# THE ROAD AHEAD: SMALL BUSINESSES AND THE NEED FOR A LONG-TERM SURFACE TRANSPORTATION REAUTHORIZATION

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BEFORE THE

## COMMITTEE ON SMALL BUSINESS
## UNITED STATES
## HOUSE OF REPRESENTATIVES

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# THE ROAD AHEAD: SMALL BUSINESSES AND THE NEED FOR A LONG-TERM SURFACE TRANSPORTATION REAUTHORIZATION

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**WEDNESDAY, JUNE 3, 2015**

HOUSE OF REPRESENTATIVES,
COMMITTEE ON SMALL BUSINESS,
*Washington, DC.*

The Committee met, pursuant to call, at 11:07 a.m., in Room 2360, Rayburn House Office Building, Hon. Steve Chabot [Chairman of the Committee] presiding.

Present: Representatives Chabot, Hanna, Rice, Radewagen, Knight, Curbelo, Hardy, Velázquez, Chu, Hahn, Meng, Moulton and Takai.

Chairman CHABOT. Good morning. The Committee will come to order. We want to thank everyone for being here as we discuss the importance of our Nation's surface transportation infrastructure, with a focus on the small firms that help build it and those that depend on it. I want to thank each of our witnesses here this morning who have agreed to provide testimony this morning.

There are lots of projects throughout our Nation that I could cite as examples of why our infrastructure is important, but none that is closer to home for me than the Brent Spence Bridge. This is a bridge that connects Ohio to Kentucky, the Midwest to the South. It carries 172,000 cars and $1 billion in commerce every day, it is considered to be functionally obsolete. It takes about twice the amount of traffic every day that it was built for.

I have actually worked with a lot of my colleagues in a bipartisan fashion from the region over the years, both Republicans and Democrats, from Rob Portman, to Jean Schmidt, to Brad Wenstrup, to Ken Lucas, to Tom Massie, and to Sherrod Brown, to Jim Bunning and Steve Driehaus and others at the Federal level and many at the State level, in both Ohio and Kentucky and in the Cincinnati area itself to try to find a solution to this. I am pleased that the Committee is able today to examine how our communities and small businesses suffer from the outdated infrastructure that is existent in this country and certainly in our area.

America has always been a place where citizens are free to follow their dreams and pursue happiness. Well, infrastructure gets us there, it makes commerce possible, and the Brent Spence Bridge is the perfect example of why we need a long-term transportation bill that will keep America moving forward.

When you speak to folks back home about infrastructure, the first thing they generally bring up is traffic, or the fact that they are sitting in traffic far too long. It probably is the case that my esteemed colleague, Ms. Velázquez, our ranking member, probably has a horror story or two about crossing the Brooklyn Bridge in her district during rush hour.

Time spent in traffic causes more than just a headache; it costs Americans real money. If you are a florist, getting stuck in traffic means your deliveries aren't as fresh or as fast as they should be. If you are an HVAC repairman, it means you can't make as many house calls in a day as you otherwise would, which directly impacts your bottom line. If you are a manufacturer, it means a longer time for your products to get from one place to another, which is money out of your pocket.

Improving our infrastructure is about making American businesses more competitive and making sure we have, as consumers, the best access to goods and services every day that we can, and that it keeps things as affordable as possible for American families. And it is about jobs, not just construction jobs, but jobs across the economy, from manufacturing to retail and just about everywhere in between.

Small businesses play an important role in all of this. On the construction side, small producers provide the stone and sand to build the new highways, small equipment distributors rent and maintain heavy equipment that is used on construction sites, and in the end, the small business that needs to ship an order of their goods across the river will be able to do so quicker and cheaper with a new and modern bridge, for example, in place.

Our country needs a long-term surface transportation bill to provide States and localities the certainty they need to tackle large, multi-year projects that fit the needs of their growing communities. Just last month Congress passed a short-term extension to keep the Highway Trust Fund operational through the end of July. While that was necessary to ensure things didn't come to a grinding halt, we must find bipartisan solutions that lead to a long-term plan to improve the infrastructure that keeps our country moving forward.

I want to thank all our witnesses again for being with us today. I have personally testified several times about the national significance of the Brent Spence Bridge, but since I am on the dais today, I asked a fellow Cincinnatian to come here and to share the Brent Spence Bridge story, Mr. Davis, and also its importance to our Nation.

If we want to do something positive for the millions of Americans that rely on small businesses to put food on the table, we have to get to projects just like the Brent Spence Bridge and get them done. We owe it to the American people to invest in those projects that produce long-term savings, keep us competitive, and most importantly, create American jobs. I keep saying that, because it really, really is important.

And, again, I want to thank the witnesses. And I would now like to yield to our ranking member, Ms. Velázquez, with her horror stories about infrastructure.

Ms. VELÁZQUEZ. Thank you, Mr. Chairman.

I just want to take this opportunity to thank all of you, the witnesses, for taking time to be here with us this morning. This is a very important issue.

As we all know, congressional action on a long-term reauthorization of transportation infrastructure programs is greatly overdue. It is my hope that this hearing will call badly needed attention to this matter. And I hope, Mr. Chairman, that the Republican leadership listens to you. It would be of a great help to the Nation.

The small business sector is actively affected by transportation policy. Roads, bridges, and highways are there for the use of American commerce, and small firms depend on them to move goods to market. As such, traffic congestion and delays stemming from outdated infrastructure directly affect small firms' bottom line. Traffic congestion deprived the U.S. economy of $124 billion in 2013 alone. It is estimated that the costs could rise to as much as $186 billion if steps are not taken to address these delays.

Beyond being users of our roadways, small businesses have a key role to play in upgrading our transportation and infrastructure system. The construction industry is dominated by smaller firms, with 90 percent of companies defined as small. Almost seven and a half million Americans are employed by companies in this sector, making it a key driver for the broader economy. Other industries, like equipment operators, manufacturers, material producers, and engineers benefit from these investments. That is why each dollar of federal highway grants received by a state raises that state's gross product by $2.

Conversely, delays and uncertainty in federal transportation policy hold back our economy. To plan and hire employees, it is important small businesses are able to predict future government infrastructure projects. Unfortunately, Congress has sidestepped the hard work of a long-term reauthorization, opting instead to kick the can down the road with short-term extensions. Last July, the House passed a 10-month extension, failing to adopt a longer term reauthorization. In May, we extended these programs until July, pulling the expiration date yet again.

This piecemeal approach has a very real impact on the American economy. The uncertainty it creates slows economic development and hampers job creation. One trade group has suggested that this has cost the U.S. over 900,000 jobs, 97,000 of them in the manufacturing sector. That is why business group after business group has called for a long-term solution for the Highway Trust Fund.

Congress' failure to lead on this issue is evident in our transit system condition. Once viewed as an infrastructure leader, the U.S. now ranks 16th. Nearly one-third of our roads are considered to be in poor or bad condition. Twenty five percent of U.S. bridges require significant repair or cannot handle today's traffic.

Mr. Chairman, I have spent a lot of time trying to cross bridges to make it into other parts of my district. I have to cross four bridges that will connect me from either Queens or Brooklyn into Manhattan. It is just unacceptable.

Mr. Chairman, it is critical Congress pass legislation to maintain our roads and infrastructure for the long-term. It is my hope that today's hearing will move us toward that goal.

With that, I would like to thank again the witnesses and the chairman for holding this important hearing. Thank you.

Chairman CHABOT. Thank you very much.

And I will—before introducing our panel, I will go ahead and inform you of our timing rules, which you are probably already familiar with. We have what we call the 5-minute rule. You have 5 minutes to testify. We will ask questions for 5 minutes also. A yellow light will come on to let you know when you have got 1 minute to wrap up. When the red light comes on, we ask that you cease talking at the end of that sentence, maybe, or a little bit beyond that if you need a little more time, but we would ask to you stay within those constraints if at all possible.

And introducing the panel, we will begin with William Schmitz, who is vice-president of quality control and sales at Gernatt Asphalt Products in Collins, New York. Gernatt has been in business since 1946 and serves all of western New York and northwest Pennsylvania. The company has provided crushed stone, gravel, and other products to several major projects in New York, such as construction of Ralph Wilson Stadium, the First Niagara Center in downtown Buffalo, and the New York State thruway. He is testifying on behalf of the National Stone, Sand and Gravel Association. We thank you for being here, Mr. Schmitz.

Our next witness will be Don Shilling, who is president of General Equipment and Supplies, headquartered in Fargo, North Dakota. Don has been an owner and in the company's management since 1984, serving as president since 2000. During that time, the company has grown from one with three locations in North Dakota to one with nine facilities in three States. He currently serves as chairman of the Associated Equipment Distributors and he is representing that organization today. We want to thank you for your testimony, Mr. Shilling.

Our next witness will be Matt Davis, who is director of the Build Our New Bridge Now Coalition, and advocacy organization made up of nearly 200 businesses, labor organizations, and community leaders advocating to build a new Brent Spence Bridge Corridor in Cincinnati. In addition to his work at the coalition, he serves as president of DSD Advisors, a full service government relations firm that partners with public, private, and non-profit clients to achieve their public policy goals at the local, State, and Federal levels. We are looking forward to your testimony as well, Mr. Davis.

And I will now yield to the ranking member to introduce our other witness.

Ms. VELÁZQUEZ. Thank you, Mr. Chairman. It is my pleasure to welcome Dr. Jonathan Gifford, professor in the School of Public Policy at George Mason University, and the director of its Center for Transportation Public-Private Partnership Policy. His primary area of expertise is transportation and public policy, with a particular focus on infrastructure finance. His book, "Flexible Urban Transportation", examines policies to improve urban transportation systems, and he has twice chaired committees of the National Academy of Sciences that review U.S. Department of Transportation programs.

Professor Gifford received his Ph.D. in civil engineering from the University of California Berkeley, where his research focused on the history and development of the interstate highway system.

Welcome, and thank you for being here.

Chairman CHABOT. Thank you very much.

Mr. Schmitz, you are recognized for 5 minutes.

**STATEMENTS OF WILLIAM SCHMITZ, VICE PRESIDENT, SALES AND QUALITY CONTROL, GERNATT ASPHALT COMPANY, COLLINS, NY, TESTIFYING ON BEHALF OF THE NATIONAL STONE, SAND AND GRAVEL ASSOCIATION; DON SHILLING, PRESIDENT, GENERAL EQUIPMENT AND SUPPLIES, FARGO, ND, TESTIFYING ON BEHALF OF THE ASSOCIATED EQUIPMENT DISTRIBUTORS; MATT DAVIS, DIRECTOR, BUILD OUR NEW BRIDGE NOW COALITION CINCINNATI, OH; AND DR. JONATHAN GIFFORD, PROFESSOR AND DIRECTOR, CENTER FOR TRANSPORTATION PUBLIC-PRIVATE POLICY, GEORGE MASON UNIVERSITY SCHOOL OF PUBLIC POLICY, ARLINGTON, VA**

**STATEMENT OF WILLIAM SCHMITZ**

Mr. SCHMITZ. Thank you, Chairman Chabot and Ranking Member Velázquez for the opportunity to testify today on behalf of the National Stone, Sand and Gravel Association, the NNSGA, about the importance of the Nation's surface transportation system to small businesses and particularly small aggregate companies. I am Bill Schmitz, vice-president of Dan Gernatt Gravel Products, a small business.

Since 1946, the Gernatt family and their companies have been proud to serve all of western New York and northwestern Pennsylvania. Comprised of Gernatt Asphalt Products, Dan Gernatt Gravel Products and Countryside Sand and Gravel, our company provides sand, gravel, stone, hot mix asphalt, and trucking.

NNSGA is a leading voice and advocate for the aggregates industry. Its members, the stone, sand and gravel producers, equipment manufacturers, and their service providers, produce the essential raw materials found in homes, buildings, roads, bridges, and public works projects. There are more than 10,000 aggregate operations across the country, at least one in nearly every congressional district. During 2014, NNSGA member companies represented more than 90 percent of the crushed stone and 70 percent of the sand and gravel consumed in the U.S.

Our locations are spread over three rural western New York counties, where people struggle to find good paying jobs. The Gernatt companies consider our 175 loyal employees as family, and we want to provide them the well paying, stable employment they deserve. We share the same faith-based values, and are strong supporters of local businesses and community efforts where we operate. It is important to us that these local businesses and communities benefit from our success.

Aggregates are the foundation of our business in a key industry that serves as a barometer for the rest the U.S. economy. Stone, sand and gravel are essential to any construction project. When the demand for our products is high, jobs are being created and critical national assets are being built. If the aggregates industry is doing well, so is America and the Gernatt companies.

Sales of aggregate generate over $40 billion annually for the U.S. economy. When combined with related industries, such as cement, concrete, asphalt, and construction equipment, they generate more than $200 billion in economic activity every year and employ more than 2 million people.

Due to high transportation costs, proximity to a market is critical. Unlike many other businesses, we cannot simply choose where we operate. Because so much of our material is used in public projects, any cost increases are ultimately borne by the taxpayer. Congress needs to do what they were elected to do. Stop kicking the can down the road, and address the long-term funding of our Nation's surface transportation infrastructure. No more short-term extensions. Seventy percent of NNSGA members are small businesses. Reauthorization is critical to us.

Multi-year highway bills are important for funding for the confidence they provide State transportation departments. When they know the Federal Government will apportion their funding year after year, they have the confidence that they will be reimbursed. The process of building and maintaining our infrastructure then can proceed as planned. Stability of the program is a critical factor, particularly for small businesses.

Improved safety is another important reason to pass a multi-year highway reauthorization bill now. Safety must come first, to ensure that all Americans get to and from their daily activities safely. The Gernatt companies are committed to the safety of our employees, our most precious resource. We pride ourselves on our safety record. Our small company devotes numerous resources to maintaining our safety program.

Mr. Chairman, again, thank you for the opportunity to testify today. Congressional action on a long-term highway bill, one that increases investment in the Nation's infrastructure, is vital to the aggregates industry and all small businesses. We require certainty to make sound capital investment decisions. Reverting to short-term extensions will only create havoc in resource development decisions and construction projects.

Attached to my statements are two infographics that NNSGA put together. Small Change calculates the real costs to the average American of the Corker-Murphy proposal to increase the fuel user fee 12 cents. The second infographic shows virtually the cost of doing nothing.

