we have picked up 60,000 jobs in the last two months. We can't afford to lose momentum on your efforts or on the investments contained in the Recovery Act. The policy issues are known: project delivery, infrastructure banks, public-private partnerships, and livability. The process is moving, the train is moving. The Administration needs to jump on board and engage Congress.

The NCA II strongly urges the Subcommittee to continue the effort to pass the surface transportation authorization as soon as possible, to reject the Administration's 18-month proposed extension, and separately to fix the hole in the Highway Trust Fund. Mr. Chairman, America urgently needs a robust transportation bill along the lines of what you passed on May 24th.

Thank you so much. We appreciate your leadership. My members thank you. Through your actions, you put them to work and you help them sustain their families. You are the most important Committee here in Washington. We thank you.

Mr. OBERSTAR. Amen.

Mr. DEFAZIO. We now turn to the last member of the panel, Mr. Michael Melaniphy, Vice President, Public Sector, Motor Coach Industries, Inc.

Mr. MELANIPHY. Chairman DeFazio, Ranking Member Duncan, Chairman Oberstar, Members of the Subcommittee, thank you for the opportunity to present testimony this morning. I am honored to have an opportunity on behalf of Motor Coach Industries and the American Public Transportation Association.

Mr. Chairman, the numerous and varied benefits of investment in public transportation, including the personal mobility, congestion relief, environmental and quality of life benefits that this critical investment brings are referenced in my written testimony. However, today, your focus is on the economic imperative of passing the surface transportation bill, and rightfully so. This next authorization bill is imperative for the jobs and economic opportunities it will create for companies such as mine and many others throughout the industry.

This is an industry with a long and extended supplier base. Any investment that the surface transportation authorization act will provide will have an immense impact on jobs and our economy immediately and for many years to come. As we work our way out of this economic downturn, this bill provides us with one of the best vehicles for advancing economic opportunity.

Mr. Chairman, I have two graphics I would like to show the Subcommittee up on the screen. The first is a diorama of a transit bus, and it shows where we source our parts to build those buses from throughout this Country. Big communities, small communities, communities at risk, where we get parts for buses. I have a similar slide for railcars. Investing in equipment across the Country yields jobs throughout our Nation. We benefit from those throughout the Country, including little places like Pembina, North Dakota, where there are only 700 residents, and we employ over 300 people in that community alone building buses for this Nation.

Our suppliers must wait for orders to come from us, the OEMs. The MCI factories alone are supplied by more than 3,000 suppliers. If we look at the aftermarket support for our product, there are 10,000 suppliers supporting the bus industry.

Mr. Chairman, jobs are at stake. The opportunity is around the corner and I commend the Committee on its dedication to completing a strong authorization bill, and my colleagues and I stand ready to work with you to ensure its passage.

Mr. Chairman, I would also like to offer for the record a letter from APTA's President, Bill Millar, in support of passage of the authorization bill. Thank you.

[Information follows:]

AMERICAN PUBLIC TRANSPORTATION ASSOCIATION

July 16, 2009

The Honorable Jim Oberstar
Chairman
House Committee on Transportation and Infrastructure
2165 Rayburn House Office Building
Washington, DC 20515

Dear Chairman Oberstar:

I am writing to you on behalf of the 1,500 member organizations of the American Public Transportation Association (APTA) to express our strong support for your efforts to make enactment of a long-term public transportation and highway program authorization a top congressional priority. Continued progress toward a long-term bill is important to the public transportation industry. We do not want to see multiple short-term extensions, as was the case with the SAFETEA-LU process, but urge Congress to act on a long-term authorization bill as quickly as possible.

The next surface transportation authorization has the potential to be one of the most effective ways for Congress to create millions of jobs and stimulate our ailing economy. Its enactment could ensure that much needed long-term capital investments are initiated and procurements for rolling stock and other system needs advance. Public transportation spending helps address the growing demand for transit service, and it also produces good jobs in the private sector. The long-term authorization of these programs will truly advance needed economic benefits and the predictability our project sponsors and private sector partners need. Wall Street and the financial sector look to enactment of this bill as an indicator on risk and opportunity. These financial indicators impact both project development and financial support needed for manufacturers.

APTA is concerned that a long-term extension of current law will only delay much needed reforms to the current program, like expediting the development of new starts projects and addressing the need for an adequate source of dedicated funding. We support the quickest possible action on a long-term authorization bill. Enactment of a bill that provides project sponsors and businesses the financial guidance they need for long-term planning and forecasting is essential.

While we recognize the extensive list of items on the current legislative agenda, I strongly encourage you to continue to make the long-term authorization of our nation's surface transportation programs a top priority. The public transportation industry and I stand ready to assist you in this regard.

Sincerely,

William Millar
William Millar
President

WM/tjj

1666 K Street, N.W., 11th Floor Washington, DC 20006 Phone (202) 496-4800 FAX (202) 496-4324 www.apta.com

Mr. DEFAZIO. I thank the gentleman and thank all the members of the panel for being here and for summarizing their remarks.

With that, we will proceed to questions.

Mr. Kienitz, you said in your testimony that we need a more flexible funding system. Now, Secretary LaHood was attacked for proposing the possibility of a vehicle mileage tax. Secretary LaHood has said that the Administration is opposed to a gas tax. I have proposed taxing oil by the barrel, with the idea that some of that tax could flow upstream to the OPEC cartel, the oil speculators, Exxon-Mobil could lose a little of their obscene profits.

And then, most recently, I have proposed the idea of just taxing oil speculators. Not hedgers, not trucking companies, not airlines, not railroads, not steamship companies; just financial speculators. One-tenth of 1 percent raises $40 billion a year, and that is if we assume we drive down the price of oil dramatically because they all get out of the market like they said they would. That would be a good thing, I think.

I proposed the idea of bonding by putting a construction cost inflation on the gas tax and delaying that until such a time as the economy recovers. So two years from today you might see a penny on the gas tax. But I figure that could put $60 billion up front into the Trust Fund, which is broken.

How much more flexible can you get? Give me another idea? Oh, we also have the infrastructure bank, which will work for some projects which provide revenue. It obviously won't work for transit, since all transit systems in the world lose money. So we have got it in there. What more flexibility do you want? Got any other ideas? Give me one.

Mr. KIENITZ. Thank you, sir.

Mr. DEFAZIO. Or is that just a code word for we don't want to address revenues and increase investment in the Trust Fund until after 18 months? And I don't know how it is going to be any easier in 18 months, when the President is up for re-election, than it is today, when all of us are up for re-election.

Mr. KIENITZ. Let me make a few points, the first of which is I know that you have transmitted your proposal regarding the small tax on futures, quarter percent or whatever the number is, and that has been sent by you directly to the White House and the President's economic team, and I have talked to them about it, and they are analyzing it and the Treasury Department is analyzing it.

I know that one of the questions being analyzed is the degree to which it would change the behavior of people who trade in those contracts in one way, at least, which is by moving those trades offshore.

Mr. DEFAZIO. Well, remember, the provision would be that any entity or individual engaged in this trading domiciled in the United States of America would have to pay the tax. So you could start trading in Bahrain, but unless you want to move to Bahrain, you are going to pay the tax.

Mr. KIENITZ. I definitely don't want to move to Bahrain.

Mr. DEFAZIO. Okay. But what I am saying is there are ways to do this. There is a long reach. Plus, if you might have noticed, there is also interest in the European Union on doing away with speculation in these markets. They seem to be a lot more serious about it than we are. So if you add up the EU and the United States, there are not a whole heck of a lot of places to go.

Mr. KIENITZ. And so, on that point, I know that that idea is being looked at seriously. I will make sure that this question of domicile is being properly factored into whatever analysis is done.

As to our suggestions for long-term revenue, I think that is a place where the Administration is sort of not quite ready to make a particular proposal yet, and that is, I think, part of the motivation behind the proposed extension.

Mr. DEFAZIO. Right. So we are going to put off a difficult decision for 18 months, hoping that somehow, miraculously, it won't be a difficult decision in 18 months. My State enacted a gas tax increase. We have the highest unemployment in America. The New York Times says our unemployment rate in the State of Oregon, when you factor in underemployed and exhausted benefits, is 23 percent, and we have well over 30 percent unemployment in our construction sector.

Now, I think people in Oregon would be happy to pay a tiny bit more at the pump, instead of giving it to Exxon-Mobil, to see that we put more people back to work, and I think people all across America would like to see that kind of investment. So I think that the Administration is being unnecessarily averse in underestimating the capability of the American public understanding that when they put a little bit of money into transportation infrastructure, they get a better transportation system and we get jobs, real jobs. That, I think, is just where the Administration needs to rethink the strategy.

But let's get to the other point. I agree with Chairman Oberstar. I read all the way through your testimony and I said this is really good, this is great, he is making good points. Then I came to the same point he did, which is well, now we have come to the wrong conclusion, which seems to have been appended on by someone other than whoever wrote the testimony; perhaps someone from the economic team, I don't know.

So I guess my question is if you are confronted with what Senator Boxer has proposed, which is 18 months, no change in policy, you are stuck with the crippling and decrepit policies of the past, no reorganization, none of the other things that are in our bill, where are you going to come down here? Are you going to deal with us or are you going to deal with them? Because us, we want longer term; they, they just want status quo 100 percent, that is, we not only forego a million jobs a year, we forego any meaningful changes in policy to deliver projects more quickly and with less expense.

Mr. KIENITZ. What I think I can say about that is that we were appreciative of the action that Ms. Boxer's Committee took yesterday to move forward one step in the 18-month extension. Obviously, our proposal also includes some reform elements there, which we have talked to you all about in broad concepts and about which we hope to speak more in greater depth——

Mr. DEFAZIO. But most of those concepts would be under the jurisdiction of EPW and not the subsequent referrals in the Senate. So it doesn't look like you are on track to getting what you want out of the United States Senate. You would get 18 months status quo. Is that acceptable to this Administration, 18 months with no change in policy? Is that acceptable?

Mr. KIENITZ. I don't think it is my place to try to make policy on that.

Mr. DEFAZIO. We are not making policy, just asking if it is acceptable or not.

Mr. KIENITZ. How about this? I don't think it is my place to state an Administration policy on that point.

Mr. DEFAZIO. Okay. Who states Administration policy on these things, Larry Summers? Axelrod? Who is it?

Mr. KIENITZ. I am coming to learn that that is a bit complicated.

Mr. DEFAZIO. Okay.

[Laughter.]

Mr. DEFAZIO. Mr. Potts, I think it was—no, it was Mr. Poupore, excuse me. You mentioned the fact—and this is just a key point with me—if we do 18 months, how many 24-, 36-, 48-, or 60-month projects will be planned with an 18-month extension and begin construction?

Mr. POUPORE. I would probably say zero. Looking at the last reauthorizations that we have had, when you went with the 6-month extension and 12-month extension, from my point of view in dealing with the contractors that do heavy and highway work throughout the Country, it is real lag by the time you actually put a bill in place and we actually get construction going. I mean, we are seeing that in the Recovery Act right now.

My point is we are just starting; it is just starting to kick in, we are just starting to get some traction on that job creation. But this delay here and this business as usual is really unfortunate. I am very disappointed in the Administration's position and disappointed in what the Senate did yesterday. And I applaud you and your Committee here for trying to put America back to work.

Mr. DEFAZIO. Is there anybody on the panel who thinks that States or transit districts would undertake very large scale, multiyear projects under an 18-month extension?

[No response.]

Mr. DEFAZIO. Okay. And then, for Mr. Kienitz, could the Department of Transportation do a full funding grant agreement on a large transit project that was going to take, say, five years? Do you think you have enough contingent contract authority under current funding levels? Our staff analysis says no. Basically, we are going to forego those things under this 18-month extension.

Mr. KIENITZ. That is actually a pertinent question that we have spent some time looking at and has come into play, frankly, with a very large project in the New Jersey-New York area, where basically everything is apparently ready to go and we haven't been able to sign a full funding grant agreement because, as you understand, of the way the commitment authority rolls forward without a long-term authorization. That project is still on track to proceed as quickly as it can from an engineering point of view because of a smaller agreement we worked out with them.

Mr. DEFAZIO. But if we do an 18-month with no policy changes, it is going to kind of grind to a halt, right?

Mr. KIENITZ. As long as you go at least a year, that will give us an additional year of commitment authority and will allow a number of projects to move forward.

I will say, from the State side——

Mr. DEFAZIO. To the exclusion of every other project in America at that point? Because our staff analysis is there is just not a lot out there, unless you get the new funding levels we are proposing and the new flexibilities we are proposing for transit within the congested urban areas.

Mr. KIENITZ. On the larger level I would agree with that, which is the problem with the New Starts program, one of the problems with the New Starts program is that it has become something for which demand wildly outpaces our ability to fund. So I think one of our priorities in any reauthorization will be to try to rectify that imbalance and create much more of an ability to fund many projects.

Mr. DEFAZIO. Right. And we will have staff follow up with your staff, but you are thinking we can squeeze in this one major project with a year extension, but basically that would be it for transit; the rest of America would wait for 18 months or 12 months or whatever.

Mr. KIENITZ. No formal plan has been worked out as to whether that would be the resolution. There are other competing projects as well.

Mr. DEFAZIO. It would be popular with Mr. Nadler and a few others, but not probably to many others up here at the dais.

Mr. KIENITZ. Correct.

Mr. DEFAZIO. Thank you. I thank you. My time has expired.

Mr. Duncan.

Mr. DUNCAN. Well, thank you very much, Mr. Chairman. I won't have to ask many questions because I agree with almost everything that the witnesses have said here today, but I will say this. Our founding fathers instituted two-year terms for the Members of the House. We have to run every other year, and they did that on purpose because they felt that would put more pressure on the Members of the House to stay very close to the people.

I think even they would be amazed at how accurate that prediction has become. Because of our good transportation system, most Members of the House go home just about every weekend; they probably spend almost as much or more time in their districts than they do here in Washington.

So I think that almost all of us in the House really know, on a close, first-hand basis, the needs of our communities. So because of that, there is a tremendous desire, I think, on the part of almost all the Members of the House on both sides of the aisle to have a strong infrastructure bill, strong highway bill out, and have it out this year, without much delay.

In fact, I think when we started this Congress, I think there was a desire to try to avoid in every way possible the 20-month delay that we had on the last highway bill. This is my fourth highway bill. I was here for ISTEA in 1991 and TEA-21 in 1998, SAFETEA-LU in 2005, and all of those bills have received overwhelming support on both sides of the aisle.

One of several reasons, but one of the very most important reasons that I have always enjoyed my service on this Committee and have always treated this Committee as my main Committee out of the three on which I serve is because of the bipartisan or non-partisan nature of this Committee. And I think most Members know that I very seldom say anything partisan.

I will say, though, that I think it is accurate to say that almost everybody on our side of the aisle, both on this Committee and in the full House, feel that the cap and trade bill and the health bill, that if the Congress passes both of those bills, that those bills, because of their tax increases and other costs that those bills will destroy jobs; and that those are the kind of bills that maybe we could pass in boon times, but not in times such as we face today.

But the opposite of that is this bill, the highway bill, because I don't think anybody in the House can think of another big bill that would do more to help the economy and create jobs and do things for the people in this Country. I have mentioned many times in hearings in this Committee that I think it is very unfortunate that we have spent so many megabillions rebuilding Iraq and Afghanistan, and even other places around the world, and then we have so much trouble getting through legislation like this that is so needed in this Country.

Now, let me just ask a couple of questions. Mr. Kienitz, you said in your testimony that if we did just the simple straight, clean extension that some people are talking about and that you advocate, that we still could do some targeted reforms. What targeted reforms do you mean?

Mr. KIENITZ. There are three areas in which we have made suggestions. Although I might say these are suggestions and we are open to other suggestions. The first would be an expanded effort by U.S. DOT, States, and regional planning agencies to do data collection and build up analytical resources in this intervening period so that, if and when we can get a major reauthorization, potentially with a significantly larger amount of funding, that the systems by which we are determining whether we are designing projects as good as they can be designed and selecting the best projects that generate the most benefits for folks locally and in response to the national need are as robust as they can be. So there is a bunch of complexity that can be behind that, but that is the basic idea.

The second of which is certainly since the ISTEA bill in 1991, there has been an increased focus on sort of metropolitan areas through the MPO planning process, and I think that certainly in the bill the gentlemen have introduced there is an even greater focus on there. So we want to undertake some cooperative work with those folks to make sure that their capacity to really ramp up and deal with the very difficult and complicated multi-modal transportation challenges in our larger metropolitan areas is as strong as it could be, so there would be some funding associated with that.

The third is something I think you have heard the Secretary speak about, which is a local communities program. He believes that really can be a great thing going forward and that the Federal Government can be much more of a leader in that area, rather than sort of following local initiatives, which is a lot of what has happened until now; and that is bicycle and pedestrian infrastructure linked in with transit and transit-oriented development. There are a bunch of pieces to that, so we think there is a great opportunity to get started on that, once again, to build towards an eventual reauthorization.

Mr. DUNCAN. All right, thank you very much.

Mr. Potts and Mr. Melaniphy, you are here as representatives for various companies around the Country. Would both of you tell me, if you can, a little bit more about your specific companies and how many people you employ now, what was the most ever number of people you employed, and how much difference you think it would mean for your specific companies to do just the temporary extension, as opposed to doing a strong, solid, approximately $500 billion bill? Mr. Potts?

Mr. POTTS. Well, first of all, we have, for the first time in about over 10 years, made reductions in our workforce because of lack of work, and we have actually shut down some of our aggregate operations because there is just no volume. But we are not the only ones that have done that. I was talking to the chairman of the board of Aztec Industries in your State yesterday, and he told me that, because of lack of orders, they have had to reduce their workforce by 25 percent. So it is not only our business, but all of the allied businesses that go along with it.

In the last year the transportation construction industry has lost 37,000 jobs across the Country, and one of the bigger problems that I don't think people recognize in our business are the spikes up and down, and how it affects us in keeping our workforce in place. It is hard to attract new people into this industry when they don't have assurance of the stability of the jobs, supporting their families. The one thing that I think we don't see is that now our workforce is aging, our skilled workers, and trying to attract new people into the business is hard when they see two years it is great, feast and famine.

As we see it, or as I see it personally, I think most of this, all we hear in the rhetoric is justifying the urge to procrastinate, although there are some people, in and out of government, who want a reauthorization delay to better advance their own policy agenda. But this, I think, is appalling when you look at the 37,000 jobs that have been lost in the last year. Unfortunately, along with it, the back and forth rhetoric is an exercise that is overshadowing the simple fact, and you pointed out a couple of the things: there are 22,000 fatalities every year that could be avoided if we corrected some of the road problems that we have; traffic congestion is causing us a problem; and the other fact is that it has affected our competitiveness in the global economy.

I have lobbied and worked with Chairman Oberstar and his staff for at least the last six or seven years directly because I thought we needed a new vision and a new direction for this program. The House came forward with what I think is a robust, reform-oriented, multi-year program that would stabilize this industry, stabilize our direction, and, quite frankly, I think it is time to get on with it and do what you all brought to the table. Thank you.

Mr. DUNCAN. Thank you very much.

Mr. Melaniphy?

Mr. MELANIPHY. Michael Melaniphy, Motor Coach Industries. We are the largest manufacturer of motor coaches in North America. We have been in place for 76 years. We employ about 2,000 employees, not just in Pembina, North Dakota, but in places like Lebanon, Tennessee, and Loudonville, Ohio where we have facilities. In Loudonville, we have 70 employees there; a major employer in that community.

We recently came out of Chapter 11 restructuring. I can speak with great authority to the challenges of access to financing and the impact on jobs. Our company is split fairly equally between the private sector, tour charter companies, and line haul operators, and the public sector for transit agencies across this Country. Were it not for the investment in the public sector in transit right now, we would have significant layoffs. ARRA has made a significant impact on keeping jobs in our location.

