

**THE IMPORTANCE OF MAP-21 REAUTHORIZATION:
PERSPECTIVES FROM OWNERS, OPERATORS,
AND USERS OF THE SYSTEM**

HEARING
BEFORE THE
COMMITTEE ON
ENVIRONMENT AND PUBLIC WORKS
UNITED STATES SENATE
ONE HUNDRED FOURTEENTH CONGRESS
FIRST SESSION

FEBRUARY 25, 2015

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ONE HUNDRED FOURTEENTH CONGRESS
FIRST SESSION

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THE IMPORTANCE OF MAP-21 REAUTHORIZATION: PERSPECTIVES FROM OWNERS, OPERATORS, AND USERS OF THE SYSTEM

WEDNESDAY, FEBRUARY 25, 2015

U.S. SENATE,
COMMITTEE ON ENVIRONMENT AND PUBLIC WORKS,
Washington, DC.

The committee met, pursuant to notice, at 9:30 a.m. in room 406, Dirksen Senate Building, Hon. James Inhofe (chairman of the committee) presiding.

Present: Senators Inhofe, Boxer, Boozman, Crapo, Vitter, Rounds, Capito, Wicker, Carper, Whitehouse, Gillibrand.

OPENING STATEMENT OF HON. JAMES INHOFE, U.S. SENATOR FROM THE STATE OF OKLAHOMA

Senator INHOFE. The hearing will be open.

Let me thank the five of you who have come from far corners. We appreciate very much your being here. Our feeling, and I know I speak for Senator Boxer, we kind of need to get an outside the Beltway perspective. So this is the opportunity that we have for it. We appreciate very much the witnesses being here.

Unfortunately, what used to be the best transportation system in the world is now deteriorating, and our global competitors are greatly outpacing us in infrastructure investment. We hear this, and we see this as we go around, we see what is happening in China, we see what is happening in the other countries. The American businesses rely on an efficient, reliable transportation network. More than 250 million vehicles traverse the highway system each year and businesses require a reliable transportation system.

Now, I think anything I would say for members of this panel and for the five of you who have come in here to testify, it would be redundant. You are all familiar with the crisis that we are facing right now. We have Gary Ridley, whom Senator Boxer and I know very well, from Oklahoma, who has testified probably more than anyone else has before this committee over the past 20 years or so. And the rest of you, we appreciate very much your being here.

I am not going to use my time, because in case that Senator Vitter comes, who is the chairman of the subcommittee, I want him to have that opportunity. So with that, I will retain the balance of my time.

[The prepared statement of Senator Inhofe follows:]

STATEMENT OF HON. JAMES M. INHOFE, U.S. SENATOR
FROM THE STATE OF OKLAHOMA

Welcome to today's hearing. This is the second highways hearing we have held this year. As I have said many times, my top priority this year is to pass a fiscally responsible, long-term highway bill. I am confident that we will be successful in passing a bill, and I thank the witnesses for being here today to help us achieve that goal.

Unfortunately, what used to be the best transportation system in the world is now deteriorating, and our global competitors are greatly outpacing us in their infrastructure investment. I am glad that we have manufacturers before us today to discuss how important transportation is to their businesses and the jobs they support.

American businesses rely on an efficient and reliable transportation network. More than 250 million vehicles traverse the highway system each year and businesses require a reliable transportation network to operate.

But every day, 20,000 miles of our highways slow below posted speed limits or experience stop-and-go conditions. This type of congestion has a huge negative impact on America's businesses.

Unfortunately, congestion is becoming more and more of a problem for American businesses. In its 2013 Report Card for America's Infrastructure, the American Society of Civil Engineers gave America a "D" grade on the condition of the Nation's roads and a "C+" on the condition of the Nation's bridges.

As we are all aware, the Federal highway program is operating on a short-term extension that expires at the end of May.

My staff has been working with Senator Boxer's staff on a long-term bill that will give our partners the certainty they need to plan and construct important transportation projects.

Our infrastructure investments are a partnership between the Federal Government and the States. We need to keep up our end of the bargain and pass a fully funded, long-term bill.

**OPENING STATEMENT OF HON. BARBARA BOXER,
U.S. SENATOR FROM THE STATE OF CALIFORNIA**

Senator BOXER. Senator, is it my turn?

Senator INHOFE. Yes.

Senator BOXER. Thank you.

Mr. Chairman, you and I don't agree on a lot, we know that. But we do agree on the absolute importance of having a Class A transportation system. I think that this partnership that we have shown over the years is more critical now than perhaps ever, because we are just a few months away from a shutdown of the Highway Trust Fund. And I am going to ask unanimous consent to put my statement into the record, if I might.

Senator INHOFE. Without objection. I will also put mine into the record.

Senator BOXER. OK. I am going to summarize it in 2 minutes.

Here is the thing. We are going to hear today from this diverse panel. I am so proud, Steve, you are here. We are hearing it from every stripe, from red States, from blue States, from purple States, from conservatives and liberals alike. We need a bill and we need it now.

I want to say that last Congress, this committee, to the shame of the Senate and the House, and I say that knowing Democrats controlled the Senate, Republicans controlled the House, to the shame of the Senate and the House, this committee was the only committee to do anything on this matter. We passed a really good bill. We are working on another bill now.

I had thought once we had acted, we would see all the other committees in both the House and Senate fall into line. They didn't do

it. And I am very worried. Very worried, that I see that same kind of lackadaisical attitude about what we are facing.

Look, we just averted a port strike in our great State. We have taken 40 percent of the imports. And what happened, and thanks to the Obama administration, really, they helped a lot on this. We all worked together, Republicans and Democrats, to stop that strike. And we averted it.

But what happens to those goods? They go on trucks, mostly, and they go across our great Nation. They stop in Oklahoma, they stop all over. And if our Nation's roads are in disrepair, and 50 percent of them are, and our Nation's bridges are in danger of collapsing, and more than 60,000 of them are, we are in a dire circumstance.

So I will stop at this point. I will retain my time in case there is an opportunity to give it to someone else later. But let me be clear. I don't think, Mr. Chairman, with your great leadership, we need a lot more hearings. I think we need to continue our good work our staffs have started.

And I think we need to take the lead and get this going. Because what I see coming is another extension. My chairman knows how expensive that is, and how absurd that is. And I will say, if you went to the bank to get a mortgage and the banker looks at you and says, oh, you are great, you get the mortgage, but it is only for 6 months, you are not going to buy the house.

Well, if we can't tell our people that they have a guarantee of several years at least, they are not going to build those roads. They are just not going to do it.

So with that, I would retain the balance of my time.

[The prepared statement of Senator Boxer follow:]

STATEMENT OF HON. BARBARA BOXER, U.S. SENATOR
FROM THE STATE OF CALIFORNIA

Today a diverse panel of witnesses will explain to this Committee how important a modern surface transportation system is for a strong economy and why Congress must act quickly to address our nation's infrastructure needs.

The continued inaction by Congress to enact a long-term transportation bill is a disgrace. An efficient transportation system is key to our economic security. The U.S. economy relies on an interconnected transportation system—for example, we move goods out of major ports of entry onto congested urban roads and out to the rural highways that span our Nation.

Federal funding is crucial to keeping our roads, bridges, and transit systems functioning so that we can move goods and people safely and efficiently. Unfortunately, investment in our country's infrastructure has not kept pace with growing needs at the State and metropolitan level. nationwide there are 63,500 bridges that are structurally deficient and 50 percent of our nation's roads are in less than good condition.

The Federal Government provides over 50 percent of the capital expenditures for State highway projects nationwide, which means that states and local governments rely heavily on Federal funding to maintain and improve their transportation systems.

A robust, multi-year surface transportation bill will sustain millions of jobs for American workers and help the construction industry, which was hit hard by the Great Recession. There are still approximately 1.4 million fewer construction workers today compared to 2006.

It is critical for our nation to continue investing in our aging infrastructure. The Highway Trust Fund is an integral part of how the Federal Government provides predictable, multi-year funding to states so they can plan and construct long-term highway, bridge, and transit projects. Therefore, preserving the Highway Trust Fund needs to be our No. 1 priority.

We must move quickly to pass a bipartisan transportation bill, because without action we are facing a transportation funding shutdown in just a few short months.

The law that currently authorizes our surface transportation programs is set to expire on May 31st—right as the critical summer construction season is beginning—and the Highway Trust Fund is projected to face cash-flow problems shortly thereafter.

Secretary Foxx recently stated that U.S. DOT would likely begin warning states in June of “cash management” procedures which would take effect in July, when fund balances fall below a prudent balance. Make no mistake—this would result in the rationing of billions of dollars in payments to states.

I’d like to enter into the record a recent statement from Pete Ruane, the President and CEO of the American Road and Transportation Builders Association, and read a portion of the statement:

“In just 100 days, authorization for the Federal highway and transit program will end, absent action by the Congress. Close observers know, however, that the Senate and House are only scheduled to be in session 55 and 36 days, respectively, before that legislative deadline occurs. Where is the sense of urgency? The uncertainty caused by congressional action is already—again—having real world, negative economic consequences as states begin cutting back work plans because they don’t know if the funding will be there to pay the bills several months from now.”

Transportation should be a nonpartisan issue. Taking action to save the Highway Trust Fund and invest in our aging infrastructure is strongly supported by businesses, labor, and transportation organizations.

Last May, the EPW Committee unanimously approved a 6-year reauthorization of MAP-21 that provided long-term funding certainty for highway and bridge programs. I am hopeful we will have similar success in our Committee this year, but the clock is ticking. Failure is not an option, there are no excuses for further delay or extensions, and I look forward to working with all of you to get the job done.

Senator INHOFE. And I will do the same.

I would only say this. What you are witnessing here is unusual in Washington, because you have a proud, outspoken liberal and a proud, outspoken conservative in total agreement on what we should be doing. We do have that old outdated document out there called the Constitution that kind of tells us what we are supposed to be doing here. This is what we are supposed to be doing here.

With that, let’s start with Mr. Braceras. Mr. Braceras, we will start with you and we will kind of go across for your opening statements. Then we will open up for questions.

STATEMENT OF HON. CARLOS BRACERAS, EXECUTIVE DIRECTOR, UTAH DEPARTMENT OF TRANSPORTATION

Mr. BRACERAS. Thank you, Chairman Inhofe, Ranking Member Boxer and members of the committee.

Thank you for the opportunity to provide input on the need to reauthorize MAP-21. My name is Carlos Braceras, and I serve as the Executive Director of the Utah Department of Transportation. Today it is my honor to testify on behalf of the State of Utah and AASHTO.

Throughout the history of our Country, transportation has played an integral role in the success of our economy. While States have done an admirable job of addressing transportation within their boundaries, there is clearly a need for a cohesive national transportation system. Our Federal highway program is a federally funded State-administered program based on the 100-year old partnership between the Federal Government and State DOTs. Nearly half of all the capital funding for highway and bridge projects comes from the Federal Government. Eliminating the Federal participation in this partnership will leave too big a hole for the States to be able to make up on their own.

State DOTs have a strong partnership with their local governments and their respective States. The transportation planning

process requires State DOTs to work extensively with local planning agencies and the public in developing multi-modal transportation plans and identifying projects that are supported by the Highway Trust Fund. This process works well, and is the foundation of the performance-based programs established under MAP-21.

Rather than drastically altering the federally funded, State-administered nature of the Federal Highway Program, and facing consequences of such disruption, we should highlight examples where State DOTs have strong, productive partnerships with local governments, and where the transportation planning process is working well.

In Utah, as with all of our sister States, the success of our communities, both large and small, is critical. As such, we have developed what we refer to as the unified plan, in which all our metropolitan planning organizations, cities, counties and transit authorities, have come together to develop a unified plan of projects that will address the goals of the State and individual communities for the next 30 years. In Utah, we speak with one voice toward an agreed-upon set of goals.

As Congress considers policy changes in the next reauthorization bill, it should build on the successful reforms of MAP-21. We all share the goal of utilizing the resources invested in our transportation system as effectively and efficiently as possible. We can accomplish this by streamlining the project delivery process, such as clarifying that States participating in the NEPA delegation may make project-level conformity determinations, give the States the ability to approve designs and right-of-way acquisitions, allow State DOT modal administrators to use categorical exclusions determined by other modal administrators.

Furthermore, Congress should consider authorizing a consolidated funding pilot program. This would build on the program consolidation efforts made in MAP-21 by treating all core funding programs as a single, consolidated apportionment. States would only be eligible to participate in the program once they have established performance management systems that ensure accountability and transparency.

Utah is ready to step forward and pilot such a program. I am convinced that we will be able to demonstrate that we will be able to better meet both the transportation goals of this Country and those of Utah.

I encourage Congress to seek additional opportunities to continue moving the Federal highway and safety programs toward performance and outcome-based programs that emphasize results as opposed to process.

In conclusion, AASHTO remains committed to helping Congress pass a robust, long-term surface transportation authorizing bill as soon as possible. The current extension expires in the middle of the spring construction season. Already, several State DOTs are postponing needed projects that are scheduled to go out to bid.

The sooner Congress acts, there is a greater likelihood that these projects will be built this year as opposed to being pushed back another year. This week, hundreds of State DOT leaders from nearly every State in the Country are just a couple of blocks away, attend-

ing AASHTO's 2015 Washington Briefing. Over the next couple of days, most of them will be up here on the Hill, meeting with their congressional delegations, advocating for a long-term surface transportation bill that addresses our surface transportation investment needs.

I would like to thank you once again for the opportunity to testify today. I will be more than happy to answer any questions the committee has.

[The prepared statement of Mr. Braceras follows:]

AMERICAN ASSOCIATION
OF STATE HIGHWAY AND
TRANSPORTATION OFFICIALS



TESTIMONY OF

The Honorable Carlos M. Braceras, P.E.
Secretary-Treasurer, American Association of State Highway and
Transportation Officials;
Executive Director, Utah Department of Transportation

REGARDING

**The Importance of MAP-21 Reauthorization:
Perspectives from Owners, Operators, and Users
of the System**

BEFORE THE

**Committee on Environment and Public Works
of the United States Senate**

ON

February 25, 2015

American Association of State Highway and Transportation Officials
444 North Capitol Street, N.W., Suite 249
Washington, D.C., 20001
202-624-5800
www.transportation.org
info@aaashto.org

INTRODUCTION

Chairman Inhofe, Ranking Member Boxer, and Members of the Committee, thank you for the opportunity to provide input on the need to reauthorize the Moving Ahead for Progress in the 21st Century Act (MAP-21). My name is Carlos Braceras, and I serve as the Executive Director of the Utah Department of Transportation (UDOT) and as Secretary-Treasurer of the American Association of State Highway and Transportation Officials (AASHTO). Today it is my honor to testify on behalf of the State of Utah and AASHTO, which represents the State departments of transportation (State DOTs) of all 50 States, Washington, D.C., and Puerto Rico.

I first joined UDOT as a registered professional engineer and a geologist. Prior to my appointment almost two years ago as the Executive Director, I served as the Deputy Director for 12 years with previous experience as the chief geotechnical engineer and chief value engineer. In addition to serving as AASHTO's Secretary-Treasurer, I am also the Chairman of the AASHTO Subcommittee on Design and the Chair of the advisory board of the AASHTO Center of Environmental Excellence.