We look forward to continuing to work with you in what is right for America. If we ignore the maintenance and improvement of our Nation's road and highway network, it is at our own peril. We risk the loss of economic growth, improved safety, cleaner air, and jeopardize the freedom of mobility that we all take for granted. Thank you.

Chairman CHABOT. Thank you very much.

Mr. Shilling, you are recognized for 5 minutes.

**STATEMENT OF DON SHILLING**

Mr. SHILLING. Chairman Chabot and Ranking Member Velázquez, and other distinguished members of the House Small

Business Committee, my name is Don Shilling, and it is my pleasure to appear before you as executive of a construction equipment company impacted by uncertainty surrounding the Federal Surface Transportation Program, and my capacity as chairman of the Associated Equipment Distributors.

AED is the trade association representing distributors of construction, mining, energy, forestry, industrial, and agricultural equipment. AED members, the overwhelming majority of which are small family businesses, supply equipment that builds America's highways, bridges, airports, sewer, and drinking water systems.

I am president of General Equipment and Supplies. The authorized Komatsu construction equipment dealer for North Dakota and western Minnesota. We have four North Dakota locations, two facilities in Minnesota, one in South Dakota, and employ 235 American workers.

General Equipment and Supplies and AED members across the Nation are ready to supply the heavy equipment needs to rebuild America.

The Highway Trust Fund consistently flirts with bankruptcy, as gas taxes and other user fee revenues are insufficient to support even the current inadequate levels of investment. This is creating enormous uncertainty for the entire construction sector.

My company is fortunate. The energy boom in North Dakota has allowed General Equipment and Supplies to stay in business despite sufficient decreases in equipment sales to road contractors, which account for about 50 percent of our customer base. However, in Minnesota locations, the most prominently—which we most prominently service highway—the market, we see dramatic reductions in sales due to uncertainty surrounding the Federal investment. In fact, between 2013 and 2014, we saw a 34 percent reduction in equipment whole good retail sales. Even in North Dakota, the State is reluctant to bid long-term equipment extensive jobs, and recently pulled 30 contracts due to the lack of confidence in the highway Federal program.

Historically, General Equipment and Supplies and most AED members primarily sold heavy construction equipment. However, we have increased rentals by 26 percent between 2013 and 2014 due to the uncertainty surrounding the Federal investments. While we are grateful for the business, the drop in sales has broad implications, including forcing dealers to continue to carry rental equipment on our balance sheets along with associated financial risks, tying up cash that could be used to hire more workers and invest in our companies.

Federal highway fund's precarious situation is also impacting business decisions. My company has considered opening a new location in North Dakota, which means purchasing a 20,000-square-foot building and hiring 12 to 20 new employees. We have been reluctant to expand, because of a lack of confidence in the highway market since the new facility would primarily serve road building and agricultural sectors.

Additionally, it should be noted that AED members' interest in resolving the uncertainty surrounding the Federal Surface Transportation Program isn't solely to increase sales. My company services customers in a territory of over 100,000 square miles and we rely heavily on interstate highway systems. We deliver parts nightly from Minneapolis to western North Dakota. We also—a majority of our equipment is serviced and repaired in the field, where our service trucks are dispatched daily to remote locations.

As a small business, delays and costs associated with inadequate highways and congestion sufficiently increases operating expenses and hinders investment in the company.

The detrimental impact of the Highway Trust Fund certainly isn't unique to General Equipment and Supplies. In August, in fact—the fact by August, without action, economic shock waves will reverberate throughout the country as the Federal program is unable to support the transportation spending, jeopardizing more than $50 billion annual investment and threatening $2.4 billion in equipment market activity, and close to 4,000 equipment dealership jobs.

Chairman CHABOT. Did you want to wrap up?

Mr. SHILLING. I just had one more comment here.

Chairman CHABOT. Sure. Okay.

Mr. SHILLING. Sorry. I turned my page too soon.

We did do a survey amongst our dealers and, an example; 91 percent of the respondents said that they would add employees if Congress would pass a highway bill, 78 percent would purchase new service trucks, and 91 percent would invest in additional inventories if—to help in the manufacturing sector. And we have additional information in our packet——

Chairman CHABOT. Okay.

Mr. SHILLING. —that describes that. Thank you.

Chairman CHABOT. Thank you very much.

Mr. Davis, you are recognized for 5 minutes.

**STATEMENT OF MATT DAVIS**

Mr. DAVIS. Chairman Chabot, Ranking Member Velázquez, and members of the House Committee on Small Business, thank you for the opportunity to meet with you today to offer testimony on the importance of transportation infrastructure to business growth. Thank you for dedicating the time of this Committee on this important issue too. Thanks for spending your time on this. This is important.

My name is Matt Davis and I am president of DSD Advisors, an advocacy and consulting firm and small business in Cincinnati, Ohio. In addition to that, I am also the director of the Build Our New Bridge Now Coalition.

Created in 2012, the Build Our New Bridge Now Coalition is a diverse group of small, medium, and large businesses, community, government, and labor leaders who have come together to advocate for the rebuilding and rehabbing of the I75/71 Brent Spence Bridge Corridor. These leaders joined to focus their efforts to rebuild the corridor because it is inextricably linked to our region's current and future economic opportunities, quality of life, and safety.

If you don't already know, the Brent Spence Bridge is a 52-year-old span that carries Interstates 75 and 71 across the Ohio River locally. It also serves as a major artery in our national highway system, carrying the equivalent of 4 percent of our Nation's GDP every year, and connecting Michigan to Miami, servicing many communities and companies, both large and small, along the way.

Locally, the Cincinnati region has a distinct geographic advantage which has supported our economy, being within just a 90-minute flight or one-day drive of 25 of the top U.S. metros and 41 percent of the Nation's purchasing power. Couple those numbers with the amount of the Nation's GDP I referenced before, you can see that our geography has served our region's residents and small, medium, and large businesses very well. Unfortunately, our roads and bridges have not.

The Brent Spence Bridge was built more than 50 years ago to create jobs and spur our economy. Now it is failing our region. The Brent Spence carries more than twice the amount of vehicles per day that it was designed to accommodate, it is considered functionally obsolete, and was given a grade of C minus in 2014 by Kentucky transportation officials, down from a B plus grade in 2006. Congestion on this crumbling, decaying and out of date span continues to increase, stifling productivity, slowing the flow of goods and commuters, raising safety concerns and lowering our quality.

According to our NPO, the Ohio, Kentucky and Interregional Council of Governments, approximately 60 percent of our local population and 75 percent of our local jobs are within 5 miles of I-75. This data shows us that the interstate corridor and the Brent Spence Bridge that supports it are critical to our region's present and future. Businesses chose the Cincinnati region because of its economic climate, and infrastructure, particularly the Brent Spence Bridge Corridor, is a key component of that climate, so we must care for it to ensure our economic future.

Another statistic you should know, you are three to five times more likely to be in an accident in the Brent Spence Bridge Corridor than you are in any other portion of the interstate system in Ohio, Kentucky or Indiana. That stat leads to wonder what the future holds for the safety of our commuters and businesses.

If we do nothing, will conditions improve? Probably not. And if we don't, then we fear that existing businesses will relocate and prospective businesses will look elsewhere. The corridor's future can either create a roadmap to our region's future or hold us back if we do not develop a strategy to modernize it.

Businesses, particularly small ones, operate on very thin margins. As the old saying goes, time is money, and that rings true for every small businesses in Cincinnati and in the country. In order for those businesses to stay afloat, they need reliable roads, bridges, waterways, airports, and railways to move employees and goods from place to place as safely as possible. If a delivery or an employee is late, it can cause major disruptions for that business, with a multiplied effect on our region.

The Build Our New Bridge Now Coalition is one of many groups that believe in developing strategies and infrastructure at the State and national levels with a set of priorities will be a springboard to significant job gains, particularly for small, homegrown businesses.

So I said what we asked what would happen if a we did nothing. Let's ask what happens if we do do something on the Brent Spence Bridge project. Northern Kentucky University completed a study that looked at the economic impact of building the Brent Spence

Bridge Corridor, and found that 24,488 jobs would be created in Ohio and Kentucky, generating $1.9 billion in labor income and $193 million in State and local government revenues. Keep in mind, those are real jobs with real income just from the construction of this one project. I know most of you in Congress have not traveled the Brent Spence Bridge and many of you never will, but you all have projects like these in your district that if completed can make a huge difference.

Providing reliable and safe infrastructure is one place where Washington and the States can play a major role in supplying the tools for success for America's small business. The sky is the limit for the future of small businesses, but not if employees can't get to the office or a delivery truck is constantly late. If that happens, the sky won't be the limit. They won't be able to get off the ground.

Thank you for your time today and attention to this important issue, and I look forward to answering any questions you may have.

Chairman CHABOT. Thank you very much.

Now, one kind of interesting historical fact is that the Brent Spence Bridge was slated to be dedicated, but it had to be delayed until the following week. It was supposed to be dedicated the week of John F. Kennedy's assassination, and so they did it the following week instead. So that tells you also how old the bridge is.

So Dr. Gifford, you are recognized for 5 minutes.

**STATEMENT OF JONATHAN GIFFORD**

Mr. GIFFORD. Thank you, Chairman Chabot, Ranking Member Velázquez, and distinguished members of the Committee for the opportunity to speak today.

I am a professor at George Mason University, where I direct the Center for Transportation Public-Private Partnership Policy. The center provides objective analysis of transportation public-private partnerships through research, education, and outreach. We believe that a better understanding of P3s will lead to their more appropriate use.

I would like to make three points today. First, public-private partnerships for transportation projects offer significant opportunities for small business. P3s generally involve design, construction, and long-term operation and maintenance of transportation projects. P3s usually last 35 years, in some cases up to 75 years. These long-term agreements support small business. Business needs include engineering materials, construction, public affairs, community relations, architects, attorneys, security, and appraisers. These business needs are not just for the construction of the project, but also for the long-term operation and maintenance, which goes on for decades. Such long-term agreements foster the creation and sustenance of local businesses.

Moreover, such opportunities are not just discretionary on the part of the concessionaire. States participating in P3s typically establish goals for participation by small woman-owned and minority-owned businesses and disadvantaged business enterprises.

For example, Virginia's goals from three of its major projects total more than $1 billion for the design and construction phase alone. The recently completed 495 and 95 express lane P3 projects in Virginia supported more than 28,000 jobs during construction and employed hundreds of DBE/SWaM firms during that time, 184 firms for the 95 express lanes and 250 firms for the 495 express lanes.

A long-term surface transportation reauthorization can support small business by removing barriers to P3s and by continuing and possibly increasing Federal support for P3s. Without long-term reauthorization, agencies do not have the budget to let in and continue meaningful contracts. Large firms can often absorb this uncertainty, but small businesses are not well equipped to deal with the off-on nature of the current Federal process.

A major barrier for P3s in many States is the Federal ban on tolling and reconstructed interstates. Congress may wish to reconsider that ban since so much of the interstate will require reconstruction in coming decades. Significantly relaxing or removing this ban can be done at no cost to the Federal budget and it would allow States to decide whether and how much to explore tolls as a means of renewing and expanding their highway systems.

Congress may also wish to extend or expand current programs that support P3s, notably TIFIA and PABs. TIFIA provides loans and credit support to most P3 projects. PABs, or Private Activity Bonds, level the playing field between bonds for P3 projects and municipal bonds by exempting PABs from most Federal income taxes. President Obama's proposed qualified public investment bonds would expand the dollar amount available for.P3s by eliminating the current $15 billion cap on PABs.

My second point relates to the Federal gas tax. The gas tax and the Highway Trust Fund have played important roles since 1956 in the construction of the interstate system and support for the Federal Aid Highway Program. The current gas tax rate doesn't support the program's ongoing expenditures. Congress has filled this gap in recent years from the general fund. Continued reliance on the gas tax as the primary source of program funds is problematic. As cars get more fuel efficient and the numbers of hybrids and electric vehicles increase, a flat per gallon tax on gasoline generates less and less for each mile driven on our highway system.

In the long term, Congress will decide how much financial support it wishes to provide the program and how to pay for it. An increase in the gas tax could support an ongoing program at current spending levels. However, in the longer term, other sources of State, local, and Federal revenue, such as tolls, may provide a more stable and suitable financial foundation for addressing the Nation's transportation needs and opportunities.

Global capital markets appear to have a significant appetite for infrastructure investment. Investment in the U.S., however, is limited, due in part to a lack of bankable projects. Removing barriers to tolling could enable more private capital investment.

My third and last point relates to the University Transportation Center's program. This program has supported many universities, including my own, to research our Nation's transportation system and educate generations of students who go on to design, construct, operate, finance, and maintain it. As an active participant in the UTC program for most of my career, I would like to assure the

Committee that the program has generated considerable value in research, education, and professional development.

Our Nation appears to be on the cusp of major changes in its transportation systems. Important innovations include autonomous vehicles, GPS, mobile devices, advanced materials, companies like Uber and Lift, and public-private partnerships. These innovations are transforming the movement of people and freight. They are also disrupting industries and institutions that make up our transportation system. Continued support for the UTC program will allow research and education to continue to contribute to expanding the development of such innovations and our understanding of how they affect society.

That concludes my statement. I look forward to your questions. Thank you.

Chairman CHABOT. Thank you very much.

And we want to thank all the panel members for their testimony this morning. I think they were all excellent.

And we will start the questioning, and I will begin with myself. I am recognized for 5 minutes.

Mr. Davis, I will start with you. Downtown Cincinnati, as you know, has gone through pretty significant urban renewal over recent years, for the better. It seems to be looking a lot better downtown, more people coming down, and just the general, I think, attitude of the city about itself. Could you discuss what the new bridge, the Brent Spence Bridge, if we can finally get it done, what impact that would have on the overall urban renewal of the city, and also what—this is the Small Business Committee. What impact would you see this having amongst small businesses in, not only downtown Cincinnati, but throughout the region?

Mr. DAVIS. Thank you, Mr. Chairman. I will take your first question first about urban renewal, how it could affect Cincinnati. As I mentioned earlier, you know, our statistic that 75 percent of the jobs in our region are within 5 miles of I-75. And as you know, Mr. Chairman, I-75 runs right next to downtown, right through the urban core, and also goes into northern Kentucky. So it is really—the Brent Spence Bridge, the corridor, is really at the center of our—is at the center of our—of our central business district.

