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

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February 1, 2019

SUMMARY OF SUBJECT MATTER

TO:	Members, Committee on Transportation and Infrastructure
FROM:	Staff, Committee on Transportation and Infrastructure
RE:	Full Committee Hearing on "The Cost of Doing Nothing: Why Investing in Our Nation's Infrastructure Cannot Wait"

PURPOSE

The Committee on Transportation and Infrastructure will meet on Thursday, February 7, 2019, at 9:30 a.m. in HVC 210, Capitol Visitor Center, to receive testimony related to "The Cost of Doing Nothing: Why Investing in Our Nation's Infrastructure Cannot Wait." The purpose of this hearing is to examine the current state of our roads, bridges, transit systems, clean water systems, ports and inland waterways, and airports; and receive testimony on what will happen if we do not begin to address the backlog of infrastructure needs. The Committee will hear from the Governor of Minnesota, the Mayor of Los Angeles, a former Secretary of Transportation, and representatives of Amtrak, the Aerospace Industries Association, Spokane International Airport, Charlotte Water, UPS Freight, Pacific Northwest Waterways Association, and the Transportation Trades Department, AFL-CIO.

BACKGROUND

The Importance of Infrastructure Investment

America's infrastructure network is essential to the quality of life of our citizens and the productivity of the nation's economy. This expansive national network provides all Americans– from those living in the largest cities to the smallest towns – with extraordinary freedom of mobility and unprecedented opportunity. Infrastructure provides the backbone of the U.S. economy that facilitates economic growth, ensures global competitiveness, and creates family-supporting American jobs.

Our infrastructure, once the envy of the world, is losing its battle against time, growth, weather, and wear. It is suffering from decades of underinvestment, and the costs are staggering: according to the American Society of Civil Engineers, we face an approximate $2 trillion investment gap over the next 10 years to fix the infrastructure we have, meet future needs, and restore our global competitiveness.[1]

In the coming decades, the Nation's infrastructure will continue to be under immense pressure and face significant challenges. America's population is expected to grow to approximately 400 million by 2050.[2] Freight volumes will continue to soar as freight movements are expected to increase by 40 percent over the next 30 years.[3] Infrastructure will also need to be modernized in order to meet current and future needs, to be stronger and more resilient to withstand natural disasters and other catastrophic events, and to incorporate technology and innovation.

AVIATION

U.S. airports have an estimated total of $100 billion in infrastructure needs to keep up with current demand and plan for passenger growth between 2017 and 2021 (or $20 billion per year), based on the Airports Council International-North America's infrastructure needs survey. This amount far exceeds current Federal funding for airport improvement projects. U.S. airports are concerned that without an increase in airport infrastructure investment, they will not be able to accommodate passenger growth expected in the coming years. This will have ripple effects throughout the aviation industry, which supports more than $1 trillion in economic activity.

U.S. Airports: The Federal Aviation Administration (FAA) has identified 3,321 airports as public-use facilities that are important to national air transportation and consequently qualify for Federal assistance through Airport Improvement Program (AIP) grants.

Capital Needs: The U.S. air transportation system transported 965 million passengers in 2017. The FAA notes that the majority of U.S. airports now have sufficient airfield capacity for current traffic levels. However, the agency also notes there are a small number of the largest airports that are capacity constrained with chronic delays. Such delays regularly occur with cascading effects on the entire air transportation system. The FAA has continued efforts to enhance airport capacity and reduce delays through infrastructure development and technological advancements. During the next decade, the FAA forecasts that passengers on U.S. airlines alone will increase to more than one billion annually.

Airport capital needs are growing and significantly exceed available Federal funding. The FAA estimates that between 2019 and 2023, AIP-eligible projects will total $35.1 billion (or $7 billion per year), an increase of $2.6 billion over the FAA's last estimate for 2017-2021. This annual figure is more than the $3.35 billion per year that Congress will provide over that same period (2019-2023), despite a one-time increase in AIP funding of $1 billion for certain small airport projects enacted last year. When combining both AIP-eligible and non-AIP-eligible projects, the total

[1] American Society of Civil Engineers (ASCE), "Infrastructure Report Card," 2017.
[2] U.S. Census Bureau, "Projections of the Size and Composition of the U.S. Population: 2014 to 2060," 2015.
[3] U.S. Department of Transportation, Bureau of Transportation Statistics, "DOT Releases 30-Year Freight Projections," 2016.

infrastructure need for U.S. airports increases to $100 billion between 2017 and 2021, according to an industry survey by the Airports Council International-North America.

