U.S. House of Representatives
Committee on Transportation and Infrastructure
Washington, DC 20515

James L. Oberstar
Chairman

David Heymsfeld, Chief of Staff
Ward W. McCarragher, Chief Counsel

John L. Mica
Ranking Republican Member

James W. Coon II, Republican Chief of Staff

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.

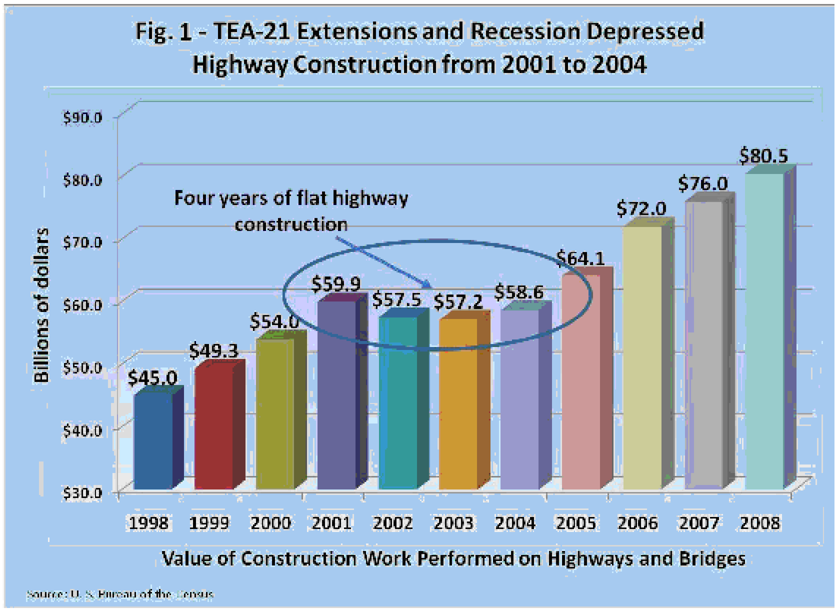
V. Impact of Past Delays of Authorizations on Project Planning

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.