



Statement of

The Honorable Pat McCrory,
Governor of North Carolina

&

Member, Executive Committee,
National Governors Association

Before the

House Committee on Transportation and Infrastructure

On

“Surface Transportation Reauthorization Bill: Laying the
Foundation for U.S. Economic Growth and Job Creation,
Part II”

March 17, 2015

Chairman Shuster, Ranking Member DeFazio and members of the House Transportation and Infrastructure Committee, thank you for inviting me to testify today on behalf of the National Governors Association (NGA) and the citizens of North Carolina whom it is my honor to represent. As a member of NGA's Executive Committee, let me assure you that there is strong bipartisan support among governors to work jointly with our federal partners to build a foundation for surface transportation reauthorization that will significantly enhance the long term quality and health of our nation's infrastructure.

I'd like to highlight several important factors this morning:

- Our nation's multi-modal transportation and related-infrastructure systems support and enhance the economic growth of our states, territories and the nation. Together, surface transportation and infrastructure help sustain quality of life, enhance public safety, and enable the flow of interstate and international commerce that underpins our nation's competitive position in the global economy.
- Over the years, previous surface transportation reauthorizations and short-term legislative extensions have created uncertainty at the national level. This triggered necessary and pragmatic actions at the state level to maintain and develop our vital infrastructure. Governors, however, agree that successful state action does not justify federal disengagement or devolution.
- Governors agree that a well-functioning surface transportation system requires both a long-term vision and funding stability to provide for our nation's diverse mobility needs. The process for maintaining our nation's transportation infrastructure requires an intergovernmental partnership at the federal, state and local levels.
- I am here today to highlight important surface transportation planning efforts and projects we have underway in North Carolina, and to ask Congress to pass a surface transportation bill that provides states with the *certainty* needed to budget and plan for the future. We also ask that Congress provide states with the *flexibility* needed to determine how best to use the federal transportation dollars that we receive.

Surface Transportation's Effects on National and State Economies

Our nation's infrastructure systems provide the skeletal structure that promote the flow of commerce in our nearly \$18 trillion economy, sustain quality of life, and enhance the economic growth of states and the nation.¹

Thanks to our investment in roads, rails, airports, water ports and waterways, North Carolina is globally competitive.

In North Carolina, we have long recognized that our state's transportation infrastructure plays a critical role in attracting and retaining businesses, while connecting people to jobs, healthcare, education and recreation. Just last summer we announced 1,262 new jobs with Sealed Air outside of Charlotte – the second biggest jobs announcement since I was elected governor. One of the main reasons Sealed Air chose to locate to North Carolina was its infrastructure, including the

¹ U.S. Bureau of Economic Analysis, National Income and Product Accounts, BEA 14-65 (Dec. 23, 2014).

Charlotte Douglas International Airport. This isn't an isolated occurrence – businesses are looking for strong infrastructure.

That is why we helped pass a data-driven New Mobility Formula two years ago which allows us to more efficiently prioritize the most important projects for the next 10 years. In addition, I unveiled a 25-year vision for North Carolina, "Mapping Our Future," in September that maps our future for infrastructure investment over the next 25 years to best leverage our infrastructure to catalyze economic growth. The vision recognizes that just like the nation, our transportation infrastructure can't be improved with a 'one-size-fits-all' approach. Each region of our state is different and has its own distinctive needs. Through our vision, we address those diverse needs and identify specific solutions to help each region thrive.

We are currently the 9th most populous state and the 12th fastest growing state in the nation. With 10 million current residents, we are projected to grow to 12.5 million residents by 2040. We have been recognized as the 4th best state in the nation for business and currently serve as headquarters to 21 Fortune 1000 companies, including one of the most varied biotech sectors in the country. We are ranked first in the southeast for manufacturing employment. It may surprise you to learn that we have the second largest highway system in the country, the second largest state-owned and operated ferry system in the country, we support 99 public transit systems and two major ports. At the same time, our transportation network is at or beyond its capacity in the fastest growing areas of our state.

North Carolina used the New Mobility Formula to create our draft State Transportation Improvement Program to program 1073 projects across all transportation modes and in all 100 counties over the next 10 years. This means we are able to fund about 300 more projects and create roughly 126,000 more jobs than we were able to create under the old formula. Our 25-year transportation vision maps our future and guides infrastructure investments over the next 25 years. It will connect small towns to economic centers. These connections will make it easier for people to travel to jobs, schools, hospitals and parks. Our 25-year plan also recognizes that even with the new formula, we can only build one out of five projects, and counties and cities tell us they need more.