Expanding that, unlocking that, you know, decreasing the congestion, in our view, will lead to greater investment. There is—the CBO reported in 2014 that every dollar spent on infrastructure can lead to anywhere between $1.15 and $1.25 on return, so there is the numbers right there that show that it is a good bet that infrastructure investment will bring a higher return.

On the small business side, we have many members of our coalitiion who work on both sides of the Ohio River, that work in northern Kentucky or work in Cincinnati, and, you know, take that bridge every day or take any of the—any other number of six bridges that we have in the region to cross the Ohio River, and timing is important to them. We have a lot of professional services companies, IT service, for example, who are often late because they are unable to—often late and waste time and gas and money by—because they are stuck in traffic. So we think that unlocking that, making it easier for businesses to access the urban core by widening the highway, by adding—rebuilding the Brent Spence Bridge and rebuilding the corridor will be helpful.

Chairman CHABOT. Thank you very much.

Mr. Gifford, you—or Dr. Gifford, you already talked about the gas tax, so let me maybe turn to your colleague, one of the three of you, if you wouldn't mind answering this question. With people driving more fuel-efficient vehicles, do you have any suggestions outside the raise-the-gas-tax box that we ought to look into? Are there other ways besides that that you could see us coming up with additional funds to move forward on transportation?

And whoever wants to handle it. Mr. Shilling, you look like you might want to——

Mr. SHILLING. Yes. I would like to state a couple things. Number one is even—even if the gas tax—if we looked at indexing the gas tax based on inflation would help increase the revenues, but also I think a lot of talk has been centered around actual miles driven, because you have a lot of vehicles using the highways that do not burn fuel or very much fuel anymore, so a mileage seem to be more appropriate mechanism for paying for the user fees.

Chairman CHABOT. Okay. Thank you.

Mr. Schmitz, let me ask you this one. In your written testimony, you talked a little bit about the negative impact that the Waters of the United States regulatory action coming from the EPA will have on your industry. Could you elaborate a little bit? What are you concerned about there?

Mr. SCHMITZ. That is a very ominous decree looking at us. We operate several operations which dredge sand and gravel from underwater. Ponds that we have created that are not connected are now being considered as Waters of the United States. One of our dredging operations, which has been in existence since 1964, has now fallen under this jurisdiction, and we have spent hundreds of thousands of dollars on studies proving our point, but the ominous overreach that the Waters of the United States has us concerned at all of our locations, because even the mud puddles along the side of the road in front of our operations are now considered under this jurisdiction.

Chairman CHABOT. Thank you very much. My time has expired.

Gentlelady from New York, the ranking member, Ms. Velázquez, is recognized for 5 minutes.

Ms. VELÁZQUEZ. Thank you.

Dr. Gifford, I want to go back to the highway vehicle miles traveled, which have decreased since 2003. Now we also have increasing fuel standards and the rise of alternative-energy vehicles, so this made the gas tax even less of an indicator of highway usage. Given that reality, what sort of funding structure is most appropriate to fund our highways in the long-term?

Mr. GIFFORD. In the long-term, I think the viability, as I stated, of the traditional per-gallon gas tax is limited. There are a lot of alternatives that have been placed on the table by many of constituencies surrounding this issue, looking at a VMT or miles-traveled tax that is under consideration now in experiment in Oregon, it looks technically viable and it looks manageable in ways that can protect the privacy of motorists so that they don't have government tracking their everyday movements, that I think that is quite viable.

I mentioned tolls in my statement. And I think, like gas taxes, tolls are a user fee. And from a public policy standpoint, I think looking at ways to, you know, charge users for their use of a system has a lot to commend it. The gas tax was a loose proxy for usage, but tolls, I think, are more direct and may be, as I mentioned, something where, at no cost to the budget, the Federal Government could enable.

Ms. VELÁZQUEZ. So let me ask you: From a small business perspective, user perspective, such as those involved in trucking or delivery or related companies, what is the least burdensome alternative?

Mr. GIFFORD. I think it depends. That is not a very clear answer, but, you know, the tolls are usually higher for heavier vehicles, so step vans or delivery trucks are going to pay higher tolls than a—you know, than a light duty vehicle like a pickup truck or a car.

On the other hand, gas taxes are also heavier. Those are more gas-dependent or diesel-fuel-dependent vehicles, so raising the gas tax also has a disproportionate impact on them from that perspective; appropriately so. They are heavier, larger vehicles.

Ms. VELÁZQUEZ. Yes. And with large general funds transferred occurring since 2008, all states now receive more funds that they contribute to the Highway Trust Fund. If Congress acted to tie the trust fund more closely to highway use, some states could again end up in a net loss position. What is your view on that issue?

Mr. GIFFORD. The issue of donor-donee and now all donee States to a certain extent is a difficult one. If—I think every State would like 100 percent of the money it sends to Washington to come back to that State, where someone else takes the political heat for the tax, and they are able to have the spending money, but of course that—it doesn't work that way. Where a—you know, our Constitution gives two votes in the Senate to every State, we built the interstate system, and not every State was able to pay its costs. So I think some regional equity always emerges in a Federal system, and rightly so. Those are the terms of the deal in which the Union was created.

Ms. VELÁZQUEZ. I would like to ask you a question about one of the programs in DOD, and that is the DBE program. It has been operating since 1985, but recently the DOT's inspector general found that the program had limited success, mainly because there were little incentives for companies to grow beyond the DBE program itself. What are your views on the DBE, and should it be overhauled, reformed?

Mr. GIFFORD. I am not familiar with the Federal DBE program. In my State, I mentioned the targets that States attached to public-private partnerships for as goals, and I think the results there are compelling, that many small businesses, disadvantaged businesses, women-owned and minority businesses, are recipients of contracts. I have data from Virginia Department of Transportation sent to me yesterday that more than 50 percent of the funds in public-private partnerships are spent locally.

Ms. VELÁZQUEZ. Okay. Thank you, Mr. Chairman.

Chairman CHABOT. Thank you very much. Thank you. The gentlelady yields back.

The gentleman from New York, Mr. Hanna, who is the chairman of the Subcommittee on Contracting and Workforce, is recognized for 5 minutes.

Mr. HANNA. I am also the guy who has owned lots of Komatsus and was in heavy construction for years. Used tens of thousands of yards of gravel. But to get to the point, though, we are on our 33rd extension. I mean, to say that I agree with all of you is—you know, I do, and I think most members here do. The question is what are we doing about it, and we are not doing a whole hell of a lot, are we?

But to respond to the talk about the gas tax, in many ways it has become a more regressive tax. We know that mass transit doesn't pay in, and yet we can understand the value of mass transit. We also know that 34—ages 18 to 34 year olds, they are not driving, yet they enjoy the full benefit of the highway system through all the things they order online and all the other things, and we know that people who drive cars that don't necessarily pay in, which is, you know, roughly 2 or 3 percent now.

So there are a lot of things about how we fund this that are problematic and lead us to believe that there is some—we need an overhaul. And Oregon's experiment is just that, an experiment, it is not going to happen in any kind of time limit that is going to help us solve our problem that we are talking about today. I think we can all admit that.

So my point is that all of this builds a case—and triple P's are nice, but they are not happening, either, and that is something else we need to talk about, but all of this builds a case for me to take the money out of the general fund and find it someplace other than this, you know, kind of pretense we have about dealing with it some other place.

And that is what we have had to do, that is how we were short, and I think that that is what Congress is, you know, trying to do at the moment, is find it someplace else, but the—I want to know what you think about that in terms of 18 to 34-year-olds who aren't driving, why is it that mass transit isn't paying in. I can appreciate both sides of that argument, but—Mr. Gifford.

Mr. GIFFORD. Well, as to the question of why mass transit isn't paying in, I think back in the 1950s when we created the Highway Trust Fund, the interests of the mass transit industry was being exempted from the gas tax. That was really the only thing they wanted out of the 1956 bill, and they got it. And that has been carried forward. Starting in the 1970s, as you know, we began to fund mass transit from the Highway Trust Fund. And, you know, there are debates about whether that is justifiable or whether that should be paid from the general fund.

Mr. HANNA. But the point, who is contributing more to whom and how that distribution is fair or unfair is interesting to me, and I wonder about your opinion on that?

Mr. GIFFORD. Let me understand your question. You—you are looking at the equity impacts——

Mr. HANNA. Yes.

Mr. GIFFORD. —of the gas tax, who is paying, who is benefiting.

Mr. HANNA. Right. I live in the district. I go buy a loaf of bread, it costs me a couple bucks. I go across Manhattan, it costs a couple bucks, three bucks, whatever it is. So why isn't that—what can you make of that argument? And I value mass transit. It is not that. And the notion of 18-year-olds to 34-year-olds not driving and yet we see the depletion, and we talk about the gas tax obsessively, which I get, you know, and I have worked to find a way to solve this problem, but there is kind of a confluence of issues here that people are not talking about, I think, appropriately in this Congress and around the country, and always pointing to the gas tax, I think, doesn't give us the kind of long-term solution we need.

Mr. GIFFORD. Well, I mentioned tolls. I don't know if you are— you know, referring to tolls, but with respect to the gas tax itself, certainly there are some, you know, leakage that occurs. You know, all of the benefits of using the highway system do not redound only to the vehicle that is operating, the vehicle driver for personal vehicle or a delivery truck for a commercial vehicle. The whole economy benefits, as I think my colleagues on the panel have mentioned, when we have a well-functioning transportation system, but there is no perfect taxing mechanism, either.

And so you could certainly take the money out of general funds, but I think you know only too well how difficult it is to find payfors in the current general fund environment. And I agree that there are general benefits that redound to the economy from a good functioning transportation system.

Mr. HANNA. Would you agree in the time I have left that there are broad sections of our economy and people therein who benefit from the highway system but don't pay proportionately?

Mr. GIFFORD. I would say they don't pay directly, but when I order from Amazon, I pay a delivery fee, and that delivery fee goes in part to a delivery company that is paying gas taxes or other fees.

Mr. HANNA. That is fair. Thank you.

Chairman CHABOT. Thank you. The gentleman's time has expired.

The gentlelady from California, Ms. Hahn, is recognized for 5 minutes.

Ms. HAHN. Thank you, Mr. Chairman, and thank you for holding this hearing. I really appreciated the testimony from all of our witnesses today. And I sit on the House Transportation and Infrastructure Committee, very proud member, so I love it that we are bringing this incredibly important issue to how it impacts our local small businesses. I think that is extremely important. And certainly I am happy we sort of got into the discussion about how do we fund going forward our incredible needs in transportation.

Certainly our infrastructure is crumbling around us, it is in—we have something like 70,000 bridges in this country that are deficient. That is—you know, that is really troubling to me.

And I drive an electric vehicle, so I haven't been to a gas station for 4 years, and I think that is part of what we are discussing this morning. Our gas tax shouldn't be the only way going forward that we are going to try to attempt to fund this incredible need in the country. I am one of those that would like to look at alternatives.

No one mentioned yet, but I even think a flat fee when folks register their cars annually with the DMV might be an interesting alternative, but I do think we need—apparently the gas tax still only brings in something like $34 billion annually, and yet we need about $50 billion annually to keep up with our infrastructure issues, so clearly that is not the way forward, so I am glad we are talking about this.

I do have one idea that would help to fund our freight corridor in this country. I have come with an idea that doesn't raise the tax, doesn't call for a new fee, and it would work by diverting 5 percent of our incoming import fees at our ports. If we divert that, it would be about $2 billion a year that we could fund our freight projects in this country so that they wouldn't have to compete on an ongoing basis with the Highway Trust Fund.

And I think that would solve a lot of our issues in this country in terms of congestion, in terms of moving goods, in terms of making us competitive globally, so I am hoping that bill will get some traction. I have a couple of Republican cosponsors so far, but I could use more.

But, you know, I was going to—I am very concerned that we have had this short-term fix, and I was going to ask Don Shilling this question. We were told by some construction folks that construction jobs are for the most part seasonal, and we were told that because of what Congress—our inaction recently, that we have missed the summer construction season by not allowing for projects to be put on the books. Can you explain that to me? Is that correct, or what impact do you think this short-term fix has on our summer construction jobs?

Mr. SHILLING. Yes, it very much impacts us. As I mentioned, in North Dakota for the May letting, they pulled 30 jobs because of the no funding secured. Basically by the time they get those jobs back on the docket and bid them, we will—our work season will be done. So if you look at our bidding cycle, most of the bidding is done November, December, January, February for projects that start then in March and work through the end of October. And we are, of course, as far north as you can get, but most of the other states around us are the same. They are very seasonal. There are a lot of things that can't be done in the winter months.

Ms. HAHN. I appreciate that.

And, Mr. Schmitz, I was going to—in your testimony, you talked about how the cost of the materials increase because of transportation cost, and I was wondering if you could elaborate on what are transportation costs that then get passed on to the consumer in materials like sand and gravel?

Mr. SCHMITZ. Yeah. That—transportation is a huge part of our cost of doing business. Our products are heavy, we are generally within 25 miles of the market, but if it is an area devoid of aggregate, we ship via rail and trek the trailer over longer distances. The cost of the material over 25 miles to transportation actually outweighs the cost of the materials.

What we can put on our costs is we can put on our tolls and our Federal excise taxes, but when the truck is sitting in traffic or has to detour 10 or 15 miles to avoid the bridge that can no longer take the weight limit, the public is bearing these costs. It is tough for us as a small business to even quantify it, but we have to build that in. Instead of our trucks doing 45 miles on hour, they are down to 35 miles an hour or taking an extra 10 miles. So ultimately the traveling public is the one who is bearing the cost, the taxpayers are, for the conditions of the highways.

Ms. HAHN. Thank you. My time is up, but I really appreciate all of you making the case again for why Congress needs to pass a long-term surface transportation bill.

Chairman CHABOT. Thank you very much. The gentlelady's time has expired.

The gentleman from South Carolina, Mr. Rice, who is chairman of the Subcommittee on Economic Growth, Tax and Capital Access is recognized for 5 minutes.

Mr. RICE. Thank you, Mr. Chairman.