Airport Funding: Airports cover operating expenses and pay for improvement projects from four funding sources, listed in order of 2016 revenue totals (largest to smallest): aeronautical revenue, including gate leases and other airfield charges to airlines or general aviation ($11.4 billion); nonaeronautical revenue, including parking and concessions revenue, state or local grants, and interest revenue ($9.7 billion); AIP grants disbursed by the FAA ($3.2 billion); and revenue from passenger facility charges (PFCs) ($3.2 billion). Airports also use different financing mechanisms for capital needs, including using tax-exempt municipal bonds backed by airport revenues or different types of public-private partnership agreements.

AIP: The AIP was established by the Airport and Airway Improvement Act of 1982 (P.L. 97-248). Funds obligated for the AIP are drawn from the Airport and Airway Trust Fund, which is primarily funded from excise taxes imposed on domestic airline tickets, cargo waybills, and aviation fuel sales. The AIP generally funds projects that are needed to enhance airport safety, capacity, security, and noise mitigation. Congress has maintained level AIP funding of $3.35 billion annually for the past seven years, and the FAA Reauthorization Act of 2018 (P.L. 115-254) continues the same funding level through fiscal year 2023. The Federal government has maintained flat airport funding for 12 years.

Passenger Facility Charge: To provide additional resources for airport improvements, the Aviation Safety and Capacity Expansion Act of 1990 (P.L. 101-508) permitted airports to assess a charge on enplaning passengers called the passenger facility charge (PFC). The PFC is a Federally-authorized user fee that an airport sponsor, subject to FAA-approval, may choose to levy on most enplaned passengers. Three hundred sixty-one airports currently collect PFCs, including 98 of the busiest 100 airports. PFC revenues may be used for a wider variety of projects than AIP grants; most notably, PFC revenues are commonly used for terminal development projects that are unlikely to be funded through the AIP because AIP grants are typically used for higher-priority airside projects. PFC revenue is also used to secure municipal bonds for airport projects and may be used to make principal and interest payments on the debt.

Airports may impose a maximum $4.50 PFC on enplaning passengers, up to a maximum of $18 on a roundtrip ticket. The PFC is not indexed to the cost of inflation, and Congress has not increased the cap on the PFC since 2000, when the Wendell H. Ford Aviation Investment and Reform Act for the 21st Century (P.L. 106-181) increased the original PFC from $3 to $4.50.

HIGHWAYS & TRANSIT

Highway Trust Fund

Federal highway, transit, and highway safety programs are administered by the Federal Highway Administration, the Federal Transit Administration, the Federal Motor Carrier Safety Administration, and the National Highway Traffic Safety Administration. While these agencies provide financial and technical assistance and administer programs at the Federal level, States and local governments select projects, enter into contracts, oversee construction, and carry out the programs.

Federal surface transportation programs are currently authorized by the *Fixing America's Surface Transportation Act* (FAST Act) (P.L 114-94). Enacted on December 4, 2015, the FAST Act provided $281 billion in funding for highway, transit, and highway safety programs and reauthorized federal programs for five years. The FAST Act is set to expire on September 30, 2020.

Federal surface transportation investments are funded through Federal excise taxes levied on motor fuels and on related products such as tires, which are deposited into the Highway Trust Fund (HTF). Congress has not adjusted the motor fuel excise taxes since 1993, and the purchasing power of these taxes have fallen over 40 percent in the last 25 years. Improved vehicle fuel efficiency has further eroded Federal revenues. As a result, revenues coming into the HTF have not kept pace with expenditures from authorized programs. Congress has had to transfer $144 billion from the General Fund and other funds to keep the HTF solvent since 2008. The Congressional Budget Office (CBO) estimates that over the next 10 years, the HTF will fall $159 billion short based on continuing currently-authorized highway, transit, and safety program levels. An additional $5 billion is necessary to ensure that there is a prudent balance in the HTF, which brings the shortfall to $164 billion. This does not include any higher investment levels to meet growing surface transportation needs.