My testimony today will emphasize three main points:

- The urgent need for a long-term surface transportation bill;
- The importance of the Federal-State partnership in funding transportation infrastructure; and,
- Policy changes that build on the successes of MAP-21.

THE URGENT NEED FOR A LONG-TERM SURFACE TRANSPORTATION BILL

Throughout the history of our country, transportation has played an integral role in the success of our economy. While States have done an admirable job of addressing transportation within their boundaries, there is clearly a need for a cohesive national transportation system. Take for instance, AdvancePierre Food Services, whose plant in Oklahoma ships throughout the country to other plants and retailers. Their success would not be possible without an effective interstate transportation system.

While AdvancePierre's plants may be in Oklahoma and other States throughout the country, Utah's transportation system needs to be able to support businesses such as this; nearly a quarter of the traffic on Utah's interstate system is commercial freight vehicles, carrying goods like AdvancePierre's food products to Utah and through it. Just as AdvancePierre depends on a reliable, effective, well-maintained, and safe transportation system in Utah, the businesses located in Utah also rely on effective transportation infrastructure in the national system.

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Secretary-Treasurer, American Association of State Highway and Transportation Officials (AASHTO);
Executive Director, Utah Department of Transportation

On May 31, 2015, the authorization for the Federal highway, transit, and highway safety programs will expire and a short time later the Highway Trust Fund (HTF) will not have sufficient cash balances to reimburse State DOTs and local transit agencies for costs already incurred on highway and transit projects.

Over the past six years, Congress has had to pass 11 short-term extensions and transfer more than \$60 billion from the General Fund into the Highway Trust Fund to keep it solvent. The negative impact of these short-term extensions and the near-constant threat of Highway Trust Fund insolvency cannot be overstated.

While we as a transportation industry do everything in our power to build our projects as fast as possible, many of them take several years to complete. The lack of a long-term surface transportation bill that provides a predictable stream of Federal funding makes it nearly impossible for State DOTs to plan for large projects that need funding over multiple years. Major transportation projects in several States are sitting on the shelves or have been delayed due to the unpredictability of Federal funding. Such delays have serious economic consequences both in the short- and long-term. These projects employ thousands of companies and hundreds of thousands of workers every year. Once completed, they help stimulate economic growth in every community where they are built.

In my own State, we completed a major road reconstruction project in an area that has come to be known as Utah's own version of Silicon Valley. The completion of an improved interchange and new transportation infrastructure enabled the growth of several major businesses including Adobe and IM Flash Technologies, and the creation of more than 4,000 new jobs. But without the predictability of a long-term surface transportation bill, projects like this one may not move forward.

The extension of the current surface transportation authorization will expire in the middle of the spring construction season, and already several State DOTs are pulling back on needed projects that are scheduled to go out for bid. Tennessee announced they will delay \$400 million in highway and bridge projects this year due to the uncertainty of Federal funding, and Arkansas followed with an announcement that they will delay three projects totaling more than \$30 million that were planned for bid in late January.

In Utah, we are known for our great snow. We are fortunate to enjoy benefits to our economy as a result of skiing and tourism because of our great snow, but as a transportation engineer I am very cognizant of the fact that our winters, like other cold-weather States, greatly limit our timing in building our critical projects. We work diligently to advertise projects "at the right time" in order to get the most competitive bids and to build them as quickly as possible. This approach minimizes the impacts to the traveling public and our business community. It empowers us to get the best value for the public's investment. With the uncertainty of when—or even if—Congress will authorize the rest of the 2015 program, Utah, and other cold-weather States may miss this construction year for a full third of our programs. It will also force us to advertise projects late in the construction season, resulting in less competitive bidding, less value

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Executive Director, Utah Department of Transportation

for the public's investment, and the potential for delaying important and needed projects that will improve communities and their economies.

Last year AASHTO worked with State DOTs across the country to build a tool that showed the impacts of Congress' failure to enact a long-term surface transportation bill. In addition to identifying national impacts, this tool allowed State DOTs to identify specific projects that were at risk if Congress did not ensure the solvency of the HTF. Twenty-eight States identified specific projects that would not go forward if the HTF were allowed to go broke. This week, AASHTO is releasing a new version of that infographic and our goal is to have the States identify specific projects that are at risk if Congress fails to act.

Nationwide, State DOTs rely on the Federal highway program for nearly half of what they spend on highway and bridge projects. Last year the Federal highway program apportioned nearly \$40 billion to State DOTs for road and bridge projects across the country. It is important to note that Federal dollars are not provided to States upfront; rather, this is a program based on reimbursement. States only receive funding from the Federal Highway Administration (FHWA) when work is completed on a project and the State submits a request for reimbursement. States typically receive reimbursements electronically from FHWA the same day payments to the contractor are made.

If Congress is unable to pass a surface transportation bill by the end of May or if the Highway Trust Fund is allowed to fall below \$4 billion, FHWA will change how quickly they reimburse State DOTs for work already completed. Rather than reimbursing States as soon as the reimbursement request is submitted, FHWA may delay reimbursements or make partial reimbursement subject to available cash in the Trust Fund. States count on prompt payment from the Federal government to be able to manage cash flow and pay contractors for work they have already completed. Any delay in reimbursement from FHWA will jeopardize the ability of States to pay contractors in a timely manner. In turn, contractors rely on prompt payment from the State to be able to pay their employees and suppliers. Disruptions to this process have the potential to send unwelcome shockwaves throughout the transportation community and other industries indirectly supported by infrastructure investment. Of particular concern should be the countless number of small businesses that perform work on our nation's highways, as they often don't have the flexibility to wait for additional days or weeks for payment on the work they have already completed on a project.

IMPORTANCE OF THE FEDERAL-STATE PARTNERSHIP IN FUNDING TRANSPORTATION INFRASTRUCTURE

Going back to the founding days of the Nation, Article I, Section 8 of the United States Constitution notes that it is a duty of the Federal government to provide support for national transportation investment. Through the development of post roads, canals, railroads and highways with strong Federal support throughout history, transportation investment has an illustrative track record of creating jobs and supporting economic development throughout the country.

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Executive Director, Utah Department of Transportation

The case for a strong Federal-role in transportation investment is evident in our Nation's interconnected network of roads and bridges. For nearly 100 years, the Federal government and State DOTs have worked together to build and maintain our Nation's highway system. The Federal-Aid Road Act of 1916 established this fundamental framework of a Federally-funded, State-administered Federal-Aid highway program, best suited to a growing and geographically diverse nation like ours. Today nearly \$40 billion is distributed through this Federal program to State DOTs to fund a wide range of projects that are clearly in the interest of the nation as a whole. These projects are the backbone of our country's mobility and support interstate travel and commerce, helping people get to and from work, and helping goods get access to a larger market than ever before.

State DOTs play a critical role in ensuring that we have a reliable and efficient transportation network. But States are only able to play this role through a robust partnership with the Federal government. It is this century-old partnership that has enabled America to build a transportation network envied by the rest of the world.

While the Federal-State partnership is the foundation of our Federal highway program, State DOTs also have strong partnerships with local governments in their respective States. The transportation planning process as strengthened under the Intermodal Surface Transportation Efficiency Act of 1991 requires State DOTs to work extensively with local planning agencies and the public in developing multimodal transportation plans and identifying projects that are supported by the Highway Trust Fund.

MAP-21 contained several provisions that further enhanced the role of local government in the transportation planning process, including an increase in Federal funding that is suballocated for projects in different parts of the State based on population. In many cases, this suballocated funding is dedicated to local projects identified solely by local planning agencies. In FY 2014, close to \$5 billion in Federal highway funding was suballocated, which represented a nearly five percent increase in the amount of funding suballocated annually compared to prior surface transportation bills.

Furthermore, MAP-21 introduced the development and implementation of a performance-based transportation program where State DOTs will be required to set and meet targets based on the current program structure. As such, selection of federally-funded projects should not be done by local governments alone if State DOTs are to be able to meet the transportation system-wide performance targets.

Any effort to disrupt the Federally-funded, State-administered structure of the Federal-Aid highway program that has served our nation with great success could undermine the very foundation of a strong Federal role in transportation investment. It is this program framework that built the Interstate Highway System and the National Highway System—the backbone of our national network of roads and bridges that drive our national economy.

Rather than drastically altering the Federally-funded, State-administered nature of the Federal-Aid Highway Program and facing consequences of such disruption, we are prepared to work with Congress to highlight best practices where State DOTs have strong, productive partnerships with local governments and where the transportation planning process is working well. In Utah, as with all of our sister States, the success of our communities—both large and small—is critical. As such, we have developed what we refer to as a Unified Plan, in which all of our Metropolitan Planning Organizations (MPOs), cities, counties, and transit authorities have come together to develop a unified plan of projects that will address the goals of the State and individual communities for the next 30 years. In Utah, we all speak with one voice toward an agreed-upon set of goals.

POLICY CHANGES THAT BUILD ON THE SUCCESSES OF MAP-21

MAP-21 was one of the most significant pieces of Federal transportation legislation because it instituted major programmatic and policy reforms. AASHTO supports these changes and applauds this Committee for its leadership in advancing those critical modernizations to the Federal-Aid highway and transit programs. However, several of these reforms have yet to be implemented by the United States Department of Transportation (U.S. DOT), and it is for this reason that we think this bill should build on the successes of MAP-21 rather than make another round of major programmatic changes.

First, Congress should continue to ensure that U.S. DOT is implementing the provisions in MAP-21 in a way that is consistent with Congressional intent. U.S. DOT is in the middle of more than a dozen MAP-21 rulemakings and Congressional oversight of these rulemakings should ensure that the end product is consistent with what members of Congress intended when they wrote the legislation two and a half years ago.

Congress should also resist efforts to change or establish any additional national-level performance measures beyond those in current law. U.S. DOT has yet to issue final guidance on all the performance measures in current law and State DOTs will need at least five years to fully implement the performance-based planning and management policies in MAP-21 once they are finalized. Several years ago, I led an international delegation of U.S. experts where we visited with six national and regional governments that were considered advanced in the area of performance measures and management. One of the universal key takeaways was that fewer, high-level measures were more effective to move the transportation vision toward accomplishing the goals of the national or regional governments.

To the extent that Congress would like to build on the successful policy reforms in MAP-21, State DOTs simply ask to be afforded the opportunity to continue improving the project delivery process. Both California and Texas are participating in the National Environmental Policy Act (NEPA) delegation program established in MAP-21. In addition, Utah has assumed assignment of Categorical Exclusion documents since 2008 with great success, and we are currently in the process of securing full NEPA delegation. Last week, the Utah State Legislature took final action to unanimously approve a bill authorizing UDOT to fully assume Federal responsibilities for

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Secretary-Treasurer, American Association of State Highway and Transportation Officials (AASHTO);
Executive Director, Utah Department of Transportation

NEPA. Discussions with the FHWA are well underway and I anticipate that Utah will secure full NEPA assignment by the end of the year. Several other States are also interested in participating in the future. One specific change that will make this program more attractive is to clarify that States may assume U.S. DOT's responsibility for making project-level transportation conformity determinations under the Clean Air Act. State DOTs are also interested in assuming additional responsibilities currently held by U.S. DOT including the ability to approve designs and acquisition of real estate and rights-of-way. Congress could also consider further expediting project delivery by allowing the adoption of planning decisions in the NEPA process and allowing any U.S. DOT modal administration to use a categorical exclusion determined by another modal administration.

To build on the current flexibility in the Federal-Aid Highway program, Congress should consider authorizing a "Consolidated Funding" pilot program. This pilot program would build on the program consolidation efforts made in MAP-21 by treating all core funding provided to a State under the National Highway Performance Program, Surface Transportation Program, and Highway Safety Improvement Program as a single, consolidated apportionment. States would only be eligible to participate in the program once they had an established performance management system that demonstrates a system of metrics and performance measures that assist and guide the State in the decision-making process to Federal program funding received through the pilot program. Utah is ready to step forward to pilot such a program and I am convinced that we will be able to demonstrate that we will be able to better meet both the transportation goals of this country and those of Utah. I encourage Congress to seek additional opportunities to continue moving the Federal highway and safety programs toward performance and outcome-based programs that emphasize results rather than adherence to "process".

Finally, Congress should modify the language in MAP-21 that established the Primary Freight Network (PFN). Given their innate understanding of a State's overall transportation network, State DOTs request for the ability to designate or include additional segments to the PFN beyond the current mileage cap of 27,000 centerline miles. As part of this framework, Congress should also consider implementing a corridor-based approach to the PFN which incorporates multiple highway facilities.

CONCLUSION

AASHTO remains committed to helping Congress pass a robust long-term surface transportation reauthorization bill prior to the expiration of the current extension in May. This week hundreds of State DOT leaders from nearly every State in the country are just a couple of blocks away attending AASHTO's 2015 Washington Briefing. Over the next couple of days, most of them will be on the Hill meeting with their Congressional delegations advocating for the reaffirmation of a strong Federal-State partnership to address our surface transportation investment needs.

I want to thank you again for the opportunity to testify today, and I am happy to answer any questions that you may have.

Testimony of Carlos M. Bracerias, P.E.
Secretary-Treasurer, American Association of State Highway and Transportation Officials (AASHTO);
Executive Director, Utah Department of Transportation

Senator INHOFE. Thank you very much, Mr. Braceras. I should have mentioned, Mr. Braceras is the Executive Director of the Utah Department of Transportation.

Next, the guy who gets the prize for coming the farthest, Steve Heminger, from the California Transportation Commission.

**STATEMENT OF STEVE HEMINGER, EXECUTIVE DIRECTOR,
METROPOLITAN TRANSPORTATION COMMISSION**

Mr. HEMINGER. Thank you, Chairman Inhofe, Senator Boxer and members of the committee. Good morning.

Just for the record, again, my name is Steve Heminger and I am Executive Director of the Metropolitan Transportation Commission, which is the metropolitan planning organization, or MPO, for the San Francisco Bay Area. A few years ago, I also was privileged to serve on one of the two congressionally chartered commissions, the National Surface Transportation Policy and Revenue Study Commission. I very much appreciate this opportunity to testify today on the still-relevant title subject of that commission's report: Transportation for Tomorrow.

United States Senators have a lot on their plates. So let me make three brief points. First, I want to thank this committee for the considerable progress you have made in reforming the Nation's surface transportation program. The emphases in MAP-21 on program consolidation, performance-based outcomes, freight policy and permit streamlining are all welcome developments. Your bipartisan leadership is helping States and MPOs make better investment decisions and deliver those projects faster to our constituents.

Second, despite these advances, Federal policy, in my opinion, still lacks sufficient focus on the investment needs of the Nation's economic engines: the metropolitan areas that more and more Americans call home. The fact is, the U.S. economy will rise or fall based on how well our metro economies compete in the global marketplace.

For example, Bay Area residents contribute almost 60 percent more to our gross domestic product than the average American, 60 percent more. In regions as diverse as Houston and Boston, this metro dividend is nearly 40 percent above the national average.

Now, the Federal-State relationship is the cornerstone of American federalism, and the transportation arena is no exception to that. But that should not preclude a new performance partnership with dedicated funding between the U.S. DOT and the Nation's MPOs. We need to keep those economic engines primed.

Finally, if we want better conditions and performance from our roads, bridges and public transit systems, we are going to have to figure out a way to pay for it. So how deep is the hole we have dug? Let me start with that, and just give you one snapshot of the San Francisco Bay Area. Our long-range plan devotes nearly 90 percent of all the money we have available, 90 percent over the next 25 years, just to operate and maintain the existing transportation network.