And as we look going forward, you have to understand that bus manufacturers typically run 12 to 18 months out from when an order comes in until we build a bus. So if we are talking about an 18-month delay, that is where we are already at with production schedules. Railcars are two to four years out.

So if you look at investments in new products, new innovation, hybrids, alternative fuels, things like that, we have to look at investing money in the future. And if our customers don't know what funding they are going to have, how can we make investments and how can we go to our lending institutions that give us the funds we need to operate our businesses and say please give us those funds we need now to maintain the jobs to plan for the future, and we don't know if they are going to have that money?

This is critical to the jobs of our communities. When we talk about high tech jobs, training people to build hybrid, high-tech buses in Pembina, North Dakota, those are major investments; and if we lose those people, they are going to go find other jobs, and it is not easy to attract people to come back to these rural at-risk communities and build these types of equipment. This is critical to our future in this industry. Thank you.

Mr. DUNCAN. Well, thank you very much. I actually was born in Lebanon, Tennessee.

Let me just take a moment, since Mr. Potts brought up the fatalities and since the main emphasis of this Committee has always been safety, I will tell you something, sort of a story about that.

In my district, in East Tennessee, there is a highway, Highway 411, and it was known as a death trap, one of the most dangerous highways in the State of Tennessee, so much so that people were just getting killed on that highway on a very frequent basis. My chief of staff, Bob Griffiths, his only sibling, who was the quarterback of the Greenback High School football team many years ago, was killed on that very highway at the end of his senior year in high school.

Fast forward from that about 30 years later, Mr. Griffiths has a first cousin whose son was the quarterback of the Greenback High School football team, who, at the end of his senior year, was killed on that same highway.

Through this Committee, we got the funds to widen that highway and turn it into a four-lane highway with some turn lanes and made that into now one of the safest highways in the State of Tennessee; and I will tell you that is what has happened through the work of this Committee and these highway bills all over this Nation. These bills save thousands and thousands of lives, as you said, and I think that is something that we need to keep sight of and keep in mind as we go through this process.

Thank you very much, Mr. Chairman.

Mr. DEFAZIO. I thank the gentleman for his eloquent statement. Mr. Baird.

Mr. BAIRD. I thank the Chair and would again associate myself with your remarks. You know, Mr. Chairman, we are working hard to pass a health care bill, but this is about the health of our economy, and I would ask our panelists—I didn't think we got much help from the Administration on the answer to your question earlier about how we are going to pay for this, and I think it is an important question.

And I would like to ask the rest of the panelists what their thoughts are and also the thoughts about the consequences of not paying for it, which some of you have already addressed. But it is not cost-free to not do something; there is a huge cost to doing nothing. What are your thoughts, to the rest of the panel, on how we might try to pay for this? Because I believe we need to move this thing forward with great vigor and urgency.

Mr. BRUFFY. Congressman, if I may. I think that the result of us not doing anything is not going to be much, except that we are going to have more seniors that are shut in; we are going to have more people who can't get to doctors' appointments; we are going to have more people sitting in congestion. Safety may improve because my buses will be sitting on congested roads and nobody is going to be going fast enough to create a really bad accident.

It is not going to make a big difference, and that is what we need. We need a big difference in what is going on out there in our communities, and without a new funding vision and a new orientation from the Federal Transit Administration or whatever its following agency is, we are not going to see that; we are not going to have that.

This Committee's work, I think, steers us in the direction that we need to go. It has outlined a good framework and, frankly, I think we don't have any choice, we need to move this forward.

Mr. POTTS. I will make a couple of comments. One, we have consistently said that every option should be on the table to pay. Nothing is free. And to arbitrarily remove any option from the table is a negative. You have got to consider every option in order to fund it. But this is an investment in America, and it returns a high dividend. All of us in the private industry look at our return on investments that we put, and if we could get the same return on the investment we put in the transportation system in this Country, believe me, that is where we would put every dollar we have, because the return is extremely high.

As I pointed out a while ago, just the loss of life alone is costing this Country $217 billion a year. Congestion is costing us over $80 billion. And worse than that, we are losing ground from a competitive standpoint in the world economy, and every job we create in this industry is not exported.

Mr. BAIRD. Let me follow up on the point you just made about congestion costing $80 billion. We are talking about a $500 billion bill over five years. Eighty billion dollars is pretty close to $100 billion; you don't have to do a whole lot of complex math. One of the things about this Committee is what we do is paid for, unlike almost every other Committee in the Congress. But in Highway and Transit, we are talking about actually paying for it, and not only paying for it directly, but here we have a cost savings just in the congestion alone that nearly pays for the price of the bill.

So the investment will return very generously to the American people, and I am certain all of us would say the lives of our loved ones are literally priceless; so the congestion and time away from our families, and the costs and opportunity costs of that time.

And I would just say to the Administration: I don't get it. I have immense respect for the President and Secretary of Transportation, but we elected this President on a platform of change. This Committee, under the leadership of Chairman Oberstar and Chairman DeFazio, are proposing change, bold change, and instead, in one of the central areas of economic recovery, we are getting status quo or worse.

So I would like to see some change we can believe in, and I would just urge this panel of witnesses to work with this Committee as you have already, but to get your members to talk to their Members of the House and Senate. The great thing about the United States Constitution, from my perspective, is Article 1, and that is us.

Mr. Chairman DeFazio and Mr. Oberstar, I fully support you in your urgency to pass something, and we should do so, assert our authority as the United States Congress, the legislative branch, and that place not too far from here called the Senate needs to follow our example and we will get this thing done. Thank you.

Mr. DEFAZIO. I thank the gentleman.

Mr. Larsen.

Mr. LARSEN. Thank you, Mr. Chairman.

Mr. Kienitz, I posed some questions to you in my opening statement, and if I could summarize those for you in one sentence: What were you guys thinking? Could you answer that for me?

Mr. KIENITZ. Thank you, sir. I will tell you that I spent most of yesterday working on the issue that you are talking about.

Mr. LARSEN. So did I.

Mr. KIENITZ. I think a lot of folks did. I think there are two useful responses for me to give you, the first of which is we made an error, and the Secretary has taken personal responsibility for that and taken steps that you know about to try to correct the error.

So I am not sure there is much more about it I can say than that. The policy that ended up being elucidated was not what he wanted and was not what was intended. By way of explanation, I think what happened in part was a result of criteria in the Recovery Act that are somewhat different than the criteria in the underlying ferry program.

As you have stated well, the Seattle ferry system, on which I have ridden, I have family in Seattle, is an order of magnitude different than anything else we have in this Country, and so, traditionally, that has been an area where the Federal Government has successfully, I think, focused a significant share of that funding.

The categorization of economically distressed areas that is in the Recovery Act I think is at the root of what may have happened here at the underlying levels of the Department, and it has helped highlight for us something we had already identified as an issue, which is the Recovery Act says a priority must be given to economically distressed areas.

We have looked into the question of, under Federal law and regulation, what is an economically distressed area. Unfortunately, what we have found is that there are very specific criteria that the Commerce Department has elucidated and they involve going and looking back at employment and other data that goes back 24 months. So I think, as everyone here knows, the economic situation in the Country generally and in particular parts of the Country was very, very different 24 months ago than it is now.

So we both have a time lag problem in where economically distressed areas are being officially identified according to the process, and we also have a scale problem. I think King County, under the regulations of the Commerce Department, is not an economically distressed area. That doesn't mean that there aren't parts of King County that are economically distressed.

So we have already been working with the Commerce Department to try to come up with a better way to identify the places that are economically distressed—we believe the intention of helping economically distressed is a good intention. We believe the method that we have been given to sift for that is not perfect and we are trying to find a way to look at it.

But I think the most important thing is that we don't disagree with your critique. In fact, the Secretary agreed with it and that is why he is trying to remedy it.

Mr. OBERSTAR. Would the gentleman yield?

Mr. LARSEN. Yes, I will yield.

Mr. OBERSTAR. The Secretary's analysis is somewhat correct. The EDA in the U.S. Department of Commerce, to which the Recovery Act legislation refers, does have some allocations or some designations for areas of SMSAs that may have higher unemployment figures than the SMSA itself. That has been standard in the EDA classification of distressed areas for at least 25 years. So I suggest you go back and reconsider those matters with EDA.

Mr. KIENITZ. Yes, sir, and we are in the process of doing that. It is officially the decision of the Secretary of Commerce, so we are working with them to try to work on that.

Mr. LARSEN. Claiming my time back, and thank you, Mr. Chairman, for that question as well.

You are right in terms of the time lag. When this recession started, Washington State's overall unemployment rate was well below the national average, in fact, but because of our dependence on trade, when the recession kicked in globally, we quickly caught up and now are actually ahead of the national unemployment rate. So I can understand why, two years ago, if you looked at that number, you would think, well, nothing is wrong. When you look at today's number, it is as wrong in Washington State as it is in Oregon and other States. It is a pretty tough time.

I guess the concern I have is about going forward, then, as well, and sorting out the formula as we move forward in the authorization bill and hope that we can all learn some lessons about this as we are moving forward and develop a good formula that is respectful of all the ferry systems in the Country, but also recognizes that there are some that are much larger and some that are much smaller than others.

I would recommend one reform for the Administration. Instead of 18-month extension, you take away 18 months and make it six years; instead of extension, make it reauthorization. I think we will be fine.

Mr. KIENITZ. A minor amendment.

Mr. LARSEN. Very minor.

Mr. OBERSTAR. I thank the gentleman for those comments.

The gentleman from South Carolina, Mr. Brown.

Mr. BROWN. Thank you, Mr. Chairman.

Thank you, gentlemen, for coming and participating in this discussion. I know I was late coming in, but I was telling the Chairman that I was actually on the House Floor giving a one minute speech encouraging the President to do something about not delaying the reauthorization 18 months. I explained that in South Carolina our unemployment is over 12 percent. We are the third highest in the Nation. And you heard the Chairman of the Committee talk about Oregon being the same way.

We are dealing with so many issues that really don't create jobs, but we absolutely know that transportation, building roads creates jobs. In fact, I think it has been calculated some 30,000 jobs are created with every billion dollars worth of construction, so, Mr. Secretary, I don't understand the strategy behind the President's decision to delay the highway construction.

I know that in the stimulus bill only about $28 billion was put in there out of the $787 billion, which could have been a real employment opportunity, but it looks like we missed that; and I would hope that you would encourage the other members of the Administration to become serious about dealing with the unemployment, and we can do it by creating a new highway bill to be able to get people back to work.

Another thing that I talked about this morning is about the red tape that it takes to get things moving. I think in South Carolina, of the $463 million that has been allocated through the stimulus package, only about $400,000 have been spent because of the red tape. I know we have some construction folks on the panel. Would anybody like to address that? Are you all finding the same problem in your arena?

Mr. POTTS. I think that is a common problem throughout the Country. There have been comments made earlier. My standard assessment is, if everything stays the same, the way it has been for years, once a bill is passed, it is anywhere from 18 to 24, as much as 30 months sometimes, before we see the product. So that also tells you that if you extend for 18 months and get into a new program, all you are doing is extending the inevitable. And it is hard to make investments, from our standpoint, with that kind of time lag. But, realistically, it has always been about 18 to 30 months, and it all has to do with just getting it through the process.

Mr. KIENITZ. If I might respond to that, sir. I think on the Recovery Act, in particular, there are figures out there that relate to sort of dollars spent and, traditionally, the number of dollars that have actually been outlaid; and our view has been that that understates the current activity underway due to the Recovery Act, particularly under the highway program, because it is a program in which we reimburse States for expenses that they have already incurred.

So when we give a State a go-ahead, the right to go obligate funds for a project, they go out and start spending their money, and then sometimes 15 days, 30 days, 60 days later we get the bills, then we pay them out, and then the official data show the Federal Government having "spent money." But there are currently over 5,000 projects that have been approved to proceed and where expenses are being accrued, but the data of Federal reimbursements lag well behind that.

Mr. BROWN. Mr. Secretary, if I could just follow through on another question which has been pretty dear to me. I know in South Carolina we have an infrastructure bank that we are able to use to accelerate some road projects, and I know you played a major role in designing the Administration's infrastructure bank proposal. Can you give us some more details about this proposal, about will the funds be reoccurring and what will be the rate that the banks can leverage funds?

Mr. KIENITZ. Yes, I have been part of a lot of discussions on that. At this point, what we have released is a sort of broad outline where we believe, at least for starting out, the banks should be focused on transportation projects, although we would be open to projects that have elements of other infrastructure in them, but transportation would be the focus. And it would be able to offer grants, loans, credit support, other things that we have some experience with the TIFIA program that this Committee has authorized, for which we would like to be able to do a lot more.

As to the specific sort of leverage ratios or interest rates, I don't think those things have quite been worked out yet and, frankly, that would be, I think, a major point of whatever debate occurs here and in the Senate over creating that. But I know personally, when I worked in the State of Pennsylvania, we had a State infrastructure bank that was part of the program that this Committee helped to create, and it was of some good, but, frankly, too small to really have an impact on big projects; it helped us do some small things. But that is part of the provision. I think the President's proposal is to try to have a larger impact.

Mr. BROWN. Right. And that is the reason I guess part of my question was to determine exactly how you plan to fund it.

Mr. KIENITZ. As of now, there is a $2 billion allocation for the fiscal year 2010 in the budget resolution, so that could be the beginnings of it. I know that the Appropriations Committee here in the House the other day released a Chairman's mark for their Subcommittee, which I don't know if a reserve fund is quite the right word, but said there would be some funds in that appropriation that, if the thing were authorized, would be available to it for year one, $2 billion.

I think it is realistic to say that it is something that would need to ramp up over time, so you might start smaller than you would hope to end up. The prospects for authorizing such a program in the next 60 days are perhaps not as high as some might like, but I think there has been some recognition that it would be a valuable exercise.

Mr. DEFAZIO. I thank the gentleman.

Mr. Carney.

Mr. CARNEY. Thank you, Mr. Chairman.

I have been working with my staff on the BlackBerry here trying to crunch some numbers on ratios of dollars spent in the transportation bill to jobs created and efficiencies gained, lives saved, pollution reduced, all the things the Administration claims that it wants to do; and, actually, what we have concluded is this highway reauthorization bill, the surface transportation bill accomplishes all that stuff for a hell of a good price, to be quite honest.

I don't know why we are pushing back for 18 months. I think we should, for lack of a better term, start to hit the gas. Anybody want to weigh in on that, please? Mr. Melaniphy?

Mr. MELANIPHY. Congressman, in transit with APTA, we have had some studies commissioned through a number of committees and found that every tax dollar invested in public transportation generates an average of $6.00 in economic return. Every billion dollars in Federal funding invested in transportation infrastructure supports 30,000 jobs, and many of those are green jobs bringing technology to OEMs and others. We are building a green infrastructure for this Country and it is a very clear payback in investment.

Mr. CARNEY. Sure. And the point is that these are all the things, through the campaign and early on in the Administration, they claimed they really want to do. Here is the opportunity.

Mr. Poupore.

Mr. POUPORE. Thank you, Congressman. We are in the worst recession since the Great Depression. You would think the priorities would be to pass legislation that actually put people to work, long-range planning, and you can do it, as you have mentioned, right here for a penny's worth of gas. Maybe we need a nickel or a dime to fix the Highway Trust Fund, but six years and millions of jobs.

What it creates also is the people that actually go out there and build our roads and highways, for the most part, the members I represent have their own health care, but they have got to pay into it themselves. If they don't have jobs, they lose that health care and you create this other problem.

So the Administration has got health care out there and they have got cap and trade. I think they have their priorities wrong. I think first fix and reauthorize the highway bill, and then take a look at those other two major issues; and I hope maybe you can persuade them to do just that.

Mr. CARNEY. It is our hope as well.

Mr. BRUFFY. Mr. Carney, we run a shuttle between Morgantown and Pittsburgh.

Mr. CARNEY. Right.

Mr. BRUFFY. And when we put 40 folks on that bus, it only gets 6 miles to the gallon. But when you put 40 people on it, it gets 240 people miles to the gallon.

Mr. CARNEY. Right.

Mr. BRUFFY. It only has one carbon emission engine; it is not 40 carbon emission engines going back and forth.

Over the last couple weeks, I am beginning to feel a little bit naive. I thought with the stimulus we were being asked to go out there to help the minimum wage earners, give them a viable alternative for transportation so that they can use their money for health care, spend it in the local economy, save it for their kids' education.

So instead of buying two buses with my stimulus funds, I bought three, and I invested some of our local reserve funds in it. I said, you know, this can be our contribution. Transit has always stepped up; we have always been able to help and do what we can. So I thought, well, we will take that extra step.

But now, as everyone has pulled back, I am committed; I have a purchase order out there. They are not MCIs, but we have our purchase order out there, and we would like to see that pipeline continue. We are set, we are ready to go, and that is what we would like-- the direction of this Committee. We want to see that direction move forward.

Mr. CARNEY. Well, not to sound too biblical here, but don't jobs beget jobs?

Mr. BRUFFY. They do.

Mr. CARNEY. Thank you.

Anyone else?

Mr. POTTS. Well, I try not to repeat myself, but I think this is the best return on investment we can make. If you look at the surveys that we have done in the past, what is the most concern when people talk about a delivery system talks about the impact on the economy, safety, and congestion. And now congestion has been number one on this.

But this bill addresses each one of those, and ever since the Interstate Highway Act in the 1950s, this Country's economic engine has been our delivery system, and it is time for us to take a new direction with it, which this bill addresses. It addresses every single area, whether you are talking about energy efficiency, the climate, the economy, jobs. Every single issue is addressed by investing in the transportation system in this Country.

Mr. CARNEY. Thank you. My time has run out.

Thank you, Mr. Chairman.

Mr. DEFAZIO. Thank you.

Mr. Dent?

Mr. DENT. Thank you, Mr. Chairman. I will be brief.

One of the things I have noticed, too, I know we are here to talk about the long-term importance of a surface transportation authorization, but I want to mention something about stimulus funding, and maybe one of you can help me address this, perhaps from one of the States.

In Pennsylvania, for example, I noticed that there is about $730 million of stimulus funding that has been obligated or committed, but, as of June 30th, about $9 million had been spent on road and bridge projects. That was actually spent. I understand much is committed.

And I was just curious what is happening in some other States, whether it be Utah, West Virginia. Maybe one of you could comment on that issue for me. How quickly are you able to spend the money? And I am not blaming you if you are not able to do it quickly, because I understand you get one Federal dollar, you get a Federal process.

So you are using the money to resurface roads, probably, and paint bridges, and that is about all you can do quickly, I guess. So could one of you perhaps help me with that, Mr. Braceras or Mr. Bruffy?

Mr. BRACERAS. Congressman, I will start off. Carlos Braceras with Utah DOT. I think Utah may have stood out when we were working with Congress on the stimulus bill. We identified that we would have over $12 billion worth of projects that we could commit and have obligated within the potential 90-day period. To date, we received $213.5 million in Utah. We are a relatively small State. We have obligated over 95 percent of those funds. Two of those projects are actually complete and we are working on closeout right now; and most of the projects are under construction today.

Now, there is that certain time lag where we have contractors out there working and the reimbursement requests are still lagging behind that, so I think what our member States have done has been truly remarkable in the way that they have all stepped up and have been able to commit these monies as quickly as they have. I think the urgency that was brought to the table from the States and from the Federal Highway Administration—they were remarkable partners in helping us get to this point—it was a big challenge, but we feel proud about what we have been able to demonstrate, that we can commit monies to good projects, projects that put people to work.

And, really, we talk about the immediate need, the immediate crisis that we are in and the need to put people to work quickly, but we shouldn't lose sight of the long-term economic benefits that these projects are going to generate. They are going to be assets that are going to be a benefit to this Country for 50 to 100 years, and I believe, in the long run, the long-term benefit of these transportation projects is what is truly going to prove as a foundation for the economy and the quality of life in this Country.

Mr. BRUFFY. Congressman, our State, I can't speak to the specific numbers on highways, but I know that we did have three major projects in our three Congressional districts, and highways has moved forward. I know that they are also working on some smaller Federal highway projects because I experienced the paving on the way over here.