Surface Transportation Investment Needs

Federal investment has not kept pace with surface transportation needs in recent years. One in three interstate U.S. bridges have repair needs and nearly ten percent of the nation's bridges are structurally deficient.[4] One out of every five miles of highway pavement is in poor condition nationwide, and more than two out of every five miles of America's urban interstates are congested.[5]

According to the U.S. Department of Transportation's (DOT) 2015 *Conditions & Performance Report*, there is an $836 billion backlog of unmet capital investment needs for highways and bridges. DOT estimates that all levels of government need to invest approximately $143 billion per year to improve the conditions and performance of our roads and bridges. We currently underinvest in highways by $37.3 billion per year at all levels of government. The cost of bringing the Nation's rail and bus transit systems into a state of good repair is estimated at $90 billion, and we would need to invest a minimum of $26.4 billion per year on maintenance and to accommodate future transit ridership growth. We currently underinvest by approximately $9.5 billion per year at all levels of government on transit capital investments.

This underinvestment is taking its toll on commuters and the economy. In 2017, congestion, directly and indirectly, cost drivers $305 billion, or an average of $1,445 per driver, and motorists spent an average of 41 hours a year in traffic during peak hours.[6] Driving on roads in need of repair costs motorists $130 billion in extra vehicle operating costs – or $599 per driver.[7] The American Society of Civil Engineers estimates that if we continue status quo funding, each American household will lose $3,400 each year in disposable income due to poor infrastructure.[8]

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[4] ARTBA Bridge Report, 2018.
[5] ASCE Report Card, 2017.
[6] INRIX 2017 Global Traffic Scorecard.
[7] TRIP, "Bumpy Road Ahead: America's Roughest Rides and Strategies to Make our Roads Smoother," October 2018.
[8] ASCE, "Failure to Act," 2016 report.

RAILROADS

Amtrak Authorization: Amtrak was authorized through Fiscal Year (FY) 2020 as part of the Fixing America's Surface Transportation (FAST) Act, which was signed into law on December 4, 2015. The bill authorized a total of $1.7 billion for Amtrak in FY2019 and $1.8 billion for Amtrak in FY2020.

Northeast Corridor: The Northeast Corridor (NEC) is 457 miles of rail line extending from Washington, D.C., to Boston, MA, and runs through eight states and the District of Columbia with 260 million people traveling the corridor per year.[9] Taken as a whole, the NEC region is the fifth largest economy in the world with a GDP of $3 trillion.[10] Amtrak owns and controls 363 miles of this track, with states controlling portions of the route north of New York City. Each weekday, the NEC carries nearly 2,000 commuter trains, 60 freight trains, and 148 Amtrak trains, including the *Acela Express,* which operates at speeds up to 150 miles per hour and is the only high-speed train in the United States.

This heavy usage, combined with the age of bridges and tunnels— many of which date back to the period between the Civil War and the New Deal— has led to major needs in maintenance and capital infrastructure improvements to remove bottlenecks and increase capacity along the corridor. As of July 2018, the Northeast Corridor Commission estimates that nearly $24 billion remains unfunded for major rail infrastructure projects along the NEC alone. Some of these projects include: the Baltimore & Potomac Tunnel ($4.3 billion project, with $4.25 billion unfunded), which was built in 1873 and requires replacing the Civil-War era tunnel with a newer curve-moderated tunnel; replacement of the swing-span Portal North Bridge ($1.6 billion project, with $953 million unfunded) over the Hackensack River; and replacement of the Susquehanna River Bridge ($1.7 billion project, with $1.6 billion unfunded).[11] The Northeast Corridor Commission estimates that service disruptions caused by infrastructure failures, rail traffic congestion, and other factors costs the U.S. economy $500 million per year in lost productivity, and that a loss of all NEC services for just one day would cost the economy an estimated $100 million.[12]

National Network[13]: Amtrak's 15 long-distance routes and the 29 state-supported routes comprise the National Network. Outside of the NEC, Amtrak operates on tracks owned, maintained, and dispatched by various host freight and commuter railroads and pays host railroads over $142 million annually for use of these tracks.[14] The Americans with Disabilities Act (ADA) required that all stations in the intercity rail transportation system be made accessible to and usable

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[9] https://nec.amtrak.com/about-the-nec/
[10] https://nec-commission.com/app/uploads/2018/04/NEC-American-Economy-Final.pdf
[11] http://nec-commission.com/app/uploads/2018/04/NEC-Capital-Investment-Plan-19-23.pdf
[12] https://nec-commission.com/app/uploads/2018/10/NEC-One-Year-Plan-FY19.pdf
[13] The National Network includes long-distance and state-supported routes.
[14] https://media.amtrak.com/wp-content/uploads/2018/10/Amtrak-Host-Railroad-Report-Card_FAQ_Route-Detail-2018-10-15.pdf. This compensation is for the incremental cost (rather than a negotiated market cost) associated with operating intercity passenger services over freight railroad tracks.

by individuals with disabilities no later than 2010[15]. Amtrak has sole or shared financial responsibility to bring 383 stations into compliance with ADA requirements and estimates that it will over $1 billion to complete this work.