The Federal program is 13 percent of our total funding. One way of looking at that is, you are getting eight to one leverage off of your investment in California, which is a very good return. It also

means that we are not here asking you for a handout. We are asking you for a little help, because we are doing most of it.

But when you spend nearly 90 percent of your budget on maintenance, over the next 25 years, in the face of the growth we are seeing, we are leaving a lot of expansion projects on the table, because we simply can't afford to pay for them. Even after spending 90 percent of all of our money on maintenance, we still have \$10 billion plus shortfalls for State highway repair, for local road repair and for the public transit system State of good repair.

That is the situation we are in. That is how deep the hole is. And that is why I say, and I think it is no surprise to this committee, that level funding just won't cut it.

Now, the members of this committee probably have forgotten more about politics than I will ever know. But I do know this. Since the Federal gas tax was last adjusted in 1993, 42 States, 42 States, have raised their rates, some by a little, others by a lot; some by indexing, others by voting. These States range from the brightest red to the deepest blue. Somehow, all those Governors and State legislators figured out a way to pay for needed transportation improvements.

Moreover, the math is pretty compelling. As an example, doubling the current Federal user fees on gasoline and diesel fuel would generate over \$30 billion per year and create more than 300,000 jobs, yet it would cost the average motorist less than 30 cents per day.

Now, a recent American president confronted a similar predicament to the one we are in today. I would like to read a quotation from him about how he fought his way through it. "Common sense tells us it will cost a lot less to keep the system we have in good repair than to let it crumble and then have it start all over again. Good tax policy decrees that wherever possible, a fee for a service should be assessed against those who directly benefit from that service. Our highways were built largely with such a user fee, the gasoline tax. I think it makes sense to follow that principle in restoring them to the condition we all want them to be in."

That was President Ronald Reagan in 1982. I think the words are still true today.

So let me end where I began. Your reform agenda is working. But there is no free lunch when it comes to infrastructure. Indeed, the only question is whether we want to pay now to improve our roads and rail lines, or whether we want to pay later in crumbling facilities that will curtail our economic potential.

I remain optimistic that this Congress will make the right choice. And in light of the quotation I have just read, perhaps I should conclude by saying, let's just win one more for the Gipper.

Thank you very much.

[The prepared statement of Mr. Heminger follows:]

Good Morning Chairman Inhofe, Senator Boxer and members of the committee. My name is Steve Heminger and I am executive director of the Metropolitan Transportation Commission, the metropolitan planning organization (MPO) for the San Francisco Bay Area. A few years ago, I also served on the congressionally-chartered National Surface Transportation Policy and Revenue Study Commission. I very much appreciate this opportunity to testify on the still relevant title subject of that commission's report: Transportation for Tomorrow.

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Second, despite these advances, federal policy still lacks sufficient focus on the investment needs of the nation's economic engines: the metropolitan areas that more and more Americans call home. The fact is, the U.S. economy will rise or fall based on how well our metro economies compete in the global marketplace. For example, Bay Area residents contribute almost 60% more to our gross domestic product than the average American. In regions as diverse as Houston and Boston, this "metro dividend" is nearly 40% above the national

average. The federal-state relationship is the cornerstone of American federalism – and the transportation arena is no exception. But that should not preclude a new “performance partnership” with dedicated funding between the U.S. Department of Transportation and the nation’s MPOs. We need to keep those economic engines primed.

Finally, if we want better conditions and performance from our roads, bridges and public transit systems, we are going to have to figure out a way to pay for it. The members of this committee probably have forgotten more about politics than I will ever know. But I do know this: since the federal gas tax was last adjusted in 1993, 42 states have raised their rates – some by a little, others by a lot; some by indexing, others by voting. These states range from the brightest red to the deepest blue. Somehow, all those governors and state legislators figured out a way to pay for needed transportation improvements. Moreover, the math is pretty compelling: doubling the current federal user fees on gasoline and diesel fuel would generate over \$30 billion per year and create more than 300,000 jobs, yet it would cost the average motorist less than 30 cents per day.

Let me end where I began. Your reform agenda is working. But there is no free lunch when it comes to infrastructure. Indeed, the only question is whether we want to pay now to improve our roads and rail lines, or whether we want to pay later in crumbling facilities that will curtail our economic potential. I remain optimistic that this Congress will make the right choice. Thank you for your continued leadership of the nation’s surface transportation program.

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Senator INHOFE. That has a great impact on me, anyway. Thank you very much.

Mr. Riordan is the President and CEO of Neenah Enterprises. We recognize you to tell us about Neenah Enterprises, we will give you a few seconds to go over.

**STATEMENT OF THOMAS J. RIORDAN, PRESIDENT AND CEO,
NEENAH ENTERPRISES, INC.**

Mr. RIORDAN. Thank you, Mr. Chairman. Chairman Inhofe, Ranking Member Boxer, and members of the Senate Committee, on behalf of my company, Neenah Enterprises, and the National Association of Manufacturers, that I also represent, thank you for the opportunity to testify about the importance of Federal investments in our transportation infrastructure.

With its headquarters and largest foundry in Neenah, Wisconsin, Neenah Enterprises consists of two business operating entities. Our best-known business is Neenah Foundry, which is one of the top suppliers of municipal castings including manhole frames, lids, covers, grates, trench castings and decorative tree grates. Since 1872, Neenah Foundry has been a consistent leader in producing durable castings that are used in every State across our Country, and we proudly make all of our products here in the U.S.

Our other business, Neenah's industrial division, represents about 70 percent of our revenue and is a key component provider to many of the world's leading manufacturing companies, designing and building cast iron and forged parts for the heavy truck, agriculture, construction, HVAC, energy and other industries. We are one of the largest independent manufacturers of castings in the U.S. and part of the largest recycling industry in the Nation, turning scrap steel into useful products in an environmentally friendly manner.

As Chair of the NAM's Small and Medium Manufacturers Group, I often hear about the business challenges that my peers face, from escalating costs of healthcare to the increasing burdens of regulation. The health and condition of our Nation's infrastructure on the transportation network is also of significant concern to manufacturers. Our transportation infrastructure underpins the movement of goods within our economy. It is vital for our day-to-day business and our long-term economic prosperity.

Neenah is hugely dependent upon the transportation infrastructure, ports, rail and highways. As an example, our largest facility has over 15,000 truck visits each year. The logistics planning that goes into each of these visits is very involved, and delays based on traffic congestion often drive significant expense overruns on a daily basis. The cost of scheduling, rescheduling, paying overtime, customer and vendor disruptions, production delays and lost business all add cost and challenge our competitiveness by raising our total cost of doing business by about 1 percent each year.

These excess costs are diverted away from other business activities such as product development, new capital projects and investments in our work force. Congestion is really a hidden tax and an increasing drag on American competitiveness. As congestion continues to challenge the Nation's highway network, especially in metropolitan regions, capital spending on highways, roads and

bridges fell 3.5 percent between 2003 and 2012, according to a recent NAM study. The study, entitled Catching Up, also revealed that spending on public infrastructure dropped 10.5 percent between 2003 and 2012 in the same time period.

A more sustained and focused effort is going to be needed in the long term to help reverse these troubling trends. We can and should do better than allow our Nation's infrastructure base to continue to erode.

In the short term, manufacturers are counting on Congress to help facilitate commerce by moving a well-funded, multi-year surface transportation authorization that secures the financial health of the Highway Trust Fund. Manufacturers support this committee's efforts to ensure our transportation system is on more solid and robust footing.

I very much appreciate and thank you for the opportunity to testify this morning.

[The prepared statement of Mr. Riordan follows:]



Leading Innovation. Creating Opportunity. Pursuing Progress.

Testimony

of Thomas J. Riordan

President and CEO

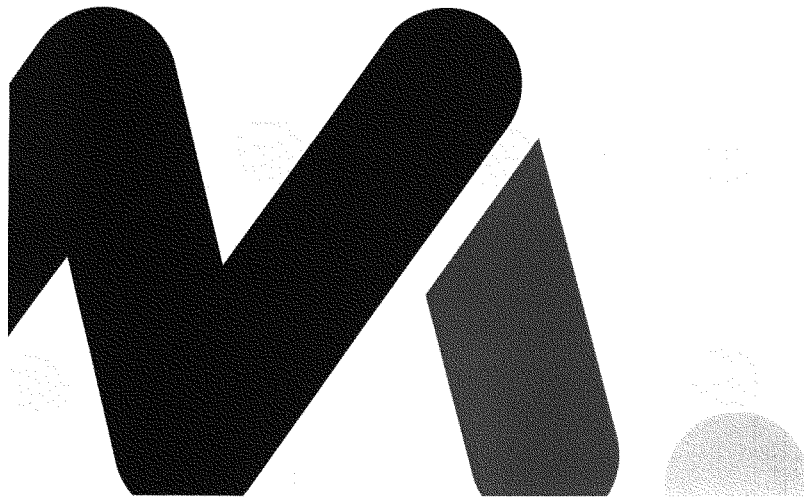
Neenah Enterprises, Inc.

On behalf of the National Association of Manufacturers

Before the U.S. Senate Committee on Environment and Public Works
114th Congress

In support of the need to reauthorize
the Moving Ahead Progress for the 21st Century Act

February 25, 2015



**COMMENTS OF THOMAS J. RIORDAN, PRESIDENT AND CEO, NEENAH ENTERPRISES
ON BEHALF OF THE NATIONAL ASSOCIATION OF MANUFACTURERS
BEFORE THE U.S. SENATE COMMITTEE ON ENVIRONMENT AND PUBLIC WORKS**

Hearing to Discuss MAP-21, the Moving Ahead Progress for the 21st Century Act

FEBRUARY 25, 2015

Chairman Inhofe, Ranking Member Boxer and members of the Senate Committee on Environment and Public Works, on behalf of my company Neenah Enterprises and the National Association of Manufacturers (NAM), the nation's largest manufacturing trade association and the voice for more than 13 million men and women who make things in America, thank you for the opportunity to testify about the importance of federal investments in our transportation infrastructure.

With its headquarters and largest foundry in Neenah, Wisconsin, Neenah Enterprises consists of two business operating entities. Our best known business is Neenah Foundry, which is one of the top suppliers of municipal castings including manhole frames, lids and grates, trench castings and decorative tree grates. Since 1872, Neenah Foundry has been a consistent leader in producing durable castings that are used in every state across our country, and we proudly make all of our products here in the U.S. Our other business, Neenah's industrial division, represents about 70 percent of our revenue and is a key component provider for many of the world's leading manufacturing companies, designing and building cast iron and forged parts for the heavy truck, agriculture, construction, HVAC, energy and other industries. We are one of the largest independent manufacturers of castings in the U.S.

As Chair of the NAM's Small and Medium Manufacturers Group, I often hear about the business challenges that my peers face—from escalating costs of healthcare to the increasing burdens of regulation. The health and condition of our nation's transportation network is also of concern to manufacturers. Our transportation infrastructure underpins the movement of goods within our economy—it is vital for day-to-day business and our long-term economic prosperity. Yet there is wide consensus that the United States' infrastructure is grossly underfunded. We can and should do better than allowing our infrastructure to crumble around us.

Infrastructure is an area where all levels of government and the private sector should be working in tandem to ensure our infrastructure needs are being met. However, we are facing a situation where the needs are significant. Our infrastructure network is deteriorating instead of modernizing and improving to meet the needs of our 21st century economy.

Last year, the NAM commissioned an in-depth review of the nation's infrastructure to help illustrate the challenges we are facing as a nation. We all see decaying systems as we drive. Manufacturers experience a poorly performing transportation network all too frequently, and most of us have become too accepting of the notion that D+ infrastructure is okay. The NAM's study reveals that the nation's infrastructure base has been eroding over the past decade, and the numbers reveal troubling trends.

According to the NAM's "Catching Up" study released last September, real capital spending on highways, roads and bridges fell 3.5 percent each year from 2003 to 2012. Investment in mass transit, aviation and water navigation infrastructure fell sharply from 2003 to 2008, and capital spending for drinking water and wastewater expenditures

fell nearly 2 percent each year from 2009 to 2012. In real terms, these numbers built from data available from the Congressional Budget Office (CBO), show that the United States is stuck in a decade-long period of decline in overall infrastructure capital spending that will eventually harm job creation, future productivity and global competitiveness. A more sustained and focused effort is needed to help reverse this troubling decline in public capital investment and to create opportunities that fully address persistent backlogs and aging infrastructure.

The NAM urges lawmakers to address these challenges, but we are concerned that calls for increased investments are met with skepticism and a reluctance to do what is necessary to boost urgently needed investments in our infrastructure. As a result, we have been falling behind. Overall spending on public infrastructure dropped 10.5 percent between 2003 and 2012 and status quo approaches will not help us make the progress our growing economy requires.

Manufacturers are counting on Congress to fulfill its well-established responsibility to facilitate commerce in the United States. Investment and improvements to our nation's transportation infrastructure are critical to manufacturers' ability to compete and create jobs. Moreover, as a nation we will miss out on critical opportunities by not investing more resources in infrastructure.

With the understanding that there are always tradeoffs and limitations when it comes to moving a major authorization like the surface transportation bill, I do want to encourage the Committee to think big and even beyond the next five or six years. As a nation, we cannot afford to skip opportunities that increase jobs, improve productivity and increase our GDP.

The previous transportation authorization, Moving Ahead for Progress in the 21st Century (MAP-21), represented an important step that met a short-term objective and began the effort to implement key surface transportation policy reforms. However, as the next surface transportation authorization is developed, manufacturers will encourage Congress to focus on infrastructure investment as a long-term strategic objective that seeks to address the persistent challenges that are already well-documented and recognized by the public as problems facing our transportation system.

The deteriorating condition of our surface transportation infrastructure and the \$121 billion cost associated with traffic congestion are not problems the federal government can avoid or leave to the states to resolve on their own. For a company like mine, transportation network congestion impacts the bottom line and we are very dependent on our ports, railroads and highways. Our largest facility has over 15,000 truck visits each year. The logistics planning is very significant and delays based on traffic congestion drives significant expense overruns every day and raises costs by approximately 1 percent annually, which takes away from our profitability. These excess costs are diverted away from other business activities such as product development, new capital projects and investments in our workforce. Congestion is really a hidden tax and an increasing drag on American competitiveness.

In fact, the congestion and labor uncertainty at the West Coast ports over the past few months presented multiple challenges in nearly every sector of the industrial economy. We appreciate the intervention of Secretary of Labor Tom Perez and Secretary Penny Pritzker to help the International Longshore and Warehouse Union (ILWU) and the Pacific Maritime Association (PMA) reach an agreement last Friday. We especially want to thank Senator Boxer for her leadership on this issue.

The manufacturing impacts of the West Coast dispute mounted daily, and the uncertainty over the past several months led to some cancelled orders from overseas customers, increased costs and even lost jobs in some circumstances. Worst of all, this situation tarnished the reputation of the United States as a global supplier. Manufacturers count on the transportation system here in the United States to help reach the 95 percent of consumers who live outside our borders. Now that a new labor agreement has been reached, we hope this Committee's leadership will help the two parties work together in a positive and productive way to ensure that global commerce is not further interrupted and that the West Coast has the infrastructure it needs to keep the American economy moving. The consequences and costs are too significant to ignore.