For transit, what we did was encouraged all of our members, there are 18 transit systems in West Virginia, we encouraged those folks to commit their funds to large major capital items that wouldn't require environmental reviews, things like buying buses, things like buying equipment, so that we could get that money turned around and out the door very quickly.

For my part, we had issued a purchase order March or April, I believe, for our $950,000, and I know our other urban partners had done the same thing with their transit funding; they turned it around very quickly to try and be a participant in the recovery, get that money out, make those commitments so that factories could hire and build up their output.

Mr. DENT. Thank you.

Mr. Kienitz, just very quickly. How do you feel about making some reforms to the NEPA process as part of a surface transportation reauthorization? The big complaint I keep hearing back home—I have heard it for years—is that it is just hard to get a lot of these projects moving because of the NEPA process. Do you think we need to engage in any type of serious reform of NEPA if we want to get work moving more quickly in this Country?

Mr. KIENITZ. This is something about which I have actually a fair amount of experience over the last 10 years or so, and what my experience has taught me is that what gets labeled as NEPA delay is really process delay. But there are a whole bunch of pieces of that process that are not particularly NEPA oriented. So if the question is are there ways to take the cumbersome process we have and make it work more efficiently and quicker, I would say absolutely. I think——

Mr. DENT. What would you recommend?

Mr. KIENITZ. Well, there are things that have to do with how property is acquired. If property is acquired under eminent domain, how long it takes to settle with landowners and what are the standards under those, and how do the court reviews work? And then relocation of utility lines, relocation of railroad lines; engineering and design practices; reimbursement, how quickly the contractors get reimbursed for engineering and design; and wetlands permit, air permit, those types of permits.

So the way in which I think the States that have been most successful in doing this have been by creating better relationships between environmental and transportation agencies, including, in some cases, transportation funds being used to make sure that there are enough employees in the environmental agency so that the stack of projects to review isn't sort of sitting in the in box, but it is getting handled quickly; as well as concurrent reviews of different types of permits. But it is sort of laborious process work.

Mr. DENT. Well, whatever you call it, NEPA reform or process reform, I think a lot of people back home might suspect the State Transportation Secretaries would like to see process reform as well.

That is all I have. I yield back.

Mr. DEFAZIO. Mr. Arcuri.

Mr. ARCURI. Thank you, Mr. Chairman. I will be brief.

I would just like to raise one point. When the economic downturn started during the last Administration, the President proposed a tax cut. May of us, myself included, felt that the money might have been better spent in terms of putting it into infrastructure development. That didn't happen. I supported it because I felt it was good for the Country and we needed it.

When the President came out with the stimulus plan, I felt that a significantly larger amount, and I know many of the people on this Committee felt that a significantly larger part should have gone to infrastructure. Not as much went into it as we would have liked to have seen.

But I will say this. I was home recently and went to a dedication of—well, it wasn't a dedication but was actually the groundbreaking for beginning some road construction. I am from New York. New York State is not spending, they don't have a lot of money to spend on road construction. This was strictly stimulus money and we were seeing real people going to work as a result of the stimulus money.

I went to Orion Bus Company, which is in my district, saw that they have just hired a significantly larger number of people because they are getting new orders for hybrid buses. Those are people that would not have been working but for the fact that we are spending money on infrastructure. It is something that we know.

I am not sure about all of the other things that we did that the last Administration and this Administration did with respect to creating jobs, but the one thing that I know is that when we spend money on infrastructure, jobs are truly created and we end up with something very good in the long-term. We need to focus on this bill and we need to get this bill passed because we know from experience, both long-term and short-term, that this will create jobs.

I have just one point, Mr. Braceras. When I talk to people in the private sector, business people, they always tell me when you act in Congress, please keep in mind that we, as business people, like to see long-term plans, because then we can structure our business plan based upon what you do. Do you find the same thing with respect to your planning in DOT with respect to the decisions that we make here on this Committee?

Mr. BRACERAS. Absolutely, sir. It is critical for us to have some long-term predictable funding, some assurances of what we are going to have to do. Our processes do take longer than we wish they would take. Our customers wish we could turn around projects quicker, but it takes a long time to come up with a collaborative solution that works for all the different parties that we are trying to satisfy. But having that long-term vision, understanding where we are going as a Country, and then also knowing that the funding is there allows us to begin those discussions in the first place.

One of the things that is really critical for us and what we manage in Utah very specifically is we want to manage the public's expectations, so we will not begin a significant project, a large project if we do not have a way forward, if we do not understand how we are going to be able to pay for it or if it is going to be something that is supportive or aligns with the goals of this Nation. So what this Congress does is absolutely critical in how we are going to be able to move forward in the future.

Mr. ARCURI. Thank you.

Mr. Bruffy, I saw you nodding your head. Do you agree with that?

Mr. BRUFFY. Absolutely. We need to know what we can plan, and especially about what we tell the public-- what we promise them. We can't promise something we can't deliver. That day will come when we have to answer for that promise. If we keep in the pipeline—these buses that we are buying, you are absolutely right, the long-term investment in infrastructure, these are 10-and 12-year pieces of equipment. This is not a car we are just going to buy today and use; this investment is going to be out on the road providing public service for the next 10, 12, or the way my system runs, that means 15 or 20 years. It is going to be in service for a long time.

That is the investment that we need. We can do that over time. We keep those factories working; we keep those people employed. We need to keep the pipeline flowing, and that is what this bill proposes to do.

Mr. ARCURI. Well, thank you very much for your work, gentlemen. Thank you, Mr. Secretary.

I yield back the balance of my time.

Mr. DEFAZIO. I saw Mr. Petri. Is he still here?

Okay, Mr. Boccieri.

Mr. BOCCIERI. Thank you, Mr. Chairman. I just have a couple quick questions. I will be brief as well.

I notice that the Under Secretary, Mr. Kienitz, when you made your remarks, at least in your written testimony, you said that the Federal Government to implement a few targeted reforms in preparation for a six-year authorization when the economy begins to recover. First of all, I don't understand that notion, that rationale of thinking, that we are going to wait for the economy to recover before we implement targeted projects that are going to create jobs right now and that are ready to go.

Secondly, is it fair to say that the Department of Transportation is balking or rejecting the consolidation efforts that would be comprised in this reauthorization bill?

Mr. KIENITZ. In answer to the second question, I would say I don't think it is fair to say that we are rejecting those. I think it is fair to say that we look forward to working with all the Members of this Committee to try to do a lot of that type of thing. We may have different points of view on individual pieces of it, but I think the larger sort of theme that Mr. Oberstar has laid out, which is a more multi-modal program, a more accountable program, a more consolidated, simpler program are all themes that I think almost everyone agrees with, and that includes us.

Mr. BOCCIERI. Do you think the calls for revolution or the calls for reform and consolidation will quiet down in 18 months?

Mr. KIENITZ. I haven't heard calls for revolution. Will calls for reform quiet down? I don't think they will. The question of the sort of 18-month extension I think, unfortunately, the key factor in that is really the shortfall between the desire for funding and the revenues to support it, and that is the piece where the current economic climate which one of the gentlemen down here described as the most dire in quite a long time, I think that that is the real horns of the dilemma, is the size of revenue increase that would be required to support. The authorization levels called for in the proposal is certainly much larger than anything Congress has even considered, let alone done, since I have been paying attention to this for 25 years. And this is a pretty bad time for something like that.

Mr. BOCCIERI. Well, I will argue, as with the Chairman and Members of this Committee, from the long cast and litanies that you have heard today, that we are going to be judged by two measures, by action or inaction, and now is the time to act. Waiting another 18 months, who knows what the appetite for the Country will be. Who knows where we will be as a Nation if we allow unemployment figures to continue to skyrocket? This is the time to act, and we can make these long-term investments that will mean all the difference for States like Ohio and all these members' districts that sit on this panel.

I yield back my time, Mr. Chairman.

Mr. DEFAZIO. I just can't resist, Mr. Kienitz. And I proposed a lot of ways and tried to think out of the box on financing, but even beyond that, God forbid, maybe we would borrow the money. I think it would be a better investment than the 20 bucks a week that only those who still have jobs are getting. Those who are unemployed are getting nothing.

And not filling in any potholes or building any bridges, or health care, IT, whatever that is. Maybe that could have been in the health bill, not borrowed money in the emergency supplemental. On and on and on.

So it seems to me we can borrow money for all sorts of stuff. If you borrow money and build a bridge that lasts 100 years, that is a lot better deal for someone 28 years from today, someone's grandkid who is paying taxes to pay back that debt than when granddad got the 20 bucks a week and spent it on a pizza. So I think there are a lot of ways to get at this. You want to talk about flexibility? Let's be flexible, and maybe we need to borrow the money, maybe we need to bond. There are a lot of things we can do.

With that, Ms. Richardson.

Ms. RICHARDSON. Thank you, Mr. Chairman.

Mr. Kienitz, based upon today's Committee's hearing, what will your message be back to the Secretary and the Administration? And if you could be as brief as possible.

Mr. KIENITZ. My message will be that the Members of the Committee, led by the Chair and Ranking Member of the Subcommittee and the full Committee, were unanimous in their desire to see a long-term reauthorization of the program at a high level to create jobs and support the economy of the United States.

Ms. RICHARDSON. Thank you.

Mr. KIENITZ. I hope I am getting that right.

Mr. DEFAZIO. And be certain to tell them you were warmly received by the Committee.

[Laughter.]

Mr. KIENITZ. I feel that I have been treated more than fairly.

Ms. RICHARDSON. Last Sunday, Vice President Biden was on one of the Sunday talk shows. Did you hear his comments regarding the stimulus and transportation results, or did you see the clips or any of the information?

Mr. KIENITZ. I saw recountings of it, I didn't watch it live.

Ms. RICHARDSON. And what was your impression?

Mr. KIENITZ. There has been a growing industry of push-back against the effectiveness of the stimulus program, and I think that that is something, frankly, that we don't disagree with.

One of the big arguments when there have been past pushes for stimulus funding that has been an argument against including infrastructure investment is, well, we need stimulus right now, in the next three months, six moths, and infrastructure investment takes too long. I think one of the breakthroughs that was made in the Recovery Act was folks understood that the downturn was going to be a long downturn, so investing in things that are not instantaneous, but create employment and economic benefits over 6, 12, 18, 24 months, is well sized to the type of current economic situation. So the fact that we are four months in and the world hasn't changed dramatically overnight I think is not really the correct focus.

Ms. RICHARDSON. Okay, if your answer could be pretty brief on my last two, because I have got limited time.

Mr. KIENITZ. Yes, ma'am. Sorry.

Ms. RICHARDSON. Based upon your knowledge of the various departments within the Administration, do you have any perception or have you guys heard who has best performed with the stimulus dollars?

Mr. KIENITZ. I don't think that is something, honestly, I am competent to say. I am spending a lot of hours every week working on our piece of it, so I am not paying attention too much.

Ms. RICHARDSON. Okay. Well, let me use my last two minutes, then, to recap why I asked you the questions that I did. It seems quite clear to me—and I am going to be very frank for the record—we were in a caucus meeting and I saw our Chairman take a tremendous hit to push with the Administration to include more funding for the reauthorization. I thought he took an undue hit and, for the record, I think our Chairman was right and I think the President was clearly wrong.

The message I would like for you to take back to the Secretary, I don't intend upon supporting any second stimulus bill. The second stimulus should be the authorization of this transportation bill. The Vice President has acknowledged, when he was asked the question what has been the success of this bill, the only one he could recite clearly was the results of the transportation funding. So that is my message back. Thank you very much.

Mr. KIENITZ. I will transmit it.

Mr. DEFAZIO. I thank the gentlelady.

I recognize the Chairman of the full Committee for such time as he might consume, and I will be going to vote and he will adjourn the meeting. Thank you all for being here.

Mr. OBERSTAR. [Presiding] Thank you, Mr. Chairman. I want to thank Ms. Richardson for her courageous and thoughtful and straightforward comment and her thoughtful question to Mr. Kienitz.

Mr. Potts, I think the table on page 7 of your testimony was brought up with excitement when I read that. I said, I have been saying this for months and someone has finally tabulated it. You have all the supply chain benefits, as I called them: iron and steel industry, cement and Ready Mix, oil and gas extraction, all the way down through landscaping and real estate insurance and so on. I have said that for—you tabulated it very well.

Mr. Melaniphy, I thought your chart on the bus was terrific. I would like you to add to that where all those parts are manufactured. If you can do that for our next hearing on the progress on the Recovery Act, I think it would be very beneficial if we could have that not only for your company, but for the other bus and railcar manufacturers. It shows the wide distribution of jobs created not only at the point of delivery, but in the supply chain producing those products. Splendid testimony.

Mr. Poupore, I also want to thank you not only for your testimony, which I all but cheered, jumped out of my chair, as well as Mr. Potts, but for your letter to the Committee from the building trades of the Senate Committee encouraging them to—you came close. You came close. But that is all right, the Senate has acted. That is a good thing. I think they have got a bill. It is the wrong bill, but they have a bill out there, and the idea of House-Senate conference is that we reconcile differences.

The point is, though, that there is no need for extension of current law. All we need to do is plug the hole. There is a gap. The end of August, the Trust Fund, Mr. Kienitz, goes into a negative balance, right? Week of September 4, the Trust Fund will need an infusion. September 11, the vouchers from the States will total $2.4 billion and revenues deposit of Treasury into the Trust Fund will be $1.6 billion. That is an $800 million shortfall.

The week of September 25 through the following week, vouchers from the States will be $2 billion against $1.55 billion. That is a $450 million shortfall anticipated, projected. Revenues could be different; not much, probably, for a $1.2 billion shortfall.

If we did, as was done in 2008, make an intragovernmental transfer, that would keep the Trust Fund solvent; funds would continue to be paid out. And if you did a little bit more than that, you would assure that we would go into the second week of October with a full boat. The projection is that the week of October 8 vouchers from States will be $1.6 billion against revenues into the Trust Fund of $2.0 billion. That is due to a curious anomaly we crafted into anticipating this in SAFETEA in 2005.

So to do that requires only action by the Ways and Means Committee, who has jurisdiction over the Trust Fund, and authorize or direct an intragovernmental transfer from general revenues into the Trust Fund from those revenues that the Appropriations Committee over the last 10 years has taken out of the Trust Fund to pay for disaster relief from hurricanes and floods and earthquakes and other disasters that have occurred. They have taken $7.3 billion out of the Trust Fund revenues over and above the $100 million that we provide annually for disaster relief through the Highway Trust Fund. So that revenue is owed to the Trust Fund and needs to be repatriated. That is really all we need to do. We need not authorize anything else.

We also can justify that intragovernmental transfer on the basis that the Trust Fund is owed $8 billion in interest foregone on revenues into the Trust Fund from Treasury that we, at gunpoint, figurative gunpoint, had to give up under Bud Shuster's Chairmanship in 1998 with the Clinton Administration and the then Republican majority in the House conspiring against Bud Shuster and me partnering on that bill to get the firewalls built around the Trust Fund.

So, in the end, to get the deal, we gave up—it is the only trust fund that does not get interest payments on revenues into the Treasury, the only trust fund. Medicare does, the Social Security trust fund does, the harbor maintenance trust fund does, several others; but not Highway Trust Fund. We are treated like an orphan. Those monies are due back to the Trust Fund. We need to repatriate as well.

I would like to ask Mr. Braceras at the beginning of the recovery process—actually, that goes back to December of 2007, when we first proposed working with AASHTO, with ARTBA, with AGC, with the building trades and the transit agencies, we asked for a listing of projects that were shovel ready, as the term has become. By that we define it to mean design and engineering, right-of-way acquired, EIS completed, down to final design and engineering, ready to go to bid; and that initial list of some 6500 projects was refined down to roughly 5,000 projects by AASHTO.

And now we have—let me see here on my list—we have 5,840 projects approved by State DOTs and 4,098 projects out to bid through the end of May. That number will go up, as Mr. Poupore testified. Twenty-three hundred projects under contract worth $6.5 billion, under contract; and 1200 projects on which work is underway. That is only through the end of May. That number is almost double by now, maybe even more than double.

So I am quite certain that you State DOTs have a list of additional projects that are state of good repair projects, projects to bring your roadways, your bridge surfaces up to a usable condition. And I would recommend to AASHTO, in cooperation with Federal highways, with ARTBA, with AGC, to refine that list and get it into us. Because if there is going to be a second stimulus, it is going to be a highways or nothing else, because I don't know of any person who has been put back to work by the $300 billion tax cut.

I haven't talked to a single Member who has received an email, a thank you note, or a handshake from a constituent who said, gee, thanks for the tax cut. They don't even know that their taxes have been cut, but they do know that work is underway on highway projects and street projects and bridge projects all across America and that those transit buses are being built and put to use by the cities.

So I think your testimony here has been wonderful. Mr. Kienitz, you said all the right things, came to the wrong conclusion. You are a good fellow. You are a seasoned professional. You have been a good point guard and spear bearer for the Administration doing your job. Thank you very much for your testimony.

Thanks to all of you for your contributions. This is a partnership. We are not going to do 18 months; we are going to do a six-year bill, and we are going to need your help, all of you, so that we don't have to send the Administration through Head Start to understand what we need to do for the future of transportation. Thank you.

The Committee is adjourned.

[Whereupon, at 12:00 p.m., the Subcommittee was adjourned.]

STATEMENT OF THE HONORABLE PETER A. DEFAZIO
CHAIRMAN
SUBCOMMITTEE ON HIGHWAYS AND TRANSIT
COMMITTEE ON TRANSPORTATION AND INFRASTRUCTURE

HEARING ON
THE IMPORTANCE OF A LONG-TERM SURFACE TRANSPORTATION AUTHORIZATION IN SUSTAINING ECONOMIC RECOVERY

July 16, 2009

Good morning. This hearing today will focus on the role a long-term surface transportation authorization will play in sustaining our economic recovery. The American Recovery and Reinvestment Act has started the recovery process, but a long-term authorization is key to ensuring that recovery is permanent.

Last February Congress passed the Recovery Act to address the current economic recession. While I couldn't support the Recovery Act at the time because it didn't include enough funding for transportation, it at least provided $48.1 billion to States to invest in highway and transit projects. As of last month, $47.5 billion has been made available to the States, of which $20.7 billion has been obligated. Those funds have had a positive impact and are creating jobs, but we need to do more. As of June the unemployment rate has risen to 9.5% – the highest it has been in 26 years. The construction unemployment rate is 17.4%.

It is a proven fact that infrastructure spending, particularly transportation infrastructure spending, creates jobs and significant economic activity. Every $1 billion invested in transportation infrastructure creates or sustains over 34,000 jobs and results in $6.2 billion in economic activity. In addition to creating jobs, transportation investment creates assets that benefit generations to come.

In order to continue the momentum of the Recovery Act – and in order to ensure a permanent recovery – we must invest more in transportation in a long-term, focused way. This Subcommittee and the full Transportation and Infrastructure Committee have spent the last three years preparing for a surface transportation authorization that provides the reform and investment necessary to move us to a 21st Century transportation system, to create millions of family wage jobs, and to continue to put the economy on the road to recovery.

The Surface Transportation Authorization Act of 2009 will create or sustain over 12.5 million family wage jobs. That's six million more jobs, or roughly one million more jobs per year, than if we continued status quo funding. Six million more jobs. That's significant. That means that under the Administration's eighteen-month extension proposal one million jobs would be lost. We can't afford to walk away from one million jobs. And we certainly can't afford it in this economy.

But it's not just job creation that makes a long-term surface transportation authorization so important to the economy. A well-funded, streamlined and efficient transportation program improves the economy by making businesses more competitive and reducing the amount of time the average person spends in gridlock. According to the Texas Transportation Institute, in 2007 congestion cost Americans $87 billion in wasted time and fuel. Congestion also impacts the costs consumers pay for products. In this just-in-time delivery system, the longer a delivery truck sits in traffic the more the product costs and the less competitive our businesses are in the global marketplace.