Grants: The FAST Act authorized three rail infrastructure grant programs through FY 2020 that are administered by the Federal Rail Administration:

- The Consolidated Rail Infrastructure and Safety Improvements (CRISI) program supports projects that improve the safety, efficiency, and reliability of passenger and freight rail. CRISI is funded at $592.547 million total in FY2018 Omnibus. In response to the July 2018 notice of funding opportunity for $318 million in FY2018 funds, FRA received applications for 109 projects totaling more than $913 million. FRA is currently reviewing applications.
- Federal-State Partnership for State of Good Repair discretionary grants support capital projects that repair, replace, or rehabilitate qualified railroad assets to reduce the state of good repair backlog and improve intercity passenger rail performance. The program is funded at $250 million in the FY2018 Omnibus. FRA issued a notice of funding opportunity for FY2017 and FY2018 money totaling $272.25 million on Nov. 16, 2018. Applications for funding are due March 18, 2019.
- Restoration and Enhancement grants fund operating assistance grants for initiating, restoring, or enhancing intercity rail passenger transportation. The program is funded at $20 million in the FY2018 Omnibus.

WATER RESOURCES AND ENVIRONMENT

Clean Water Infrastructure Needs

America's water infrastructure is in need of renewed Federal investment. According to the American Society of Civil Engineers *2017 Infrastructure Report Card*, America's wastewater treatment infrastructure receives a grade of D+, which is only a slight improvement from its previous grade of D in the 2013 Report Card.

Currently, municipalities face a **backlog of more than $40 billion** in clean water infrastructure projects and, according to the Environmental Protection Agency, these communities **need at least $271 billion of investment over the next 20 years[16] to bring their systems to a state of good repair.**

The need for greater Federal investment in our Nation's water infrastructure is clear, and the benefits are numerous. Investing in clean water creates thousands of domestic jobs in the construction industry and reduces the overall costs of operating and maintaining that infrastructure. According to the National Utility Contractors Association, **every $1 billion invested in our Nation's water infrastructure creates or sustains 27,000 jobs in communities across America,** while improving public health and the environment at the same time.

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[15] 42 U.S. Code § 12162

[16] https://www.epa.gov/cwns/clean-watersheds-needs-survey-cwns-2012-report-and-data.

Federal Clean Water Investment: Clean Water State Revolving Fund

For close to 80 years, Congress has provided Federal funds to municipalities to address local water quality challenges, including sewage treatment needs. Initially, this assistance was provided as direct grants to municipalities (covering 55 to 75 percent of the total costs of the projects). However, in 1987, Congress converted the direct grant program to a Clean Water State Revolving Fund ("Clean Water SRF") authority that provides funding directly to States which, in-turn, provide below-market rate loans to communities to finance local wastewater infrastructure needs (required to be fully-repaid over a 30 year term).

Although the authorization of appropriations for the Clean Water SRF expired after 1994, Congress continues to fund this critical investment in our Nation's wastewater infrastructure—providing more than $43 billion in Federal capitalization assistance to States since 1987. In turn, this infusion of Federal capital to State revolving funds has leveraged over $120 billion in direct assistance to communities over this period.

Over the past few Congresses, legislation has been introduced to reauthorize and increase Federal appropriations for the Clean Water SRF program, as well as address the cost of wastewater service to low-income customers and households. In January 2019, a coalition of 91 utility, engineering, contractors, and conservation groups cosigned a letter[17] to Congress urging that water infrastructure be included as part of any infrastructure package approved in the 116th Congress.

Harbor Maintenance Needs

According to the U.S. Army Corps of Engineers (Corps), fully-dredged navigation channels at our Nation's busiest 59 ports are available less than 35 percent of the time— and the conditions of our midsize and emerging harbors are far worse. With the opening of the expanded Panama Canal in June 2016, larger container ships will increasingly call on East and Gulf Coast ports, and the dredging needs of our ports will continue to grow.