The West Coast ports situation showed the fragility and complexity of our transportation network and what happens when an export cannot move to a customer or a manufacturing input is not received in time for a production line. Manufacturers appreciate the bipartisan approach of this Committee when it comes to infrastructure. Congress must take the next steps and return to a fully funded, multiyear surface transportation authorization that supports infrastructure projects that improve safety, facilitate trade and create jobs.

Equally important, Congress must bring the federal Highway Trust Fund to an improved condition of solvency and long-term sustainability. Securing the financial health of this main funding mechanism for the nation's highway and transit systems must be a priority. The need to keep the Highway Trust Fund solvent extends far beyond state departments of transportation and road builders. Funding for roads, bridges and transit systems provides great value and represents an investment in our economy and global competitiveness. Modern, world-class roads are needed to support our ports, freight rail

and aviation—these modes of transportation are all inextricably linked, and manufacturers appreciate the competitive advantages of a safe and efficient transportation network.

The administration has put forward an enhanced version of the Grow America Act and Secretary Foxx is working hard to keep infrastructure issues at the top of the agenda. While MAP-21 developed important reforms to expedite highway and transit project reviews, the next authorization must continue to build upon the success of MAP-21's environmental streamlining provisions and make improvements where efficiencies have not materialized.

Private investment is not as patient or abundant as funding from the public sector. As we seek to encourage additional transportation investments from both public and private sources, efficient federal reviews are critical to ensure funding does not evaporate. Manufacturers commend Senators Portman (R-OH) and McCaskill (D-MO) for introducing S. 280, the Federal Permitting Improvement Act. There is bipartisan recognition that the current system of approving and prioritizing projects is a product of unintentional design with myriad overlapping and duplicative processes that lead to extensive delays and higher costs for both privately-funded and government-funded projects. Time is money, and as we seek to grow our nation's infrastructure base, manufacturers support ways to save time and money without compromising the environment.

Additional investments in transportation infrastructure would not only alleviate the burdens of congestion, aging infrastructure and other delays. Jobs are an additional benefit of these investments. Manufacturers are vital suppliers to the transit and road-building industry, providing rolling stock, engines, concrete, machinery, aggregates,

barriers, signs, safety equipment and other materials. Every dollar spent in construction generates 39.5 cents in manufacturing. When a transportation project can't get off the ground because of a lack of funding or bureaucratic delays, opportunities and jobs are lost.

Without question, transportation helps keep our economy moving, and we need every sector of our economy functioning to maintain growth. Our global competitors in Asia and the European Union already heavily invest public and private resources in infrastructure. To help keep American businesses and manufacturers competitive, we must do better than dangerous bridges and decaying roads; we must allocate more resources toward infrastructure spending.

While Congress must thoroughly discuss and evaluate new models, strategies and financing options, manufacturers believe the Highway Trust Fund continues to provide a reliable source of funding to states for roads, bridges and transit systems. In addition, the federal role is critical for preventing further erosion of our nation's infrastructure base. These transportation investments directly benefit all Americans and move in tandem with goals of economic growth and increased competitiveness.

For NAM members, access to a reliable and cost-effective transportation network by land, sea and air is critical to reaching customers here and abroad. Manufacturers are counting on Congress to put our transportation system on more solid and robust footing. Thank you for the opportunity to testify.

Senator INHOFE. Thank you very much.

Mr. Gardner is the Vice President of Supply Chain and Customer Experience for Ingredion Incorporated. Why don't you tell us about it?

STATEMENT OF DAVID GARDNER, VICE PRESIDENT, SUPPLY CHAIN AND CUSTOMER EXPERIENCE, INGREDION INCORPORATED

Mr. GARDNER. Good morning, Chairman Inhofe, Ranking Member Boxer, and distinguished members of the committee. Thank you for the opportunity to testify today.

My name is Dave Gardner and I am Vice President of Supply Chain and Customer Experience for Ingredion Incorporated. In my role I am responsible for operations, including raw material sourcing, logistics, and customer service. I am testifying here today on behalf of the U.S. Chamber of Commerce.

First, let me first tell you a little bit about Ingredion. We produce hundreds of value-added ingredients from plant sources, including corn, tapioca and rice. We manufacture our products for the food industry, beverage, pharmaceutical, corrugating, paper, and animal feed industries. Our ingredients add crunch to crackers and fiber to cereal bars. They can make a soft drink sweet with calories or sugar free, plastics biodegradable, body lotions silkier, and tissues stronger and softer.

In fact, our products appear in roughly 80 percent of all the products that you would find on a grocery store shelf, either in the product, in the package or in the packing itself. We are a multinational, FORTUNE 500 company headquartered in the Chicago suburb of Westchester, IL. We have a global R&D facility in Bridgewater, New Jersey. We employ roughly 11,000 people globally and have 2,000 employees in the United States.

Our supply chain is a worldwide network of 35 manufacturing plants and 24 R&D centers around the globe. In North America we operate 13 manufacturing plants, with seven of those in the United States. Our largest plant is in the Chicago area.

Our primary raw material is corn, which we ship to our plants from the Farm Belt via rail and truck. Our finished products are distributed to customers across the Country by a network of rail, truck, warehouses, and break stations. Needless to say, a smooth-functioning surface transportation system is not only essential to Ingredion's business, it impacts the bottom line of our business and of our customers.

Logistics costs represent a significant portion of our inbound corn costs and delivered finished product costs. In 2014 alone, our transportation costs, excluding the cost of fuel increased by 3.6 percent, far outstripping the rate of inflation.

An outdated transportation system leads to increased freight costs, variability in delivery times, higher inventories, poor customer service, and an overall uncompetitive situation for us and for all other industries. Let me just touch on few examples to illustrate how a neglected infrastructure impacts us.

Last year, it took longer to transport corn from the farmers and storage elevators to our facilities. This resulted in millions of dol-

lars in increased freight costs, higher manufacturing costs due to plant downtime, and curtailed production.

The transportation industry is struggling. In 2014, the average train speed decreased by over 6 percent and delay times increased by 10 percent. As a result, we had to increase product inventories and address a shortage of rail cars to transport our products, leaving us to struggle to meet customer demand.

As the network moves slower, we are forced to increase our rail fleet and to make suboptimal sourcing decisions. Chicago is a primary transportation hub and the location of our largest plant. The increased rail volume through Chicago is causing unprecedented delays. For example, it can take up to 3 days to just get a rail car of product out of the Chicago area. A customer is a mere 7-hour drive away, it can take up to 5 days to deliver them product by rail.

Because we cannot consistently rely on rail to deliver products to our customers on time, we are often required to revert to trucks, at a more costly position than rail. However, the trucking industry is also severely challenged. Available truck capacity compared to truck demand is at an historic imbalance. This has been amplified by tightening regulation on driver hours and deteriorating highway infrastructure.

Our ability to respond to our customer needs is directly impacted by the availability of trucking capacity. As truck capacity tightens, our on-time delivery rate suffers. Ingredion's incidence of late deliveries over the last 2 years has almost doubled since 2012.

But our story is really just a small pixel of the bigger picture. Increased transportation costs are impacting the broader American business community. According to the Council of Supply Chain Management Professionals, U.S. business logistics costs was \$1.4 trillion in 2013, and this equates to 8 percent of the GDP.

Today marks the first time that Ingredion has testified before Members of Congress, but we can no longer afford to remain silent. We came here today to add our voice to the growing concern by businesses calling for improvements to the Nation's infrastructure systems.

I would like to thank the committee for their continued work and attention on the reauthorization of our surface transportation programs. MAP-21 ended years of short-term extensions that created a great deal of uncertainty for businesses such as ours. We are eager to see a long-term solution come out of Congress this year, and we know that you agree.

Thank you very much for the opportunity to be here today, and I look forward to answering your questions.

[The prepared statement of Mr. Gardner follows:]

**Hearing to Reauthorize the
Moving Ahead for Progress in the 21st Century Act
Senate Committee on Environment & Public Works**

Oral Testimony

DAVE GARDNER

Vice President, Supply Chain and Customer Experience
Ingredion Incorporated

On behalf of the U.S. Chamber of Commerce

Washington, DC
February 25, 2015

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Our ingredients add crunch to crackers and fiber to cereal bars. They can make a soft drink sweet with calories or sugar free, plastics biodegradable, body lotions silkier, and tissues stronger and softer. In fact, our products can be found in 80 percent of all the items on a grocery store shelf, either in the food, beverage or personal care products, or in the packaging.

We are a multinational, FORTUNE 500 company headquartered in the Chicago suburb of Westchester, Illinois. Our global R&D center is in Bridgewater, New Jersey. We employ over 11,000 people globally and close to 2,000 in the United States.

Our supply chain is a worldwide network of 35 manufacturing plants and 24 ingredient development centers. In North America we operate 13 manufacturing plants, with seven in the United States. The largest is located in the Chicago area and the others are scattered across the country from California to the Carolinas.

Our primary raw material is corn, which is shipped to our plants from the farm-belt states via rail and truck. Our finished products are distributed to our customers across the country by a network of rail, truck, warehouses, and break stations.

Needless to say, a smooth-functioning surface transportation system is not only essential to Ingredion's business; it impacts our bottom line and the bottom line of our customers. Logistics costs represent a significant portion of our inbound corn costs and delivered finished product costs. In 2014 alone, our transportation costs excluding the cost of fuel increased by 3.6 percent, significantly outpacing inflation.

An outdated transportation system leads to increased freight costs, variability in deliveries, higher inventories, poor customer service, and an overall competitive disadvantage for our and all industries. Here are a few examples to illustrate how a neglected infrastructure impacts us.

Last year, it took longer to transport corn from the farmers and storage elevators to our plants. This resulted in millions of dollars in increased freight costs, higher manufacturing costs due to plant downtime, and curtailed production.

The transportation industry is struggling. In 2014, the average train speed decreased by over five percent and delay time increased by 10 percent. As a result, we had to increase product inventories and address a shortage of rail cars to transport our products, leaving us to struggle to meet customer demand. As the network moves slower, we are forced to increase our rail fleet and to make suboptimal sourcing decisions.

Chicago is a primary transportation hub and the location of our largest plant. The increased rail volume through Chicago is causing unprecedented delays. For example, it can take up to three days just to exit the Chicago metropolitan area. Customers that are a mere seven hour drive from our plant can take up to five days to reach by rail. In some cases, we are forced to shift production from our plant in suburban Chicago to a Canadian facility just to avoid the delays around Chicago and satisfy our customers.

Because we cannot consistently rely on rail to deliver products to our customers on time, we, as many others, often must revert to trucks, costing significantly more than rail. However, the trucking industry is also challenged. Available truck capacity compared to truck demand is at an historic imbalance. This has been amplified by tightening regulation on driver hours of service and a deteriorating highway infrastructure.

Our ability to respond to our customer's needs is directly impacted by the availability of trucking capacity. As truck capacity tightens, our on time delivery rate suffers. Ingredion's incidence of late truck deliveries increased by over two-fold in 2014. This not only creates inefficiency in our supply chain, but also our customer's.

However, our story is just a pixel in the bigger picture.

Increased transportation costs are impacting the broader American business community. According to the Council of Supply Chain Management Professionals most recent *State of Logistics* report, U.S. business logistics costs totaled almost \$1.4 trillion in 2013, the equivalent of a little over eight percent of current GDP.

Business leaders recognize these threats to competitiveness and are voicing concern. The Economist Intelligence Unit found that 87 percent of executives said that aging infrastructure had an impact on their operations in recent years, with 10 percent mentioning that it had caused severe problems in their operations that they were continuing to address.

Today marks the first time that Ingredion has testified before members of Congress, but we can no longer afford to remain silent. We came here today to add our voice to the growing chorus of businesses calling for improvements to the nation's infrastructure systems.

I would like to thank the committee for their continued work and attention on the reauthorization of our surface transportation programs. MAP-21 ended years of short-term extensions that created a great deal of uncertainty for businesses such as ours. We are eager to see a long-term solution come out of Congress this year and we know that you agree.

Thank you very much for the opportunity to be here today, and I look forward to answering your questions.

Senator INHOFE. Yes, we do agree.

Mr. Rowen is the President of Susquehanna Glass Company. You are recognized.

STATEMENT OF WALT ROWEN, PRESIDENT, SUSQUEHANNA GLASS COMPANY

Mr. ROWEN. Good morning, Chairman Inhofe, Ranking Member Boxer and other members of the Committee. My name is Walt Rowen. I am the owner of Susquehanna Glass Company. We are a small, 100-year old glass decorating company based in Columbia, Pennsylvania.

Our products don't make body lotions creamier, but I can guarantee you, California wine tastes wonderful in our wine glasses.

[Laughter.]

Mr. ROWEN. Thank you for allowing me to testify before you today and share my comments about the importance to us of reauthorizing the funding for the Highway Trust Fund.

My company provides decorated glasses and barware to major retailers, internet flash sites, small retailers and other tabletop companies around the Country. We rely on the freight and trucking industry to ship our finished products all over the Country to retailers and directly to their customers. Last year, my business shipped over 57,000 small packages via UPS and FedEx and we generated more than a million dollars in freight charges. So clearly, our success as a company relies very heavily on our ability to deliver products efficiently and cost-effectively to our customers.

One of our business models has been to gradually shift from shipping large shipments to retailers and their DCs, or their distribution centers, shifting to more of a direct-to-customer package delivery system, relying more on UPS and FedEx. So today, we really balance both of those areas, both trucking shipments and small UPS packaging.

Investment in our Nation's infrastructure is an investment in America, pure and simple. Not only would this benefit businesses like mine that rely on the shipping industry and well-maintained roads, it would create new opportunities for small businesses. About 147,000 of our Country's 650,000 bridges are failing. This is especially apparent in Pennsylvania, where I live. We have the third-largest number of bridges in the U.S., over 25,000, but we lead the Nation in the number of bridges classified as structurally deficient. And a mere 30 percent of Pennsylvania's roads have been labeled in good condition, only 30 percent in good condition.

What is more, one-third of America's major roads are in poor or mediocre condition. There are 4,000 dams in need of repair and 36 percent of our urban highways are congested. Rebuilding America's roads, bridges and schools offers tremendous opportunities to small businesses. Not only do they participate in the building projects and their supply chain, they run the hotels, coffee shops, restaurants and other businesses that serve people working on those projects. The economic impact to the American economy is unfathomable when you devote these funds to these kinds of construction projects.

In fact, Small Business Majority's polling found 69 percent of small business owners favor investing \$50 billion in infrastructure

projects that would create jobs. If the cost of freight continues to rise while our roads deteriorate, it will become harder and harder to move my products and make a profit. This would seriously be detrimental to my bottom line. UPS and FedEx have just started to price small packages differently. Instead of just paying for weight, we are paying for the size of the package. That is going to increase my cost of shipping dramatically.

Investing in our Nation's roads, bridges and other physical infrastructure supports access to customers and vendors, while at the same time creating demand for the goods and services small businesses have to sell. We need infrastructure investments that will be beneficial for business and the economy. I hope you will strongly consider small business support for reauthorizing funding for the Highway Trust Fund.

Thank you sincerely for the opportunity to comment on this important issue.