At one time the U.S. led the world in surface transportation investment, which created a transportation system second to none. But since the Interstate construction era ended, our investment has declined, giving us an economy threatened by congestion. The actual purchasing power of the Federal gasoline tax has declined 33 percent since 1993, the last year it was increased. The results of that decline in purchasing power and the lack of increased investment are clear. Almost 61,000 miles on the National Highway System are in poor or fair condition; more than 152,000 bridges are structurally deficient or functionally obsolete; and the nation's largest transit agencies face an $80 billion maintenance backlog to bring their rail systems to a state of good repair.

The SAFETEA-LU National Surface Transportation Policy and Revenue Study Commission report in January 2008 estimated we should be investing a minimum of $225 billion from all sources annually in all modes of transportation (highways, bridges, transit, freight rail, and passenger rail). We are currently investing only $85 billion from all sources annually. Additionally, the American Society of Civil Engineers estimates the nation's infrastructure requires an investment of $2.2 trillion over the next five years to bring our infrastructure to a state of good repair.

An eighteen-month extension will leave states without the reliable funding source they need to plan significant multi-year projects. During the twelve extensions of TEA-21 over the 22 months before SAFETEA-LU was signed into law, states significantly pulled back on investments in highway and transit construction projects because of uncertainty regarding how much Federal funding the state would receive.

Jobs will be lost if we pass a temporary extension of our current surface transportation authorization, and we will lose out on the one million jobs that could be created by the Surface Transportation Authorization Act of 2009 over the next eighteen months. An extension will negate any jobs created by the Recovery Act. An eighteen-month extension will lock us into the broken policies of the past and prevent us from moving towards the transportation system of the future.

We owe it to our future generations to act now, not later. We have a significant opportunity to address the long-term issues impacting our roads, highways, and transit systems and a piecemeal approach to fixing our transportation network will not work.

We need a long-term perspective to rebuilding America. While there are some who say we should consider a second stimulus, a second stimulus isn't necessary. This surface transportation authorization is the next stimulus. It is our jobs bill.

I am pleased to have the Administration here to address their proposal for extending our current surface transportation programs and how an extension will aid economic recovery. I thank all of our witnesses for being here today and look forward to their testimony.

Harry E. Mitchell

Statement of Rep. Harry Mitchell
House Transportation and Infrastructure Committee
Subcommittee on Highways and Transit
7/16/09

--Thank you, Mr. Chairman.

--As you know, in May, our subcommittee took an important first step toward reauthorization of our surface transportation programs.

--While, clearly, we still have more work to do before our committee can report a bill to the House, we have made significant progress.

--And this progress is key.

--Thanks to a lot of hard work by members and staff, on both sides of the aisle, we are on schedule to enable Congress to consider a reauthorization bill before the current one expires on September 30, 2009.

--This is as it should be. Congress should do its work on time.

--When Congress doesn't do its work on time, its delays can have negative consequences, especially when it comes to major, multi-year investments like highways and transit projects.

--I want to thank the Chairman for holding this hearing today, and for his leadership on surface transportation issues.

--I yield back.

James L Oberstar

STATEMENT OF
THE HONORABLE JAMES L. OBERSTAR
HEARING ON THE IMPORTANCE OF LONG-TERM SURFACE TRANSPORTATION AUTHORIZATION IN SUSTAINING ECONOMIC RECOVERY
COMMITTEE ON TRANSPORTATION AND INFRASTRUCTURE
SUBCOMMITTEE ON HIGHWAYS AND TRANSIT
JULY 16, 2009

- I want to thank Chairman DeFazio and Ranking Member Duncan for holding this hearing on the importance of a long-term surface transportation authorization in sustaining economic recovery. I also want to welcome and thank all of our witnesses for being here today.

- This hearing has come at the end of a long series of hearings the Subcommittee has held exploring emerging themes in transportation policy and practice, the needs of our national surface transportation system, and the authorization of our surface transportation laws.

- As a result of this multi-year effort to prepare for the September 30th expiration of existing surface transportation law, we introduced the Surface Transportation Authorization Act of 2009, which this Subcommittee reported to the Full Committee on June 24 of this year.

- This transformational bill calls for a substantially increased level of investment in the nation's highways, bridges, transit systems, and nonmotorized transportation systems, to begin to address the growing investment gap in the nation's infrastructure that has been identified by nearly every independent analysis, and in doing so, create 6 million good paying jobs.

- But the solution to the challenges facing our transportation system requires more than just greater investment. Existing Federal transportation policies are outdated and ill-equipped for meeting the demands of a changing nation and building a 21st century surface transportation system.

- With the nation facing the worst economic recession since the Great Depression, these objectives could not be of greater importance or urgency. As of last month, there are 14.7 million unemployed persons in the United States, and the unemployment rate has risen to 9.5 percent—the highest it has been in 26 years.

- The construction sector has been particularly hard-hit by this downturn, losing nearly 1.3 million jobs since the start of the recession in December 2007. By last month, the unemployment rate in the construction sector hit 17.4 percent—up 9.2 percentage points since June 2008. As of June 2009, there are more than 1.6 million unemployed construction workers across the nation.

- In March of this year, Congress and the President took swift and decisive action to bring the nation's economy back from the brink of disaster and put us on the road to recovery and prosperity.

- The American Recovery and Reinvestment Act (Recovery Act) included substantial surface transportation investments that have allowed States and Metropolitan Planning Organizations (MPOs) to continue repairing and maintaining assets by investing in ready-to-go projects in every State.

- These projects are currently putting Americans back to work rebuilding the infrastructure network that serves as the backbone of the nation's economy and in the coming months will create even greater job opportunities.

- But even this significant investment falls short of the overall needs of the system. In the Administration's unsuccessful effort to build bipartisan support for the Recovery Act, infrastructure investment took a back seat to more tax cuts.

- In the end, tax cuts won out over the needs of workers and businesses depend on the world-class transportation network we now enjoy.

- But as we saw over the last 8 years, tax cuts alone cannot produce economic growth that reaches all sectors of the economy and all communities across the country. They do nothing to make the needed investments in our infrastructure to bring our highways, bridges and transit systems to a state of good repair.

- They do nothing to address the congestion that is crippling the nation's roadways and increasing the costs of doing business or commuting to and from work in America. And tax cuts do nothing to address the safety challenges of the system that each year took the lives of an average of 41,475 people over the past five years.

- These objectives can only be reached through the passage of a robust and transformational long-term surface transportation authorization that charts a bold new path for the future of the nation's transportation network.

- We must pass a long-term surface transportation authorization that builds upon the job opportunities created by the Recovery Act that are putting Americans back to work, make the necessary investments, and institute the programmatic reforms required to build a 21st century surface transportation system.

- By doing so we will build ourselves out of this recession. And once the nation's economy has emerged from this downturn, it will rest on an infrastructure foundation that is safer, stronger, more efficient, and more environmentally sustainable for all Americans.

- Unfortunately, the Administration and some in the Senate have suggested an 18-month extension of the existing surface transportation programs. However, this approach achieves little more than to kick the can down the road on critical reforms and difficult choices that must be made immediately.

- Under this approach, in 18 months we would once again find ourselves with the same difficult decisions, the same outdated and inefficient programs, and even higher investment needs in all modes of our transportation system.

- Worst of all, failure to pass a long-term surface transportation authorization on time would bring significant uncertainty to States and MPOs that must plan critical projects years in advance and that require the long-term funding assurances and stability from their Federal partners to proceed in this process.

- At a time when States are facing crushing budget shortfalls and Governors are forced to make difficult choices to cut back on spending, we cannot expect the necessary investments in infrastructure planning to be made at the State and local levels, while we here in Washington have not made the same commitment.

- This scenario is unacceptable and would bring disastrous consequences to the nation's economy, to the construction, engineering, and materials industries and job markets, and to the nation's aging surface transportation system as whole.

- I look forward to hearing from each of the witnesses today on how the next surface transportation authorization can play an integral role in the sustained recovery of the nation's economy during this recession, and in building for the 21st century and beyond.

- Thank you Chairman DeFazio and Ranking Member Duncan for holding this hearing and I look forward to our discussion on this matter.

AMERICAN ASSOCIATION OF
STATE HIGHWAY AND
TRANSPORTATION OFFICIALS

AASHTO
THE VOICE OF TRANSPORTATION

Testimony of

Mr. Carlos Braceras

Deputy Director
Utah Department of Transportation

On Behalf of

THE AMERICAN ASSOCIATION OF STATE HIGHWAY AND TRANSPORTATION OFFICIALS

Regarding

The Importance of Long-Term Surface Transportation Authorization in Sustaining Economic Recovery

Before the

Committee on Transportation and Infrastructure
U.S. House of Representatives

JULY 16, 2009

American Association of State Highway and Transportation Officials♦444 North Capitol Street, N.W., Suite 249, Washington, D.C. 20001♦202-624-5800

Mr. Chairman, Ranking Member Duncan, and Members of the Committee, I am. Carlos Braceras, Deputy Director of the Utah Department of Transportation and Secretary-Treasurer of the American Association of State Highway and Transportation Officials (AASHTO). Today I am appearing on behalf of AASHTO, which represents the departments of transportation in the fifty states, the District of Columbia and Puerto Rico.

First, I want to thank you, Mr. Chairman and Ranking Member Mr. Duncan, for holding this important hearing on the importance of a multi-year surface transportation authorization bill to replace the expiring SAFETEA-LU Act, as well as for your leadership in ensuring continuity of highway program funding just as we hit our stride in deploying economic recovery dollars.

Today I would like to cover three points:

- Transportation is a critical engine of the American economy, and we must continue to invest public resources at all levels of government in America's transportation system.

- We must have a predictable, well-funded, multi-year authorization measure that acknowledges and reinforces the long-standing federal-state partnership in financing and administering the federal highway program and in delivering a quality surface transportation system.

- Today we face an immediate crisis with an imminent shortfall in the Highway Trust Fund that must be addressed before Congress recesses for its August work period.

We must continue to invest public resources in America's transportation system to tackle today's challenges. We must continue to invest public resources in America's transportation system to tackle today's challenges, including congestion, connectivity, access, climate change and energy security, and to lay a sound, realistic, and practical foundation for a revitalized economy equipped to meet the needs of a growing and changing society.

Investment levels must keep up with growth in highway travel and transit ridership, we must address a massive investment backlog, and normal wear and tear on the system is substantial. In the *2009 Highway, Bridge and Transit Bottom Line Report*, AASHTO concluded that

- Between 2010 and 2015, an annual capital investment of $166 billion for highways and bridges is necessary to improve the condition and performance of the system, given travel growth at 1.4 percent per year. If travel growth is held to about 1.0 percent a year, then the needed capital investment would come to $132 billion per year. These are model-based investment estimates and reflect all projects, including expansion projects, for which benefits exceed costs. Additional investment requirements not covered by the model, including for example, environmental mitigation, highway operations, safety, and security, would add another $13 billion per year. Furthermore, major reconstruction of our aging Interstate Highway System will be required and those costs, which could be dramatic, are also not included in the modeled numbers and cannot be estimated at this point.

- In 2006, highway capital investment from all levels of government totaled $78.7 billion, according to the U.S. Federal Highway Administration (FHWA).

- An annual investment of $46 billion for public transportation is necessary to improve system performance and condition, given an expected 2.4 percent annual growth in ridership. If ridership growth rises to 3.5 percent, the level that would double ridership in 20 years, then the investment in public transportation would have to increase to $59 billion per year.

- In 2006, transit capital investment from all levels of government totaled $13.3 billion, according to the American Public Transportation Association.

These investment requirements are substantial but has an even larger economic payoff. Capital investment in our national surface transportation infrastructure is fundamentally different from other kinds of government operations spending. Investing in transportation assets that last 50 to 100 years or more produces economic and societal benefits for many generations to come. <u>Moreover, it creates and sustains good-paying American jobs.</u>

We must have a predictable, well-funded, multi-year authorization measure that acknowledges and reinforces the long-standing federal-state partnership. Building and preserving highway and transit systems require long lead times. Collaboration and coordination, planning, designing, funding and constructing projects takes years. The lead times that are needed for long-term planning and multiyear construction necessitate a long-term, stable funding commitment. Therefore, investment in our surface transportation infrastructure requires a predictable, well-funded, multi-year authorization measure that acknowledges and reinforces the long-standing highly successful federal-state partnership in delivering a surface transportation system that meets our social, economic and environmental needs.

AASHTO has spent two years developing principles and policies to help define what is needed for a long-term surface transportation program which incorporates substantial reform. Many of the key themes around program structure and accountability are reflected in the bill introduced by Transportation and Infrastructure Committee Chairman James Oberstar. Nevertheless, we have substantial concerns regarding many of the details of this bill and look forward to working with this committee to address those concerns. **Simply put, we want a well funded, six year bill that respects the essential role of the states in administering and delivering the surface transportation program.**

The Short Term Funding Crisis. Today the Highway Trust Fund is in crisis. In the short-term, the Highway Account of the Trust Fund faces insolvency before the end of the current fiscal year and the prospect of a greatly reduced program in FY 2010. In the long-term, the Trust Fund faces an enormous gap between available resources and the investment needs necessary to modernize our national surface transportation systems to meet the challenges of the 21st Century.

Established in 1956 to fund the Interstate Highway System, the Highway Trust Fund is the principal source of funding for Federal investment in surface transportation infrastructure. Supported by a dedicated stream of user revenue, the Trust Fund allows Congress to finance surface transportation programs through the use of contract authority, which allows for commitments to be made in advance of appropriations. This provides the stability and predictability that are essential to the success of long-term capital investments. States and local governments are then able to execute long-term planning and multi-year construction contracts based on that stability and predictability. And over the years, Congress has provided additional revenue to ensure investments could be continued in keeping with the needs of the nation.

As you know, Mr. Chairman, spending from the Highway Trust Fund is exceeding the levels of revenues flowing into it. When SAFETEA-LU was enacted, it was estimated that Trust Fund reserves and current cash flows into the Trust Fund during SAFETEA-LU would be sufficient to fund all of the commitments in highway and transit investments guaranteed in the bill. But unprecedented high motor fuel prices during this period and the current severe recession have driven down demand to the point that Trust Fund revenues will be well below the levels that had been assumed at the time SAFETEA-LU was enacted.

In September of 2008, when the U.S. Department of Transportation (U.S. DOT) announced that insolvency of the highway program was imminent, Congress transferred $8 billion back into the Trust Fund from the General Fund to enable U.S.DOT to honor the commitments made to the States through the end of Fiscal Year 2009. That action kept the program solvent and enabled billions in highway investments to continue. Unfortunately, we now know that will not be enough to sustain the program until September 30, 2009 and without an immediate fix, U.S.DOT will not be able to honor the commitments to the states for all of FY 2009. We estimate that $8 billion will be necessary to meet those commitments.

A second facet of the Trust Fund short-term funding crisis relates to what happens in Fiscal Year 2010. While AASHTO is committed to doing all we can to assist you in getting a new long-term authorization bill on schedule, the possibility remains that additional time will be required for the House, Senate and Administration to agree on a final bill. Interim funding should be provided to assure that there is no interruption in the highway program in Fiscal Year 2010 which begins on October 1, 2009. Therefore, we urge you to transfer sufficient funds into the Highway Trust Fund to assure that interim funding, if needed, will be at adequate levels. We concur with the Administration's estimate that an additional $10-$12 billion would be necessary for this purpose.

Failure to act would have devastating effects. If the Highway Trust Fund becomes insolvent before the end of this fiscal year, States will likely suspend new contract awards, halt right-of-way acquisition, and look for ways to stop on-going construction while maintaining public safety. If interim funding for FY 2010 is not available, then the federal highway program will have to be cut back to $5.7 billion, or 86 percent below the current program level, and States will have to reduce their programs by a similar amount. Given the severity of the current recession, States will not be in a position to step in and fill the void, plans will be put on hold or cancelled, contracts will be terminated, resulting in plant closures and layoffs.

Failure to fix the short-term Trust Fund crises will undermine the economic recovery. The ARRA has recognized the critical need to ramp up investment in infrastructure to create and sustain jobs and put in place much-needed infrastructure. Jobs are, in fact, being created and sustained. But if there is a dramatic decline in investment due to the short-term Trust Fund crises, it is likely that much of the important recession recovery process will be lost. Also lost will be the many important transportation improvements that will have to be postponed or cancelled.

AASHTO recently surveyed the States to ascertain the effect of a major reduction. At the time of the survey we projected a 35 percent reduction in the program. States responded and the following data sample shows the negative impacts of a major reduction.

State	FY 2010 Reduced Level	Number of Affected Projects	Dollar Value of Affected Projects	State Comments
ARIZONA	$436,826,558	17	$300,000,000	While the ARRA funding offset a portion of these reductions, an additional $300 million cut would negate the positive impact that the ARRA funding had in Arizona. It would severely impact ADOT's construction program and the Arizona economy by eliminating virtually every major project from the program in 2010 outside of the Phoenix metro area.
CONNECTICUT	$271,582,747	59	$151,200,000	If obligation authority was provided in FY2010 at the same level as FY2009, ConnDOT could start an additional 59 projects with the additional $151.2 million. These are the projects that would not proceed under the 35% ceiling reduction scenario.
GEORGIA	$746,516,328	n/a	$397,326,417	If this anticipated reduction in funding occurs, the need to maintain the existing infrastruction would virtually consume the limited funding provided and essentially eliminate some programs as well as constrict most all new construction.
KENTUCKY	$365,636,425	50 to 75	$202,500,000	With state road fund receipts continuing to decline, our state program has already been cut dramatically. While ARRA funds will help in the short-term, the long-term sustainability of our highway program in Kentucky is uncertain without an adequately funded and prioritized federal program. Kentucky operates on a cash flow basis and any changes or delays in federal reimbursement have to be carried by our state road fund. With ever shrinking state road fund cash balances, Kentucky cannot afford to carry reimbursements any longer than necessary.
MICHIGAN	$590,918,727	215	$400,000,000	Reductions in federal-aid at the proposed 35% level would adversely affect an already economically depressed economy. When FY 2009 apportioned program funding is combined with funding from ARRA, our drop in funding is 67% (from $1.8 billion to $591 million). This would result in 30,000 fewer jobs than is supported by the overall level of federal funding Michigan received in FY 2009.
MISSOURI	$490,242,398	59	$414,000,000	It will negate any job creation and economic benefits associated with ARRA funding in 2010. The loss would be catastrophic to Missouri's transportation system.
NEW HAMPSHIRE	$92,609,976	40	$57,000,000	NH relies solely on federal funds for transportation program with very limited direct State funding, so such significant reductions in federal funds would correspondingly significantly affect the State program.
NEW YORK	$914,849,737	102	$468,393,070	Would result in the loss of 13,100 construction jobs (based on FHWA coefficients).
NORTH CAROLINA	$600,800,707	400	$300,000,000	The proposed reduction could affect our State's GARVEE abilities and may influence the rate of our upcoming sale. The proposed reduction is approximately 50% of the amount of ARRA transportation funding just received, which in essence reduces the intended economic impact by half.
NORTH DAKOTA	$130,451,970	76	$94,300,000	NDDOT's own pavement-management-system estimation tool indicates that a 35% decrease in funding would mean that within 2 years NDDOT's overall system condition would drop into "Fair" condition and in less than 20 years would drop into "Poor" condition.
OREGON	$234,603,774	100+	$138,000,000	The cuts would come sooner than otherwise required because ODOT does not have sufficient balances in the state highway fund to cushion the federal cut. It is likely that basic pavement preservation, bridge, and maintenance would sustain the bulk of the cuts.
PENNSYLVANIA	$915,977,986	115	$528,000,000	The reduction of $528 million immediately following the "ramp-up" of ARRA monies will dramatically impact construction contractors and consultant engineering firms not to mention delay of greatly needed highway and bridge repair.
RHODE ISLAND	$101,190,176	20	$60,000,000	If the funding is reduced, we would not be able to begin any new transportation construction projects during FY2010 as the funding received would have to be used to pay GARVEE debt service and to continue funding projects already underway using advanced construction.
TEXAS	$1,867,967,643	96	$2,800,000,000	This level of reduction would result in no new construction or added capacity projects being awarded in Texas for the entire year. It would also result in our annual letting being reduced from a total of $4.357 billion to only $1.600 billion.
UTAH	$165,695,761	n/a	$73,000,000	If the predicted Highway Trust Fund shortfall occurs the cost/benefit of these dollars will be worse, as lower funding levels would require a shift to a more reactive type project.
VERMONT	$82,992,948	n/a	$50,000,000	Although it is too early to tentatively identify any specific project, it is clear that such a reduction would essentially negate any positive impact from the FFY-10 economic stimulus funds provided to Vermont. Like other small States caught in the economic recession, with an already high tax burden, we do not have the option of generating additional State funding to compensate for such a large reduction in federal funding.
WISCONSIN	$419,247,634	206	$223,400,000	Not only will current deficiencies go untreated, most will cost significantly more to address in the future.

