



TESTIMONY OF

Kristine L. Young
President & CEO, Miller the Driller
Des Moines, Iowa

ON BEHALF OF ASSOCIATED GENERAL CONTRACTORS OF
AMERICA

BEFORE THE SUBCOMMITTEE ON WATER RESOURCES AND
ENVIRONMENT
COMMITTEE ON TRANSPORTATION AND INFRASTRUCTURE
U.S. HOUSE OF REPRESENTATIVES

ON

Opportunities and Challenges in the Creation of a Clean
Water Trust Fund
July 15, 2009

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Chairwoman Johnson, Ranking Member Boozman and Members of the Subcommittee:

My name is Kris Young. I am the President and CEO of Miller the Driller located in Des Moines, Iowa. I am presently serving as Vice President of the Associated General Contractors of America (AGC). In addition to serving in my present capacity as Vice President of AGC of America, I have served as Chairwoman of the AGC's Municipal and Utilities Division, Chair of the AGC Trenchless Technology Committee, and President of the AGC of Iowa in 1995.

My company Miller the Driller is a family owned and operated business founded by my father Gene Miller in 1948. We are a full service underground construction company that performs horizontal auger boring, tunneling, pipe ramming and a variety of other services. Miller the Driller is

AGC of America • 2300 Wilson Boulevard, Suite 400 • Arlington, VA 22201-3308
Phone: (703) 548-3118 • FAX: (703) 548-3119 • www.agc.org

WBE/DBE certified in Iowa, Illinois, Indiana, Missouri and Kansas. We are union operation signatory to agreements with Operating Engineers and Laborers. Our clients include Municipal Water Authorities, private developers, State Departments of Transportation and the U.S. Army Corps of Engineers.

I am pleased to respond to the Subcommittee's invitation to appear and testify on behalf of the Associated General Contractors of America on the Opportunities and Challenges in the Creation of a Clean Water Trust Fund.

Like many other AGC members across the nation, our clients are municipal governments and water authorities. My company Miller the Driller has seen firsthand what a strong commitment to infrastructure investment means for our Nation's well being having been a part of the infrastructure boom that took place in our great nation after World War II. I have also personally witnessed the positive impact federal investment can make in our water and wastewater infrastructure.

Even before the current economic turndown, many of our cities and towns which include large urban and small rural communities had experienced

substantial challenges repairing and replacing water infrastructure that is quickly reaching the end of its useful life. Many communities do not currently have the financial resources to make the investments that are direly needed and necessary to meet federal water quality standards and face significant practical and political challenges enacting rate structures that would raise adequate capital to make the improvements that are needed. As a contractor I see firsthand what neglecting our infrastructure can do to our communities.

Contractors, engineers and water authorities know all too well that continuing to neglect our water infrastructure is a cost we cannot afford. The American Society of Civil Engineers' (ASCE) recent report card gave our drinking water and clean water infrastructure a D minus. This is shameful and Congress must demonstrate leadership in finding solutions to finance this enormous water infrastructure funding gap.

The Challenge

Our water infrastructure is on the brink of disaster from aging systems and deferred maintenance and upgrades. Until recently with the advent of the American Recovery and Reinvestment Act, which is providing \$4 billion

and \$2 billion for the Environmental Protection Agency's Clean Water and Drinking Water State Revolving Loan Funds, respectively, Congressional appropriations for water infrastructure projects has been diminishing steadily over the years while our needs are increasing. Despite of the investments made in the Stimulus and significant increased levels of appropriations for fiscal year 2010, AGC of America believes that a more stable revenue stream is required to ensure that we are adequately investing in our water infrastructure.

Recent polling has shown that 86 percent of Americans support legislation by the U.S. Congress that would create a long-term, sustainable, and reliable federal trust fund for clean and safe drinking water infrastructure. The Government Accountability Office (GAO) report which is the subject of this hearing today acknowledges that our Nation faces tremendous challenges in replacing and rehabilitating our water infrastructure. As the GAO's report to this committee states, a trust fund for water infrastructure may not be the only solution to our water infrastructure needs in America but it would establish a multiyear commitment to address the nation's pressing water needs. If Congress can develop a fair and defensible system for raising the revenue, a water infrastructure trust fund is achievable. The benefits for the American people, business and the environment would be enormous.

A Clean Water Trust Fund Could Supplement Infrastructure Needs

The nation has staggering needs for clean drinking water and wastewater treatment infrastructure. The U.S. Environmental Protection Agency's Clean Water and Drinking Water Infrastructure Gap Analysis found a \$540 billion gap between current spending and projected needs for water and wastewater infrastructure (combined) over 20 years. In fact, a recent EPA study released in March 2009 stated that drinking water needs alone are almost \$335 billion, with transmission and distribution projects representing the largest category of need totaling \$200.8 billion.

Other public studies conducted by the GAO and the Congressional Budget Office (CBO), and a private study produced by AGC partner, the Water Infrastructure Network (WIN), have similarly estimated the nation's water infrastructure needs to range between \$400 and \$600 billion over a 20-year period.