[The prepared statement of Mr. Rowen follows:]

**SENATE COMMITTEE ON
ENVIRONMENT AND PUBLIC WORKS
TESTIMONY IN SUPPORT OF REAUTHORIZING MAP-21
FEBRUARY 25, 2015
WALT ROWEN
PRESIDENT – SUSQUEHANNA GLASS CO.**

Good afternoon Chairman Inhofe and members of the Committee.

My name is Walt Rowen; I'm the owner of Susquehanna Glass Co., a 105 year-old glass decorating company based in Columbia, Penn. Thank you for allowing me to share my comments with you on the importance of reauthorizing funding for the Highway Trust Fund, and why this is important to small businesses.

My company provides decorated wine glasses and barware to major retailers, Internet flash sites, small retailers and other tabletop companies. We rely on the freight and trucking industry to ship our finished products all over the country to retailers and directly to their customers. Last year my business shipped over 57,000 small packages through UPS and FedEx and generated more than a million dollars in freight charges. Our success relies heavily on our ability to deliver products efficiently and cost-effectively to our customers. This is why it's vital to small businesses like mine to invest in America's roads and bridges.

Investment in our nation's infrastructure is an investment in America, pure and simple. Not only would this benefit businesses like mine that rely on the shipping industry and well-maintained roads, it would create new opportunities for small businesses. About 147,000 of our country's 605,000 bridges are failing. This is especially apparent in Pennsylvania, where we have the third-largest number of bridges in the U.S. (25,000), but we lead the nation in the number of bridges classified as "structurally deficient." And a mere 30% of Pennsylvania's roads have been labeled as "in good condition."

What's more, one-third of America's major roads are in poor or mediocre condition. There are 4,000 dams in need of repair and 36% of our urban highways are congested. Rebuilding America's roads, bridges and schools offers tremendous opportunities to small business. Not only do they participate in building projects and their supply chain, they run the hotels, coffee shops, restaurants and other businesses that serve people working on those projects.

In fact, Small Business Majority's polling found 59% of small business owners support the creation of a National Infrastructure Bank to help fund

infrastructure like roads, bridges and water systems, via private and public capital.

If the costs of freight continue to rise while our roads deteriorate, it will become harder and harder to move my product and make a profit. This would be detrimental to my bottom line.

Investing in our nation's roads, bridges and other physical infrastructure supports access to customers and vendors, while at the same time creating demand for the goods and services small businesses have to sell.

We need infrastructure investments that will be beneficial for business and the economy. I hope you will strongly consider small business support for reauthorizing funding for the Highway Trust Fund.

Thank you for the opportunity to comment on this important issue.

Sincerely,
Walt Rowen, President
Susquehanna Glass Co.

Senator INHOFE. Thank you, Mr. Rowen, and thank all of you for your opening statements.

What we are going to do is have 5-minute rounds, and have two rounds. This is to accommodate members who are going to have to come late and maybe leave early. So there will be plenty of time.

I will go ahead and begin with the most unpopular of the subjects and that is, I have been very frustrated over how we pay for a multi-year reauthorization. Some of my colleagues have talked about supporting a concept of shifting the Federal program back to the States by cutting the Federal user fees, some of them 15 cents, some of them, whatever the amounts. And then letting the States pick up the tab.

Now, if such a thing were to become a reality, Idaho would have to raise its State gas tax by 25 cents, West Virginia by 32 cents. Your State, Mr. Braceras, of Utah, would be 19 cents that you would have to increase this. And in Montana, 44 cents. So there was a reason for this. I often say one of the few things that really does work in government is this system. And this is coming from a conservative.

So I have often said, and I remember on the Senate floor when we had our 27-month bill that the conservative position is to go ahead and do an authorization bill. No. 1, you get all the reforms, streamlining and all that stuff, and No. 2, if you don't do that, it is going to cost about 30 percent off the top. And that is not the conservative position.

Now, when you talk about devolution, as several are suggesting, I am probably the right one to talk about this. Because, and my colleagues don't know this, but 25 years ago, Connie Mack from Florida and Jim Inhofe from Oklahoma were the fathers of devolution. We thought then that oh, that was so much fun on the stump to talk about how, go back to Oklahoma, why make an unnecessary trip of our dollars in Oklahoma to Washington and back, until we realized how it didn't work. Obviously, it was more fun to be for it than against it. But nonetheless, that is happening.

[Laughter.]

Senator INHOFE. But anyway, interState commerce doesn't stop at State boundaries. No State is an island. I have read extensively on Eisenhower, I have always been a great admirer of his. My other committee is Armed Services Committee. He used to say, it is just as much about national defense as it is interState commerce. InterState connectivity and national defense access are equally important.

So I would just say, that my position, and what I am going to do is have only one question. One question. We will start with you, Mr. Braceras, and we are going to work down. Now, in 5 minutes, we will cut me off and go to the rest of them, then we will continue. So that will give you more time to think about this. All right, Mr. Braceras, do you agree with me? What do you think?

Mr. BRACERAS. Mr. Chairman, I would say the answer of whether or not to devolve the Federal program is if you believe there is no Federal purpose in transportation. I believe that there is a strong purpose in our Nation's transportation in having a strong Federal role. Companies such as, based in Oklahoma, Advance Pierre Food Services, they produce their products but they depend

on a vibrant, well-functioning, safe transportation system in every State of this Country. For our Country to continue to be successful and be an economic leader, we need a strong Federal transportation system.

Senator INHOFE. That is good. One followup question on that. What if a State, if you went through this concept and a State decided that they were not going to increase their taxes? Your State of Utah, for example, what would happen to the national system?

Mr. BRACERAS. We depend on the Federal program to maintain and operate our transportation system. We have a strong State system. Our Federal program constitutes just under 25 percent of our program. But the Federal program is what we maintain and preserve the State's transportation system on. So you would see roads continue to deteriorate, bridges to continue to deteriorate. So that Federal role is critical to the State of Utah.

Senator INHOFE. Thank you, Mr. Braceras. Mr. Heminger.

Mr. HEMINGER. Mr. Chairman, I certainly do agree with you. And there is another quotation I am recalling from President Eisenhower when he submitted his interState highway bill to the Congress. He noted that activities like transportation and communication are things that knit our Country together. I think he said without that, we would be a mere alliance of many separate parts.

I think we are called the United States of America for a reason. If you think the Federal Government is done with transportation, I suppose you could devolve the program. I come from a State that has probably the best chance of standing on its own two feet. We are a nation State by any stretch of measure. But there are jobs that even we can't do. And Senator Boxer mentioned the import of goods and the flow of commerce coming into our ports. That is not just a California issue, that is a national issue.

I would finally mention one thing that doesn't often get talked about in devolution. If you were to head down that path, the last time I checked, I think it is something like 30 or more States have restrictions in their State constitutions that would prohibit them from using gas tax money on public transit. And that is a pretty big pill to swallow in States around the Country where we rely on Federal aid to public transit.

Senator INHOFE. Thank you very much. I am going to cut my time off now and we will come back for the three of you on the same issue.

Senator Boxer.

Senator BOXER. Mr. Chairman, thank you very much. You are a leader on national defense. And you are a leader on the Highway Trust Fund. The last person that brought that together was Ike, Eisenhower. He was President in the 1950's when you and I were just really little kids.

Senator INHOFE. You were littler than I was.

Senator BOXER. Not by that much, unfortunately. But here's the deal. It was Ike who started the interState highway system. And he did it because of national defense. Because he said, as you said, this is one Nation under God. He may have said under God. And the bottom line is, we have to move these goods. This is essential for our national defense, for our national security. And of course, for our economic security.

So we are on the high ground here. I couldn't agree with you more that this is one place where Republicans and Democrats should come together. And we have proven we can do it in this particular committee.

Now, this panel is just terrific. And I guess I have a political question to ask Mr. Braceras. Have you spoken this passionately to your Senator Hatch? Does he know your feelings about the impact of this?

Mr. BRACERAS. I believe you might mean Senator Lee. Yes, Senator Hatch believes in a strong Federal role.

Senator BOXER. No, I mean Senator Hatch. I am talking about Senator Hatch for a reason. Senator Hatch is the one with Senator Wyden is going to figure out how to fund the trust fund. And so far, we have seen nothing come out of that committee, either when Senator Wyden was in charge, frankly, or when Senator Hatch was in charge. Lots of ideas.

And if I could just say, for myself, I am open to all of them. And the reason is, I am open to all of them, because I think this is so critical to our economy. If you just look at construction workers, and I want to say to my private sector people here, thank you for being here. We, at the height of the Great Recession, we had more than 2 million workers, is that right, Bettina? Two million construction workers out of work. Today, we have 600,000 construction workers out of work. It is such a long, difficult task to get everything back to where it was before the Great Recession.

If we fail to act, and Senator Hatch and Senator Wyden together don't figure out a funding mechanism, I mean, I have been talking to other colleagues on the other side of the aisle, Mr. Chairman, and we are thinking about teaming up and offering some things like repatriation and other things, on the floor itself, just to get moving. Because we are headed into very, very dark waters here.

So I would just like to ask each of you the consequences, and put it as tightly as you can in my remaining time, the consequences of our not acting, and maybe at the last minute, throwing together a 6-month or a 5-month extension. What are the consequences on the ground? I think we are going to start with you, Mr. Braceras.

Mr. BRACERAS. Thank you, Senator. The consequences would be significant. If you believe that the projects that we work on are important to safety, for preservation, to save this Nation's money, we could lose a construction season if we wait too long. For us, when we get the go-ahead from Congress, we are ready to go on those projects that still need to be appropriated. It takes a month to advertise, it takes a month for WRDA contracting. In cold weather States, we could potentially lose an entire construction season.

Senator BOXER. And that means lost jobs and businesses really hurting.

Mr. BRACERAS. And projects costing more money next year than they do today.

Senator BOXER. OK. Mr. Heminger, do you agree with that?

Mr. HEMINGER. Yes, I do, and I want to emphasize that last point. In life, time is money. But especially in construction. And when you are ready, you are ready. Then you have to let it go and some other job gets in the way. And then you're three or four down the pecking order.

California has better weather, we have more local money. So in a sense we are a little bit better able to deal with this uncertainty. But it is frustrating for all of us, as I know it is frustrating for you, not to have the predictable funding that you need for long-term infrastructure investment.

Senator BOXER. Mr. Riordan.

Mr. RIORDAN. Senator, we absolutely agree. On behalf of National Association of Manufacturers and my company as well, I have been personally involved in a construction equipment company in the past. I have seen first-hand the delays, cost overruns, confusion that go with the start and stop nature of this process. I would urge the committee to consider the fiduciary responsibility from the standpoint of making sure we spend money in an intelligent, well thought-out basis.

As manufacturers would say, planning is best done in advance. It is extremely difficult and extremely disruptive to have a start and stop nature, not only for private manufacturers who depend on this lifeline all the time, but frankly, for everybody else involved in the process.

Senator BOXER. Would you write us a letter? I think NAM is very influential.

Mr. RIORDAN. We would certainly be happy to do that.

Senator BOXER. OK. Mr. Gardner? And I won't ask Mr. Rowen that question, because he sits here as a consumer of the roads. I understand. But I am talking about what happens on the ground if we have another one of these extensions.

Mr. GARDNER. My comments really support Mr. Riordan, where I think a long-term commitment allows us to do better planning, better execution of capital investments. But more specifically for our business, we are on a 3-year to 5-year planning horizon. We are making decisions today on where we locate our plants and how we move our products based on what we see today. With the uncertainty in what the investment strategy is going to be, we may be making decisions that really aren't in our long-term best interests or the best interests of our customers.

Senator BOXER. Thank you.

Senator INHOFE. Thank you, Senator Boxer. Senator Boozman.

Senator BOOZMAN. Thank you, Mr. Chairman. And thank all of you for being here. Your testimony is really very helpful as we go forward.

The good news is that there is tremendous congressional support in getting this done, on both sides of the aisle.

In Arkansas, and I will just kind of throw this open for whoever wants to jump in. In Arkansas we have seen some accelerated project delivery as a result of the common sense reforms in MAP-21. The reforms improved the Department of Transportation process.

However, I have also heard in Arkansas and other areas from folks who believe that the reforms have done little to expedite work required by other agencies, such as the EPA, Fish and Wildlife and the Corps of Engineers. Can you comment about this? I think this is so important. I agree, we have to figure out a funding process and make this thing work. This is one of the things, though, that

if you look back, we haven't increased the gas tax in decades. Yet we have increased the regulation tremendously.

If you look and see the project that was done in Oklahoma, when you had your bridge collapse, the project in Minnesota where the bridge collapsed and was literally rebuilt in a year, not shot-cutting the things that we needed to have in place, but the agencies working together in a timely fashion without the gotcha attitude.

Can you comment about that? And also, now or at some other point, what we would like, I think, on the committee, very, very much, you all are on the ground. It needs to come from the ground up. Give us some ideas, some real life situations that we can help cut through. Mr. Braceras, we can start with you.

Mr. BRACERAS. Thank you, Mr. Boozman. First of all, I would like to really applaud Congress for the reforms in MAP-21. It allowed for good decisionmaking to be made in a very responsible way, a transparent way. Really it is about delivering your product to the market as quickly as possible. Those products that we deliver, those transportation projects, they save lives and they save the taxpayers' money by delivering them quicker.

I would say that the reforms have helped the Federal Highway Administration and USDOT accelerate those projects. But their sister agencies in the resource areas, they are in a very difficult position. They have a mission to uphold the regulations that Congress has passed. I would say that they don't necessarily always share the same understanding in the need to move those projects forward as quickly as possible.

So any attempts or efforts that Congress could make to help clarify your intent with some of those resource agencies would help them make their decisions quicker. It certainly doesn't steamroll the process, but we can certainly streamline the process.

Senator BOOZMAN. Thank you. Mr. Heminger.

Mr. HEMINGER. Senator, I would first of all urge your committee to study the example you cited, which is the Minneapolis bridge collapse. My recollection, it was put back into service in 13 months. Probably if they had done that regular order, it would have taken 13 years. A lot of it has to do with concurrency. I know Secretary Foxx was before you not too long ago, and he was using that phrase over and over again. The more we can do things in parallel and not sequence, where we are waiting for one whole activity to stop before we start the next one.

Second, our State of California has accepted delegation of the National Environmental Policy Act. We have a strong statute called CEQA, so I think we are in a good position to do that. But I think other States could consider that as well.

Third, I do think you are right to identify the permitting process. In my experience, it is not so much the environmental review process, it is trying to get all of this alphabet soup of both State and Federal permitting agencies on the same page. In California, we have started to pay for staff at some of these agencies. When you all fund a bill for highways, you think you have the highways funded. But if we don't fund EPA and Fish and Wildlife, those guys can stop a highway project just as much as your not funding it can stop a highway project.

So I think focusing on those permitting agencies and trying to get them staffed up, putting clocks on reviews and things like that, that in my opinion is where you can really gain some time.

Senator BOOZMAN. Very good. Thank you, Mr. Chairman.

Senator INHOFE. Did you want the other three to respond? That is an excellent line of questioning. I could just deduct that from your second 5 minutes.

Senator BOOZMAN. If you don't mind.

Senator INHOFE. Yes.

Mr. RIORDAN. Senator, we agree as well, the National Manufacturers Association. Part of the challenge, I think, any project has is certainty around timing and cost. The more there is regulatory uncertainty that will not only disparage and kind of slow down development, but frankly, will also increase the cost and time that is required.