Mr. Chairman, to summarize, the looming funding shortfall is consuming our attention, and we find ourselves at a crossroads. Will we step up and increase Trust Fund resources so that the Trust Fund can meet the short-term and long-term investment needs of the Nation? Or will we allow the Trust Fund to wither away—instead funding national surface transportation investment through the uncertainties of the annual Federal appropriations process or by relying more heavily on state and local governments to contribute a greater share of resources, which will be needed to sustain a viable, productive and economically competitive surface transportation system. These are essentially our choices.

AASHTO comes down squarely on the side of continuing a strong Federal program and Federal-State partnership. AASHTO believes that a strong Federal partner is essential in meeting our short-term and long-term transportation needs. And AASHTO further believes that the stability and predictability that comes from a robust, adequately financed, Highway Trust Fund and multi-year authorization bill is essential.

Mr. Chairman and Members of the Committee, thank you for the opportunity to testify and share our views. I will be happy to answer any questions you may have.

The Importance of a Long-Term Surface Transportation Authorization in Sustaining Economic Recovery

July 16, 2009

Testimony to the House Transportation and Infrastructure Committee, Subcommittee on Highways and Transit

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Mr. Chairman and Members of the Subcommittee:

I would like to express my appreciation for the opportunity to address you today on the Importance of a Long-Term Surface Transportation Authorization in Sustaining Economic Recovery." My name is David Bruffy and I am the General Manager of the Mountain Line Transit Authority in Morgantown, West Virginia. I also serve as the President of the West Virginia Public Transportation Association and as West Virginia's representative on the Community Transportation Association of America's State Delegate Council. In this capacity as a representative of the Community Transportation Association of America, I am pleased to communicate the Association's complete support for the Surface Transportation Act of 2009 and concerns about any long-term delay in its adoption.

I would like to tell you briefly about Mountain Line Transit Authority. We currently provide more than 1.1 million rides each year, using a fleet of 38 vehicles, and provide fixed-route bus service on 20 routes, along with demand-response services and an intercity regional bus route. Our annual budget includes support from the Federal Transit Administration's Small Urban (5307), Seniors and People with Disabilities (5310), Job Access and Reverse Commute (JARC) and New Freedom programs. Recent ridership increases are showing that the larger Morgantown community has embraced public transportation as one of the keys for the future development of our community. Monongalia

County is one of the youngest counties in a state with one of the oldest populations in the country.

The ambitious transportation blueprint developed by the House of Representatives' Transportation and Infrastructure Committee – the Surface Transportation Authorization Act of 2009 – establishes a long-term foundation for transportation investment and reform. Congressional action to move this vision forward is urgently needed. However, some have suggested that a temporary extension of the current Safe, Affordable, Flexible and Efficient Transportation Efficiency Act – a Legacy for Users (SAFETEA-LU) legislation is preferable, considering other national priorities and legislation working their way through the Congress. Such a delay could present significant obstacles to transit providers like myself and threaten prospects for fundamental improvements to our national approach to surface transportation that are desperately needed.

A Tenuous Time for Transit

There are a number of reasons why any hesitation in a multi-year surface transportation authorization would present significant challenges to transit systems like mine. First and foremost are the increasingly tenuous conditions that transit providers face. Last summer's skyrocketing fuel prices were the pinnacle of a recent trend of increasing transit ridership across the nation, from which my system likewise benefited. Collectively, in the first quarter of 2009, more than 2.6 billion trips were provided by public and community transportation systems in the first quarter of 2009. And while prices have since returned to lower levels, as an industry, transit's passenger counts have generally remained high.

In spite of these gains in ridership, transit operations like mine are faced with steadily increasing costs – in terms of fuel costs, insurance premiums and other factors – that often outpace additional revenue produced by additional riders. As well, state and local economies have been most severely impacted by the economic downturn, thus reducing access to local share for many systems. Some observers have termed this phenomenon the transit paradox – meaning at a time when transit is carrying more passengers than ever before, we are forced to take actions which could drive those new riders away from transit, perhaps permanently.

This trend has already impacted Mountain Line. This year, we were forced to reduce service because of our increasing operating deficit. We reduced capacity on already crowded routes and eliminated a housing shuttle service when local funding ran out. Meanwhile, West Virginia University recently reduced its commitment by nearly 16 percent, which produced a resulting cutback in our service to university students. Despite these reductions, we still expect an increase in ridership of over 30 percent compared to 2008.

It is in this context that a long-term authorization of surface transportation is needed, and immediately. Such an effort would allow transit providers to craft budgets and operating plans guided by predictable levels of investment. Additionally, the Surface Transportation Act of 2009 proposes to double the level of investment in the transit program, and that increased investment would pay immediate dividends for transit agencies' operating budgets. Any delay in this process is a barrier to moving transit forward, and forces transit providers to consider additional fare increases and reductions in service, neither of which anyone wants.

An Economic Imperative

Improved mobility options and enhanced transportation infrastructure are for the first time being realized as equal partners in economic development at the national, regional and local levels. The value of the connections that transit fosters in linking people with jobs, accessing essential services and fueling communities and districts of economic growth is increasingly recognized by community leaders and public officials as vital in our common prosperity. That recognition was codified this year in the American Recovery and Reinvestment Act (ARRA), which provided $8 billion investment for our nation's community and public transportation systems – in addition to existing levels of support through SAFETEA-LU – as well as substantial investment in other key transportation priorities such as high-speed rail. Additionally, the Congress also recently approved measures to allow 10 percent of ARRA investment to support transit's operating expenses, a crucial move to help transit agencies avoid further service cuts and fare hikes, as I described earlier. At Mountain Line, we benefited from support to purchase an additional three buses, building on an existing order. The new vehicles allow us to restore some of our previously reduced service and reduce our long-term maintenance expenses. However, we also could have utilized additional capital investment to upgrade our scheduling and dispatching software as well as improve our on-board vehicle technology.

At a time when all of our nation's leaders are rightly focused on helping our ailing economy recover in the most rapid and efficient manner, the investment provided for transportation in general – and transit in particular – in the ARRA are delivering powerful benefits to rebuild our economy.

On June 23rd, the Committee on Transportation and Infrastructure released data on transportation projects kick-started by funds from the American Recovery and Reinvestment Act (ARRA). The results were impressive: as of May 31st, over 4,000 highway and transit projects had been put out to bid across the entire nation with only 46 percent of the available formula funding assigned. A conference call among several state departments of transportation on July 14th reported the following specifics: in Utah, 97 percent of ARRA money has been obligated, while 93 percent has been contracted and 43 percent of contracts are underway. Additionally, California expects to have an additional $750 million in funds obligated by the end of the summer, while Washington State has provided $1.1 million in payroll to workers on 59 projects, with 71% of ARRA funds obligated. Over 850 workers have been employed for these projects.

These projects translate into direct, on-project jobs for 21,000 Americans. Nor does the impact of these projects stop on-site. These projects are capital-intensive, requiring physical resources in addition to human labor. For every rail project that employs workers to lay the tracks, it employs workers in our steel industry to produce those rail ties. It employs drivers to bring those rail ties to the site. It employs engineers to oversee the design of the rail system. The Buy America provisions built in to many public transit agencies' capital expenditure policies also translates into much-needed support for American industries. As many American motor vehicle manufacturers begin to expand their transit production lines, the expansion of new transit projects generates demand and creates a new market for these companies, providing them with the resources they need to recover and adapt to an evolved market.

Even more importantly, many of these generated jobs are in the sectors that have been hit the hardest by the recession. A recent study conducted by the American Public Transit Association found that two-thirds of jobs created or supported by transit project spending in sectors like manufacturing, repair and maintenance, vehicle operation, or fare collection. It is therefore difficult to fully determine the impact of these transportation projects simply because they resonate throughout so many sectors of the economy. But the net result is undeniable: these projects create jobs in staggering numbers, generating benefits that quickly offset the costs of investment.

The speed with which this job creation is taking place is just as impressive as the size of the impact. Given the alarming backlog of repairs and maintenance needed for this nation's transportation infrastructure, there are thousands of projects across the country in state DOTs that demand attention but are sitting on shelves. These infrastructure projects epitomize the "shovel-ready" concept, needing only the investment in order to start. With less than half of the ARRA funds assigned, there has already been impressive job growth in a small amount of time. It is essential for Congress to capitalize on the momentum that this funding has already generated. To delay reauthorization is to miss a critical opportunity to fight back against the recession with swift and direct action that will resonate throughout all economic sectors. Maintaining the status quo of transportation funding will stifle state and local transportation departments in following through on new projects, leading not only to significant missed opportunities for job growth, but even substantial job loss as transit systems across the country reduce their services. Service reduction in the transit industry not only leads to job reductions within the industry, but – as important – the loss of accessible transit means that those who depend on public transportation for mobility will lose access to their jobs.

A New Vision for Surface Mobility

It is therefore essential that the investment directed to transit in the ARRA not serve as a one-time, bonus appropriation, but rather coincide with a long-term strategy for sustaining and improving the mobility afforded by reliable, responsive and efficient community and public transportation. Indeed, it is time for a new legacy to be cultivated through our nation's surface transportation legislation –

the kind advanced in the committee's Surface Transportation Authorization Act of 2009. This is why the early momentum generated through the ARRA must not be wasted by a delay of any kind in a long-term authorization.

The Surface Transportation Act of 2009 in many ways marks the type of approach to transit investment for which my peers and colleagues in transit have long been advocating. More than just a simple growth in investment dollars, the Act includes important provisions to streamline federal investment programs, ensure a state-of-good-repair, support projects of national significance and promote livable communities, among others. Most important for local transit providers like Mountain Line are the Act's measures to expand investment for transit operations. In Fiscal Year 2005, Mountain Line moved more than 396,000 riders. In Fiscal Year 2008, that number had grown to well over 1.1 million – an increase of 194 percent. However, over that same four-year span, our federal investment grew by only 33 percent, leaving a sizable gap in operating expenses.

While support for capital expenses such as vehicles, technology, intermodal stations and maintenance facilities is always needed, additional federal investment for transit's operating costs would have the most profound impact in our ability to serve our communities by expanding service and maintaining affordable fares. By avoiding a delay in authorizing legislation that includes provisions such as these, Congress can ensure transit providers can continue our work in mobilizing people and the American economy.

Demographic Trends Impact Economic Recovery

Sustained economic recovery is intrinsically connected to the mobility of all Americans. Public and community transportation — serving urban, rural and suburban communities — connects millions of Americans everyday with work, with routine and ongoing medical care and treatments, with shopping, with vital local human services and much more. What's more, rebuilding the nation's public transit infrastructure — especially in light of the fact that overall transit ridership is at its highest level in more than 50 years — is already positively impacting the nation's economic recovery. The Surface Transportation Act of 2009 includes a number of innovations that will help public and community transportation providers to better respond to this growing demand and that will continue the rebuilding of the nation's transit infrastructure that was started in the ARRA.

Within this growing demand for transit is one demographic that represents several important opportunities for transit providers to impact the nation's economic recovery — senior citizens. Public and community transportation — increasingly — finds itself the only mobility option for a growing number of older Americans who either cannot or choose not to drive themselves. For example, Mountain Line recently entered into an agreement to provide service for a local non-profit senior center, including unlimited transit passes for their participants and additional demand-response service for those who cannot access traditional transit.

For years, almost everyone in this country has identified the growth of our senior population as a significant challenge for our government, our economy, and for the health care system. This ongoing growth is a challenge to community and public transit, as well, particularly as it pertains to health care. Whether it's dialysis, chemotherapy or even just a routine check-up, transit's role in connecting seniors with health care is a vital aspect of the network's role in sustaining economic recovery.

The current trends in health care delivery across the country are significant contributors to the growing demand for transit. Foremost in these trends is outpatient care. As the health care system continues to limit in-hospital stays, it creates transit demand, particularly among older Americans. From life-saving dialysis treatments and chemotherapy to physical and occupational therapies, outpatient practices create the need for regular transportation to and from care. In many cases, public and community transportation systems find themselves overwhelmed by non-emergency medical transportation demand — emanating largely from the local senior community.

The Surface Transportation Act of 2009 includes a number of provisions that strengthen the ability of transit systems to meet this important demand — most notably doubling overall transit investment. It calls for more efficient collaborative approaches between human service and public transportation in both urban and rural communities and it begins the process of investing in mobility systems that do more than just respond to this trend, but that get ahead of it.

Waiting an additional 18 months might not sound like a long time — particularly in the Washington legislative cycle. But in the case of America's senior citizens and their increasing mobility needs, as well as in the face of mounting non-emergency medical transportation concerns, such a wait will assuredly exacerbate what is already a dire situation.

Connecting America Back Together

The nation is entering a new transportation era. The tremendously successful Eisenhower Intercity Highway era has ended and the nation finds itself more disconnected than ever before. Congestion robs our economy of an estimated $78 billion a year. More than 40,000 Americans perish each year on our roadways. Maintenance and upkeep of the highway and bridge system we just celebrated completing has fallen far behind schedule.

Yet all the transportation news is not bad. Ridership on the nation's public transit systems is approaching all-time highs. Rural communities that for decades had little or no public transportation component are now seeing such services — sometimes for the first time. Under the guidance of the past several federal transportation reauthorization laws, communities around the nation have built light rail and commuter rail systems, rural transit operations and intermodal facilities.

It is now time to take these successes and connect them together offering Americans in cities, suburbs and rural areas alike what they have always wanted in their transportation: choices. The Surface Transportation Act of 2009 takes an important first step in reconnecting America with its renewed focus on intermodalism, its planning reforms that incorporate more citizen and community involvement, its commitment to livable communities and its support of intercity rail systems that will be the backbone of the connections we seek between public transit operators at the local level in rural, suburban and urban areas.

For instance, Mountain Line operates a regional bus line connecting Morgantown with other West Virginia communities en-route to Pittsburgh International Airport and the city's downtown bus terminal. We initiated the service after Greyhound abandoned a similar route in 2005. While the previous route only attracted four-to-six riders per day, the new service carries an average of over 20. We have a similar plan ready to serve the State Capital in Charleston, along with eight other rural transit systems. Unfortunately, as there is currently only a single federal investment program to support regional transit service we are unable to initiate such a service.

Clearly, a more connected network of surface transportation systems will have a positive impact on the American economy. Freeing up the flow of commuters and goods in congested areas alone will have a dramatic impact on sustaining the American economic recovery. Just as important, a connected, intermodal surface transportation network will reduce the nation's reliance on foreign energy sources and help reduce carbon emissions.

The Importance of a Long-Term Surface Transportation Authorization

The importance of a long-term surface transportation authorization for transit systems like mine and those I represent throughout the state of West Virginia is clear. It is needed to meet the growing demand for transit in communities of all sizes. It is needed to help transit operators bridge the operating funding gap that is forcing too many systems to consider fare increases and service cuts at a time when they need to be doing the opposite. It is needed to help serve seniors and to meet non-emergency medical transit demand. It is needed to build upon the momentum that Congress and the Administration established with its swift passage of the ARRA. And finally, it is needed because none of the critical issues facing public and community transportation operators today — to say nothing of the communities and people they serve — will do anything but get considerably worse in the ensuing 18 months.

STATEMENT OF
UNDER SECRETARY FOR POLICY
U.S. DEPARTMENT OF TRANSPORTATION
ROY KIENITZ
BEFORE THE
COMMITTEE ON TRANSPORTATION AND INFRASTRUCTURE
SUBCOMMITTEE ON HIGHWAYS AND TRANSIT
U.S. HOUSE OF REPRESENTATIVES

JULY 16, 2009

Chairman DeFazio, Ranking Member Duncan, and Members of the Subcommittee:

Thank you for inviting me to appear before you today to discuss the Importance of a Long-Term Surface Transportation Authorization in Sustaining Economic Recovery.

The importance of the surface transportation system to the long-term health of the American economy has never been in dispute. A wide range of studies have been conducted on the macroeconomic effects of transportation infrastructure investment. These studies inevitably reach somewhat divergent conclusions, but certain common themes emerge.

First, transportation infrastructure investment generates major short-term effects on employment and the economy:

- It generates direct economic effects by boosting employment and incomes at businesses hired to construct new highway, transit, and other transportation infrastructure.
- Infrastructure investment also increases employment and economic activity indirectly by increasing the demand for construction materials and equipment such as concrete, steel, asphalt, and paving machines, as well as business services purchased by construction companies.
- Finally, the additional income earned by construction workers will be re-spent on consumer goods and services, inducing higher incomes in the consumer goods and services industries.

Second, investment in transportation infrastructure has important long-term effects. Carefully planned transportation infrastructure investment permanently expands the productive capital stock of the economy, increasing output and income per worker for decades to come. In addition, these improvements improve the quality of life of American citizens by reducing transportation costs, providing easier access to markets, reducing congestion, and improving safety.

Focusing first on the short-term effects of surface transportation infrastructure investment, the Council of Economic Advisers has estimated that each billion dollars of transportation infrastructure investment generates thousands of jobs. Some have raised concerns that these jobs will be generated too slowly to be effective in combating the recession. Yet it has been clear even before the Obama Administration took office that one of the singular features of this recession was that it would be unusually long. Global Insight, one of the leading macroeconomic forecasting firms, forecast in early January, before President Obama was inaugurated, that the recession would continue through the middle of this year and that unemployment would continue to rise until the first half of 2010. While transportation infrastructure investment spends out more slowly than some other forms of stimulus (such as unemployment insurance and revenue sharing with States), the expected duration of this recession and length of time it will take for the labor market to fully recover means that we will still need the job-generating effects of infrastructure investment even if that investment takes place in 2010 or 2011.

The long-term effects of transportation infrastructure investment have been the subject of a wide range of studies over the past 20 years. One of the most thorough studies of these effects was a 2003 study by Global Insight, which looked at the effects of an increase in highway and transit expenditures. It concluded that, for every billion dollars in highway and transit expenditures,

- Gross Domestic Product (GDP) would increase by $2.188 billion,
- Disposable income would rise by $977 million,
- Consumption would rise by $742 million, and
- Investment (other than the transportation investment itself) would rise by $162 million.
- Federal tax revenues would increase by $770 million, and a substantial portion of these revenues would be passed along to State and local governments as grants to support transportation investments and other purposes. The total increase in State and local revenues, including Federal grants as well as increases in their own tax revenues, would be $1.059 billion.
- Finally, the productivity of the economy – that is, the potential GDP – would rise by $551 million per year – a permanent dividend from the investment in improved productivity.

Earlier studies had yielded somewhat different but broadly comparable results. A 1998 study by Ishaq Nadiri and Theofanis Mamuneas for the Federal Highway Administration found that a $1 billion investment in transportation infrastructure generated an annual increase in productivity of $419 million. A series of studies by Mamuneas has found that, while the rate of return to transportation infrastructure investments, in terms of increased output in the economy, has declined since the 1950s and 1960s, it is still over 18 percent.