Again, with annual appropriations for the Clean Water and Safe Drinking Water State Revolving Loan Fund (SRF) programs diminishing year after year, AGC supports creation of a long-term, sustainable, off-budget source

of funding for water infrastructure such as a trust fund to finance construction and maintenance of this critical infrastructure. Establishing a stable revenue stream to supplement federal funds will guarantee funding for critical water infrastructure projects.

Precedent for Infrastructure Trust Funds Exist

At the federal level, we have used dedicated trust funds to tackle problems too big for states to handle alone. The GAO has identified more than 120 federal trust funds in operation. These trust funds help ensure funding for other critical projects, including Highways, Airports, Harbor Maintenance, even Oil Spill cleanup. Currently running pilot clean water trust funds have also gained measured success in the areas where they have been implemented.

Financing water infrastructure through a trust fund would have several advantages over general fund financing. First, it would be deficit neutral. It would pay for itself. Second, the funding stream would not be subject to the vagaries of the annual appropriations process, thereby providing the certainty that State and local officials need to commit to long-term infrastructure financing. And third, it would get the job done provided revenues were sufficient to meet the need.

Like the transportation trust funds, a water infrastructure trust fund would possess several attributes:

- A system of user taxes would be established;
- The revenues generated by these user taxes would be credited to the trust fund, ensuring that the revenues are spent for their intended purpose;
- Budget authority (e.g., contract authority) provided from the trust fund would not be subject to the annual appropriations process; and
- The trust fund would either be outside the unified budget or subject to a guaranteed funding mechanism to ensure a linkage between revenues and spending.

Stable, Sustainable Funding Source Needed

We need a dedicated, stable source of funding for our nation's water infrastructure needs that is free from political interference and partisan squabbles. The fund should be budget neutral and not increase our national debt, as it would be responsible for its own revenue generation. The sooner water is depoliticized, the sooner we can ensure access to this critical resource for all Americans.

Congress Should Explore Other Options

Other Options included in the GAO study have merit and deserve Congress' full attention including several mentioned in the GAO report such as lifting private activity bond restrictions on drinking water and wastewater projects.

Infrastructure Investment Creates Jobs

Finally, Madame Chairwoman, infrastructure investment not only enhances our quality of life, but it also provides good paying jobs for Americans. In fact, a study conducted by AGC Chief Economist Ken Simonson and Professor Stephen Fuller from George Mason University estimated that for every \$1 billion in nonresidential construction spending would add about \$3.4 billion to the Gross Domestic Product (GDP), about \$1.1 billion to personal earnings and create or sustain 28,500 jobs.

- 9,700 jobs would be direct construction jobs located in the state of investment.
- 4,600 jobs would be indirect jobs from supplying construction materials and services.
- The majority of these jobs would be located within the state of investment but there would be some out of state jobs supported.

- 14,300 jobs would be induced when workers and owners in construction and supplier businesses spend their incomes locally and nationwide.

Unfortunately, the current state of employment in our industry is marked by the fact that in June alone, construction employment declined by 79,000 jobs, seasonally adjusted, while over the past twelve months 992,000 construction workers have lost their jobs. Indeed, while overall unemployment is 9.7 percent, over 17.4 percent of construction workers are now unemployed. While there is little doubt that the stimulus has helped slow the decline, the fact remains the construction industry has many long, slow and difficult months ahead as the one trillion dollar construction market continues to suffer from declining state and local revenue, little demand for commercial or retail facilities and shrinking orders for new factories and facilities.

Dependable and steady funding for infrastructure which could be provided by a trust fund will ensure that we not only maintain a skilled workforce, but that contractors will be able to invest in new technologies and more efficient equipment.

Conclusion

Congress should take this GAO report very seriously and consider where our lack of investment has gotten us today and what dangers exist if we fail to answer the challenge of investing in our water infrastructure. AGC has been doing its part by educating our members and the public by providing funding for the Penn State Public Broadcasting documentary *Liquid Assets: The State of Our Water Infrastructure*. Over twenty thousand copies of *Liquid Assets* have been distributed. Working with our members and other stakeholder groups we have ensured that *Liquid Assets* has been broadcasted over 700 times and according to Penn State PBS has potentially been broadcast in 94 percent PBS stations across America as of July 2009. In fact, thanks to your efforts Chairwoman Johnson and Ranking Member Boozman, the entire House of Representatives was alerted about a local broadcast of *Liquid Assets* in Washington, DC and you worked with Penn State to ensure that all 535 members of Congress have received copies of *Liquid Assets*.

AGC members and Chapters have used *Liquid Assets* in their communities to educate their employees and business peers, and continue to use this documentary to educate the public about the need for investment in our water infrastructure which is taken for granted. The response that AGC has

gotten from the public has been overwhelming. The number of Americans who understand the need to improve our water infrastructure is growing, and their patience is diminishing for those who have failed to make investment in water infrastructure a priority.

AGC acknowledges that in these tough economic times raising taxes may be a difficult pill for the American public and corporate America to swallow. However, we think infrastructure is different. It is an investment program. We have an obligation to provide the American people with the assurance that the water they drink is clean and safe. Congress needs to explore the idea of a trust fund and ensure that if we do pursue a trust fund in the future that there is a correlation between how the revenues are generated and used to maintain the public's trust and confidence.

Thank you for the opportunity to address the committee today.