One of the key concerns that my company has is recognizing we need to be responsive and respectful of the environment. On the other hand, as Mr. Heminger has just said, I think the time clock and the requirements for quick, prompt, certain review is just absolutely critical in the life blood of our Country in terms of commerce here. Frankly, one of our concerns is that if this does not happen, and it frankly turns into one of the most public, challenging works project there is in terms of the Keystone Pipeline and all the delays and all the drama that has gone with this, our Country will come to a halt in terms of any development from the standpoint of infrastructure and highways.

Mr. GARDNER. Senator Boozman, we have a company that is really built on continuous improvement. It has been core to our manufacturing operations, and over the last year we have really brought that into all of our business processes. What we have demonstrated to ourselves is that really, by leaning or simplifying our processes, we can really deliver the desired result without compromising the intent of the objectives of the program.

So we are really supportive of anything that we can do to simplify the processes, allow the use of funds to be done more cost effectively. Certainly the permitting area would be the area that we need to focus on the most, because our company deals with permitting. From an environmental perspective, on a regular basis, we see some of the challenge and we can certainly recognize how that would impact all of the infrastructure investment as well.

Mr. ROWEN. Senator Boozman, I am not going to answer your question from a detailed standpoint, because I am not in the industry, construction or transportation industry. But I am an owner of a company and I make business decisions every day about investments.

I will give you two examples. They seem a little crazy, but they are, I think, to the heart of the matter. I had to just make a decision about buying a new tow motor and a new furnace for my glass decorating business. I spent probably about \$50,000 in those two investments. I realized that over the last 2 years, I was spending a lot more repairing my tow motor than it would cost me to build a new one. The same was true of the dryer. I had some defective product because the dryer wasn't working. It cost my business money. And when I sat down and looked at the numbers, I realized

that I was making a much smarter investment spending \$50,000 today so that I could save a lot of money down the road.

I think that is what government needs to do more of.

Senator BOOZMAN. Thank you, Mr. Chairman.

Senator INHOFE. Thank you, Senator Boozman. Senator Whitehouse.

Senator WHITEHOUSE. Thank you very much, Chairman, and thank you for your energetic leadership on this public works bill.

Following up very directly on Mr. Rowen's point, we have information out of my home State of Rhode Island that Rhode Island motorists pay nearly \$500 million every year in car repairs for whacking into potholes and dealing with the crummy road infrastructure that we have to live with. So if you want to talk about saving money to real people and putting real money in their pockets, it is \$662 per year per motorist in Rhode Island, if you divide out 496 by the number of motorists.

That is twice as much, more than twice as much, as the Highway Trust Fund spends in Rhode Island every year. So we have the situation in which, perhaps in theory, to protect taxpayers, we are letting our roads crumble and become really lousy. And the actual effect on the pocketbook of the average homemaker is that they lose money. They pay \$662 fixing the car instead of a little bit more in the gas tanks and heading smoothly down a safe and proper road.

So if any of you have observations that are similar to that from your trucking companies you work with or anybody else, I think it is important to help us build that story of how it doesn't save money to save money on infrastructure. All it does is move costs to the private sector and people have to write the check out of their own checkbook for the realignment of their front axle, because they whacked into a pothole that nobody took care of in time.

So I would urge you, if you don't mind, if you have stories that could help us with that case, to submit them for the record.

The second thing we have begun to see, particularly from our dear friends on the House side of the building, is a penchant for taking a piece of legislation that ought to pass, is ready to pass, has broad bipartisan support, and then adding to it something controversial that they couldn't pass through regular order but now, by virtue of attaching it to the piece of regular and by and large non-controversial legislation, they get to take a whack at it. Sort of the drug mule theory of legislation. You try to get your contraband through by putting it on something else that is traveling legitimately rather than trying to get it through regular order, which in most cases you probably couldn't get it through regular order, which is why they are using this strategy.

So the reason I bring that up is that this is an important bill. It has a deadline in May. There is always the prospect that somebody is going to think, oh, this would be a really clever thing to attach something really controversial to really stick it to somebody.

What would your advice be if we are faced with the prospect of having unrelated measures attached to the Highway Bill? Go ahead, Director Bracer.

Mr. BRACER. Thank you, Senator. We would obviously encourage a clean Highway Bill to come through, recognizing the impor-

tance of the work that needs to be done by all transportation agencies in this Country.

You mentioned earlier about those costs of repairing vehicles. Think about the loss of work time when they are taking care of and making those repairs. We have a saying in Utah: good roads cost less. If you invest and do the right treatment at the right time on a pavement, on a bridge, you can save over 20 times the cost of if you wait and let it deteriorate even further. So it is critical for the economic foundation of this Country that not only the transportation system function well from a congestion and a safety perspective, but that we preserve it in a proper condition. So we would encourage that the reauthorization of this bill be a long-term, clean Highway Bill.

Senator WHITEHOUSE. Thank you. I assume that is a unanimous sentiment from the panel?

Mr. HEMINGER. I would also say, Senator, that we actually confronted that situation with MAP-21. I think the fact that Senator Boxer, who was then chairman, and Senator Inhofe were working so closely together, and you got that large bipartisan vote on the floor, I think that is the best defense you have against those kinds of riders trying to attach themselves to the bill. Because when folk see that kind of support, they know they are climbing up a pretty tall hill.

Senator WHITEHOUSE. I couldn't agree with you more. I think there is an issue or two where Senator Inhofe and Senator Boxer might disagree. But when they get together, as they do on these public works and highways bills, they are a formidable pair. They have done a very good job at defending against that kind of behavior.

But I think it always helps to make a record that supports the fact that industry folks and folks who depend on this infrastructure would also like to see these bills go forward clean and through regular order.

Thank you, Chairman.

Senator INHOFE. Thank you, Senator Whitehouse. I would only comment that I don't think you are going to see that. I was with Congressman Shuster last night, and we talked about that very thing. He is going to make a real effort to make sure that doesn't happen.

Thank you, and Senator Rounds.

Senator ROUNDS. Thank you, Mr. Chairman. Thank you for your leadership. Thank you for your history.

I am still kind of stuck on the thought that no State is an island. It seems like maybe we will get back to that one in a while, sir.

In the meantime, thank you for being here. I come from South Dakota, which is as far away from the ocean as you are going to get. But as a very large State with a very low population, we still sit right in the middle of the Country and we have two interstates that run through the State, one north and south, I-29, and one east and west, I-90. Four hundred miles east and west and 200 miles north and south. We rely on the Federal Highway program to maintain our economic competitiveness and ensure the safe and reliable transportation system on which not only my constituents,

but constituents across the United States rely on to get back and forth across the Country.

Businesses rely on it. We are an ag State. We have to be able to get our products to market, just like your folks do in your States. We want that.

Now, if we were to take advantage of, or take a serious look at devolution, our State would have to increase its share of the gas tax from 22 cents to 58 cents per gallon simply to stay on par. I would like to hear from you what your thoughts are about the economic perspective of this issue, the viability of this type of a plan and why or if we should be discussing this at the Federal level as a viable opportunity.

I would like to just go through very quickly, and I know the chairman was looking at doing that, but if I could, just a real quick one, because I do have one more question and it is one that I would like to get into as well. Can we start right here with you, sir?

Mr. ROWEN. Thank you. I never like to consistently be at the end of the line.

[Laughter.]

Mr. ROWEN. Pennsylvania is called the Keystone State for a lot of reasons. But when you look at the transportation system and the geography and movement of goods back and forth between where goods are produced and where they need to go, one of the largest areas of the Country population-wise and economically is the northeast. Any product that has to come into the northeast or be shipped out of the northeast to the rest of the Country goes through Pennsylvania.

If you look at the geography of Pennsylvania in terms of the health of the road systems, Pennsylvania roads are some of the worst in the Country for one very specific reason. Well, two reasons, there is a lot of traffic. The second is that its north-south location is the worst possible for roads, because it is not cold enough and not warm enough. Roads deteriorate because it gets cold and warm and cold and warm. That freezing and thawing breaks roads up.

So Pennsylvania has to take a huge amount of traffic to service the Country and yet we have an enormous repair bill every year because of our geography. If there is not a better reason to spread funding out as a national infrastructure, I can't think of one.

Senator ROUNDS. Thank you.

Mr. GARDNER. Senator Rounds, we operate our business on a North American basis. So we are very reliant on the complete network across the Country and through Canada and Mexico. We really are supportive of a Federal program, because we need that integrated solution. There is probably not one State where we are not moving either product or raw material from and to our facilities, or to. So as a result, we really do need an integrated solution. We recognize that each State should pay their fair share as well. But having the integrated solution is really the only option for us.

Mr. RIORDAN. Senator, having been involved in global manufacturing for about 35 years of my career, what I find interesting is the State of our broad union is so interconnected with the rest of the world these days, compared to 15, 20, 25 years ago. But the most preeminent example of that is, as you suggested earlier, no

State is an island by itself. Here in the U.S., what is very difficult to get your hands around is how truly interconnected, in many cases whether it is pass-through freight from Pennsylvania through the heartland, out to the east coast, west coast, wherever it happens to be, it is very difficult for people not directly involved in this process to truly understand what the impact is of not having a federally functioning process for allocating resources in order to support the infrastructure. It is just crucial.

Senator ROUNDS. Thank you. Mr. Chairman, my time is about up. I will yield back and we can proceed.

Senator INHOFE. Thank you.

Senator VITTER is here, who is the chair of the Subcommittee on Transportation and Infrastructure, we should have gotten to him earlier. Senator Vitter.

Senator VITTER. No, I am fine to be here and listen to more of the discussion. Thanks, Mr. Chair, for holding this important hearing. Thanks to all of you for all of your testimony. Certainly, count me in, count me in as the Chair of the Infrastructure Subcommittee. Also count me in coming from Louisiana. We face absolutely these same challenges and needs.

Actually, Louisiana is one of five States where the proportion of bridges that are structurally deficient is in double digits. Our figure is 14 percent. Another 15 percent are functionally obsolete. We rank 19th in the Nation for urban interstate congestion, about 32 percent of the miles on our urban interstates are congested.

In Louisiana, this is a critical economic development issue. I really think we have moved into a second stage of economic development. The first stage, I think, was dominated by a focus on incentives, getting industry to our State, which has been real successful.

But I think we are in a second stage where the critical factors are not those incentives, it is capacity, infrastructure and work force capacity. Those are the two limiting factors that business leaders talk to me about all the time. We need capacity in terms of infrastructure, roads, bridges, also ports, waterways. And they need the capacity in terms of skilled work force, work force training. So I am very, very interested in this.

I am going to repeat a comment I made at the last hearing we had in this committee on the subject. I want to encourage us to all sort of cut to the chase on the financing side. We tend to spend months around here talking about pie in the sky, financing ideas and having this broad debate that is pretty irrelevant in the real world. I would like to encourage us, May isn't that far away, right? So I think it is time to cut to the chase.

In my opinion, and I am open to other ideas, in my opinion, that real world cut to the chase reality includes three big options. Maybe there are others, and I would love to hear them. But it includes three big options. First of all, the traditional gasoline tax, increasing that. In my opinion, that need to include a tax offset for middle class families, so that at least everyone except the very wealthy don't pay more Federal taxes, either on the income tax side or the withholding side. I think as a practical matter, there needs to be that sort of hold harmless if we increase the gas tax. I think that is a political reality, particularly on the House side.

No. 2, a concept Senator Boxer mentioned a few minutes ago, which I am certainly open to if we do it right, which is repatriation of foreign income and elements of business tax reform. And No. 3, increased domestic energy production with that royalty and that revenue dedicated to infrastructure. I think that is the short list of real world, practical, doable solutions. But again, I am open to other ideas.

So my question is, do you have a reaction to those three categories of ideas, and would you add anything to that shot list of doable, realistic financing ideas?

Mr. HEMINGER. Senator, I will go first. I mentioned in my testimony I served on one of the national commissions that was created a couple of bills ago. We spent the better part of 2 years looking for an alternative to the gas tax, and we couldn't find one.

Now, the general fund, obviously, is large enough to support an infrastructure program. But I think we have seen recently with all of these extensions the peril of relying on the general fund. The general fund has a lot of other things to do. In our State of California, we have had very bad experience being in the general fund and competing with other general fund priorities. So having a dedicated user fee I think is far superior. I really don't think there is any other revenue source large enough and consistent enough to support the program.

Senator VITTER. Any other thoughts?

Mr. BRACERAS. Yes, Senator, I think there are some key principles that Congress should consider when they take up this challenge. And that is the one of sustainability, one that will allow it to grow, one that is user-based and one that is transparent to the users. The users need to understand what they are paying for and what they are getting.

So I agree with Mr. Heminger, a gas tax is a very direct way to do it. People understand where it is coming from, where it is going. In the State of Utah, we are addressing our growth. We are growing very fast. We are addressing our growth in terms of the mobility needs with the sales tax. The legislature has determined that 17 percent of the statewide economic activity is coming through the transportation sector. So they have decided that 17 percent of that statewide sales tax will be dedicated just to the mobility portion and the gas tax is being used to preserve, maintain and operate that transportation system.

So Mr. Chairman, user base, one that is not a one-time funding source, but an ongoing funding source, provide sustainability and start to address some of the inflationary issues that we are dealing with as well.

Senator VITTER. Any other thoughts?

Mr. GARDNER. Yes, Senator Vitter. I think we are supportive also of the gas tax. We think it is really the simplest way to put a user fee in place. It really does also encourage sustainability and energy conservation, so anything we can do to use less gasoline will be promoted by the additional tax.

We also think it is affordable. We have seen that big correction in the cost of fuel in the last year, and we think to the most extent that is going to continue for some time to come.

Mr. ROWEN. To the affordability of the middle class, almost my entire work force is definitely middle class. We think about their incomes, because they get it from us. We think about their expenses. But the other thing we have to realize is that over the last 15 years there has been a significant economic advantage to gas efficiencies of most automobiles.

So if you think about the impact of the tax, because it is paid on a per gallon basis, it can be somewhat mitigated because of increased efficiencies of gasoline.

Mr. RIORDAN. One last comment, if I may, Senator. Manufacturers in general are very supportive of user fees in order to pay for infrastructure, pay for maintenance, pay for repair. One of the key concerns that we have is making sure it is sustainable, which I believe that a user fee would be.

Concern on repatriation is that it may not be sustainable. It is not so visible, and it may be an easy solution from the standpoint of having a perception of something else paid for, but back to the comments that were made before, we believe it is critical that the costs line up with development and that it is a transparent basis for everybody.

Senator VITTER. Thank you all very much. I appreciate all of your testimony and all of your work.

Senator INHOFE. Thank you, Senator Vitter. Senator Boxer.

Senator BOXER. Thank you, Mr. Chairman. When Senator Vitter and I worked together on funding ideas, I want to pick up on his point. That was the reason I asked you, Mr. Braceras. I know that Senator Lee believes in devolving. And I know Senator Hatch believes in the trust fund. But he and Senator Wyden need to come up with a plan.

Now, I would ask unanimous consent, Mr. Chairman, I just want to put into the record a memo that I put together with various funding sources. Could we put that into the record?

Senator INHOFE. Yes, without objection.

[The referenced information follows:]

Senator BOXER. OK. And I want to make it clear that Senator Vitter and I totally agree that there ought to be an offset if we go with a higher gas tax for middle class and working poor. We have put it out here in this paper. If the option chosen is a 6 cent gas tax increase, the average household drives 15,000 miles a year, then the average household will pay an additional \$36 in gas costs. Therefore, the household would receive a refundable tax credit of \$36.