Transportation plays a particularly critical role in metropolitan areas, the primary engines of the Nation's economic growth. Three-quarters of the Nation's GDP is generated in our top 100 metropolitan areas. To keep these metro areas productive, we need to be able to get people to work, get products to markets, and get customers to businesses in a reasonable amount of time. Case studies of transportation costs in two cities – Chicago and Philadelphia – have shown that a 10-percent reduction in travel times in these two cities would reduce business costs by $980 million and $240 million, respectively.

By improving transportation safety, appropriate infrastructure investment can not only reduce the toll of crashes on individuals and families, but can lessen the burden of crashes to society. Highway crashes cost the nation an estimated $230 billion in 2000. This includes lost productivity, property damage, and medical expenses, and 21 percent of this cost is paid by public revenues, equal to a $200 per household tax. By incorporating data-driven, integrated safety design and technology (such as rumble strips, median barriers, and left turn lanes), infrastructure investment can reduce the number, and cost, of highway crashes.

Moreover, the competitiveness of our economy in the international marketplace depends on how efficiently we can get parts to our suppliers and finished products to markets. Manufacturers benefit from economies of scale that arise from concentrating production in a small number of plants, but unlocking these benefits requires an efficient transportation system able to efficiently move parts and materials produced elsewhere, and to distribute products to geographically scattered customers in domestic and international markets. Similarly, mining and agricultural production often takes place great distances from where consumers live. Moving coal and ore and grain to market requires an efficient transportation network.

Unfortunately, our current surface transportation system is not meeting the Nation's economic needs. The performance of the Nation's highway system has clearly declined over the past decade. The percentage of vehicle-miles traveled under congested conditions rose from an average of 24.9 percent in 1997 to 28.6 percent in 2006. This resulted in an increase in hours delayed from 2.7 billion in 1997 to 4.2 billion in 2007, and an increase in the total cost to drivers from $53.6 billion in 1997 to $87.2 billion in 2007. Moreover, the condition of our Nation's highways, bridges, and transit systems falls well short of a state of good repair. About 53 percent of highway vehicle-miles traveled are on roads that are in less than "good" condition. Almost 30 percent of our bridges are structurally deficient or functionally obsolete. Almost 22 percent of our transit buses – and 32 percent of our transit rail cars – are over-age, while 78 percent of our transit bus maintenance facilities and 70 percent of our transit rail maintenance facilities are in less than good condition. We don't even know what the condition of our railroads and ports is, because we don't gather data on that in a systematic way. We can't have a first-class economy built on a second-class transportation system.

Nor is increasing our economic competitiveness the only reason for addressing our surface transportation needs. We need to begin making progress on halting the seemingly inexorable growth of greenhouse gases in our atmosphere, and that means reducing the carbon footprint of the Nation's transportation system. About 28 percent of the greenhouse gases generated in the United States are attributable to transportation, so we need to build a more energy-efficient transportation system. We need an efficient financing system for transportation projects that takes into account all of the costs and benefits to society of these investments, and which directs funding to the modes that can generate the greatest net benefits for society. We need to create the proper incentives for the introduction of energy-efficient cars and trucks into our highway vehicle fleet. We need to build a sustainable model for transportation in the 21st century, built on cleaner energy and reduced environmental costs.

At the same time, we need to make sure that our transportation system makes a more positive contribution to enhancing the livability of our communities. We need to build a transportation system that gives our citizens the choices they want – to get to their destination by the transportation mode of their choice, whether that is driving, or public transportation, or bicycling, or walking. When people choose public transportation, we need to make sure that intermodal connections are safe and easy – from transit to intercity rail, from transit to air, and from highways to transit. We need to make sure that the transportation system doesn't adversely affect local communities, either by generating unwanted noise or by blocking highway-rail grade crossings. We need to make sure that our citizens, whether they live in urban areas or rural areas, have appropriate access to our bus, rail, and aviation systems. We need to integrate our planning processes for transportation and land use so that we build communities where our transportation systems and land use planning are made for each other.

Finally, we want to take advantage of the opportunities that new technologies present to us. We need to make greater use of Intelligent Transportation Systems, both to reduce highway congestion and to improve safety in all our modes. We will move promptly to implement the positive train control requirements in last year's Rail Safety Improvement Act, and we will provide the resources necessary to accelerate deployment of the Next Generation Air Transportation System. And, of course, new technology will be the basis of more energy-efficient cars, trucks, and other vehicles.

At the same time that we expand the resources available for investment in our surface transportation system, we also need to effect fundamental reforms in how we plan and execute investment in the surface transportation system. First, because national economic competitiveness is such a compelling objective for our surface transportation system, it is important for that system to be designed to address national needs for an efficient 21st century economy. The President proposed a National Infrastructure Bank to address those national infrastructure needs. When supply chains reach across America, it is important to have a national vision that addresses national needs as well as local visions that address local needs.

Second, because of the need to invest in the full range of surface transportation infrastructure modes – highway, transit, rail, and water – we need to have a transportation financing system that can meet the needs of each of these modes. The traditional trust fund approach to transportation funding has been essential in building the Interstate Highway System and expanding our network of transit systems. But we need a more flexible funding system to meet the transportation needs of the 21st century. We need a funding system that can provide intermodal connections, including to ports and railroads. The proposed National Infrastructure Bank would supplement the Highway Trust Fund and allow us to take a truly intermodal approach to funding the most compelling national needs across the surface transportation spectrum.

Third, if we are to focus our transportation infrastructure investment on improving the Nation's economic competitiveness, we need to draw upon the best available economic analysis to guide our transportation infrastructure investment decisions. In the TIGER Discretionary Grants and High-Speed Rail portions of our Recovery Act programs, we have called upon grant applicants to provide benefit-cost analyses of their proposed investments. We recognize that economic analysis cannot measure all the benefits and costs of proposed infrastructure investments, but the systematic evaluation of all categories of benefits and costs provides us with a decisionmaking framework that allows all kinds of benefits and costs to be systematically evaluated and compared, whether they can be quantified or not. For projects designed to maintain or rebuild existing infrastructure, we will be calling on State and local governments to make greater use of asset management techniques to reduce the costs of maintaining their infrastructure in a state of good repair over the long term. If we invest more efficiently, we can get more from every dollar that we invest – more economic productivity, more economic development, more accessibility, more sustainability, and more livable communities.

Fourth, we need to improve accountability by making greater use of performance measures for our transportation system. When we invest tax dollars in transportation infrastructure, people have a right to know what performance they can expect from that investment. We need to measure how well our transportation system is performing and report back on whether we are meeting our performance objectives. We need to demonstrate that we are using our tax dollars responsibly and that people are getting the performance improvements they paid for.

So I think there is little disagreement about the crucial role that transportation infrastructure investment plays in the Nation's economic development. We need a robust program of investment in transportation infrastructure to return our economy to health and to keep it growing. Moreover, because transportation infrastructure investments take a long time to plan, engineer, and construct, we need a stable flow of Federal funding to ensure that the States and other infrastructure owners can make those investments.

Ever since the Interstate Highway System was authorized in 1956, we have recognized that the construction of transportation infrastructure is a long-term process, requiring extensive planning, engineering, and analysis before groundbreaking can begin. Accordingly, we have structured the authorization process around a series of long-term authorizations for the highway and transit programs – typically, over the last couple of decades, six years for each authorization. These long-term authorizations allow States, metropolitan planning organizations, and transit authorities the time they need to plan and develop their transportation infrastructure with a clear commitment of funding from their Federal partners.

The rationale for these long-term authorizations remains just as valid today as it was in 1956. If anything, the time required to reach consensus among local stakeholders and complete required analyses has grown longer, rather than shorter, making long-term commitments of funding even more important. We also need a long-term reauthorization to carry out the reforms in the surface transportation system that both this Committee and the President recognize as necessary.

There is widespread agreement that the level and focus of Federal transportation investment must address the needs of the surface transportation system more effectively. However, the best way to achieve that goal at present is through an 18-month reauthorization that lays the groundwork for accountability and performance standards in a six-year reauthorization.

An 18-month reauthorization would allow the Federal government to implement a few targeted reforms in preparation for a six-year reauthorization when the economy begins to recover. Moreover, it would allow Congress, the Executive Branch, the States, and other stakeholders adequate time to carefully consider and develop the complex policies that will be included in the full reauthorization. It would also allow this time to be used to incorporate the valuable lessons from the innovations in transportation investment in the Recovery Act, such as the processes by which money is spent at the State and local levels, as well as the various geographic priorities for investment.

The Obama Administration shares with this Committee a strong belief in the importance of a long-term reauthorization of the surface transportation program. We cannot achieve our goals without it. But it needs to be the right kind of long-term reauthorization. We cannot achieve our goals with the kind of reauthorization that we would likely be able to pass this year. We therefore believe that the right strategy is to enact an 18-month reauthorization this year, and devote ourselves over the coming year to working out the details of a strong reauthorization that will serve this Nation for decades to come.

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TESTIMONY OF

MR. MICHAEL P. MELANIPHY
VICE PRESIDENT, PUBLIC SECTOR
MOTOR COACH INDUSTRIES, INC.

AND

MEMBER
AMERICAN PUBLIC TRANSPORTATION ASSOCIATION

BEFORE THE

SUBCOMMITTEE ON HIGHWAYS AND TRANSIT
OF THE
HOUSE COMMITTEE ON TRANSPORTATION AND INFRASTRUCTURE

Hearing on

"The Importance of a Long-Term Surface Transportation Authorization in Sustaining Economic Recovery"

****

JULY 16, 2009

SUBMITTED BY

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APTA is a nonprofit international association of nearly 1,500 public and private member organizations including transit systems and commuter rail operators; planning, design, construction and finance firms; product and service providers; academic institutions; transit associations and state departments of transportation. APTA members serve the public interest by providing safe, efficient and economical transit services and products. Over ninety percent of persons using public transportation in the United States and Canada are served by APTA members.

Chairman DeFazio, Members of the Subcommittee, thank you for this opportunity to present testimony regarding the next surface transportation authorization bill. I am honored to have this opportunity to appear before you today on behalf of Motor Coach Industries, Inc. (MCI) and the American Public Transportation Association (APTA), of which MCI is a member. I truly appreciate your interest in improving public transportation service in the United States, and I look forward to working with you as this next authorization legislation moves forward, hopefully in the very near future.

ABOUT APTA

The American Public Transportation Association (APTA) is a nonprofit international association of nearly 1,500 public and private member organizations, including transit systems and commuter rail operators; planning, design, construction, and finance firms; product and service providers; academic institutions; transit associations and state departments of transportation. APTA members serve the public interest by providing safe, efficient, and economical transit services and products. More than ninety percent of the people using public transportation in the United States and Canada are served by APTA member systems.

ABOUT MOTOR COACH INDUSTRIES

Motor Coach Industries, headquartered in Schaumburg, Illinois, is the leading builder of intercity coaches, supplying the tour, charter, line-haul, commuter transit, inmate transport, university and conversion markets in the United States and Canada. In business for more than 76 years, the company builds the industry's two best-selling models as well as the industry's first hybrid electric commuter coach. MCI produces coaches that are Buy America compliant and Altoona tested. More than 56% of all over-the-road style coaches on the road today were produced by Motor Coach Industries including, more than 4,000 MCI commuter coaches operating in daily revenue service.

OVERVIEW

The public transportation industry - its public and private members – are looking to this next authorization period with significant expectations of investment and growth. That investment and growth are necessary to meet the sizable needs that are readily apparent in communities across this nation. As this subcommittee has heard previously, record numbers of Americans are turning to public transportation for more and more of their transportation needs. Despite falling gas prices and an economic recession, increasing numbers of Americans took 10.7 billion trips on public transportation in 2008, the highest level of ridership in 52 years and a modern ridership record. And while many new riders had turned to public transportation during a period of high gas prices, many of these riders continued with their choice after fuel prices declined. In addition, new riders turned to public transportation during the economic recession as they learned that it made good economic sense for them and their families. As we look to the future, our projected population growth, our expected economic growth, and our hope for a cleaner environment all point us toward the need to provide greater investment in public transportation. It is important that we get this next bill done right, and that we get it done soon.

Motor Coach Industries, Inc. participates within APTA as a Business Member, but as such we view ourselves as true partners with our public sector colleagues. We work to understand their needs and goals, and to assist them in meeting those needs and fulfilling those goals. As a representative of the private sector and a former transit authority general manager myself, our company and I recognize the challenges that individual public transportation operators face in planning, operating, maintaining and growing their systems to meet the travel demands of their communities and regions. With demand and expectations high, federal funding delays are only likely to put long term plans on hold and limit the possibility that communities will be able to prepare for the future.

The opportunities available to us in this next authorization bill are tremendous. We are experiencing a major resurgence in interest in public transportation rising to levels not seen in more than two generations, and we need to demonstrate to the American public our continued commitment to provide the investment and policy necessary to meet the growing demand.

Most importantly, however, this next Authorization bill is imperative for the jobs and economic opportunities that it will create, for companies such as mine, and many others throughout the industry. This is an industry with a long and extended supplier base, and the investment that the Surface Transportation Authorization Act will provide will have an immense impact on jobs and our economy both immediately and for years to come. As we work our way out of this economic downturn, this bill provides us with one of the best vehicles for advancing economic recovery.

SIZABLE NEEDS GROW EVERY DAY

Our infrastructure is aging. Our "new" systems are not new anymore and require additional investment to remain safe and reliable as part of the fundamental infrastructure backbone of our country. We must invest more now. Every year we wait the problems grow exponentially.

The maintenance of transit capital assets to ensure a “state-of-good-repair” is critical. Two commissions created by the Congress in SAFETEA-LU, the National Surface Transportation and Revenue Study Commission, and the more recent report of the National Surface Transportation Infrastructure Financing Commission, highlighted the growing gap between our infrastructure needs and our present level of investment. FTA’s recent State of Good Repair further highlighted the growing backlog of capital needs faced by public transportation systems across the country.

Mr. Chairman, each of the Commission reports contains strong recommendations to the Congress about the investment levels needed to maintain and improve the nation’s public transportation and highway systems. APTA’s current estimate of the total annual resources needed to maintain and improve our public transportation systems, from all sources, is $59.2 billion. This level of investment will allow the nation’s public transportation systems to double ridership over the next twenty years, representing a pace of growth of just over 3.5 percent annually. In its “Bottom Line Report for Transportation – 2009,” the American Association of State Highway Transportation Officials concurs with APTA’s estimate of funding needs, stating that “if transit ridership growth grows to 3.5%, the level that would double transit ridership over the next 20 years, which would be helpful in reducing greenhouse gas emissions, investment in public transportation would have to grow to $59 billion.” In recent years we have been investing a total of about $14 billion annually.

We must balance the growth of transit systems to meet the increased population, economic, mobility and environmental needs of our communities while still addressing critical issues of maintaining a state of good repair. We must move forward with a sense of urgency in order to see progress in closing the gap between our current conditions and capacity, and that which our growing nation beckons.

NOW IS THE TIME TO INVEST – PRESENT JOBS AND FUTURE GROWTH

The investment we make through this Committee's Surface Transportation Authorization Act will have incredibly important impacts on our economy and employment base. It is critical to pass this bill to create and maintain the jobs we need today and the economic productivity we will need tomorrow.

Congestion in our large metropolitan areas continues to be a problem, and will only get worse as population growth is projected to occur in the largest metropolitan areas. Public transportation use is a critical component of reducing congestion. According to the 2009 Urban Mobility Report from the Texas Transportation Institute (TTI), Americans living in areas served by public transportation saved 646 million hours in travel time and 398 million of gallons of gasoline in 2007. Without public transportation, congestion costs would have been $13.7 billion more that year.

Furthermore, our large metropolitan areas—where public transportation is most prevalent and accessible— generate more than 86 percent of the nation's gross domestic product (GDP). By 2050, more than 70 percent of the nation's population and economic growth will occur in metropolitan "megaregions," with ever-increasing demand for efficient movement of goods, people, and capital between them.

Investment in public transportation plays a vital role in supporting these critical economic engines. This vital investment in public transportation:

- **Generates further economic activity**: Every tax dollar invested in public transportation generates an average of $6 in economic returns;
- **Provides fast and easy access to our economic engines**: Central business districts, revitalized urban areas, and major convention centers and sports stadiums;
- **Connects people to jobs**: – almost 60% of public transportation riders are traveling to or from work;
- **Strengthens supply chains:** Over the past 25 years, America's capital-intensive economy has shifted emphasis from warehousing goods to keeping them in motion for just-in-time delivery—creating longer and more complex supply chains to move goods as quickly as possible. Increased rail capacity to support intermodal supply chains will reduce costly transport delays;
- **Reduces infrastructure costs**: Transit-oriented, compact development increases the overall efficiency of our transportation investment as well as the overall infrastructure needs of our communities;
- **Creates jobs**: According to a report recently released by APTA, every $1 billion of federal funding invested in transportation infrastructure supports 30,000 jobs. Many of these are "Green" jobs bringing new technology skill-sets to OEM and supplier work sites nationwide.

Further, jobs that investment in public transportation creates are high-paying and stable jobs, virtually all of which are created here in the U.S.. These new jobs extend beyond those needed to operate new and expanded transit service, and include a broad range of private sector nationwide. Investments in transit agencies nationwide directly benefit small, at-risk communities where many of the domestic bus assembly facilities are located. For instance, buses are assembled by MCI at our plant in Pembina, ND, providing vital jobs in this town with fewer than 700 people. They are also built by North American Bus Industries, Inc. in Anniston, AL; New Flyer in St. Cloud and Crookston, MN; GILLIG in Hayward, CA; Champion Bus in Imlay City, MI; Daimler Buses, NA in Oriskany, NY; and the list goes on. Rail cars and components are manufactured in Lincoln, NE; Boise, ID; Hornell, NY: Pittsburgh, PA and Spartansburg, SC, among others. Transmissions, heating and air conditioning, seating and tires, among many other sub-components and systems are provided by a nationwide supplier base. These suppliers must wait for orders to come from us – the OEMs. The MCI factories alone are supported by more than 3,000 third party suppliers. When one adds in all of the vendors supporting the aftermarket, that number expands to nearly 10,000 suppliers.

It is important to understand that most bus plants work about 1 year to 18 months out, and rail procurements can take 2 to 4 years from inception to completion. Even if the bill is passed today, there are aspects of the investment that will still take time – we certainly don't want the process itself to delay things further. Waiting to pass a bill has the potential to jeopardize the business cycle and shake the confidence of investors given the existing anxiety across our economy. From our perspective as a representative of private industry, we can tell you that it is important to send a signal to the private transit industry that this program is stable and will continue to grow so that we can protect the many jobs that we are creating today.

INVESTMENT FOR THE ENVIRONMENT

Mr. Chairman, if we are truly committed to a green economy, then we must retire old buses and trains and replace them with clean new vehicles. This creates green jobs and cleans the air as well. Over the past year when fuel prices rose, many people turned to public transportation. Our systems made great strides in meeting this demand, but many systems faced capacity constraint due to long term underinvestment. It is time to make investments in this green solution that will create jobs and allow transit to be part of the solution.

Public transportation, high-speed intercity passenger rail and other transportation modes that benefit the environment are an essential element of a national strategy to decrease emissions and reduce petroleum consumption. Current transit use already saves 4.2 billion gallons of fuel and 37 million metric tons of carbon emissions per year, while supporting 1.7 million jobs. Despite the recent records for transit ridership (10.7 billion trips in 2008, the highest level of ridership in 52 years), only 53 percent of Americans have access to any form of public transportation service. There is a clear need to expand transit services and develop new high-speed and intercity passenger rail corridors that expand transportation choices while reducing greenhouse gas emissions from the transportation sector.

INVESTMENT IN OUR QUALITY OF LIFE

Critical issues such as housing and transit-oriented development demonstrate how public transportation promotes the practices and principles of livable communities and sustainable development. As our urban areas continue to grow, it is important to realize that public transportation acts as a catalyst for promoting compact, connected and mixed-use development. These things make the provision of all transportation, public services and facilities more efficient and effective while simultaneously helping achieve energy and environmental goals.