In January 2017, the Corps estimated the total cost to achieve and maintain constructed widths and depths of all Federal navigation projects is $20.3 billion over the next decade. This estimate includes:

- $11.0 billion— to achieve full dimensions in the next five years ($2.2 billion annually); and
- $9.3 billion— to maintain these dimensions for an additional five years ($1.9 billion annually).

Moreover, total navigation needs are likely higher. The Corps' $20.3 billion estimate includes additional expenses related to navigation (e.g., construction of dredged material placement facilities). However, this estimate does not likely include all necessary jetty and breakwater work or other needs identified by ports to maintain and expand harbor use nationwide.

[17] https://www.wef.org/globalassets/assets-wef/5---advocacy/legislation-and-regulation/legislative-and-regulatory-affairs/water-sector-letter-to-congress-on-infastructrure-package-jan2019.pdf.

The Harbor Maintenance Tax and Trust Fund

In 1986, Congress enacted the Harbor Maintenance Tax to recover the operation and maintenance dredging costs for commercial ports from maritime shippers. The Harbor Maintenance Tax is directly levied on importers and domestic shippers using coastal or inland ports as a 0.125 percent *ad valorem* tax on the value of imported cargo (e.g., $1.25 per $1,000 value)[18] and is typically passed along to U.S. taxpayers on the purchase of imported goods or services. These revenues are deposited into a Harbor Maintenance Trust Fund within the U.S. Treasury from which Congress currently appropriates funds to the Corps for harbor maintenance dredging.

The Harbor Maintenance Trust Fund collects far more revenues from shippers than Congress has appropriated to the Corps to maintain our harbors, with approximately $9 billion in already collected revenues sitting idle in the U.S. Treasury. As a result, shippers continue to honor their commitment to pay for promised maintenance activities that the Federal Government then has not carried out. To be clear, there are sufficient funds in the Trust Fund to meet the maintenance dredging needs of all Federally-authorized ports. The Water Resources Reform and Development Act of 2014 (WRRDA14) (P.L. 113-121) created discretionary appropriations targets for expenditures from the Trust Fund, increasing each year, so that by fiscal year 2025 and beyond, 100 percent of the funds collected for harbor maintenance purposes go towards required operation and maintenance activities. In recent fiscal years, appropriations from the Trust Fund have exceeded the discretionary targets outlined in WRRDA14; however, the Congress has not yet achieved the goal of full-utilization of Trust Fund collections.

The Committee on Transportation and Infrastructure, on a bipartisan basis, has twice approved legislation[19] to fully utilize Harbor Maintenance Tax collections for the intended purpose of maintenance dredging; yet this provision has yet to be enacted into law. Enactment of such a provision honors our long-term commitment to U.S. shippers and taxpayers, maintains and improves the competitiveness of U.S. businesses and industry, and creates and sustains thousands of additional construction jobs and jobs dependent on a vibrant and efficient marine transportation system.

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[18] The Harbor Maintenance Tax initially applied to both imported and exported goods; however, in 1998, the U.S. Supreme Court unanimously held that imposition of the tax on exported goods was a violation of the U.S. Constitution.
[19] Section 108 of H.R. 5303, the Water Resources Development Act of 2016 (RH), and Section 102 of H.R. 8, the Water Resources Development Act of 2018 (RH).

WITNESSES

Panel I

The Honorable Tim Walz
Governor
State of Minnesota
on behalf of the National Governors Association

The Honorable Eric Garcetti
Mayor
City of Los Angeles
on behalf of the United States Conference of Mayors

The Honorable Ray LaHood
Co-Chair, Building America's Future
Former Secretary, United States Department of Transportation

Panel II

Mr. Richard Anderson
President and Chief Executive Officer
Amtrak

The Honorable Eric K. Fanning
President and Chief Executive Officer
Aerospace Industries Association

Mr. Larry Krauter
Chief Executive Officer
Spokane International Airport

Ms. Angela Lee
Director
Charlotte Water

Mr. Rich McArdle
President
UPS Freight
on behalf of the U.S. Chamber of Commerce

Ms. Kristin Meira
Executive Director
Pacific Northwest Waterways Association (PNWA)

Mr. Larry Willis
President
Transportation Trades Department, AFL-CIO