So it is pretty straightforward. Because we all don't want our middle class to be paying more. This makes sense.

I also want to point out, Mr. Chairman, something that I fail to mention as often as I should, which is the cost to the automobile owner of roads that are in disrepair. You keep going over those roads, and you know what that does to your car. I am trying to get the average cost. But it is significant.

So when we do repair our roads, we are saving costs. It is true, it is sort of hidden. But it is there, and it is very important.

So in this paper that I put out, I sent it over to Congressman Ryan and Congressman Levin over there. I never heard back from them. Everyone just seems to be hiding underground here. So I

never heard back from them. Finally I heard from Congressman Levin, he said thank you for your ideas. I was hoping for a little more.

But what we did is we said, one way to go is the Chamber of Commerce way, which is an increase in the gas tax and with an offset. That was one way to go. Another way to go was following the Virginia model, which is replace all existing highway trust fund fees with one fee on the wholesale price of fuel. That is the way they went.

Another is adjusting existing fuel fees, and that is all going to be in the record for you to see. Another is the repatriation, plus a smaller increase in the gas tax. And then another is a new fee on the sale of new and used vehicles, which if you put a 4 percent fee on the sale price of new and used vehicles, you get \$89 billion over 6 years, which is enough to fill the hole. And another is an honor-based fee on vehicle miles traveled. We also felt, and I know this is controversial, that we ought to look at different bonding authorities. Because the Build America bonds have been very, very successful.

So here is the thing. I will put this in the record, and it doesn't reflect anybody's opinion but mine. But it shows that I am willing to go to all of these and give an offset to the middle class and working poor for that.

Reports show that crumbling roads cost \$750 per vehicle each year. Can you imagine? That is wear and tear. So all this talk about \$36 pales in comparison to the benefit of this. So I am going to close and say this. I am working with the construction industry to get us all together in April, Republicans, Democrats, business, labor, everybody in between, State, I met with the National Association of Counties yesterday. And I think frankly, I am a person that used to organize around issues. I still organize around issues. If I don't see anything moving forward, if there is just a lot of hohum, I think we need to get together and stand together and show the desperate situation we are in. I know no one hates these short extensions more than my chairman. He hates it because of how expensive it is.

So can I ask each of you if you would be willing, if we do put together such a bipartisan event, would you be willing to either come or send a statement? I am seeing everybody nodding yes. Well, that means a lot to me. Because I think you are such compelling witnesses, and I thank the Majority and the Minority side for bringing together such a wonderful, astute group. I am just saying now, I am very calm on the outside. But on the inside, I am not calm.

Senator INHOFE. You are a tiger.

[Laughter.]

Senator BOXER. I am not calm. Because I don't like where we are headed now. I don't see it. The only action I see is from this committee. And it is great. But where is everybody else?

So I want all of you who are here today and in the audience, please these other committees and the House people. They all say they want to do something. But they all said that the last time and we got stuck with this little extension which is really dangerous for our economy. It is dangerous for our citizens. It is costly, it is bad.

So on the inside, I am absolutely desperate to get this done. As Steve said, it is not so much about my State—it is. We need the Federal help. But honestly, it is about most of the other States. Because we do have that long construction season. With climate change, we don't even have rain any more, it is the saddest thing. For whatever reason it is, we do have a drought. And we do have a longer construction season than anyone else. So we have fewer problems in this regard. And we can advance funds, because we are a nation State, we are I think the seventh or eighth largest nation, considering our GDP.

This is about the Country, one Country under God. That is what this is about. So Mr. Chairman, I just am so grateful for your leadership and look forward to continuing our working together.

Senator INHOFE. The one thing you didn't mention, the reforms that come. I have to say this in a complimentary way about Senator Boxer, because there are some things that we did in our reforms, and this goes back to 2005, it goes to the 27-month bill, that I didn't really think we were going to be able to get those two. That is a huge thing from a conservative perspective and advantage.

By the way, I might mention I am visiting with the ACU this afternoon on this very subject, which I will cover in just a minute.

We are joined now by Senator CAPITO.

Senator CAPITO. Thank you, Mr. Chairman. I would like to thank the ranking member, because I was on the conference committee for MAP-21 and we just had our West Virginia transportation folks in yesterday. Some of the reforms that were in that bill, we are reaping the benefits, they were very complimentary on how it is working State to Federal. Hopefully we can continue to do that.

One of the things I wanted to ask about, and I apologize for not being here for the initial testimony, is the public-private partnerships. That is another thing that I heard my State DOT, is we are really maxing this out in West Virginia, going in a cautious way. But it is incredible to me the amount of savings that these three Ps can do for a State and really stretch our dollars. Route 35 in my old congressional district is a great example. We are about ready to let a contract, or they have a request for bids right now.

So I would just ask one question, and I have two questions. So whoever wants to answer this, maybe Mr. Braceras. What experiences have you had with the experience of PPPs, and do you have any suggestions for the next generation of PPPs?

Mr. BRACERAS. Thank you, Senator, for that question. I think first of all you have to look at what you would define as a P3, a public-private partnership. It is really a spectrum of how you do your work. We outsource almost all of our design engineering, most of our construction engineering and obviously all the construction. We were the first State to utilize design-build on a highway infrastructure, one of the first States to use construction manager general contractor.

Basically, the more we can define outcomes that we want to achieve and leave the means and methods to those who are doing the work, the better we are going to see better outcomes, we are going to see better value and return to the taxpayers. So I encourage further any expansion, any abilities to help bring the private sector in as partners in delivering our program. We are a relatively

small State, and some people look at P3s as maybe under a tolling arrangement. We have done some analysis on that. We have also looked at availability payments in doing this as well.

So all of these are tools. I don't believe they are a financial answer to our transportation system. But I think they are important components that we need to keep available.

Senator CAPITO. I think they add predictability, too. And at this point, when we have low interest rates, this is really where we should be maximizing this opportunity.

I am going to pivot here to Mr. Riordan and ask a question on ground level ozone. Ozone in a highway hearing, yes, we wonder about that, but they are very linked, as you know. EPA recently proposed a change to the national standard for ground level ozone that will most likely end up between 60 and 70 parts per billion. We don't know exactly where they are going to set that standard. But my entire State would be out of compliance, the State of West Virginia, meaning significant highway projects that are vital to West Virginia could be delayed or compromised. And those jobs would be lost.

Let me just give you an example. If you have ever been to the Greenbrier, which I hope you all go and please visit, it is a very rural part of West Virginia. That county is Greenbrier County. That would be out of compliance with the new ozone limits that are being talked about.

So I would ask you a question. What difficulties could States face in implementing these new measures to meet a more stringent ozone standard?

Mr. RIORDAN. It is a very significant concern on the part of manufacturers, Senator. I think the challenge that we see as manufacturers and again, based on my role as the chairman of the Small Medium Manufacturing Group which represents 12 million of the 13 million manufacturing folks that are working here in the U.S., a key concern is will it only defer or delay increased costs from a highway standpoint, but the broader concern that we have as it relates to, as you move closer to the effectively background level of ozone, costs go up exponentially and the benefits go down dramatically. Our concern is very, very significant as it relates to, back to your point of the entire State of West Virginia. Our analysis shows that about 97 percent of the U.S. potentially would be in a non-attainment zone, which would de facto freeze development from a manufacturing standpoint. So this is a huge concern, not only as it relates to our quest in terms of moving the Highway Bill forward and continued infrastructure development, but the broader manufacturing industry at hand.

Senator CAPITO. Right, and then that obviously is transportation projects as well, particularly larger ones.

So Mr. Chairman, I would like to say that I know this is an area where you have great concern as well. It is amazing to me that we are going to put new standards on ozone regulations when the compliance hasn't even been achieved to a significant amount in the former standards that were placed upon the rest of the Country. So I want to join with you and shed a light on this and see how we can do this better. I think there are lots of ways we can.

Thank you all very much.

Senator INHOFE. Thank you, Senator Capito. Senator Wicker.

Senator WICKER. Thank you, Mr. Chairman.

I want to thank Senator Capito for bringing up the question of ozone. There are two things I find frustrating about this new rule. Jurisdictions that have made progress in actually lowering the ozone level are now being rewarded with the back of the hand and being found in non-attainment, after having made progress. Also so many areas, including perhaps, you are familiar with DeSoto County in Mississippi, which is a suburban county of Memphis. There is nothing that the activities in DeSoto County have done to raise the ozone level. It comes from the west and it comes from the metropolitan area. And yet development and job creation are being stifled in this suburban county, through no fault of their own. And there is really very little they can do to prevent it, since the ozone comes from someplace else. So thank you, Senator Capito, for mentioning that.

Mr. Braceras, let me preface my question with a fairly lengthy beginning. The President recently issued an executive order. It exposed the area where Federal agencies will be required to follow floodplain management, expands it from the 100-year floodplain to the 500-year floodplain. Currently there are projects to raise roads to above the 100-year floodplain to address the risks. Now that will not be enough.

There will be increased costs because of limitations on building in the floodplain. There will also be costs for mitigating any impacts to the floodplain and complying with "zero rise" policies that say a project cannot have the effect of increasing flooding. The rule would be used by Federal agencies overseeing new infrastructure projects in transportation, energy, housing and water supply. Agencies will be required to choose one of three approaches when building or completing maintenance to infrastructure. One, use the best available climate science, or two, build two feet above the 100-year flood elevation as a 1 percent annual chance of flooding that instance, or three, build to the 500-year flood elevation. There is a .2 percent annual chance of flooding in that instance.

The rule could have significant impacts to the distribution of Federal highway aid, USDOT TIGER grants, HUD CDBG grants, Federal loan guarantees, FEMA flood insurance and flood plain management and disaster response programs. What impacts related to cost would your member agencies face, Mr. Braceras, if they were required to build or repair Federal highways two feet above the current 100-year flood elevation?

Mr. BRACERAS. Senator, I always struggle with specific answers being given to States in terms of how to solve issues. Everything that we do we need to evaluate the risks, the benefits and the costs associated with that and make strategic decisions on what is best for the taxpayers, their safety and bring that all together.

Now, Utah is a relatively dry State. But believe it or not, we have areas that are dry washes that have been defined as navigable waterways and require extensive permitting in order to make decisions. I would be concerned about the ability for States to make the proper decisions for infrastructure preservation. So if we are going to have to touch a piece of roadway or bridge, and as soon as we touch it we are going to need to bring it up to a new stand-

ard, that keeps States and municipalities from doing the right treatment at the right time and thereby costs taxpayers more in the long run and maybe creates unsafe conditions.

So every time we make a decision, we should evaluate it in the context of the benefit cost in the larger picture, not just regarding a specific resource.

Senator WICKER. And when you mention cost, that is cost for mitigation, for change design or change location, or for different or more expensive materials. Would anyone else on the panel like to jump in and help us understand this issue better? Mr. Riordan?

Mr. RIORDAN. Senator, we have significant concerns on the broader context of obviously this, along with the waters of the U.S. regulations that are being promulgated. In our mind, frankly, it is similar to discussion we just had on ozone, where NAM has put together a study that shows the ozone regulation would be the most expensive rule ever promulgated within the Federal Government, costing a potential \$2 trillion.

A key concern is, I don't have the facts behind what this proposed regulation would cost in terms of floodplain. But again, it is a question of, as I would call it from a manufacturing standpoint, what problem is it we are trying to solve here, and is this the most cost-effective way of doing it.

Senator WICKER. Thank you. Thank you, Mr. Chairman.

Senator INHOFE. Thank you, Senator Wicker.

We are going to recognize Senator Rounds, but let me kind of announce this, so that my two members who were not here at the opening of this meeting. I commented that confession is good for the soul, and I confess that 25 years ago, Connie Mack from Florida and I were the two fathers of devolution, until we realized why it wouldn't work. The reason that Senator Boxer brought up my concern as it affects our defense system is that I was the ranking member on the Senate Armed Services Committee in addition to working on this committee.

So after everyone is all through and gone, I am going to ask you to go ahead and continue down to respond to the questions that I first asked. You have done a pretty good, and Senator Rounds brought it up, but I want to talk about it in a little more detail. Senator Rounds?

Senator ROUNDS. Thank you, Mr. Chairman.

I would like to followup on the line in terms of the streamlining that could be done to save dollars. I think that is one of the most important things we have to do, in order to maintain credibility when it comes to how we spend tax dollars, whether they be at the State level, local level or at the Federal level.

Sometimes I am not so sure that we are seen as looking at saving dollars here at this level. In fact, every time we seem to get involved in a project, it gets more expensive. A lot of that has to do with a regulatory process that creates expense. I understand there are good people who have good desires to have things work appropriately and to protect natural resources and so forth. But it comes at a cost. And part of the cost is that people who are paying those taxes wonder why it costs more to get projects done.

If we are going to ask States to increase gas taxes or if we are going to ask people to pay a higher gas tax or any other type of

a tax, I think we ought to be able to show them that we are doing the best we can to be efficient in the delivery of those services. Could you help us a little bit with any suggestions you may have in terms of how we streamline the process, save dollars, and for lack of a better term in the business community, talk about getting more bang for our buck?

Mr. HEMINGER. Senator, I would like to return to the word that Carlos used. It is risk. I think we have designed a system now that tries to suck every little bit of risk out of a project development process, and in doing so, we have guaranteed that everything will take too long and cost too much. I think we need to be candid with the American people that if you want it to go faster, we might have to take a little risk, and something might go wrong and we might have to start over and do it again.

But we have been doing that to a considerable extent in our region, in our State, where we have begun design activity before we have an environmental clearance. And we are taking a risk that the environmental process won't surprise us with something. And sometimes we are surprised. But more often than not, and we have gained that time on the schedule by taking that risk.

I think the more the Federal Government can formalize that process and be a partner in taking some risk, I think risk-taking and entrepreneurship is rewarded very often. But sometimes you fail. I think we have to be willing to fail a little bit more to make our system work better.

Mr. BRACERAS. Senator, following on Steve's comments, the only one who doesn't make a mistake is somebody who doesn't do anything. What I try to encourage our Staff in the Utah Department of Transportation is to be innovative and to try new things.

What I talked about in my testimony is anything we can do to move toward an outcome-based program as opposed to one that has been for many, many years focused on process, and that is true with State level agencies as well as with Federal agencies. We have almost gotten to the point where people are afraid to make a mistake. And the best way not to make a mistake is not to make a decision. So during the process, we can pull that process out and draw that process out longer. There is no real reward for getting to that outcome, to that final decision point.

So anything Congress can do to identify what the goals are and that all Federal agencies and State agencies understand what those goals are, as few restrictions on that process, because that allows innovation to come into play and allows us to be able to focus on how we are going to achieve. Once people own the how, once those people doing the work have the ability to determine how they are going to accomplish that goal, they become accountable and you find innovation taking place.

So outcome-based, less process-based.

Senator ROUNDS. Anyone else?

Mr. RIORDAN. Senator, in my testimony I mentioned that our costs of transportation delays, poor productivity, customer frustration adds about 1 percent to our costs. Several Senators earlier today mentioned the cost of car repairs. Mind you, that is only the tip of the iceberg on the consumer side.