Now we have shifted our focus on investing in our vision. The funding we have to invest in our transportation infrastructure to address these needs is insufficient. Using funds currently available, we will only be able to fund approximately 18% of transportation projects submitted by local planning organizations over the next ten years. Over the next 25 years we have identified our needs between \$94 and \$123 billion. We simply must find a way to increase our funding of investments in all modes of transportation. If we don't invest, we risk delays in the delivery of goods and services, inefficiencies in the movement of freight, and lost time due to congestion during daily commutes. With state travel estimated to increase 60% by 2040, we face unique challenges as we work to reduce congestion, enhance connectivity and offer more travel options.

We are pursuing alternative revenue solutions such as increased use of public-private partnerships and taking advantage of low interest rates for bonding, as well as grappling with identification of new and innovative revenue mechanisms. I've advised the General Assembly in Raleigh that I'm requesting a transportation bond of \$1.2 billion that will allow for the quicker construction of projects in the 25-year vision plan. Projects funded through a revenue bond would be the next projects in line, scored under our Mobility Formula, with environmental documents in place so we can begin these projects immediately. This proposed bond is part of our 25-year vision. For our coastal counties we'll make it easier for the military to move troops and equipment during

deployments while helping transport goods at our ports. It will relieve congestion during the busy tourist season and improve emergency evacuation routes. All of these factors contribute significantly to our national security, to the economy of North Carolina and the southeast and to the quality of life of the millions of citizens who call North Carolina home as well as to the millions who visit our state for business and pleasure.

But make no mistake: part of the solution must be continuation of a strong, flexible and reliable federal program, which currently makes up almost 28% of our total transportation budget.

I am not here to endorse devolution of the federal surface transportation programs. In fact, I believe the federal government plays an extremely strong role in ensuring our country is able to move goods and people throughout our 50 states. I know Chairman Shuster is fond of saying that our Founding Fathers understood the important role of the national government to maintain public works to facilitate interstate commerce. In doing so they laid the groundwork for connecting the country through trade and travel and recognized the critical role of an efficient, robust infrastructure network. Since that time, there has been a clear and consistent federal role and a national interest in developing, maintaining and supporting the vital transportation infrastructure that connects American consumers, manufacturers and farmers to domestic and world markets.

President Eisenhower, the “father” of our nation’s remarkably innovative Interstate system, observed that without the unifying force of transportation, “we would be a mere alliance of many separate parts.” I completely agree. However in recent years, the federal program has not kept pace with the states’ needs – which are the nation’s collective needs. Congress is stymied in enacting longer term legislation and more reliable funding streams. But elimination of the federal program would be catastrophic not only to North Carolina: most, if not all, of the states you represent and the country as a whole would suffer.

North Carolina is home to seven military bases and 110,000 active duty personnel. This significant footprint includes some of the nation’s most vital commands. For example, the Military Ocean Terminal Sunny Point, the United States Army’s largest ammunition port and the Army’s primary East Coast deep water port, is located in Brunswick County, North Carolina.

Providing improved rail and highway connections between these facilities is an essential part of our 25-year plan. Failing to invest in these connections that support military freight and deployment needs threaten to negatively impact our nation’s military readiness. These connections are also important to connect active duty personnel and their families to education, healthcare and recreational opportunities that improve their morale and quality of life.

Governors need certainty at the federal level so states can plan for and make infrastructure improvements, as well as maintain our existing systems. A long-term federal transportation reauthorization will provide that certainty.

A continued federal investment is also necessary to leverage our efforts to maintain and improve infrastructure systems to meet our nation’s surface transportation needs. The responsibility of the nation’s interconnected transportation network cannot be left only to states and their municipalities because all levels of government must partner together to foster a cohesive transportation network, not a patchwork across the nation.

Federal highway and transit programs and funding should provide maximum flexibility to the states for implementation and innovation because of our diversity of geography, population, and priorities. Well-managed dollars committed to infrastructure improvements help our economy and enhance the ability of our industries to transport goods and provide services. Investing today in surface transportation is a long-term commitment towards our economic viability and the safety of our citizens. Therefore, I urge this Committee, with its great bipartisan history, to lead your colleagues in Congress to prioritize infrastructure as an investment in America's future and identify reliable and sustainable funding sources so these important programs can continue without interruption, and also grow and thrive.