Transit-friendly, walkable communities reduce reliance on motor vehicles and promote higher levels of physical activity. As a result, the role of community design in promoting more active lifestyles and alternatives to motor vehicle use has become much more significant in the effort to improve the health of all Americans.

For many Americans, inadequate transportation severely limits access to essential medical care. Limited access is a particular problem among low-income and minority households. Too many low-income families miss essential doctor appointments because of inadequate transportation. The role of public transportation and transit agencies in providing access to essential healthcare is growing.

It is also becoming more important to our aging population. Over the next two decades, America's baby boomers will reach retirement age, with the U.S. Census Bureau projecting the number of Americans age 65 or older to double to more than 70 million by 2030. In a 2005 White House Conference on Aging, mobility for older Americans was ranked the third most important issue on a 73-item list -- ahead of Medicare reform. More than 50 percent of non-drivers age 65 and older stay home on any given day partially because they lack public transportation options. Older non-drivers have a decreased ability to participate in the community and the economy, making 15 percent fewer trips to the doctor, 59 percent fewer shopping trips and restaurant visits, and 65 percent fewer trips for social, family and religious activities. Public transportation can give these citizens a way to participate in society and enable individuals to age in place, thus allowing them the prolonged fulfillment and satisfaction of living in their own homes while at the same time requiring only one-fourth as many resources than if they were living in an institution.

IMPACT OF DELAY

I would call your attention to a story in the Wall Street Journal last week (July 7, 2009) which cited the downgrade in the stock of an infrastructure equipment company as a result of analyst skepticism regarding the prospects of this coming authorization bill. Many in the industry experienced similar impacts during the series of extensions that preceded enactment of SAFETEA-LU, with investors growing increasingly frustrated while they waited for a long-term bill to be completed. Clearly, Wall Street reacts to uncertainty with negativity!

Additionally, one must consider that when communities make policy decisions as to where to commit their scarce local match dollars, that the certainty or lack thereof of the federal program funds plays a significant role in their decision making process. My other private-side colleagues stressed with me, prior to this testimony, that the multiple extensions leading up to enactment of SAFETEA-LU placed a stranglehold on the planning, budget and procurement processes of public transportation agencies. These delays led to the failure of several industry participants at the time, and to the merger of others just to survive the nearly 40 percent decline in business. During the last series of extensions, our economy was much more stable and private firms had greater access to credit. As such, many firms were able to make it through this challenging period. Given the current economic conditions and the widespread challenge many firms, particularly small companies, are facing in accessing credit, it is difficult to predict the potential harm a similar period of extensions in likely to cause within our industry. Our nation cannot afford the job losses that would likely follow. The fact that our nation needs this infrastructure investment is indisputable. The jobs that our next bill will create are no doubt needed in communities across this country. We need to avoid unnecessary delays and allow this investment to happen.

According to a recent report by Jeffrey A. Parker and Associates, conducted on behalf of APTA to examine the impacts of the current economic crisis on the transit industry,

> *"Continued federal engagement is vital to the transit industry and its stakeholders in overcoming challenges during this severe economic downturn. The continued federal investment is necessary to assure access to private investment capital at reasonable cost. Responsibly-managed transit agencies must be assured credit access during future periods of market disruption."*

And a 2002 report by Jeffrey Parker entitled "The Benefits of TEA21 Funding Guarantees" highlighted the focus and emphasis with which the financial ratings agencies (such as Fitch and Moody's) have historically placed on the low-risk nature of the Highway Trust Funded programs when rating municipal bond issuances. The reliability of Highway Trust Fund/Mass Transit Account programs hinges on timely completion of this important legislation and has a direct impact on jobs at my company, and all across our supplier base.

CONCLUSION

The pending Surface Transportation Authorization Act holds great promise to move this country forward – economically, environmentally, and literally. We must not lose sight of the broad and diverse impacts and benefits that will result from its passage. Jobs are at stake, and opportunity is just around the corner. I commend this Committee on its dedication to completing a strong Authorization bill, and my colleagues and I stand ready to work with you to ensure its passage.

American Road & Transportation Builders Association

Testimony of Charles Potts

CEO, Heritage Construction and Materials
&
Chairman, American Road and Transportation Builders Association

Before the
Subcommittee on Highways and Transit
Committee on Transportation and Infrastructure
U.S. House of Representatives

Hearing on the Need for a Multi-Year Surface Transportation Authorization Bill

July 16, 2009

American Road and Transportation Builders Association
1219 28th Street, NW, Washington, DC 20007
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Testimony of Charles Potts
CEO, Heritage Construction and Materials
Chairman, American Road and Transportation Builders Association

Before the Subcommittee on Highways and Transit
Committee on Transportation and Infrastructure
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July 16, 2009

Chairman DeFazio, Representative Duncan, members of the Subcommittee, I am very pleased to be here to testify on behalf of the American Road and Transportation Builders Association (ARTBA), the consensus voice of the transportation construction industry. I am Charles Potts, CEO of Heritage Construction & Materials in Indianapolis, Indiana. I am also the 2009 chairman of the American Road & Transportation Builders Association.

ARTBA, which celebrated its 100th anniversary in 2002, has over 5,000 member firms and member public agencies from across the nation. They belong to ARTBA because they support strong federal investment in transportation improvement programs to meet the needs and demands of the American public and business community. The industry we represent generates more than $200 billion annually in U.S. economic activity and sustains 2.5 million American jobs.

Thank you for the opportunity to appear before this hearing of the Highways and Transit Subcommittee to address the critical topic of why Congress must enact a full six-year surface transportation authorization act as soon as possible.

Mr. Chairman, I have spent over 40 years in this sector as an official at the Florida Department of Transportation and as the C-E-O of two national construction firms. I guarantee you I have never seen a situation as dire as the one facing the nation's surface transportation infrastructure network today.

Virtually every state is facing budget shortfalls. According to the National Governors Association, 15 states have cut transportation investment in 2009— Massachusetts, New Jersey, Pennsylvania, Michigan, Georgia, Louisiana, Mississippi, North Carolina, South Carolina, Virginia, Arizona, Utah, California, Oregon, and Washington. 19 states will make similar reductions in 2010— Maine, Massachusetts, Delaware, New Jersey, New York, Illinois, Michigan, Minnesota, Georgia, Louisiana, North Carolina, South Carolina, Virginia, West Virginia, Idaho, Utah, California, Washington, and Arizona.

At the same time, revenues flowing into the federal Highway Trust Fund will fall short of meeting FY 2009 highway investment commitments to the states and will not be able to support even current levels of spending during the next authorization period.

The only bright spot is the transportation investments from the American Recovery and Reinvestment Act. Due to state budget challenges, however, the stimulus funds are allowing some states to simply maintain current activities, while in other states they are at best serving to make cuts less severe.

It is this confluence of challenges that makes the current push by some to delay the reauthorization of SAFETEA-LU until March of 2011 mind boggling. We learned the hard way from 2001 to 2005 that uncertainty at the federal level at a time of economic and state budget difficulty leads to an overall stagnated national effort to deliver surface transportation improvements, as I will discuss later.

For four years, we have known the next reauthorization bill is due at the end of September. In my world, that's a deadline and you either meet your obligations or suffer the consequences. This Subcommittee did its work and produced a comprehensive bill in a timely manner. We urge the rest of Congress and the Obama Administration to follow your lead.

The most important reason for enacting a full six-year authorization is that physical conditions and performance on our nation's highway and transit systems are badly deteriorating because of inadequate investment.

Our outdated transportation system is a major impediment to U.S. competitiveness in the global marketplace. Congestion impairs freight movements within the United States and raises the cost of American-made products. Deficient roadways contribute to 22,000 highway fatalities, costing the nation more than $217 billion each year. And, according to the 2009 Urban Mobility Report issued just last week by the Texas Transportation Institute, traffic congestion costs the nation's highway users $87 billion each year in wasted time and fuel.

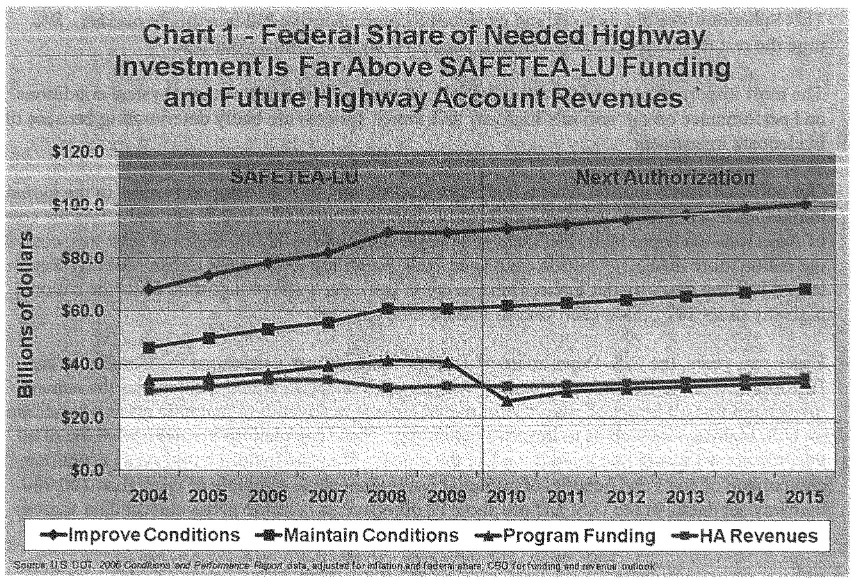
Every two years, the U.S. Department of Transportation issues a report on the Conditions and Performance of the Nation's Highways, Bridges and Transit, in which it calculates the annual investment that all levels of government would have to make both to maintain current conditions on U.S. highways as well as to improve conditions. These calculations are not a wish list of all the projects we would like to do if we had the money. They are instead based on an economic comparison of costs and benefits of potential improvements to a sample of more than 100,000 highway segments in the U.S. and are about as objective as possible given current data sources and computational techniques.

The latest report, which was issued in January 2007, provides data on the average annual investment that would be needed between 2004 and 2023 both to maintain conditions and improve conditions. When combined with information on recent increases in highway construction costs and the traditional federal share of highway investment, the report shows that funding for the federal highway program in the next surface transportation authorization bill should be in the range of $62 to $69 billion per year just to maintain current highway and bridge conditions. The annual federal investment needed to improve conditions would be even higher.

By contrast, federal highway investment in fiscal year 2009 is $40.7 billion, a shortfall of more than $20 billion from just keeping the status quo.

Looking forward, the gap between resources and needs is daunting. As Chart 1 shows, projected Highway Trust Fund revenues between FY 2010 and FY 2015 are far less than needed to support the current level of federal highway investment, let alone support a program that meets the nation's highway investment requirements.

Chart 1 also illustrates the fact that projected Highway Trust Fund revenues are grossly inadequate to meet the nation's highway investment needs. The gap between projected revenues and the annual federal investment required just to maintain current conditions and performance on the nation's highways and bridges is just over $31 billion per year between FY 2010 and 2015.



The report also includes data on the cost to maintain and improve the nation's mass transit systems, including both bus and rail-based transit. When combined with data on recent cost increases and traditional federal share, the report indicates that a federal transit program of $12 to $13 billion annually between FY 2010 and 2015 would maintain conditions while $16 to $18 billion would be needed to improve conditions. In FY 2009, total funding for the public transportation program was just over $10 billion. For FY 2010 through 2015, transit account revenues are projected to be just over $5 billion per year, less than half the amount that would be needed just to preserve existing conditions.

The massive gap between federal highway investment and needs is shown on a state by state basis in Table 1. For example, the table shows that Minnesota would need an annual federal investment of just over $1.6 billion to provide its share of the cost to maintain conditions and performance on the state's highways and bridges[1]. In FY 2009, it received about one-third of that amount. The table also shows that the one-time highway stimulus funds in the American Recovery and Reconstruction Act, while helpful, come nowhere near filling the gap. Most other states are in a similar situation.

This Committee's proposed $450 billion surface transportation authorization bill would substantially meet the nation's highway and transit investment needs during the next six years. Decades of deteriorating road and bridge conditions and ever-increasing congestion would be reversed. By comparison, an 18-month extension of the current law would put the nation even further behind in addressing its highway and transit needs.

Another very good reason for enacting the Committee's bill rather than an 18-month extension is that it would create thousands of new jobs in the construction industry and its suppliers and reinforce the highway stimulus in the Recovery Act.

According to ARTBA's analysis, the $337 billion for highway improvements in the Committee's bill would generate almost 150,000 new jobs in 2010. About half these jobs would be in the highway construction industry or the industries that supply materials and services used in highway construction, and the rest would be spread throughout the rest of the economy.

Over the six-year period covered by the legislation, the increased highway funding would support an annual average of almost 540,000 more jobs in the U.S. economy than we would have under the current funding level.

Table 2 of my testimony shows the job-creation potential of the Committee's bill by state. In Oregon, the bill would generate almost 1,700 new jobs throughout the state's economy next year and would, over the full six years, support an average of 6,100 more jobs each year than the current level of highway program funding. Tennessee would see 3,200 new jobs in 2010 and a six-year average of almost 11,600 jobs.

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[1] State investment needs are based on Federal Highway Administration data on the number of highway miles in poor or mediocre condition in each state, the total deck area of deficient bridges in each state, and a measure of highway congestion.

Table 1 - Federal Highway Program Funding versus Federal Share of Highway Investment Needs
(Millions of dollars)

State	Highway Program Formula Funding FY 2009	Federal Share of Annual State Highway Investment Needs, FY 2010 /1 Maintain Conditions	Improve Conditions	ARRA Highway Stimulus Funds /2 FY 2009-10
Alabama	$664.2	$840.7	$1,222.5	$513.7
Alaska	$290.7	$166.8	$236.6	$175.5
Arizona	$672.4	$734.4	$1,126.3	$522.0
Arkansas	$410.8	$1,294.0	$1,824.0	$351.5
California	$3,002.8	$8,217.3	$12,141.4	$2,569.6
Colorado	$451.1	$836.3	$1,266.7	$403.9
Connecticut	$422.8	$627.6	$952.2	$302.1
Delaware	$129.9	$140.8	$214.3	$121.8
Dist. of Col.	$126.8	$165.4	$240.6	$123.5
Florida	$1,690.1	$1,955.8	$3,133.1	$1,346.7
Georgia	$1,143.8	$1,266.9	$1,957.4	$931.6
Hawaii	$136.0	$176.5	$251.0	$125.7
Idaho	$244.8	$697.2	$968.5	$181.9
Illinois	$1,121.7	$2,208.5	$3,240.0	$935.6
Indiana	$852.5	$1,152.7	$1,725.1	$658.0
Iowa	$384.4	$875.1	$1,196.3	$358.2
Kansas	$327.6	$1,672.7	$2,297.2	$347.8
Kentucky	$568.1	$609.8	$940.3	$421.1
Louisiana	$555.6	$1,408.8	$2,005.2	$429.9
Maine	$141.8	$270.8	$365.8	$130.8
Maryland	$518.5	$973.5	$1,437.5	$431.0
Massachusetts	$531.9	$1,047.7	$1,598.8	$437.9
Michigan	$927.0	$2,010.1	$2,899.6	$847.2
Minnesota	$523.4	$1,656.5	$2,449.1	$502.3
Mississippi	$389.2	$966.9	$1,366.6	$356.3
Missouri	$762.0	$2,039.9	$2,906.2	$637.5
Montana	$315.8	$176.1	$238.1	$211.8
Nebraska	$244.6	$406.4	$568.5	$235.6
Nevada	$256.1	$385.7	$603.9	$201.4
New Hampshire	$146.2	$280.3	$421.5	$129.4
New jersey	$859.7	$2,127.0	$3,193.0	$651.8
New Mexico	$310.2	$778.8	$1,103.8	$252.6
New York	$1,450.2	$3,282.3	$4,887.6	$1,120.7
North Carolina	$930.6	$2,062.3	$3,262.1	$735.5
North Dakota	$207.3	$247.0	$338.3	$170.1
Ohio	$1,147.4	$1,254.0	$1,876.3	$935.7
Oklahoma	$504.8	$1,849.5	$2,493.4	$464.7
Oregon	$372.6	$647.9	$974.6	$333.9
Pennsylvania	$1,443.9	$2,722.6	$3,958.7	$1,026.4
Rhode Island	$163.8	$187.7	$269.4	$137.1
South Carolina	$549.0	$589.6	$780.9	$465.1
South Dakota	$217.4	$407.4	$543.1	$183.0
Tennessee	$704.2	$1,087.8	$1,688.8	$572.7
Texas	$2,868.6	$4,664.0	$6,986.8	$2,250.0
Utah	$259.4	$460.0	$730.7	$215.5
Vermont	$134.1	$216.8	$300.0	$125.8
Virginia	$859.5	$850.1	$1,258.7	$694.5
Washington	$556.5	$1,092.3	$1,604.9	$492.2
West Virginia	$350.1	$871.3	$1,260.2	$210.9
Wisconsin	$642.7	$874.9	$1,164.7	$529.1
Wyoming	$215.5	$166.3	$235.8	$157.6
Total	$32,700.1	$61,701.0	$90,706.2	$26,666.1

1/ The "Needs" column shows investment required in FY 2010. The amounts would grow each year with inflation.
2/ ARRA is one-time funding only during FY 2009-10 and thus not available to meet needs in future years.

Table 2 - Job Impact of House T&I Committee Highway Program Funding
(Includes effect of 20 percent state match)

State	New Jobs that Would be Created in 2010 by T&I Committee Bill	Average Increase in Jobs During 2010-2015 Supported by T&I Committee Bill
Alabama	3,038	10,926
Alaska	1,330	4,782
Arizona	3,075	11,061
Arkansas	1,879	6,758
California	13,733	49,396
Colorado	2,063	7,420
Connecticut	1,934	6,956
Delaware	594	2,137
Dist. of Col.	580	2,085
Florida	7,729	27,802
Georgia	5,231	18,816
Hawaii	622	2,237
Idaho	1,120	4,028
Illinois	5,130	18,452
Indiana	3,899	14,024
Iowa	1,758	6,324
Kansas	1,498	5,389
Kentucky	2,598	9,345
Louisiana	2,541	9,139
Maine	649	2,333
Maryland	2,371	8,530
Massachusetts	2,433	8,750
Michigan	4,239	15,249
Minnesota	2,394	8,611
Mississippi	1,780	6,403
Missouri	3,485	12,535
Montana	1,444	5,195
Nebraska	1,119	4,023
Nevada	1,171	4,213
New Hampshire	668	2,404
New Jersey	3,932	14,143
New Mexico	1,419	5,103
New York	6,632	23,855
North Carolina	4,256	15,309
North Dakota	948	3,411
Ohio	5,247	18,874
Oklahoma	2,309	8,304
Oregon	1,704	6,129
Pennsylvania	6,604	23,752
Rhode Island	749	2,695
South Carolina	2,511	9,031
South Dakota	994	3,576
Tennessee	3,221	11,584
Texas	13,119	47,188
Utah	1,186	4,268
Vermont	613	2,206
Virginia	3,931	14,139
Washington	2,545	9,154
West Virginia	1,601	5,759
Wisconsin	2,939	10,572
Wyoming	986	3,545
SUBTOTAL	149,550	537,915

Almost every industry in the United States would add jobs as a direct or indirect result of this Committee's bill, according to the latest detailed input-output data for the U.S. economy from the Department of Commerce. Table 3 shows just some of the industries that will add new jobs as a result of the Committee's bill. For example, employment in the aggregates industry would grow by almost 3,000 jobs in 2010, and the average increase in employment during the full six years would exceed 10,500 jobs.