We are in the midst of the weakest recovery from a recession since the Depression. Average household income has declined 8.7 percent since the President took office, consumer spending is rising at a very anemic rate of 1.4 percent. Forty four percent, the most recent numbers I have seen, of recent college graduates are underemployed or unemployed. And I think a lot of that comes from this very fact that, you know, we are talking about uncertainty. Uncertainty doesn't allow our States, our counties or the Federal Government to invest.

Complete lack of a long-term plan, bandaid solutions that are applied on a short-term basis; we have got to have a long-term plan and we have got to have long-term solutions, and it is shocking to me that we don't have these things.

This funding issue, we can resolve it. It is not a matter that we don't have enough revenue. I mean, we are collecting more revenue, the Federal Government is, that—it is above the 40-year average, the amount of revenue we are collecting. We are spending far too much, and particularly on entitlements. Entitlements are two-thirds of our total spending.

So we have got to find a solution for the Highway Trust Fund. I am going to propose one myself. I am going to propose increasing the gas tax and a simultaneous decrease in the income tax, because the Highway Trust Fund has got to be self-sustaining, the Social Security Trust Fund needs to be self-sustaining. All this uncertainty we are heaping on the economy holds back job creation, holding back GDP.

We shouldn't be surprised that GDP has been—the forecast from CBO has dropped from 3 percent to 2.7 percent to 2.3 percent. We had negative growth last quarter. It requires leadership, and we are not getting it. So I am going to put out my own solution to this.

One of the worst calls I have had in Congress was from my State secretary of transportation last summer, I think it was in June, she called me and asked to meet with me, and I went and sat down with her and she said, I understand the Highway Trust Fund's supposed to expire in August. What am I supposed to do? Am I supposed to cancel my contracts? Am I supposed to not take anymore contracts?

You know, you can't turn these things on a dime. It requires years to plan and execute.

And in addition to the funding issue, we have got—the regulatory structure is incredibly burdensome and amok and it stifles progress on every front. It is not just in highway construction, it is across the board. It is so hard to get anything done in this country anymore. We used to be a can do country, and now we are a you can't do that country.

I-73 in my district, I live in Myrtle Beach, South Carolina, 16 million visitors a year, one of the top ten tourist destinations in the country, and the only one in the top ten that does not have an interstate connection. I have been working on trying to get a permit for that road to connect really from the North Carolina line down to I-73—I mean, down to Myrtle Beach since I have been in Congress, 2 years and 4 months, and it was—they were working on it for years before that, and we are still involved in wetlands mitigation. It is a—we are being held hostage by the environmentalists. They propose that in order to mitigate for the 270 acres of wetlands they say we are destroying in that 80-mile stretch, that we purchase 6,800 acres. The system is completely amok.

The Port of Miami, they have been trying to get permission to dredge that port. There is not a port in the southeast that can take the post-Panamax ships today until we get dredged. The Port of Miami has been trying to get permission for 16 years, trying to get a permit. Port of Charleston, one of the most efficient ports in the country, been working on trying to get an environmental permit for 4 years and they have still got years to go.

We are tying our own hands. We are making our own selves uncompetitive. We cannot point at anybody else. The only people holding us back is us. We have got to have leadership.

Thank you very much.

Chairman CHABOT. Thank you. Does the gentleman yield back?

Mr. RICE. I yield.

Chairman CHABOT. The gentleman yields back.

I now recognize the gentleman from Florida, Mr. Curbelo, who is chairman of the Subcommittee on Agricultural, Energy and Trade.

And before you get started, I would like to note the fact that we had the opportunity to do a wonderful event in his district last week during our district work period, several events, but one in particular at a college that I now realize is actually the most populous college in the world, if I am not mistaken, Miami Dade County, 165,000 students at the various campuses. Its 10,000 Small Businesses Program is just an incredibly impressive program that they do at 20 different places around the country. And so if you are interested, I would encourage you to perhaps seek out Mr. Curbelo. I am certainly going to do that for my district and see if we can spread this growth. Incredibly good program, and thank you for sharing it with us.

So I will now yield, not on his time, but at this point his time. Mr. Curbelo is recognized for 5 minutes.

Mr. CURBELO. Mr. Chairman, thank you for your leadership on this issue and thank you for visiting South Florida last week. We did have a wonderful visit to Miami Dade College, which is home to one of the 10,000 Small Businesses Programs. And Miami Dade College is one of those places where people go to find hope, opportunity, knowledge, and they certainly find it, and a lot of successful entrepreneurs graduate from that critical university.

Chairman CHABOT. Just for the record, I was down there for parts of 2 days, and during that entire time, I did not see a beach, so it was strictly business.

Mr. CURBELO. Neither did I, Chairman, so—well, as the chairman has indicated, I hail from South Florida, Florida's 26th Congressional District, southwestern Miami and the Florida Keys, at one point home to the Overseas Railroad. So we are all about transportation and infrastructure in South Florida. It is absolutely critical to our quality of life. So I certainly appreciate this opportunity, not only as a member of this distinguished Committee, but also as a member of the Committee on Transportation and Infrastructure.

I wanted to ask, Mr. Davis, are there any reforms you see that we could implement in a potential highway bill, which, by the way, is one of my top priorities as a Member of Congress, that could empower state and local officials to give them more control over what projects take precedence?

Mr. DAVIS. Thank you, sir, for that question. I think broadly, one reform that—you know, that—and it has been—Mr. Rice mentioned this before, there is a real need for general across-the-board regulatory reform and how we deliver these projects. The years and years that it takes to, you know, complete environmental documents, things of that nature, we believe that those should really be cut down.

And I will use my project as an example of the cost of delay. And I can cite Kentucky Governor Steve Beshear for this number. For the Brent Spence Bridge, every month that we delay, the added cost is approximately $7 million a month. So every year that we are waiting, we are getting right around $100 million that we wait to delay. So let's say we even—you know, let's start—say, okay, we are going to start moving forward with this with that $7 million, you know, ticker running, then we lump on top of that the time that it takes to wade through the regulatory process. I mean, I think really sharpening the pencils and looking at what the process is, what the needs for the regulatory—for the regs—what the needs for the regs are and how we might shorten the time and shorten the turnaround would be helpful.

And your point about States, I think finding ways for States to—giving them more flexibility on things such as how they use public-private partnerships, how they look at different user fee models, what—when they can use user fees, I think those are all things that, you know, should be contemplated. So I would start there: just more flexibility, allowing them to prioritize as well, not so many boxes for States that they are stuck in that they can only spend this on this, I think, would be helpful.

Mr. CURBELO. Thank you, Mr. Davis.

Mr. Gifford, I understand that while I had to step out, UTCs came up. And just last month I led a bipartisan letter with 68 colleagues here in the House advocating on behalf of these university transportation centers and the upcoming highway bill. My district is home to one of these, Florida International University, which hosts the UTC Accelerated Bridge Program, and that program is doing cutting-edge research on repairing our Nation's aging bridges, which is clearly a chief priority.

Can you talk about any partnerships or any of your experiences with universities to repair, not just our aging bridges, but infrastructure in general, especially as it applies to our Nation's urban areas?

Mr. GIFFORD. Thank you for that question. I actually know the FIU program well and have worked with them on some small projects myself.

I think the UTC program really does support a very broad array of university programs, not only in the engineering, material, sort of the hard side, and I say that as a civil engineer myself, but also on the soft side, the institutional policy, financial matters for delivering programs. So I think it is very important, not only the research that comes out of these programs, but the workforce that emerges from these programs. I think UTC program plays a critical role. About 4 years ago I attended one of the national UTC meetings, and generations of transportation professionals have been beneficiaries of this program.

So the workforce in universities as well as in our companies and government agencies, I think, have, you know, benefited from this program, so it is tremendously useful and I think something that we, you know, urgently need to continue to support.

Mr. CURBELO. Thank you, Mr. Gifford. Thank you to all the witnesses. It is good to see you.

And thank you, Mr. Chairman, for this opportunity. I yield back.

Chairman CHABOT. Thank you. The gentleman yields back.

The gentleman from Nevada, Mr. Hardy, who is chairman of the Subcommittee on Investigations, Oversight and Regulations, is recognized for 5 minutes.

Mr. HARDY. Thank you, Mr. Chairman.

Just a little background about myself. I happen to have been a director of public works in my past life. I have been a business owner in the construction industry for over 20 years, heavy highway, roads, bridges, dams, treatment facilities, and other.

So with that background, would you agree that for—and also on the RTC for about 14 years, Regional Transportation Commission, Regional Flood Control Commission.

Would you agree that it takes long-term funding to be able to come up with long-term goals and solutions for these entities to be able to function properly? Anybody care to—Mr. Gifford, do you——

Mr. GIFFORD. Yes. I think it is critical. The large, you know, multi-hundred million or multi-billion dollar projects are very difficult to start and stop on an annual funding basis. And it increases the expense, it reduces the amount of competition that is able to participate in such projects, and it raises the price to the—to the public of delivering these assets.

Mr. HARDY. The reason I ask the question, I have got a little different line of questioning going here. You know, I found out—I am new to this place. I have been here about less than 5 months, and there is a lot of finger pointing goes on every direction, responsibility.

I would like to go back to about 2008. You know, we had close to a trillion dollar stimulus program that went everywhere. Do you think that if that—some of that funding, say, to the tune of, for a 6-year program, about $333 billion of that, that would have gone to a long-term focus on our highway infrastructure and rail system infrastructure, that that might have been a better opportunity to stabilize an economy rather than going to a rental-type programs that equipment companies are going to, because the contractor cannot see the future, he can't tell what is going on, so he is not going to buy that equipment like we did in the past, he is going to rent. Do you think that might have been a better avenue to go if we are going to step down that road? Mr. Shilling, Mr. Schmitz?

Mr. SHILLING. Yes, I would agree with that. I—we noticed when we did the stimulus package, that a lot of the projects that got moved up and took immediate action on were—I wouldn't call them totally frivolous, but pretty frivolous, more patching, whatever, and they were not real investments in our infrastructure, so——

Mr. SCHMITZ. I would echo that sentiment also. The projects that were done, it was a rush to get them done. In New York, we did a study. It takes 13 years, because of the regulatory environment and such, for a project to come to fruition. That shot in the dark did nothing to help the long-term plan. It was a quick fix, overlay some roads. It was not money well spent.

Mr. HARDY. Thank you. Seen the same thing myself. It was a quick fix for certain things that didn't need to be fixed lots of times that were just on the mediocre end. Things like the bridge could have been done, and done right and been done and over with, and it would have been—wouldn't have been a problem anymore.

Do you believe that maybe you have some of the same—do you have any of the same frustrations I have with the way the funding is done within this place where fuel tax takes care of all sorts of things, rather than a focussed targets. You know, I believe that fuel tax should maybe go for highway projects, interesting enough, and maybe light rail projects should have another source of funding. Targeted funding. I believe in targeted funding would be better for us. And I don't call it taxes, I call it fees. Anybody comment on that? Short time here.

Mr. SCHMITZ. I believe the user fee is the way to go, in that the revenue that is collected from highways should stay in the highways, the revenues collected from other things should stay in those. The fact that the people using the highways are subsidizing all other forms of transportation—it is not good for business.

Mr. HARDY. I guess I will stop there, I am running out of time, but I really believe that we need to focus on those type of issues for fees, we need to make sure that we provide long-term, because I am the type of individual that truly believes that when the engineers are busy, I know I am about to get busy, and when they are not doing anything, I know I am about to get really slow. And so we need to look for the future, stop looking for the immediate fix, but to look for the long-term and make sure we are out there.

So with that being said, you—you all support the taxing fuels, do you support the—or what do you call it? The indexing of fuels. Are there any other avenues that you think are out there that you believe might be a good fix? Mr. Gifford on that? Tolling?

Mr. GIFFORD. Well, I mentioned tolling, and not so much to impose tolling, but to allow States to decide if they wish to consider tolling for reconstruction and renewal of their systems.

Mr. HARDY. Thank you. My time is expired.

Thank you, Mr. Chairman.

Chairman CHABOT. Thank you. The gentleman's time is expired.

The gentleman from Nevada mentioned he had been here for about 5 months, and I have been here almost 20 years now. When I was first elected another Member told me that when you first get here, you are kind of starry-eyed and you are thinking, how did I ever get to this place, and within about 5 months, you are wondering, how did these other Members get here? So it doesn't take too long for that to occur.

The gentleman—and that has nothing to do with the next gentleman from California. Mr. Knight is recognized for 5 minutes.

Mr. KNIGHT. How did that guy get here?

You know, my comments will be very simple. I think we are going down the road to maybe increase gas tax. In California, we are at about $0.63. We are talking about raising it another $0.20 by January 1, so we will be the number one, as in California, we like to be number one in many tax categories, so us being number three right now doesn't sit real well, but that $0.20 is going to be upwards of a dollar. For every time you fill a gallon of gasoline, you are going to be paying almost a dollar in tax, and you could be more. With our global climate change issues, we could be paying well over a dollar in taxes.

So I guess my question is, is if we are going to go down this road of more gas tax or higher gas tax, is there a point where the consumer is not going to take it, we are not going to be able to drive as much. Every week that I am home in the district, I average 850 miles on my personal car. At some point it is going to be transferred into, well, it already is, into a gallon of milk, into the groceries we buy, into all of the products that we buy.

Do you see at some point that we just can't go down that road, that we have to make the commitment from the general fund, that we have to make the commitment from what the taxpayers believe, that this is one of the highest commitments from government that we have on infrastructure where people can rely on? Anyone want to take that question that we are getting to that point? Sir.

Mr. DAVIS. Thank you, sir. It is hard for me to speak on behalf of, you know, consumers about what is or is not the tipping point. You know, $0.63 is a lot for some, it is not a lot for others. So it—you know, the pocketbook issues are tough, but I would say, though, as it relates to the work of this Committee and the work of the Congress is that if those investments don't happen right now and the priorities aren't made right now, and the strategies aren't put in place—aren't set forward right now, that that number is only going to go up. So the $0.63 only goes up.

It is like at home, you have a leaky roof and you don't pay attention to it and you say, oh, I am going to let it go, and then the next thing you know, you are ripping your whole roof down because you have got to redo the whole deal. So it is a pocketbook issue on the $0.63 and whatever the tipping point is, you know, and that is something that businesses and consumers, a decision they will make by themselves, but, you know, one of the things I am excited about this conversation is hopefully it kick starts a real prioritization within the Congress about making and taking some steps right now so that those dollars don't go up in the future.