Governors across our country are championing infrastructure. Investing in infrastructure continues to be a central theme in many "State of the State" addresses. What are governors saying? Let me offer some examples:

- *A recently completed Battelle study demonstrates the need for us to take a hard look at adequate road funding. The study shows that without action, funding available for road and bridge maintenance will fall short of what is needed to remain competitive and, more importantly, safe. Without action, Iowa's roads and bridges face an uncertain future. Our farmers will find it more difficult in delivering commodities to market. Business and industry will look elsewhere when considering where to invest and grow. As the study found, sound infrastructure remains a prerequisite for economic development. This is our opportunity to pave the road toward Iowa's strong future.* Iowa Gov. Terry Branstad, January 13, 2015.²
- *We know that transportation and economic growth are bound together. States that make long-term investments in their infrastructure can have vibrant economies for generations. States that don't, will struggle. It's that simple. Transportation connects us – literally – community to community, state to state, nation to nation. It connects us to economic opportunity, and it connects us to one another."* Connecticut Gov. Dannel P. Malloy, January 7, 2015.³
- *The key issue is public safety.... So, when you drive Michigan and you see plywood underneath the bridge, why is it there? It's keeping crumbling concrete from falling on your vehicle, that's unacceptable. When you talk about our roads and you see those potholes, just think about the issues and concerns you've had this personally. When you swerve to miss a pothole, you are a distracted driver. You are putting yourself at risk and other drivers and other people. If you hit that pothole and you blow a tire you're at risk of a major accident. That is unacceptable. We need to do something folks. It's time to get it done.* Michigan Gov. Rick Snyder, January 20, 2015.⁴
- *Without action, there will be a 52 percent cut in the maintenance budget, and 71 bridges will become structurally deficient or functionally obsolete. Without action, commute*

² Gov. Branstad Delivers 2015 Condition of the State: "Together We Can". Web. 24 Jan. 2015.

<<https://governor.iowa.gov/2015/01/gov-branstad-delivers-2015-condition-of-the-state-together-we-can/>>.

³ Malloy, Gov. Dannel, "Governor Dannel P. Malloy 2015 State of the State Address". Web. 09 March 2015. <<http://www.governor.ct.gov/malloy/cwp/view.asp?A=11&Q=559062>>.

⁴ Snyder, Gov. Rick, "2015 Michigan State of the State Transcript". Web. 9 March 2015.

<http://www.michigan.gov/documents/snyder/2015_Michigan_SOTS_Transcript_479562_7.pdf>

times will continue to rise, robbing us of time with our families. Without action, our ability to move goods efficiently will be diminished. Washington State Gov. Jay Inslee, January 13, 2015.⁵

In my own State of the State address last month, I highlighted that during the past decade or so, as I have driven down the highways of North Carolina, I've noticed it goes from two lanes, to four lanes, back to two lanes, to eight lanes to four lanes and then back to two lanes. And everywhere it gets wider it's named for a politician or a Department of Transportation board member. And where the congestion choke points still exist, the road is nameless.

That's not the way we do things anymore in North Carolina. We've taken the politics out of road-building by putting in place a transportation formula that focuses on relieving congestion, improving safety and growing and connecting the economy in all parts of our state. Those changes allow us to be more efficient with taxpayer dollars. In fact, we've more than doubled the number of transportation projects that will be built. This new approach will create thousands of new jobs during the next 10 years.

MAP-21 Reauthorization: NGA Policy Priorities

The seeds of a renewed national commitment to surface transportation infrastructure were planted more than two years ago when Congress passed the Moving Ahead for Progress in the 21st Century Act (MAP-21), which authorized federal laws for highways and transit for 27 months. In advance of MAP-21, governors worked through NGA to inform congressional action. NGA also led an effort among national organizations representing state and local elected officials to develop guiding principles for Congress. (*See Attachment One* for NGA's Transportation and Infrastructure Policy).

Governors appreciate that MAP-21 reflected many of our bipartisan policy priorities. In particular, governors supported the preservation of innovative financing tools such as public-private partnerships and the expanded capacity of the Transportation Infrastructure Finance and Innovation Act (TIFIA) credit assistance program. These financing tools cannot substitute for reliable and sustainable funding sources, but they are an important complement. The development of new infrastructure projects will need innovative project financing options, stable funding sources, intergovernmental partnerships and multi-state coordination.

As Congress begins to work on MAP-21 reauthorization, NGA's principles remain relevant. Governors, as the "CEOs" of states, understand the importance of transportation infrastructure to economic competitiveness and job growth. To move our economy forward and be able to plan and execute long-term, multi-year projects, states need predictable federal funding and the flexibility to use existing and new financing mechanisms when public funding falls short.