Table 3 - Job Impact of House T&I Committee Highway Program Funding by Industry
(Includes effect of 20 percent state match)

State	New Jobs that Would be Created in 2010 by T&I Committee Bill	Average Increase in Jobs During 2010-2015 Supported by T&I Committee Bill
	(1)	(2)
Highway, bridge and tunnel construction	72,714	261,544
Stone, sand and gravel mining and quarrying	2,929	10,535
Asphalt paving mixtures and coatings	2,775	9,980
Cement and ready-mix concrete	3,281	11,800
Iron and steel industry	1,396	5,021
Petroleum refineries	3,854	13,861
Oil and gas extraction	2,878	10,352
Concrete product manufacturing	1,330	4,784
Structural metal fabrication industries	2,549	9,168
Truck transportation	3,146	11,317
Engineering services industry	3,957	14,234
Accounting and bookkeeping	422	1,516
Machinery & equipment rental industry	2,352	8,461
Real estate and insurance industries	2,783	10,011
Wholesale trade	3,733	13,429
Machinery & vehicle repair shops	2,485	8,939
Lighting fixtures manufacturing	363	1,306
Paint and coatings manufacturing	570	2,050
Plastic pipe and fixture manufacturing	1,428	5,137
Sign manufacturing	226	814
Waste management industry	219	789
Other industries	34,159	122,865
Total	149,550	537,915

Mr. Chairman, there is growing discussion of a second stimulus bill. Congress need look no further than this Committee's surface transportation authorization bill if it wants to generate productive, well-paid jobs in the United States next year.

Another drawback of an 18-month extension of the current surface transportation law is that it will create uncertainty about federal highway funding and disrupt the ability of state and local DOTs to make long-term highway investment plans. And that is especially problematic at a time when state and local governments are struggling with serious financial problems related to the current economic recession.

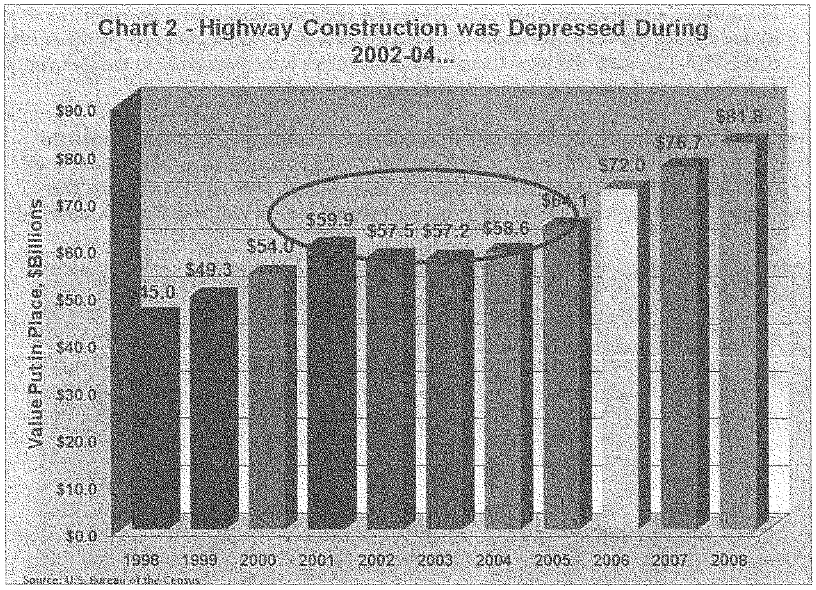


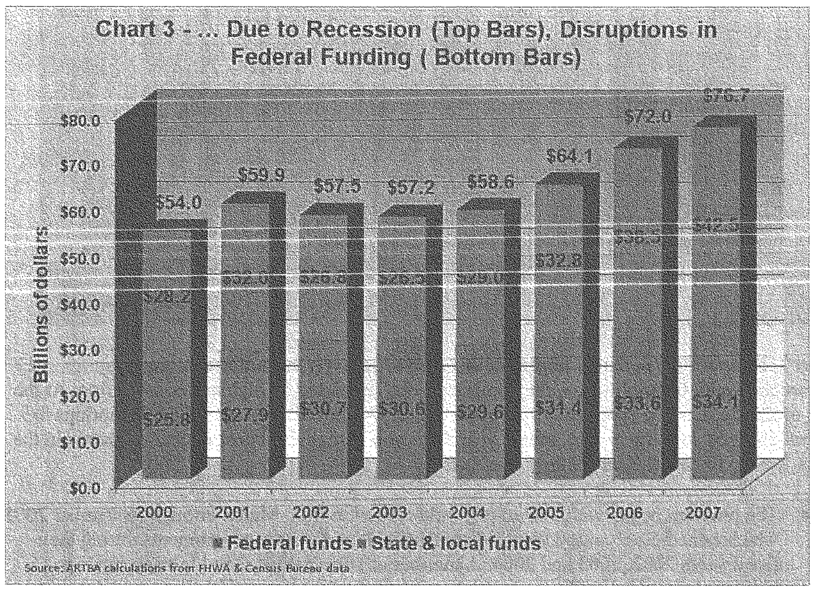
Chart 2 illustrates the potential impact of this combination on the outlook for highway construction and, by implication, the number of jobs supported by highway construction. At the start of this decade, the "perfect storm" of recession plus uncertainty caused by disruptions to federal highway funding caused a three year recession in highway construction, as shown in the chart. Let me review the chronology of events:

- The problem began with a relatively mild recession from March through November 2001, which nonetheless caused serious fiscal difficulties for state governments during their fiscal years 2002, 2003 and 2004. A number of states raided their highway funds to balance their budgets. The current recession is much worse and likely to have an even bigger impact.

- Then, in February 2002, the administration's budget for FY 2003 included an $8 billion negative RABA adjustment slashing federal highway funding from $32 billion in FY 2002 to $24 billion in FY 2003, a 25 percent cut that was completely unanticipated. That issue was not fully resolved until half way through FY 2003, when Congress enacted appropriations legislation maintaining highway funding at its FY 2002 level. Nonetheless, for more than 12 months, state DOTs did not know how much federal highway aid to expect.

- That was followed by the expiration of TEA-21 at the end of September 2003 without any prospects for timely enactment of a multi-year surface transportation authorization bill. Instead, Congress extended TEA-21 twelve different times, some extensions as short as one month. Between September 2003 and August 2005, when Congress finally enacted SAFETEA-LU, state and local transportation agencies were essentially in the dark about how and when they would receive federal highway funds.

The impact of these two concurrent calamities is made clear in Chart 3. This chart shows the value of construction work performed on highways and bridges each year and how the cost of that work was divided between the federal highway program and state and local funds. The bottom or blue part of each bar shows the actual payment of federal highway funds to state and



local government each year. The top or pink part of each bar shows outlays of their own funds by state and local governments.

- Looking at the top bars, state and local spending plunged from $32 billion in 2001 to $26.8 billion in 2002 as a result of the recession and its impact on state and local revenues. Their highway investment did not recover until the economy started to grow again in 2004 and 2005. We are already seeing the same kind of impact of the current recession, as I mentioned earlier in my testimony.

- The story told by the bottom bars is that outlays of federal highway funds also went down at the same time, for the reasons explained above. The uncertainty caused by short-term extensions of TEA-21 led state and local governments to spend fewer federal highway funds in 2003 and 2004 than in 2002, and the number in 2005 would have also been down except for emergency highway spending to repair damages caused by hurricanes in 2004 and 2005.

And here we are in the middle of 2009, facing exactly the same set of circumstances – a serious recession combined with a proposal to once again extend the highway program for a short period of time rather than enact a robust well-funded six year authorization.

Mr. Chairman, we have known for years that state and local transportation agencies need long-term funding certainty to plan and implement highway and bridge construction projects. That is why Congress moved from annual authorizations during the 1950s and 1960s to the current practice of enacting six-year authorization. Short-term authorizations are simply too disruptive. It is virtually impossible for a state or local transportation agency to develop an effective highway investment program without a long-term funding horizon.

The lesson learned during the first half of this decade is that a series of very short-term extensions doesn't work. We need a full six-year surface transportation authorization bill.

Mr. Chairman, I have heard enough political hand-wringing about why now is not the right time to act on a surface transportation bill to make you wonder how some people decide to get out of bed in the morning.

While most of this is nothing more than justifying the urge to procrastinate, I do hear of people in and out of government who want a reauthorization delay to better advance their policy agenda. Narrow constituencies attempting to manipulate this legislation to gain political leverage when over 37,000 workers in the transportation construction industry lost jobs in the last year is incredibly offensive and exactly why so many Americans are soured on this process.

In closing, I would like to share a quote from an editorial by President Obama in last Sunday's Washington Post.

"There are some who say we must wait to meet our greatest challenges. They favor an incremental approach or believe that doing nothing is somehow an answer. But that is exactly the thinking that led us to this predicament. Ignoring big challenges and deferring tough decisions is what Washington has done for decades, and it's exactly what I sought to change by running for president."

Admittedly, this statement is in a broad context, but I think we would all agree its sentiments are equally applicable to the surface transportation bill. I only hope we are allowed to take on these tough decisions.

Thank you for allowing me to appear before you today and I would be happy to respond to any questions.

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Testimony of Raymond Poupore
Executive Vice President
National Construction Alliance II

Transportation and Infrastructure Committee
Sub-Committee on Highways and Transit
U.S. House of Representatives
July 16, 2009

Thank you, Chairman DeFazio, Ranking Member Duncan, and distinguished members of the Highways and Transit Sub-Committee.

On behalf of the National Construction Alliance II, a partnership between two of the nation's leading construction unions, the International Union of Operating Engineers and the United Brotherhood of Carpenters, I want to express our appreciation for the opportunity to join you today. The two unions of the Alliance represent nearly one-million workers – the same workers who build the nation's surface transportation system.

My message today is simple and straightforward: The National Construction Alliance II respectfully requests that Congress move forward with the re-authorization of the nation's surface transportation law as soon as possible. The Administration's proposal to extend the existing legal authority for 18 months is unacceptable. An eighteen-month extension, in practice, indefinitely postpones reauthorizing the law, ensuring that substantive work developing this legislation is pushed into the 112th Congress.

Chairman DeFazio, National Construction Alliance II seeks to make three main points: First, early signs of progress from the Recovery Act will quickly be dashed without a long-range commitment to infrastructure. Second, the uncertainty of an eighteen-month extension undermines the long-range planning of major transportation projects. The nation cannot wait for some mythical change in political climate that will allow us to address serious infrastructure challenges. Third, there is no logical connection to extending the surface transportation authority for eighteen months and the problems the solvency crisis of the Highway Trust Fund (HTF). Indeed, both problems call for a solution.

First, the National Construction Alliance II fears that the short-term injection of resources into the nation's transportation system from the passage of the American Recovery and Reinvestment Act will not have the intended result unless a longer range commitment to infrastructure spending through a timely reauthorization of the nation's transportation law is passed by the 111th Congress and signed into law by President Obama.

The deterioration of the economy has been more dramatic than economists estimated at the time the Recovery Act was passed in February. In March 2009, the "consensus" of blue-chip forecasters estimated that, by the end of 2009, unemployment would peak at 9.2%. Instead, unemployment surpassed the estimated consensus rate in May. Economists now estimate that the unemployment rate will exceed 10% by the end of the year. The labor market in construction is in even worse shape.

The June unemployment rate in construction is at 17.4%. Construction, by a large margin, has the highest unemployment rate of any industry sector. The construction unemployment rate is more than twice as high as it was this time last year. There are about 1.6-million unemployed construction workers in the nation – again, twice as many unemployed construction workers than there were at this time last year. Construction employers cut 79,000 jobs from their payrolls in the month of June.

Yet tucked inside all of this bad news, there have been glimmers of hope – glimmers that we can directly connect to infrastructure investments in the Recovery Act. While employers shed workers at a disappointing rate in the overall economy, and even in the broader construction sector, there have glimmers of hope in heavy and highway construction employment. Indeed, construction workers across the country are beginning to see the first glimpses of employment from stimulus spending. But these glimmers will quickly dim if Congress fails to move a timely re-authorization of the nation's surface transportation law.

Despite the sector-wide job losses in construction last month, the "heavy and civil engineering" sub-sector within construction reversed its ugly trend. The subsector actually gained 8,600 jobs! Within "heavy and civil engineering", the highway, street and bridge subsector drove those gains. Employment in highway, street, and bridge construction jumped 25,000 jobs in June and 35,000 jobs in the month of May. These green shoots of progress need nourishment; they need water. They need a long-term commitment.

Secondly, Mr. Chairman, transportation capital projects, which cost taxpayers billions of dollars in the aggregate, require multi-year commitments that are embedded in the six-year reauthorization of the law. Financial and political uncertainty stymies the planning and development of transportation projects, setting the nation back at a time when long-range transportation investments can drive the nation's economic recovery. Major projects, however, require planning and a clear financial assessment in order to proceed. What is worse, Mr. Chairman, is that an eighteen-month extension likely translates into many years before Congress is able to reauthorize the law.

Solutions to the nation's transportation problems cannot wait. Too much is at stake to throw the nation's transportation program into uncertainty. States and local governments will necessarily pull back on the development of their projects, making the nation less competitive in today's global marketplace. The cost of congestion wreaks havoc on American families and businesses, exacerbating problems with air pollution, reducing quality of life, and costing billions in wasted time. The nation's crumbling infrastructure cannot wait several more years before making significant strides to rectify America's transportation ills.

Third, Mr. Chairman, there is no logical connection between the problems in the Highway Trust Fund and an eighteen-month extension of the nation's surface transportation law. The Highway Trust Fund (HTF) must be fixed; the surface transportation law must be passed. Those are separate acts. Congress and the Administration appear ready to make good on commitments made in SAFETEA-LU by transferring general fund revenue into the HTF. We strongly encourage Congress and the Administration to make good on the commitment to reauthorize the highway and transit legislation.

Please allow me to conclude with some general remarks about the importance of this legislation to the men and women of the Carpenters and Operating Engineers. In the middle of the worst economic downturn since the Great Depression and with unemployment in construction hovering close to 20%, it is difficult to understand how elected officials can justify postponing, almost indefinitely, major job-creation legislation like the transportation bill. For members of the NCA II, this bill is the most important job-creation legislation that Congress addresses. For members of the NCA II, transportation investments are not an academic debate.

There are too many members of the Operating Engineers and Carpenters who are out of work, losing their savings, losing their homes, and losing their medical coverage, to sit idly by while policymakers in the Administration wait for some magical change in political climate.

We can't afford to lose momentum – on your efforts or on the investments contained in the Recovery Act. The policy issues are known: project delivery, infrastructure banks, public/private partnerships, and livability. The process is moving. The train is rolling. The Administration needs to jump on board and engage Congress.

The NCA II strongly urges the Sub-Committee to continue the effort to pass a surface transportation authorization as soon as possible, to reject the Administration's eighteen-month proposed extension, and, separately, to fix the hole in the Highway Trust Fund. Mr. Chairman, America urgently needs a robust transportation bill along the lines that you passed out of this sub-committee on May 24. We appreciate your leadership.

Thank you for the opportunity to offer this testimony. We are eager to continue to work with you to pass a bill in this Congress.

ACEC

AMERICAN COUNCIL OF ENGINEERING COMPANIES

"The Importance of a Long-Term Surface Transportation Authorization in Sustaining Economic Recovery"

Committee on Transportation & Infrastructure
Subcommittee on Highways and Transit

July 16, 2009

Chairman DeFazio, Ranking Member Duncan, and Members of the Subcommittee:

The American Council of Engineering Companies (ACEC) is the voice of America's engineering industry. ACEC's 5,700 member firms employ more than 400,000 engineers, architects, land surveyors, and other professionals, responsible for more than $400 billion of private and public works annually. We appreciate the opportunity to submit testimony for this hearing.

ACEC applauds Committee Chairman Oberstar, Ranking Member Mica, Subcommittee Chairman DeFazio, Subcommittee Ranking Member Duncan, and the members of this committee who have rejected calls for an 18-month delay in tackling our nation's transportation infrastructure problems. ACEC strongly supports passage of a robust six-year surface transportation bill this year.

America's transportation system is an aging network of highways, bridges, tunnels and transit systems broken down from years of underinvestment. The facts are compelling:

- One out of every four bridges has either significant deterioration or no longer meets current standards for lane width or clearance height.
- One quarter of major roadways have pavements rated in poor condition.
- The average driver loses 36 hours – nearly an average work week – and wastes three weeks worth of gasoline in traffic every year.
- Inadequate transportation infrastructure imposes hundreds of billions of dollars in unnecessary costs on the U.S. economy through wasted fuel, delayed shipments and tragic accidents and injuries.

These challenges will only get worse over time. All levels of government must increase their investment and target innovative solutions. Unfortunately, current Highway Trust Fund revenues will not even support existing highway and public transit funding levels, which could force massive cuts in investment that would undermine any gains made through SAFETEA-LU and the American Recovery and Reinvestment Act (ARRA).

While the public perception is that the ARRA was focused primarily on infrastructure, in fact infrastructure was a very small piece of that package. The engineering and construction industry was pleased with the widespread, bipartisan support for infrastructure investment as a means to promote job creation and long-term, sustainable economic growth. Unfortunately, the final totals did not meet our expectations, and I can tell you that so far, the engineering industry has seen very little work out of those funds. Given the heavy emphasis on "shovel ready" projects, states are targeting deferred maintenance and simple reconstruction needs, not advancing larger, more complex projects to reduce congestion, enhance mobility, improve safety and protect the environment.

Early passage of a new six-year transportation program to replace SAFETEA-LU is an essential complement to the investments included in ARRA. While the Recovery Act is moving many projects forward, failure to pass a longer term program will prevent state and local governments from investing in major transportation infrastructure upgrades that will generate new jobs and economic activity. Uncertainty and prolonged underinvestment will force the delay or cancellation of projects that would enhance economic competitiveness. No state or local transportation planner is going to pursue many projects outside of the window of projected funding. Any project that requires multiple years of funding commitments will be shelved. Any job creation gains from the Recovery Act will be short-lived.

By contrast, once our state and local clients have the funding guarantees of a new six-year program in place, new engineering and construction contracts will be let, new orders for equipment and construction materials will be placed, and many workers in the industry who have lost their jobs over the last year will be put back to work. ACEC firms can get to work designing innovative solutions to address our transportation challenges. In short, the benefits will be felt very quickly and will continue for years to come.

ARRA has provided us with a critical first step, but the country needs a more sustained program for the recovery effort to succeed. We urge this committee to continue moving forward with a renewed, multi-year commitment to rebuilding the nation's transportation infrastructure.

Community Transportation Association

July 16, 2009

Rep. James Oberstar, Chairman
House Transportation and Infrastructure Committee
U.S. House of Representatives
Washington, DC 20510

Chairman Oberstar:

The Community Transportation Association of America and its more than 4,000 individual and organizational members around the nation thank you for your dedicated leadership to community and public transportation and your stewardship of the Surface Transportation Act of 2009. As you are no doubt aware, our Association fully supports the Transportation and Infrastructure Committee's bill as it includes many of the ideas and innovations of our own Surface Mobility Vision for America.

Earlier today David Bruffy, General Manager of Mountain Line Transit in Morgantown, W.V., testified before the Subcommittee on Highways and Transit on behalf of our Association. In both his written and oral testimony, Mr. Bruffy communicated not only our support for the committee's authorization bill, but also for its immediate adoption and against the proposed 18-month delay in its consideration. We are officially communicating this important position with this letter.

We need a six-year reauthorization -- as envisioned by the Surface Transportation Act of 2009 -- to be considered immediately by the House, Senate and the Obama Administration. Any delay exacerbates the problems our membership faces in connecting Americans with jobs and health care, as well as with energy reform, and environmental protection. The vehicles we use to make these trips get even older and the needs of our passengers and communities only worsen. Our ability to help the American economy recover will be lost. In short, no good will come of waiting another year and a half.

Thank you for including the Community Transportation Association of America in today's vital hearing and please let me know if we can be of any additional service in the future.

Sincerely,

WE DO OUR PART

Dale J. Marsico, CCTM
Executive Director

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