Mr. KNIGHT. Well, and I firmly agree with you. I think that prioritizing this is what Congress should be talking about. You know, outside of maybe defense of this Nation, one of the things an average taxpayer is looking for is a solid infrastructure. I need to get from point A to point B to go to work or church or wherever we are going to go, I need to be able to get there, and so infrastructure is always going to be one of those top priorities.

Yes, sir.

Mr. GIFFORD. I would add that it is not only the revenue side that we need to look at, but the spending side and how efficiently we deliver infrastructure. And I mentioned P3s in my statement, public-private partnerships, and I think the record is pretty solid that in terms of minimizing the life cycle cost for the delivery of assets, public-private partnerships have a lot of benefits compared to traditional delivery through design-bid-build or design-build projects, because of a focus on operations and maintenance and minimizing those life cycle costs. So we may be able to enhance the value we derive from funds that we are raising.

Mr. KNIGHT. I agree. I have been part of an author of design-build bills in California, several of them. They do save money. They are a faster way. All those things are helpful, but in the end, we are going to have to have a funding source that is going to be reliable. I think that a reliable funding source has got to be a big portion of the general fund. It just has to. If we have a user fee or if we have a mileage fee, like many States, and my State is talking about that, how many miles you drive, so if I drove 850 this week and you drove 12, you know, is that going to be the most effective way? Is that going to be the most useful way?

And that—that is going to be several studies, that is going to be several ways down the line, but we are going to have to make that commitment. I think the biggest commitment is going to have to be a bigger commitment from the general fund.

And I yield back the balance of my time. Thank you, Mr. Chairman.

Chairman CHABOT. Thank you. The gentleman yields back.

The gentlelady from American Samoa, Ms. Radewagen, who is the chair of the Subcommittee on Health and Technology, is recognized for 5 minutes.

Ms. RADEWAGEN. Thank you, Mr. Chairman.

I want to thank the panel for appearing today.

Dr. Gifford, back in my home district of American Samoa, almost every business qualifies as a small business. At the same time, American Samoa has some of the worst surface transportation infrastructure in the Nation. This lack of quality surface transportation infrastructure has a lasting and profound negative effect on those businesses, and it is safe to say that the American Society of Civil Engineers would grade American Samoa's infrastructure with an F.

Knowing of the benefits of the P3 approach, has the Center for Transportation Public-Private Partnership Policy included such territories as American Samoa in its research and outreach? Also, what challenges do you see in incorporating the P3 approach in the territories?

Mr. GIFFORD. I have not had the privilege of visiting American Samoa and I am not very knowledgeable about it. I will say I am more familiar with Puerto Rico, which is a different case, of course, but they have been aggressive in the use of public-private partnerships, with some success in their airport and highway projects. And I lived briefly in high school in Puerto Rico as well, so I am a little more familiar with that territory.

So I think in speaking generally, the statutory framework for public-private partnerships is something that redounds to the States and localities. The Federal policy has a few important provisions, like TIFIA, PABs that I mentioned in my statement, but primarily it is a function of the States, who own the assets, the transportation assets. I don't know if that is the case in American Samoa, but I think in general, delivery of reliable, low cost transportation can be done in most environments with consideration of—of the P3 model.

Ms. RADEWAGEN. Thank you very much.

That is all I have. Mr. Chairman, I yield back.

Chairman CHABOT. Thank you very much. The gentlelady yields back.

We will go into a second round here. I am not sure if Mr. Rice has any questions, but I am going to yield to the gentlelady.

Ms. VELÁZQUEZ. Thank you. Thank you, Mr. Chairman.

Mr. Schmitz, you testified that the easiest way to not waste fuel and to improve air quality is to increase the capacity of roads and bridges. However, mass transit also plays a key role in this area, and it is especially important when it comes to commuting to and from work.

What are your views on the role that mass transit should play in our transportation system?

Mr. SCHMITZ. My view is mass transit is very important in the metropolitan areas and certainly has to be looked at in a logical sense. I am from the Buffalo area, a small city. They spent a lot of money on an underground transit system, which to me was a waste, when surface transportation is the most logical way to do it. I think that the mass transit systems have to look beyond building subways and spending a lot of money, and what is the most efficient system. Buses may very well be the most efficient to use the existing highways, but the highway infrastructure has to have the capabilities of handling the buses. So mass transit is very important and it certainly does need to be funded, but I think that highways play a key component in the mass transit system.

Ms. VELÁZQUEZ. Dr. Gifford, do you have any views on that?

Mr. GIFFORD. Well, I think public transit plays important economic and also social roles in providing access to jobs, but also essential services, medical, healthcare, you know, shopping, education, plays, you know, a broad range of roles. And the users of many mass transit systems tend to be from lower income groups, and so it has a particularly important impact on—on the social well-being of those groups.

The method of delivering that in the most cost-effective manner, I think, is something where we could see improvement. We have had for the last 50 years a model of generally public agencies delivering transportation services, and we are now beginning to see, for example, in Denver, the Eagle P3 project going from downtown Denver to Denver International Airport is being delivered through a long-term concession, saving considerable amount of money over the original cost estimates. Those can be paid for with something called availability payments from the government. So the government is still paying for the service, but delivering the product, the service in a more efficient way.

Ms. VELÁZQUEZ. Thank you.

Mr. Shilling, contracting requirements, such as Buy America provisions, can help U.S. small businesses by ensuring demand for their products. However, it can create compliance difficulties even if a tiny portion of a larger product has a foreign component in it. In this regard, MAP-21 expanded the Buy America requirements on federal aid highway projects by applying these requirements to an entire project, not just the portion that receives federal funds.

Have these provisions affected small companies like yours? Are they a good thing or a bad thing, from your perspective?

Mr. SHILLING. Well, we do represent a foreign manufacturer, and it does impact us. We have not had a tremendous amount of impact as our business, because some of our foreign-owned manufacturers that do have U.S. factories and they do produce the materials in the U.S., but I know that other components, steel and other goods, cements that are being shipped in from overseas, most of the people that I deal with in the construction industry are in favor of the Buy American side of things for that—for those type of products. The sand and gravels and whatever should be produced locally, so——

Ms. VELÁZQUEZ. Okay. Thank you, Mr. Chairman.

Chairman CHABOT. Thank you very much. The gentlelady yields back.

I just have one question, and I am going to give it to you, Mr. Davis, and it is actually probably an unfair question, a little bit complicated, and—but I am going to let you see what you can do with it. And you have got up to 4 minutes and 47 seconds right now, but it shouldn't take you that long.

All right. The Brent Spence Bridge, we have talked about it in our community, as you know, for quite a few years now. Let's say we left it up to an equity court judge to decide, knowing the cost-benefit analysis, the realities that we all live in, how would you divvy up the bill, say, percentage-wise, for lack of a better way of doing it? We know it is going to cost two and a half, $3 billion, approximately, and the longer it takes us to get this done, the more expensive it is going to be.

And here are the entities you have got to work with. You have got the Federal Government, which I think has at this point, I think, funded something in the neighborhood of $63 million, I think, and most of that has gone for the planning and things like that. You have got the State of Kentucky, you have got the State of Ohio. You have got the local jurisdictions, the City of Cincinnati, the City of Covington, et cetera, on both sides of the river. So you have got the local folks other than the State in Ohio and the other local entities on—at Kentucky. So that is, I think, about five that I have mentioned so far.

And then you have also got—well, let's say the private sector, if there are some local businesses that want to be part of this solution that are willing to have a special fund that they are going to help out. You can put them in. And then you have got a category called—we will call it tolls, and you can either include that as something over and above the categories that we have talked about here or not include it at all.

That is why I say you have got to work at the—kind of the political realities that we are dealing with. And then if there is some other entity that you can think of that should be helpful to this or could be helpful, you are welcome to do that.

So you have got—and everybody else is welcome to leave if they want to. This probably isn't particularly interesting to everybody else, but it is really interesting to me, and you have got 2 minutes and 40 seconds or so. And you can think out loud too, so we can decide how you have come to this process and——

Mr. DAVIS. Think out loud on the record.

Chairman CHABOT. The floor is yours.

Mr. DAVIS. Thank you, Mr. Chairman. Did I get this question because we went to rival high schools? Is that——

Chairman CHABOT. Yes.

Mr. DAVIS. You know, how do you divvy it up.

Chairman CHABOT. Back in our community, by the way, everywhere else, people ask, where did you go to school, and they are talking about college; back in Cincinnati, we are talking about what high school you went to.

Mr. DAVIS. St. Xavier and LaSalle.

Chairman CHABOT. And I went to LaSalle. And you went to?

Mr. DAVIS. St. Xavier.

Chairman CHABOT. St. Xavier.

Mr. DAVIS. Yeah.

Chairman CHABOT. And my son went to Xavier too.

Mr. DAVIS. Well, how do you divvy it up, you know, and that is a—and I think that is a really—and I am not filibustering here, but this is really a question, I think, that comes up in every community across the country, right: Who is on the hook for the cost of delivering this public good. We have that discussion locally.

You know, it is a Federal Government project and it is a Federal interstate. The Federal Government should pick up the tab for this. Well, you know, then other heads come in and they say, well, you know, maybe, but Federal Government is not paying 80 percent in the former 80/20 mix that we used to have before. There needs to be more State and local involvement as well.

So while I don't know, and I don't know if you will let me get away with this as an answer, but——

Chairman CHABOT. Well, come on.

Mr. DAVIS.—I don't know that—I don't know that I could put a specific percentage within all five, but I think that what we need—one thing that become very clear in the discussion today and the discussion that has led up to today is that everybody has to play—every level of government has to play a role in this. The Federal Government must play a leading role in the development of public good. The State governments need—they receive dollars, their gas tax dollars back. They need to find a way to program those behind a set of priorities. User fees, whether that be gas tax or tolls or however you—whatever kind of type of user fee you would like to categorize, I think that needs to be part of it too.

As Ms. Hahn referenced before, you know, you have got people who maybe are not—who get the benefit from—who get the benefit but maybe aren't paying, you know, the same amount. You know, there is a discussion—there is probably something there that if everybody benefits, then maybe everybody should have some skin in the game on that issue.

So I don't know that I could put it down into specific percentages, but I think a discussion needs to happen between Federal Governments and State governments to say, you know, we are all in this together. Infrastructure is not just important from, you know, the—you know, everybody getting to, you know, go to a ribbon cutting, but it affects—it has a tremendous effect on our quality of life, it has a tremendous effect on economic development.

To your point, Chairman, from the beginning, you know, what is the point of building out these cities and communities if we can't get to and from them? From a small business perspective, what is the point of opening—having a florist, and to use your example from the beginning, in downtown Cincinnati in an urban area, if his or her, you know, customers can't get to and from there.

So I think it is a shared cost, but I do think that there is a leading role that the Federal Government needs to play.

Chairman CHABOT. Okay. I am going to let you get away with that.

Mr. DAVIS. Thank you.

Chairman CHABOT. I want to thank you, both you, Mr. Davis and all the other witnesses. I think you have all done an excellent job here this morning, so thank you for taking your time to help us.

Members will have 5 days to extend their remarks or to file extraneous materials. If there is no further business to come before the Committee, we are adjourned. Thank you.

[Whereupon, at 12:40 p.m., the Committee was adjourned.]

# A P P E N D I X

**STATEMENT OF**

**WILLIAM SCHMITZ**
**VICE PRESIDENT, QC AND SALES**
**GERNATT ASPHALT PRODUCTS, INC.**

**ON BEHALF OF**

**THE NATIONAL STONE, SAND & GRAVEL ASSOCIATION**

**BEFORE THE HOUSE SMALL BUSINESS COMMITTEE**

**HEARING ON**

**"THE ROAD AHEAD: SMALL BUSINESSES AND THE NEED FOR A LONG-TERM SURFACE TRANSPORTATION REAUTHORIZATION"**

**June 3, 2015**

Thank you, Chairman Chabot and Ranking Member Velazquez, for the opportunity to testify today on behalf of the National Stone, Sand and Gravel Association (NSSGA) about the importance of the nation's surface transportation system to small businesses, and particularly small aggregates companies. I am Bill Schmitz, Vice President of Dan Gernatt Gravel Products, Inc.

Since 1946, the Gernatt family and their companies have been proud to serve all of western New York. Comprised of Gernatt Asphalt Products; Dan Gernatt Gravel Products, Inc.; and Country Side Sand and Gravel, Inc., our companies provide sand, gravel, stone, landscape aggregate, hot mix asphalt products and trucking to Buffalo, N.Y., western New York and northwest Pennsylvania.

NSSGA is the leading voice and advocate for the aggregates industry. Its members—stone, sand and gravel producers and the equipment manufacturers and service providers who support them—produce the essential raw materials found in homes, buildings, roads, bridges and public works projects. During 2014, NSSGA member companies represented more than 90 percent of the crushed stone and 70 percent of the sand and gravel consumed annually in the U.S., and there are more than 10,000 aggregates operations across the United States. Nearly every congressional district is home to an aggregate facility. Production of aggregate in the U.S. in 2014 totaled 2.39 billion tons at a value of $20.3 billion.

Seventy percent of NSSGA members are small businesses. Failure of Congress to enact a highway bill, changes in the regulatory environment governing aggregates extraction or their use have huge impacts on small business. I know, because I come from a small business.

The first of our sites was in Collins, N.Y., on the Gernatt family dairy farm. In 1955 Dan Gernatt mortgaged his farm to put up a sand and gravel plant when Interstate 90 was first constructed 12 miles from the farm. The dairy herd was milked daily while the gravel plant ran in the barnyard. This first operation was fun by Dan Sr., Dan Jr. and two employees. The cows were eventually sold as they added a concrete plant and an asphalt plant to the Collins location. Since our founding, we have expanded to have eight sand and gravel processing plants, six hot mix asphalt plants, one contractor supply outlet, a rock salt terminal and numerous sand and gravel excavation sites.