We are aware that a range of funding options has been suggested because existing revenue sources cannot sufficiently support the various federal trust funds that help finance transportation and infrastructure.⁶ I believe we would all agree that if there were one easy, viable "silver bullet

⁵ Inslee, Gov. Jay, "2015 State of the State." Web. 24 Jan. 2015.

<<http://www.governor.wa.gov/news-media/news-media/speeches/2015-state-state>>.

⁶ See *Matrix of Illustrative Surface Transportation Revenue Options*, American Association of State Highway and Transportation Officials (2014). (Options suggested include standards such as the motor fuels tax; indexing; a shift to a sales tax on fuel purchases vehicle-miles-traveled fee; and customs and imported oil duties.)

option,” Congress would already have passed it into law.

Governors will leave it to experts to advise Congress on those options, recognizing that a combination of both short-term and long-term options may be required to safeguard the Highway Trust Fund. NGA stresses, however, that continuing to use general fund transfers to fill Highway Trust Fund shortfalls and operating federal highway and transit programs through a patchwork of short-term extensions are not sustainable options.

States and local governments need federal funding stability and certainty to pursue long-term planning and project delivery. This certainty was foundational for the 25-year transportation plan I instituted as mayor of Charlotte. Sound transportation policy and planning is a major factor in Charlotte’s economic growth and its ascendancy to become one of the major financial centers in our nation.

Infrastructure and Federal Tax Reform

In addition to the conversation surrounding MAP-21 reauthorization, NGA is engaged in other federal policy conversations—such as the one surrounding federal tax reform—that could affect states’ ability to fund or finance infrastructure. Funding infrastructure through taxes, tolls, and other mechanisms is different from financing infrastructure through debt and equity investments.

Practically every state and Puerto Rico issue general obligation or revenue bonds.⁷ For nearly 200 years, the \$3.6 trillion tax-exempt municipal bond market has helped states, cities, and counties finance infrastructure needs including roads, bridges, transit systems and other vital projects serving the public good.⁸ For example, while I was mayor of Charlotte, municipal bonds were the primary financial vehicle to launch Charlotte’s Lynx light rail system which now serves more than 5 million riders each year.

Since its inception in the early 20th Century, the federal tax code has excluded interest earned on municipal bonds from income. NGA cautions that ending or capping this federal exclusion could increase the cost of financing infrastructure projects, slow down or terminate projects, trigger higher taxes on citizens, or some combination. Consequently, NGA advocates that federal laws and regulations, either directly or indirectly, should not increase the costs states and their municipalities incur to issue municipal bonds or decrease investor appetite to purchase them.

Conclusion

The current surface transportation law expires at the end of May. If we truly believe that a strong national transportation system is essential to creating jobs and maintaining a strong national economy, we need a law that reflects that belief.

The short-term surface transportation reauthorizations and extensions patched together over the years created uncertainty at the national level and triggered action at the state level. Governors are leading the way, but let me be clear: while state and local governments can do a lot, we cannot do it all. I have described how we are improving infrastructure in North Carolina, but even with the

⁷ Transportation Governance and Finance: A 50-State Review of State Legislatures and Departments of Transportation, Joint Project of NCSL and AASHTO (May 2011). See page 33, n54.

⁸ Lambert, Lisa. "U.S. Municipal Bond Market Shrinks to Smallest in Five Years: Fed." *Reuters*. Thomson Reuters, 11 Dec. 2014. Web. 23 Jan. 2015.

remarkable progress we continue to make, we could greatly augment our effectiveness if we had reliable, long-term funding from the federal government.

Action at the state level must not be interpreted as an invitation for Congress to completely transfer the federal transportation program to state and local governments. Rather, to succeed, leaders across all levels of government must work together.

This spring, Congress has the opportunity to set a new vision for infrastructure investment in America. The current highway funding legislation will expire in 10 weeks. Let me repeat: the current highway funding legislation will expire in *10 weeks*. I am here on behalf of all my fellow governors to ring the alarm bell. States are in *dire* need of meaningful, long-term congressional action to avoid long-term *dire* consequences in our states. Governors urge Congress to avoid more short-term fixes and pass a long-term surface transportation bill that provides the certainty needed to plan for future projects and the flexibility needed to tailor those projects to the unique challenges that each state faces.

If we are serious about our economy, and I know that you are, then together we must be serious about our nation's infrastructure. The nation's governors look forward to working with Congress and the Administration to reauthorize MAP-21 and to demonstrate our shared commitment to an effective, well-functioning transportation system.