Our locations are spread over three western N.Y. counties in rural areas where people struggle to find good paying jobs. The Gernatt organization considers its 175 loyal employees as family and we want to provide them the well-paying, stable employment they deserve. The business has grown because of the hard work by the Gernatts and their employees. We are an open shop operation where everyone works together for the common goal of making the company's successful. The Gernatts share their faith-based values and are strong supporters of the local businesses and community efforts where we operate. It is important to us that the local repair shops, auto dealers, tire shops, welders, painters and all other support businesses benefit from our success. We are an integral part of the western New York community and we do this because it is the right thing to do.

Aggregates are the foundation of our business and an essential American industry that serves as a barometer for the rest of the U.S. economy. Without it we cannot make hot mix asphalt, concrete, landscape stone or winder road sand. Stone, sand and gravel are essential to any construction project—public and private. When the demand for our products is high, the nation is growing, jobs are being created and essential national assets are being built. If the aggregates industry is doing well, America is doing well and so are Gernatt companies.

Aggregates are used in nearly all residential, commercial, and industrial building construction. They are also used for many environmental purposes, including pervious pavements and other LEED building practices, the treatment of drinking water and sewage, erosion control on construction sites, and the treatment of air emissions from power plants. While Americans take for granted this essential natural material, it is imperative for the construction of our infrastructure and homes and for positive growth in our communities.

We in the aggregates industry remove materials from the ground, then crush and process them for various uses. Hazardous chemicals are not used or discharged during removal or processing of aggregates. When aggregates producers are finished excavating the stone, sand or gravel in an area, they pay to return the land to other productive uses, such as residential and business communities, farm land, parks, lakes or nature preserves.

While stone, sand and gravel resources may seem to be ubiquitous, construction materials must meet strict quality and technical guidelines to make durable roads and other public works projects. There is no shortage of aggregates; however the availability of future sources of high quality aggregates could become a significant problem in many areas of the country if proposed regulatory changes, like the recently issued EPA waters of the U.S. rule, are implemented.

Sales of natural aggregates generate over $40 billion annually for the U.S. economy. When combined with related industries, such as cement, concrete, asphalt and construction equipment and supplies, the transportation construction industry generates more than $200 billion in economic activity every year and employs more than two million people.

Through its economic, social and environmental contributions, aggregates production helps to create sustainable communities and is essential to the quality of life Americans enjoy. Aggregates are a high-volume, low-cost product. Due to high product transportation costs, proximity to market is critical; unlike many other businesses, we cannot simply choose where we operate. We are limited to where natural forces have deposited the materials we mine. There are also competing land uses that can affect the feasibility of any project. Generally, once aggregates are transported outside a 25-mile limit, the cost of the material can increase 30 to 100 percent. Because so much of our material is used in public projects, any cost increases are ultimately borne by the taxpayer. Since we operate near areas of limited quality reserves we ship up to 200 miles via truck and rail to meet the demand where quality aggregates are not locally available. This is only possible using adequately maintained highways and railways.

Over the past eight years, the aggregates industry, like many others, has experienced the most severe recession in its history with the federal regulatory tsunami causing further harm to an industry that has seen production drop by 39 percent since 2006. During that time, when the commercial and residential construction markets slowed to a crawl, we were forced to scuttle expansions, lay off employees and alter our business plans.

Our highway system infrastructure continues to deteriorate at a rate much faster than we are making repairs. Our local towns, counties and New York State DOT struggle to maintain adequate conditions, say nothing of reconstructing roads that have exceeded design life or design capacity. With federal funding in a continual state of limbo, states are unable to adequately plan for long term infrastructure repair and maintenance. With all this uncertainty small businesses, like ours, struggle to plan our futures. Our equipment is extremely expensive, so making huge capital equipment investments without a clear vision is difficult at best. Many things need to fall into place to do a project in the shortened construction seasons of the northern U.S. While it may not seem like long time, a four-week delay in funding or awarding contracts will cause a project to lose a complete construction season and add to its cost. This causes a ripple effect, affecting many businesses along the supply chain resulting in a great deal of economic distress.

The business of successfully building and maintaining our national surface transportation infrastructure depends in large measure on funding stability and year-over-year predictability provided by the surface transportation authorization. The extension of the current law, MAP-21, expired on May 31.

Congress passed a two-month extension of the program to July 31, which continues authorization of the program and allows continued expenditures from the Highway Trust Fund. It was the 33rd short-term extension of the program over the past six years. At the end of July, the Highway Trust Fund is expected have a balance of $3.5 billion.

Congress needs to do what they were elected to do and stop kicking the can down the road by addressing the long-term funding of our nation's surface transportation infrastructure. No more short-term extensions. Reauthorization is critical to NSSGA's many small aggregates producers like us.

We are active in our community organizations, within our state trade associations and with other national trade associations including the National Asphalt Pavement Association. Regardless of which organization I am participating in, the conversation is the same. When are we going to fix our highways and infrastructure? Elected officials on every level recognize the need for sustainable, stable, adequate funding to maintain AND improve our highway system. Our employees ask, "When are we fixing the roads and bridges we drive on every day?" New York State DOT personnel open each meeting with a plea for us to call our congressmen and get the state DOT a stable program so they can plan for our future needs. We can no longer ignore the elephant in the room.

In the absence of a long-term plan, my customers are telling me they are not sure what the next years are going to bring to them, thereby causing me to withhold investment in plants and new machinery for the foreseeable future. It is increasingly difficult to do long range workforce planning due to uncertain demand.

Last increased in 1993, the transportation user fee has outgrown its current buying power. The cost of materials and labor has gone up dramatically since then, as well as increased fuel efficiency. In order to keep up with the twenty-first century, two commissions, created by the last multi-year surface transportation reauthorization law, recommended a simple, straightforward, effective solution—to increase the fuel user fee coupled with indexing it to inflation. The commissions' reports suggested other potential revenue sources; so too, have reports from a host of organizations. Revenue options are not the problem.

Continued patches and temporary fixes hurt future and existing projects as states and localities are hesitant to move forward out of fear the federal government will not meet its funding obligations.

Multi-year surface transportation reauthorizations are particularly vital for the funding confidence they instill in state departments of transportation. When they know that the Federal Highway Administration will apportion their funding year after year, in the amount authorized, they have confidence that their state expenditures will be reimbursed. The states then award contracts, and the process of building and maintaining our transportation infrastructure can proceed smoothly. Confidence in the stability of the program is a critical factor in ensuring success, particularly for small businesses.

When there are doubts, as there are today, awards for construction slow. Already Arkansas, Georgia, Tennessee, Wyoming, Montana, Nevada, Utah, Colorado, Nebraska, Mississippi, Pennsylvania, West Virginia, Connecticut, Vermont and Maryland have either delayed or cancelled highway, bridge or transit capital projects this year or are considering doing so because of uncertainty over future federal funding. Congressional highway program extensions have affected $1.3 billion in transportation improvement projects.

The aggregates industry alone employs approximately 100,000 highly-skilled men and women. Nearly 700,000 jobs relay on federal transportation spending. At its core, surface transportation reauthorization is a jobs bill that results in long-term national assets.

A recent Transit Labs report on the best and worst bridges found that 430 of 435 congressional districts have at least one structurally deficient bridge. What makes a bridge structurally deficient? Federal law requires states to inspect their 20+ ft. bridges every two years. Bridges are rated from 0–9 with 9 being the best. Federal guidelines classify bridges as "structurally deficient" if one of the three components holding up the bridge (deck, superstructure or substructure) is given a 4 or less.

According to the report, 11 percent of congressional districts account for over half of our nation's deficient bridges. If you break it down, there are more than 300 deficient bridges per district and more than 32,000 structurally deficient bridges in total. In many states—Iowa, Illinois, Indiana, Kansas, Missouri, Mississippi, New York, Oklahoma, and Pennsylvania there are at least 3 districts with more than 300 deficient bridges. The Memorial Bridge that links Arlington National Cemetery with the nation's Capital City was deemed structurally deficient and restricted to a single lane of passenger vehicles in each direction. The crisis is nationwide.

We recognize the difficulty in finding long-term funding for the highway program. NSSGA supports an all-the-above approach to fund our nation's infrastructure projects. We also understand that no one funding mechanism is a panacea. In the absence of action, the costs to maintain and improve our nation's vascular system only increase. Meanwhile, Americans are becoming more and more frustrated with the growing number of potholes, cracked roads and traffic jams plaguing our roads, highways, and bridges. According to the Texas Transportation Institute Americans spend 38 hours and $121 billion in wasted fuel sitting in the congestion plague our urban areas. Extra vehicle repairs and operating costs are costing $94 billion a year billion—$444 per motorist.

President Eisenhower signed the law creating the National Interstate Highway System nearly sixty years ago. It was designed to last 25 years. We are 34 years beyond is useful life. Is it any wonder that it is deteriorating?

The least expensive way not to waste fuel and to improve air quality is to increase the capacity of our roads and bridges and alleviate congestion. The Federal Highway Administration estimates that each dollar spent on road, highway and bridge improvements results in an average benefit of $5.20 in the form of reduced vehicle maintenance costs, reduced delays, reduced fuel consumption, improved safety, reduced road and bridge maintenance costs and reduced emissions as a result of improved traffic flow.

Improved safety is another important reason to pass a multiyear highway reauthorization bill now. There were 32,719 traffic fatalities in 2013 in the U.S. A total of 165,340 people died on U.S. highways from 2009 through 2013. The fatality rate on the nation's rural roads in disproportionately higher than that on all other roads. There were 1,199 traffic fatalities in 2013 in New York. Motor vehicle crashes cost New York $19.5 billion per year, $1,027 for each resident, in medical costs, lost productivity, travel delays, workplace costs, insurance costs and legal costs.

We can do better. Safety must come first to ensure that you and I and our families, friends, and employees get to and from their daily activities safely. Gernatt Companies are committed to the safety of its most precious resource—our employees. The company uses all possible means, be they administrative or engineering controls—to protect employees. While our industry is based around large equipment, conveyors, crushers, off road equipment and lots of dump trucks, we pride ourselves on our safety record. Our small company devotes numerous personal and monetary resources to maintaining our safety program. While we all must comply with the federal regulations enforced by Mine Safety and Health Administration and Occupational Safety and Health Administration, we are part of a captive self-insured group that requires safety programs to exceed any federal regulations. We hold annual safety refresher courses, maintain our own safety committee and send a cross-section of employees to our captive safety meetings. We also utilize an employee wellness program through our health insurance captive as commercial health insurance has become cost prohibitive.

There are those that say we should devolve the program to the states in order to return maximum discretionary authority and fiscal responsibility to them for all elements of the national surface transportation systems. It is critical to remember that the federal government's role in maintaining the national road network, which carries more than 73 percent of the 48 million tons of goods transportation across the country daily, is a constitutional one. Article 1, Section 8, directs the federal government "To establish Post Offices and post Roads," or the forerunner of our national highway system. Devolution of the program would saddle the states with 90 percent of the fiscal responsibility for supporting highways that the federal government has an obligation to establish. In order to make up lost federal monies, New York would have to raise the gas user fee 20.7 cents and the diesel fuel user fee 19.3 cents.

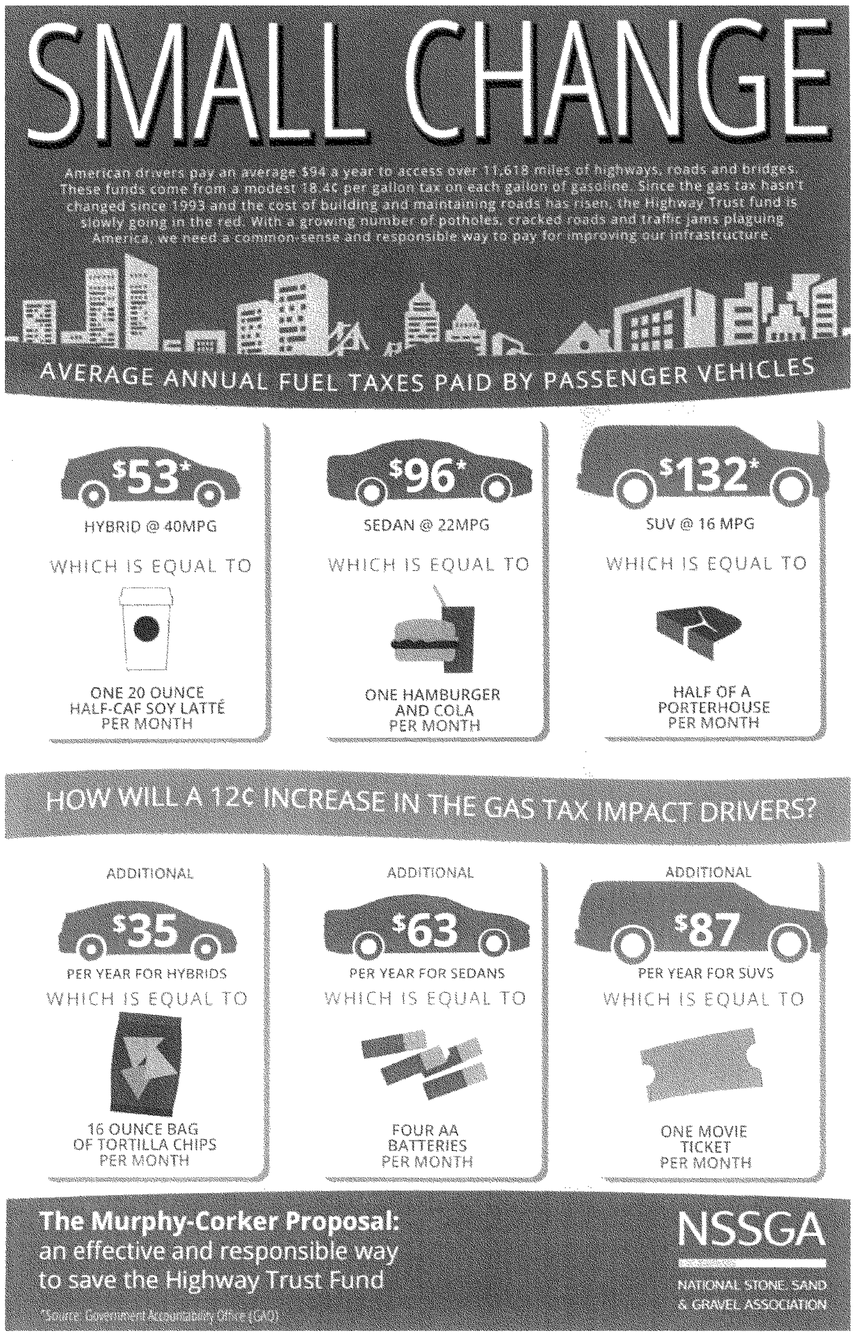
A better approach is to reform the system, not risk the nation's economic future by disinvesting in a highway system that is already under-funded.

Mr. Chairman, again thank you for the opportunity to testify today. Let me reiterate the importance to the aggregates industry and all small businesses of Congressional action on a multi-year surface transportation reauthorization, one that increases investment in the nation's roads, bridges, and highways. Our industry, like most businesses, requires certainty to make sound capital investment decisions. Reverting to short-term extensions will only create havoc in resource development decisions and construction projects.

Attached to my statement are two infographics that NSSGA put together. "Small Change" calculates the real costs to the average American of the Corker-Murphy proposal to increase the fuel user fee $12 cents. The second infographic shows visually the costs of doing nothing.

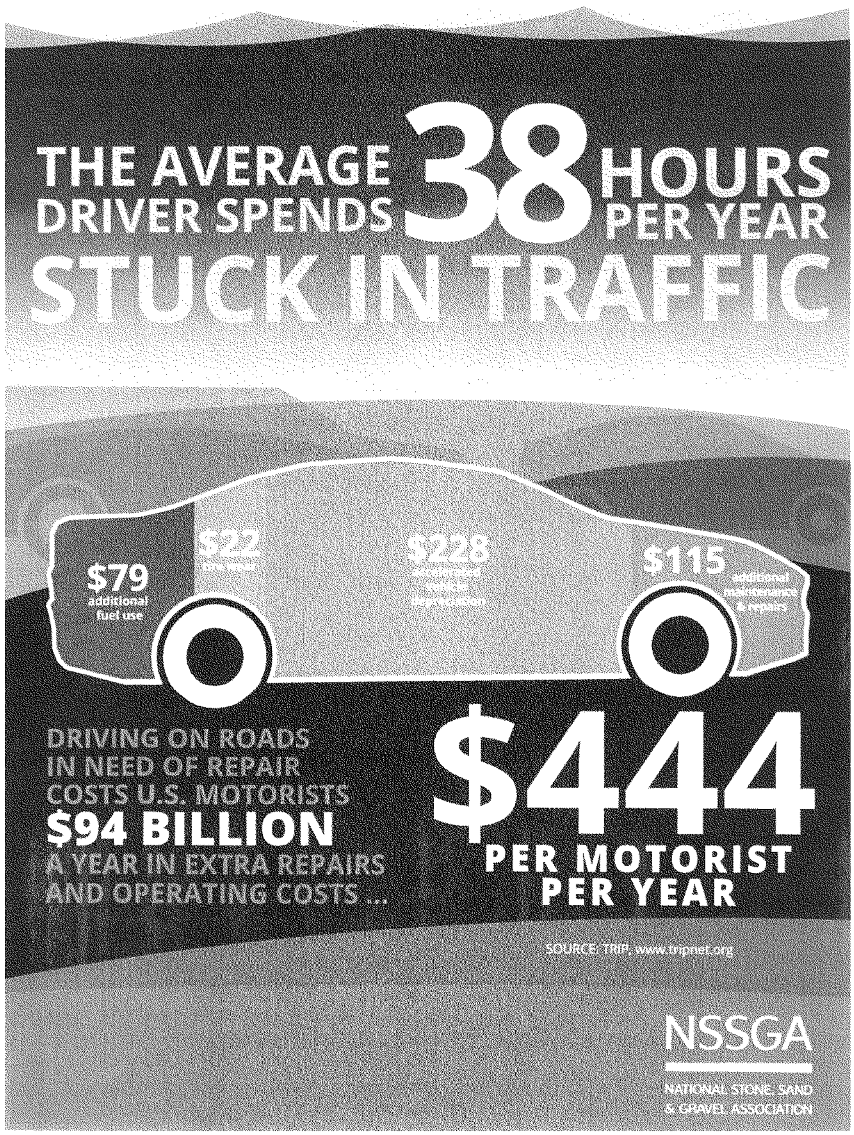
We look forward to continuing to work with you in doing what is right for America. If we ignore the maintenance and improvement of our nation's road and highway network—the circulatory system of America, it is at our own peril, we risk the loss of economic growth, improved safety, cleaner air, and jeopardize the freedom of mobility we all take for granted.

Attachments


SMALL CHANGE
American drivers pay an average $94 a year to access over 11,618 miles of highways, roads and bridges. These funds come from a modest 18.4¢ per gallon tax on each gallon of gasoline. Since the gas tax hasn't changed since 1993 and the cost of building and maintaining roads has risen, the Highway Trust fund is slowly going in the red. With a growing number of potholes, cracked roads and traffic jams plaguing America, we need a common-sense and responsible way to pay for improving our infrastructure.
AVERAGE ANNUAL FUEL TAXES PAID BY PASSENGER VEHICLES
$53*
HYBRID @ 40MPG
WHICH IS EQUAL TO
ONE 20 OUNCE HALF-CAF SOY LATTÉ PER MONTH
$96*
SEDAN @ 22MPG
WHICH IS EQUAL TO
ONE HAMBURGER AND COLA PER MONTH
$132*
SUV @ 16 MPG
WHICH IS EQUAL TO
HALF OF A PORTERHOUSE PER MONTH
HOW WILL A 12¢ INCREASE IN THE GAS TAX IMPACT DRIVERS?
ADDITIONAL
$35
PER YEAR FOR HYBRIDS
WHICH IS EQUAL TO
16 OUNCE BAG OF TORTILLA CHIPS PER MONTH
ADDITIONAL
$63
PER YEAR FOR SEDANS
WHICH IS EQUAL TO
FOUR AA BATTERIES PER MONTH
ADDITIONAL
$87
PER YEAR FOR SUVS
WHICH IS EQUAL TO
ONE MOVIE TICKET PER MONTH
The Murphy-Corker Proposal:
an effective and responsible way to save the Highway Trust Fund
*Source: Government Accountability Office (GAO)
NSSGA
NATIONAL STONE, SAND & GRAVEL ASSOCIATION

FIX THE HIGHWAY TRUST FUND NOW!

THE HIGH COST OF DOING NOTHING



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**THE ROAD AHEAD: SMALL BUSINESSES AND THE NEED FOR A LONG-TERM SURFACE TRANSPORTATION REAUTHORIZATION**

**STATEMENT OF DON SHILLING, PRESIDENT, GENERAL EQUIPMENT & SUPPLIES FARGO, NORTH DAKOTA**

**ON BEHALF OF ASSOCIATED EQUIPMENT DISTRIBUTORS**

**BEFORE THE U.S. HOUSE OF REPRESENTATIVES COMMITTEE ON SMALL BUSINESS**

**June 3, 2015**

Chairman Chabot, Ranking Member Velázquez, and other distinguished members of the House Small Business Committee, my name is Don Shilling, and it is my pleasure to appear before you today both as an executive at a construction equipment company directly impacted by the uncertainty surrounding federal surface transportation programs and in my capacity as chairman of Associated Equipment Distributors (AED).

I am the president of General Equipment & Supplies, the authorized Komatsu construction equipment dealer for North Dakota and Western Minnesota. In addition to our four North Dakota locations, we have two facilities in Minnesota and one in South Dakota. We also have two Canadian locations. General Equipment & Supplies employs 235 American workers.

AED is the trade association representing distributors of construction, mining, energy, forestry, industrial, and agricultural equipment. AED members supply the equipment that builds America's highways, bridges, airports, sewer, and drinking water systems and the association has a longstanding commitment to strong federal infrastructure programs. AED's members range in size from small dealerships with one location and a handful of employees to larger companies with thousands of employees and dozens of locations across several states. However, the overwhelming majority of AED's members are small, family businesses: AED's average member achieves about $40 million per year in revenues and employs 80 people.

I appreciate the opportunity to come before the Committee to discuss the nation's infrastructure crisis; the impact the federal highway program's uncertainty has on my company and the broader industry; and what needs to be done immediately to restore confidence in construction markets.

***Confronting the Nation's Infrastructure Crisis***

America's surface transportation needs are well documented and negatively impact the country's economy, national security, combativeness, productivity, and environment. In fact, the World Economic Forum ranks the United States quality of roads 16th in the world, behind the likes of China, Japan, Oman, and the United Arab Emirates.

According to the Transportation Road Information Program (TRIP), a nonpartisan organization that researches, evaluates, and distributes economic and technical data on surface transportation issues, nineteen percent of America's major roads are in poor condition and twenty-four percent of the nation's bridges are structurally deficient or functionally obsolete. Road and highway needs aren't limited to heavily populated areas. TRIP recently released a report concluding America's rural roads and bridges have significant deficiencies. In 2013, 15 percent of the nation's major rural roads were rated in poor condition and another 39 percent were rated in mediocre or fair condition. In 2014, 11 percent of the nation's rural bridges were rated as structurally deficient and 10 percent were functionally obsolete, impacting U.S. agricultural sectors and hampering farmers from delivering goods from farm to market in a timely manner.

As Congress delays addressing the country's drastic needs, the public is paying the price in lost productivity and vehicle repairs. TRIP found that inadequate roads cost U.S. drivers $109 billion a year in extra vehicle repairs and operating costs. According to the Texas Transportation Institute, traffic congestion (resulting in large part from inadequate capacity) detracts more than $121 billion per year in wasted fuel and lost productivity from the U.S. economy and costs the average American commuter approximately $818 annually, threatening the environment and public health.

Few will argue that the time for substantial investment in our nation's surface transportation infrastructure is long overdue. Nonetheless, lawmakers continue to punt the tough decisions about how to pay for robustly funded, long-term surface transportation legislation to restore certainty to the Highway Trust Fund (HTF) and provide certainty to construction markets.

***Impact of Highway Investment Uncertainty on General Equipment & Supplies***

General Equipment & Supplies and AED members across the nation, operating in every state and congressional district, are ready to supply the heavy equipment needed to rebuild America. The HTF consistently flirts with bankruptcy as gas taxes and other highway user fee revenues are insufficient to support even the current inadequate levels of transportation investment. This is creating enormous uncertainty for transportation planners, contractors, and equipment distributors.

My company is fortunate. The energy boom in North Dakota has allowed General Equipment & Supplies to stay in business despite significant decreases in our equipment sales to road contractors, which account for about 50 percent of our customer base. However, our Minnesota locations, which almost predominately services highway markets, have seen dramatic reductions in sales, due to the uncertainty surrounding federal investment. In fact, between 2013 and 2014 we saw a 34 percent reduction in equipment whole goods retail sales. Even in North Dakota, the state is reluctant to bid long-term, equipment intensive jobs, and recently pulled 30 contracts due to lack of confidence in the HTF.

Historically, General Equipment & Supplies (and most AED members) primarily sold heavy construction equipment. However, we increased rentals by 26 percent between 2013 and 2014 due to the uncertainty surrounding federal investments. While we're grateful for the business, the drop in sales has broad implications, including forcing dealers to continue to carry rental equipment on our balance sheets (along with the associated financial risk) and typing up cash that could be used to hire more workers and investment in the company.

The HTF's precarious situation is also impacting business decisions. My company has considered opening a new location in North Dakota, which means purchasing a 20,000 square foot building and hiring between 12 and 20 new employees. I've been reluctant to expand because of lack of confidence in highway markets, since the new facility would primarily service the road building and agriculture sectors.

Additionally, it should be noted that AED members' interest in resolving the uncertainty surrounding federal surface transportation programs isn't solely to increase sales. My company services customers in a territory over 100,000 square miles and we are heavily reliant on the interstate highway system. We deliver parts nightly from Minneapolis to Western North Dakota. Also, a majority of our equipment servicing and repairs happen in the field where our service trucks are dispatched daily to remote job site locations. As a small business, delays and costs associated with inadequate highways and congestion significantly increase operating expenses, hindering investment in the company.

***The Impact of Highway Investment Uncertainty on Equipment Markets***

The detrimental impact of the uncertainty surrounding the HTF isn't unique to General Equipment & Supplies. In fact, by August, without action, economic shockwaves will reverberate throughout the country as the HTF will be unable to support any highway or transit spending, jeopardizing more than $50 billion in annual investment and threatening $2.4 billion in equipment market activity (i.e., dealer revenue from sales, rental, and product support) and close to four thousand equipment dealership jobs.

In preparation for this hearing, AED conducted a quick survey of its membership to gage the federal highway program's impact. Ninety-one percent of respondents said that surface transportation construction either had a significant impact on demand for their companies' products or that it was their most important market. Not surprisingly, the effects of the uncertainty are the same nationwide as they are in my territory. Here's a sampling of some of what our members said about how they and their customers are impacted:

**Uncertainty is forcing dealers to cut jobs.** "Our company has 25% less employees than we did in 2008m with a $10 million smaller payroll," said an AED member in Tennessee.

**Dealers must carry more risk and divert resources due to the uncertainty.** "Contractors have less certainty about their long term future, thus they tend to rent equipment rather than buying. That means we have to borrow more money to have equipment on hand to meet our customer's needs," writes an AED member in Texas.

**Congressional inaction is hindering economic growth.** An AED member in Connecticut said, "Without a long term plan, contractors are not willing to invest in equipment for future work, thus restricting growth in our business.

**Uncertainty is causing contractors to delay investments in heavy equipment.** An AED member in New York said, "It has negatively impacted our company due to the lack of longer term planning of projects/programs. The larger, more impactful projects tend to be delay and postponed—contractors are less likely to invest in equipment due to the uncertainty of future projects." A California-based equipment distributor wrote, "The short-term extensions do not allow construction contractors to make decisions regarding fleet equipment purchases."

While the economic harm being caused by the uncertainty is clear, so is the fact that enacting a new fully-funded, long-term highway bill would have broad economic benefits for our industry and beyond. For example, ninety-one percent of our survey respondents said they would likely add employees if Congress passed a highway bill. Seventy-eight percent would purchase new service trucks and 91 percent would increase inventory levels, all of which would help the manufacturing sector.