Thank you for the opportunity to testify. I would be happy to answer any questions that Committee members may have.

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ATTACHMENT 1



EDC-02 Transportation and Infrastructure

2.1 Preamble

Our nation's multi-modal transportation and related-infrastructure systems support and enhance the economic growth of states and the nation. Infrastructure provides the skeletal network that connects the nation. Together, transportation and infrastructure help sustain quality of life, promote public safety and enable the flow of interstate and international commerce that underpins the United States' competitive position in the global economy.

Governors affirm the following guiding principles in federal laws, regulations, and practices:

2.2 Guiding Principles

2.2.1 National Vision

- To provide for our nation's diverse mobility needs, transportation and infrastructure policies require long-term vision and funding stability.
- The focus of federal transportation laws, regulations, and programs, regardless of mode, should include efficiency of delivery, reliability, capacity, system preservation, cost effectiveness, safety and security, innovative solutions, and partnerships.

2.2.2 Intergovernmental Partnership

- A strong federal-state partnership is critical for our nation's transportation and infrastructure systems because all levels of government have a role in transportation, which must be coordinated if we are to improve mobility and safety, protect the environment, and ensure the security of vital transportation and infrastructure assets.

2.2.3 Infrastructure

- A national commitment to bring existing infrastructure into a state-of-good-repair, and in targeted and strategic places construct new infrastructure, advances the ability of the United States to meet basic mobility and service delivery needs.

Infrastructure provides rural access and connectivity, strengthens economic competitiveness, helps reduce congestion, improves safety, supports environmental sustainability, and boosts quality of life.

2.2.4 Funding and Finance

- All options must be on the table for ongoing evaluation because existing revenue sources are no longer adequate to support the various federal trust funds that help finance transportation and infrastructure.
- Facilitating investment in infrastructure projects through existing and new self-sustaining financing mechanisms can help mitigate public funding shortfalls, particularly where there are sufficient estimated traffic levels. Successful mechanisms leverage capital markets and require borrowers to use revenues from projects to repay the financing, making capital available to lend for new projects. If federal funds help capitalize and sustain infrastructure-financing mechanisms, then those funds must be separate from trust fund revenues dedicated to core transportation programs.
- Infrastructure financing options assist states in building and maintaining projects, but financing alone cannot replace reliable federal funding mechanisms.

2.2.5 Certainty and Stability

- The design of federal funding mechanisms must maintain reliable, long-term funding certainty. The ability of state and local governments to plan and execute long-term, multi-year projects hinges on predictable federal funding.

2.2.6 Program Reforms

- Reforming and restructuring federal transportation programs may improve them provided restructuring preserves core federal programs, limits federal requirements that preempt state spending flexibility, and prohibits earmarks that diminish core program funding.
- Federal transportation programs and funding should provide maximum flexibility to the states for implementation and innovation because of our diversity of geography, population, and priorities.

2.2.7 Project Delivery

- Streamlined project delivery that reduces approval and completion times and improves efficiencies, while achieving the intent that underlies critical environmental, planning and design, and procurement reviews, requires a federal commitment.
- Governors encourage the use of leading-edge budgetary and analytical tools that, among other advantages, can help the public sector estimate life cycle costs for

transportation and infrastructure investments to ensure that they are built and maintained for the long term.

2.2.8 Public Transportation

- An ongoing, strong federal role is critical to help fund and deliver diverse public transportation solutions for metropolitan and non-metropolitan areas across the country.

2.2.9 Freight Mobility

- A multi-modal, interconnected national freight system should remain a common national goal.
- A federal freight strategy must provide flexibility for states to designate freight corridors within their borders, unconstrained by mileage limits, to connect to the national and international economy and to address states' unique needs and geographic interests.
- States have long recognized the importance of freight movement by engaging in extensive statewide and regional transportation freight planning, working with statewide freight advisory councils and delivering multi-modal freight transportation programs.

2.2.10 System Performance

- Federal incentives that reward positive outcomes in matters such as congestion mitigation and safety are better than prescriptive federal penalties focused on preemption and unfunded mandates.
- Outcome-oriented performance measures developed by states and national goals set by Congress should be clear, measurable, attainable, and fair.

2.2.11 Safety and Security

- All levels of government must cooperate to improve the safety and mobility of our nation's transportation systems, reduce fatalities and injuries, protect the environment, and ensure the security of infrastructure assets throughout the country.

Time limited (effective Winter Meeting 2015 – Winter Meeting 2017).

Adopted Winter Meeting 2015.