A new, long-term highway bill would also create new business activity for construction contractors, even those who don't build roads as evidenced by the fact that 47 percent of our survey respondents, similar to my company, are likely to expand or improve existing facilities and more than a third would open new locations if Congress restores certainty to the program.

**The Solution**

What's needed is bold, decisive action to restore long-term certainty to the federal highway program. A 2013 study conducted by researchers at William & Mary's Thomas Jefferson Program in Public Policy found that the HTF deficit will amount to $365.5 billion by 2035. The AED report also proposed bold solutions: increasing the gas tax to 25 cents per gallon and indexing it for future inflation would raise $167 billion more than current baseline spending requirements over the next two decades.

AED strongly supports a user fee increase in the near-term as Congress develops a more sustainable revenue model (e.g., vehicle miles travelled fee). Nonetheless, all options should be on the table to fully fund the federal highway program well into the future and ensure a strong federal role in surface transportation investment.

Finally, Congress must also keep in mind that funding surface transportation infrastructure isn't government "spending". It's an investment that pays for itself. A 2012 AED study found that as with capital assets bought by a business, over 20 years, each dollar invested in highways and streets returns approximately $0.35 in tax revenue and for each dollar invested in highways and streets, $0.23 of tax revenue accrues at the federal level.

**Conclusion**

In sum, our nation faces an unparalleled infrastructure crisis. Congress can't keep kicking the can down the proverbial road because the road is deteriorating and full of potholes. We need immediate and aggressive congressional action to ensure that our transportation system does not degrade further and that state and federal governments have the resources they need to address the crisis. The small business-dominated construction equipment industry is directly impacted by federal infrastructure spending and thousands of jobs are affected by this federal program.

The current uncertainty surrounding federal infrastructure programs is contributing to volatility in equipment markets. At the same time, equipment distributors and their employees suffer the consequences of under-investment in infrastructure along with other businesses and the general public.

AED therefore urges Congress to quickly resolve the near-term uncertainty surrounding the HTF and to enact a long-term highway reauthorization bill that creates new revenue streams to support infrastructure investment. Further delay is inexcusable; the American people deserve bold, decisive leadership. Now is the time for Congress to step up to the plate.

If Congress seizes this historic opportunity to the act, the benefits of new infrastructure investment will be felt immediately and for years to come as America positions itself to compete globally with a stronger economic backbone.

DSD

ADVISORS

**Testimony before the U.S. House Committee on Small Business**
**Matt Davis**
**President, DSD Advisors, LLC**
**Director, Build Our New Bridge Now Coalition**
**June 3, 2015**

Chairman Chabot, Ranking Member Velazquez, and members of the House Committee on Small Business, thank you for the opportunity to meet with you today to offer testimony on the importance of transportation and infrastructure to business growth.

My name is Matt Davis and I am president of DSD Advisors, LLC, a government affairs consulting firm based in Cincinnati, Ohio. I am here today in my capacity as Director of the Build Our New Bridge Now Coalition. Created in 2012, the Build Our New

Bridge Now Coalition is a diverse group of small, medium, and large businesses, and community, government, and labor leaders who have come together to advocate for rebuilding and rehabbing the 1-75/71 Brent Spence Bridge Corridor. These leaders joined to focus their efforts to rebuild the Corridor because it is inextricably linked to our region's current and future economic opportunities, quality of life, and safety.

If you do not already know, the Brent Spence Bridge is a 52 year-old span that carries Interstates 75 and 71 across the Ohio River, locally. It also serves as a major artery in our national highway system, carrying the equivalent of 4% of the nation's GDP every year and connecting Michigan to Miami, servicing many companies, both large and small.

Locally, Southwest Ohio, Southeast Indiana, and Northern Kentucky have a distinct economic advantage, being within just a 90 minute flight or a one-day drive of the 25 top U.S. metros and 41% of the nation's purchasing power. Couple those numbers with the amount of the nation's GDP that the Brent Spence Bridge carries alone, you can see that the geography serves our region's residents and businesses well.

Unfortunately, our roads and bridges have not. The Brent Spence Bridge was built more than 50 years ago to create jobs and spur economic opportunity. Now, it is failing our region. The Brent Spence Bridge carries more than twice the amount of vehicles per day that it was designed to accommodate, is considered "functionally obsolete", and was recently given a grade of "C-" by Kentucky transportation.

Congestion on this crumbling, decaying, and out-of-date span continues to increase, stifling productivity, slowing the flow of goods and commuters, raising safety concerns, and lowering air quality.

According to our MPO, the Ohio-Kentucky-Indiana-Regional Council of Governments, approximately 60% of the local population and 75% of the local jobs live within 5 miles of Interstate 75. The Interstate corridor and Brent Spence Bridge that supports it are critical to our region's present and future. Businesses chose the Cincinnati region because of its economic climate, and infrastructure, particularly the Brent Spence Bridge Corridor, is a key component of that climate. So we must care for it to ensure our economic future.

Another statistic you should know: You are 3-5 times more likely to be in an accident on the Brent Spence Bridge Corridor than you are on any other portion of the interstate system in Ohio, Kentucky, or Indiana. That stat leads one to wonder what the future holds. If we do nothing, will conditions improve? Probably not. If not, then we fear that existing businesses will relocate and prospective businesses will look elsewhere. This corridor, a great benefit to our region, could hold us back if we do not develop a strategy to modernize it.

Businesses, particularly small ones, operate on very thin margins. As the old saying goes, "time is money" and that rings true for every small business in Cincinnati and the country. In order for their businesses to stay afloat, these small businesses need reliable roads, bridges, waterways, airports and railways to move employees and goods from place to place as safely as possible. If a delivery or an employee is late, it can cause major disruptions for that business, with a multiplied effect on our region.

The Build Our New Bridge Coalition is one of many groups that believe developing strategies on infrastructure at the state and national levels with a set of priorities will be a springboard to significant job gains, particularly for small, homegrown businesses.

Northern Kentucky University completed a study that looked at the economic impact of rebuilding the $2.7 billion Brent Spence Bridge Corridor. It found that 24,488 jobs would be created in Ohio and Kentucky, generating $1.9 billion in labor income and $193.1 million in state and local government revenue. Keep in mind, those numbers are just those directly associated with rebuilding the corridor. Providing reliable and safe infrastructure is one place where Washington and the states can play a major role by supplying the tools for the success of America's small businesses, but it requires significant resources and focus. The sky is the limit for the future of small businesses, but not if employees cannot get to the office or a delivery truck is constantly late.

Thank you for your time today and attention to this important topic. I am happy to answer any questions you may have.

The Road Ahead: Small Businesses and the Need for a Long-Term Surface Transportation Reauthorization

Hearing

June 3, 2015, 11 a.m.

Committee on Small Business

U.S. House of Representatives

Statement of Dr. Jonathan L. Gifford [1]

Professor and Director, Center for Transportation Public-Private Partnership Policy

School of Policy, Government, and International Affairs

George Mason University

3351 Fairfax Drive, MS3B1, Arlington, Virginia

Chairman Chabot, Ranking Member Velázquez, and distinguished members of the committee, thank you for the opportunity to speak to you today about the reauthorization of the nation's surface transportation legislation.

I am a professor at George Mason University, where I direct the Center for Transportation Public-Private Partnership Policy in Arlington, Virginia. The Center's objectives are to provide objective analysis of transportation public-private partnerships (P3s) through research, education, and outreach in order to facilitate their application in the most effective situations. The Center's program focuses on building the evidence base to evaluate P3s, advancing the capacity of public entities to asses and utilize the approach, educating researchers and professionals, and reaching out to business, government and the community at large to improve their understanding of the P3 approach to infrastructure development. We believe that a better understanding of P3s will lead to their most appropriate utilization.

I would like to make three points about the subject of today's hearing on small business and the need for a long-term surface transportation reauthorization.

My first point is that public-private partnerships (P3s) for transportation projects offer significant opportunities to small busi-

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nesses. P3s generally involve design, construction and long-term operation and maintenance of a transportation project. P3 contracts usually have a term of 35 or more years, in some cases 75 years.

These long-term agreements create a favorable environment for the small businesses in the communities surrounding the projects. Business needs include engineering, materials, construction, public affairs, community relations, architects, attorneys, security, and appraisers. Many of these business needs last not just for the duration of the construction but for the life of the concession agreement—many decades. Such long-term agreements foster the creation and sustenance of local businesses.

Moreover, such opportunities are more than discretionary on the part of the concessionaire. States participating in P3s typically establish goals for participation by small, woman-owned and minority-owned businesses and disadvantaged business enterprises (SWaM/DBE). For example, Virginia's goals for three of its major projects total more than $1 billion for the design and construction phase alone.[2] The recently completed 495 and 95 Express Lanes P3 projects in Virginia supported more than 28,000 jobs during construction, and employed hundreds of DBE/SWaM firms, 184 firms for the 95 Express Lanes and 250 firms for the 495 Express Lanes.[3]

A long-term surface transportation reauthorization can support small business by removing barriers in federal law regarding P3s, and by continuing and possibly increasing federal support for P3s. Without long-term reauthorization, agencies are experiencing difficulty in letting and continuing meaningful projects because they do not have the requisite budget authority. Large firs may be able to absorb this uncertainty, but small businesses are not well-equipped to deal with the off/on nature of the current federal process.

A major barrier for P3s in many states is the federal prohibition against charging tolls on reconstructed Interstates. Congress may wish to reconsider that prohibition since so much of the Interstate system will require reconstruction in coming decades. Significantly, relaxing or removing this prohibition can be done at no cost to the federal budget. And it would allow states to decide whether and how much to explore tolls as a means of renewing and expanding their highway systems.

Congress may also wish to extend or expand current programs that support P3s, notably TIFIA and PABs. The TIFIA program (for Transportation Infrastructure Finance and Innovation Act) provides loans and credit support to most P3 projects. PABs, or private activity bonds, level the playing field between bonds for P3 projects and municipal bonds by exempting PABs from most federal income taxes.

[2] Virginia Office of Public-Private Partnerships, "PPTA DBE/SWaM Programs: Achieving Historic Results," n.d., http://www.p3virginia.org/wp-content/uploads/2014/07/FACT-SHEET_PPTA-DBESWaM.pdf.

[3] Transurban, personal communication, June 2, 2015.

President Obama's proposed QPIBs (Qualified Public Investment Bonds) would expand the dollar amount available for P3s by eliminating the current $15 billion cap on PABs.

My second point relates to the federal gas tax. The federal gas tax and the Highway Trust Fund have played important roles since their establishment in 1956 in the construction of the Interstate Highway System and supporting the Federal-Aid Highway Program. The current gas tax rate is not sufficient to support the ongoing expenditures of the existing surface transportation program. Congress has filled the gap in recent years with contributions from the general fund.

Continued reliance on the gas tax as the primary source of funds to support the federal surface transportation program is problematic. As cars get more fuel efficient and the number of hybrids and electric vehicles increase, a flat per-gallon tax on gasoline generates less and less for each mile driven on our highway system.

In the long term, Congress must decide how much financial support it wishes to provide the surface transportation program, and how to pay for it. An increase in the gas tax could support an ongoing program at current spending levels. However, in the longer term, other sources of state, local and federal revenue such as tolls may provide a more suitable financial foundation for addressing the nation's transportation needs and opportunities.

There appears to be significant appetite for infrastructure investment in the global capital markets. Investment in the U.S., however, is limited due in part to a lack of bankable projects. Removing barriers to tolling could enable more private capital investment.

My third point relates to the future of the University Transportation Centers program. This program has supported a number of universities, including my own, in conducting research on our nation's transportation system and educating generations of students who go on to design, construct, operate, finance and maintain that system.

As an active participant in the UTC program for most of my career, I would like to assure the Committee that the program has generated considerable value in research, education and professional development.

Our nation appears to be on the cusp of major changes in its transportation systems. Important innovations include autonomous vehicles, GPS, mobile devices, advanced materials, shared use of cars and bicycles, transportation network companies like Uber and Lyft, and public-private partnerships. These innovations have the potential to transform the movement of people and freight. They also have the potential to disrupt the industries and institutions that make up our transportation system.

Continued support of the University Transportation Centers program will allow research and education to continue to contribute to expanding development of such innovations and understanding their implications for society.

That concludes my formal statement. I would be happy to answer your questions.

Thank you.

Small Business Committee Hearing: "The Road Ahead: Small Business and the Need for a Long-Term Surface Transportation Reauthorization"

Congressman Blaine Luetkemeyer - Statement for the Record

Coming from a state that has the seventh largest highway system, I know just how crucial America's roads and infrastructure are to our state's and our nation's economy. The route from point A to point B can determine how many deliveries or repairs are made in a given day by a small business owner simply trying to make ends meet. Failure to pass a comprehensive long-term surface transportation bill will have drastic implications on the economic health of our great state. The unfortunate truth is this—the American Society of Civil Engineers (ASCE) assessed the roads and transit infrastructure in Missouri and gave the Show-Me State an embarrassing "D" letter grade, while our bridges merely received a "C+." In Missouri, we fund maintenance, improvements, and desperately needed projects from the state gas tax, just as the federal Highway Trust Funds is funded. With increases in fuel efficiency mandated by the EPA and less total miles being driven, the revenue collected by the gas tax is not sufficient to adequately fund desperate maintenance and improvements to our state's highways and transit system.

On May 21st, the House and Senate passed a short-term Highway Bill reauthorization, which will extend current programs and spending levels until July 31, 2015. While this will allow some construction to continue during the peak season, it leaves long-term projects and contracts with little certainty. This by no means answers our long-term highway and infrastructure troubles. It is imperative that a bipartisan solution be reached to benefit all Missourians on the road. During the next few months, Congress will craft a new long-term highway bill. The top priority will be to consider methods to fund the nearly $12 billion dollar Highway Trust Fund shortfall that is exceedingly unsustainable. If we stay on the current path, it is estimated that the Highway Trust Fund outlays will exceed incoming revenue by $167 billion over the 2015–2024 period. As a nation we can no longer take the approach of simply maintaining our failing infrastructure.

I am confident that with a proactive approach and exploring viable alternatives to the status quo, we can make real changes that yield positive and long-term benefits for all. This is an issue that has not received satisfactory attention in decades and definitely needs to be readdressed with fresh ideas.

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