I think the business community clearly understands and can quantify the impact to it. But eventually a lot of that gets passed on to consumers, one way or another. I think what the broader concern is the visibility behind what does this really cost the average middle class person, in terms of car repairs, delays in their own personal life, being late for work and getting docked against that, and all the other drama that goes with the poor and deteriorating infrastructure we have.

I think we talked about \$36 gas tax increase compared to a lot more than that. How do we make what I would describe as the business case to the broader U.S. consumer of understanding that and recognizing this gas tax increase is a bargain? Any business person would take this deal in a second with a five to ten to 20 times payback.

Mr. GARDNER. I think we talked about before really any opportunities to simplify processes and challenge the status quo is well supported by us. We are seeing some of the intents of that in the programs. We talked about environmental permitting is really probably the biggest bottleneck. So anything we can do in that area is going to be helpful.

I think the most important thing is just to make sure that we are making the right investments and that the investments are focused on congestion and road quality. Because we can directly correlate congestion to additional costs for our industry.

Mr. ROWEN. Leadership. It is all about leadership. Get the message out. We have all heard today, and every one of us sitting in this room today understands that raising the gas tax is going to save virtually every American money, if not a lot of money, in other areas. So you simply have to, the American public will buy something that is a good deal. They are great at recognizing deals.

I think that the fear that comes out of the political process of the concept of raising taxes is, can be mitigated by leadership, by a clear, concise message that you are doing this to make things better for all Americans, and in the end, it is money well spent.

Senator ROUNDS. Mr. Chairman, I think the group here that has answered the question tells us, No. 1, they are prepared to make an investment, but they expect us, with leadership, to provide that it is done as transparently as possible, and the delivery, if we are going to expect people to put more dollars into the system, we are going to make a commitment that we will see that they are spent as efficiently as possible. I think that means we have a big job ahead of us.

Senator INHOFE. Thank you very much, Senator Rounds. We are going to recognize Senator Carper, but I want to make a comment here about this. A lot of people don't understand what we are talking about. First of all, I would like to have us not really talk about a gas tax increase. It is a user fee. Now, user fees are popular. Look at the inland waterway user fee, the stakeholders, those who are paying for it are the ones who want to have it. So I think that is a good way of putting it.

Second, keeping in mind, as I said in my opening statement, that this is what we are supposed to be doing here. Read the Constitution. In fact, I will quote something if you will bear with me a second, Senator Carper.

Senator CARPER. Take all the time you want.

Senator INHOFE. The American Conservative Union, in their document that they helped us get this passed on the 27-month bill, they are saying, "Not passing a bill will hurt our already suffering economy." And then the two elements, quoting the Constitution, the two elements that are the most basic responsibilities of the Federal Government are national defense and the development of a national transportation infrastructure.

I say this, and we have to keep saying it, because somehow, people forget what we are supposed to be doing here in Washington. This is what our founding fathers said, it was their idea. It was put forth. The reason I mention that Senator Boxer talked about my concern over defense is that I had that job as ranking member on Armed Services. So I made quite a study, I say to my good friend, Senator Carper, of Eisenhower and the statements that he made back when he first gave birth to this concept.

The last one I will leave with you, he said, "InterState commerce doesn't stop at the State boundaries. No State is an island," as you repeated from my statement before. It is just as much about national defense as it is interState commerce. That is what we are talking about here.

Senator Carper.

Senator CARPER. I am Tom Carper, and I approved this message.
[Laughter.]

Senator CARPER. As the senior Senator from first State to ratify the Constitution, I applaud your use and reference to the Constitution here this morning.

Welcome, everybody. It is great to see you. Thank you so much for joining us and trying to help us find our way through an important issue. Colleagues hear me talk a lot about our jobs. Our job is not to create jobs. My job as Governor was not to create jobs. Our job is to help create a nurturing environment for job creation. And you can't do that without a great transportation infrastructure.

Since 1993, as you know, when we set the Federal gas tax at 18.4 cents, 42 States have increased their State gas tax rates. Twenty States have taken action to increase revenues for transportation in just the last 5 years. Eight of these were either in 2013 or 2014. I understand that 12 more, another dozen, are considering action this year or next.

How many of these States have said, we are ready to go it alone and we don't need a Federal partner? How many of those States have said that? Let's go down the list. Mr. Braceras?

Mr. BRACERAS. Thank you, Senator. The State of Utah has made an amazing commitment to transportation. Utah recognizes that it is the backbone and one of the foundational elements for our economy. So we have made a large commitment, almost 20 percent of our statewide sales tax goes to transportation, 24.5 cent gas tax goes to transportation. But we rely on a Federal transportation system, and it is very important to us.

Senator CARPER. Thank you.

Mr. Heminger, how many States have said, well, we are ready to do this by ourselves, we don't need that Federal money?

Mr. HEMINGER. Certainly not California. In 1993, the statistics you are quoting, Senator, our gas tax was 16 cents. It is 46 cents today. So we are certainly willing to do our share. But we are looking for a Federal partner to come along with us.

Senator CARPER. Thank you. Same question, Mr. Riordan.

Mr. RIORDAN. Senator, I am not familiar with the specific facts in the State of Wisconsin, but I don't believe they are willing to go it alone.

Senator CARPER. All right, thank you.

Mr. Gardner.

Mr. GARDNER. I am also not familiar with the State of Illinois, but I can say that we are supportive of a federally directed program, because our business relies on the complete transportation network to deliver our products.

Senator CARPER. Thanks. And finally, Mr. Rowen.

Mr. ROWEN. Senator Carper, earlier I was talking about the geographical significance of Pennsylvania, the fact that so much traffic going into the northeast goes across Pennsylvania, and then the geographical impact of the weather on the Pennsylvania roads. So there is just no way Pennsylvania could be forced to pay for all the maintenance of the roads in Pennsylvania.

Senator CARPER. Thank you. My staff, at my request, did some analysis. They found in States that have raised revenues for transportation, 90 percent of legislators who voted for a revenue increase won their primary, won their general election. They were re-elected. But so, over 90 percent of them were Republicans, just under 90 percent of them were Democrats. What lessons can we take from that information, from action at the State level? Mr. Rowen?

Mr. ROWEN. Pennsylvania just elected a new Governor. And he was elected on the idea that he was going to tax natural gas coming out of the State. So the idea that, and I understand it is a different kind of a tax, but Pennsylvania looked at the need for infrastructure and said, we need to get more revenue. And Governor Wolf was honestly willing to put on the table that process. So he clearly did exactly what you are recommending.

Senator CARPER. Thank you. Mr. Gardner.

Mr. GARDNER. I think it demonstrates that the general public is willing to support this additional tax. As we have talked about already this morning, it just makes good business sense. A small increase in your annual costs has payback in terms of reduced repair costs to cars and certainly for businesses, it has a great payback in terms of reducing congestion.

Senator CARPER. Thank you. Mr. Riordan, any lessons learned you think we could take from those statistics I just cited?

Mr. RIORDAN. Good question, Senator. I believe that the American public clearly believes in the fairness principle of user fees make sense for people who are using the roads and infrastructure that goes with that. That said, I think manufacturers in general support all the above discussion in terms of how to fund this as it relates to recognizing, back to the chairman's comments earlier, about the criticality of the infrastructure, whether it is public-private partnerships or other mechanisms here. But this issue is much, much too important to leave languish. Because frankly, we

continue to lose ground against our major competitive countries, China in particular. And frankly, our long-term best interests are best served by getting off of this and developing a coherent, long-term approach.

Senator CARPER. Thank you. Mr. Chairman, my time is about to expire. Can I just have one more minute?

Senator INHOFE. We actually had two rounds.

Senator CARPER. Thanks so much.

I want to touch again on what you just said about all of the above. Because we have an all of the above energy policy, which I think is good. For many years, and we talk about our baseload for electricity generation, for many years it was coal, it was nuclear, 40 percent coal, 20 percent nuclear. Coal is still, close to 30 percent, is going to be significant for, I think, a long time. Natural gas is close to 30 percent now I am told. But those were basic, the baseload.

I think for transportation funding, we need a baseload. And I believe maybe most appropriately it is the user fee. The baseload could include things like, we are going to open up some new lands off of Virginia or North or South Carolina or Georgia, there would be leased income from that, there would be, if there is oil and gas out there, there would be some revenues generated. That could be part of the all of the above approach. Then we could actually find ways to save money. The Department of Transportation has a bunch of ideas.

When the last 2-year transportation bill was put into effect, I think they looked hard to find ways, how to rebuild roads, highways, bridges in a more cost-effective way. So that could be, if you will, part of the all of the above approach.

But I have been thinking a lot about it, and I think the President has a proposal. I am not a big fan of repatriation, but the President has an interesting proposal and that could be part of an all of the above approach as well. So thank you for mentioning that term.

Back to you, Mr. Heminger, if I could. Again, my question was, what kind of lessons should we take away from the fact that over 90 percent of the Republican State legislators got re-elected after voting for user fee increases and almost 90 percent of the Democrats got re-elected? What should we take from that?

Mr. HEMINGER. I think the simple answer is that most Americans do understand the user fee concept. It is sort of the PR genius of our profession that we have labeled a user fee the gas tax. And I don't know when we started doing that. But that was our original sin.

But the public understands that they are paying a fee that will be used to fix their roads and transit systems. They get that connection and they support it.

Senator CARPER. I like that, original sin. That is good.

Mr. BRACERAS. Senator, I agree with Mr. Heminger on the need, that it needs to be linked to the user. That is an important concept. But I also believe that the public needs to know what they are going to get for their investment. They need to know what those outcomes are going to be, and we as government officials need to be absolutely transparent on how their money is used and what we

achieve with their money. I think if you can demonstrate that, the public can recognize a good business deal.

Senator CARPER. Good, thank you. We often talk about the jobs that could be created from a full-funded transportation bill. I have heard 600,000 jobs, 700,000 jobs. A lot of jobs for people, frankly, who have been looking for work for quite some time. We also need to think about the investments we could make in our transportation infrastructure that could have broader economic impacts.

A recent report by McKinsey Global Institute found that the U.S. must spend at least, get this, \$150 billion more a year on infrastructure through 2020 to meet our Country's needs and to maintain global economic competitiveness, \$150 billion. The up side of this was that in doing so, it would add 1.5 percent to our annual economic growth and create at least 1.5 million jobs. So that is 1.5 percent addition to economic growth and about, almost 2 million jobs. From your perspective as owners and users of this system, does any of this sound even close to being true and accurate? Mr. Braceras?

Mr. BRACERAS. I don't have the numbers off the top of my head, Senator, but yes, absolutely. I think we talk sometimes too quickly about the benefits of a transportation bill and what they have on the construction industry. And those are important jobs. But really what is important is how well the transportation system works for the business owners who we have here today. They will make different and more effective decisions if they have a transportation system that is safe, reliable and has the lowest cost of ownership for them.

So I think that is the important part of our transportation system.

Senator CARPER. Thank you. Mr. Heminger.

Mr. HEMINGER. Senator, I don't think it is an accident that what we regard as the golden age of the American economy in the last century coincided with when we were building the interState system, any more that I think that it is an accident that when you see the economies in Asia and to some extent in Europe taking off because of infrastructure investment, that is not a coincidence, either. We need to get back to that business here in America.

Senator CARPER. Thank you. Mr. Riordan.

Mr. RIORDAN. Senator, manufacturers in general absolutely agree with the points you made. Frankly, the National Association of Manufacturers has developed a similar study that shows the same kind of comprehensive benefits available to us if we are smart and move this forward.

Senator CARPER. Good, thanks.

Mr. GARDNER. Senator, we also agree. I think what we have seen in manufacturing is that for every job we create, there are probably another two and a half jobs that are spinoffs as well. So it is quite probable, what you are seeing there. From our company's perspective, we are making investment decisions based on what we see in terms of infrastructure today. So any commitment we can make to that infrastructure will help us make better decisions.

Senator CARPER. Good. And last, but not least, Mr. Rowen.

Mr. ROWEN. It is incomprehensible, as a business owner, for an entity or organization not to invest in infrastructure, if all the eco-

conomic numbers say that the amount of money you invest will pay dividends tenfold over in the future. It is incomprehensible that could happen. And this is a Country that we talk about capitalism. Capitalism is the root of our economy. This is a capitalistic concept. It is a business decision, pure and simple. As leadership, you simply have to sell it. You have to sell it first to the people who make the decisions, so it is your Congress that authorizes this. Then you have to simply sell what is an absolutely obvious decision, a business decision, to the American public.

Senator CARPER. Good. I think it was Andrew Jackson who used to say, one man with courage makes a majority. Mrs. Jackson said, one woman with courage makes a majority.

[Laughter.]

Senator CARPER. But we need some men and women around here with courage, political courage, to do what I think most of us know needs to be done. And I am encouraged that some folks on this committee, a number of my folks in the Democrat and Republican party here in the Senate and hopefully in the House will be willing to show that kind of leadership and courage. If we do, people will join us.

I think at the end of the day, we will be rewarded for that. Leadership has been defined as the courage to stay out of step when everyone else is marching to the wrong tune. I think people want us to make the right decisions. My hope is that we will. Thank you.

Senator INHOFE. Very good, very good, Senator Carper.

As I said, I want to give the last three an opportunity to respond to the question that I opened up with. I say to my friend, Senator Carper, who is one, a lot of people are not aware that our old friend from Florida, Connie Mack and I, 25 years ago, were the fathers of devolution until we realized that it wouldn't work. So they are responding, and we had just gotten through two of them.

But before doing that, we have our Secretary of Transportation here, Mike Patterson. Hold your hand up, Mike.

And of course, everybody knows Gary Ridley.

Let me ask one question to you, Mr. Rowen. You said something I didn't know. Did you say, did I understand there is some dedication of part of the revenue that is derived in the, either from natural gas or oil in Pennsylvania under your new Governor? Is that correct?

Mr. ROWEN. Under the previous administration, it was my understanding that they were charging an impact fee at extraction. But I believe that amounted to something like 1 or 2 percent.

Senator INHOFE. But it was something, a recognition. See, most people think when you are talking about oil and gas production that we are talking about the western United States. That is not true anymore.

Mr. ROWEN. No, absolutely not.

Senator INHOFE. With the Marcellus in Pennsylvania and New York, I have heard arguments, pretty persuasive arguments in Pennsylvania, that it could be your second largest employer right now. So it is a major thing.

And that is a source. And that source was one of the three that Senator Vitter brought up. No one responded to that, the other two but not that. Would anyone want to respond to that in terms of a

partial source that is out there? If we can get to the point in this Country when we start, and we will get to this point, start really having the Federal land give us the benefits that we are currently getting from State and private land, while we have gone, increased by 61 percent in State and private, we have actually decreased by 6 percent in Federal. I see that as an opportunity to go out and develop a new, consistent source to supplement any changes that might be made in the user fee.

Does anyone want to refer, make any comments about that portion of his suggestion?

Mr. HEMINGER. I guess, Mr. Chairman, just in one respect, as you know, the Federal gas tax is not levied on consumers. It is really levied at the refinery, and everybody down the chain just reimburses the one ahead of them. So to the extent that you already have the tax at the refinery, it is not too much farther to take it back to the place where you are digging it out of the ground.

Senator INHOFE. Very good point.

Mr. HEMINGER. So it seems to me from the user fee perspective, it would be consistent. One thing I would be concerned about is, I know oil and gas exploration can be a pretty risky business and it can go through cycles. I think one thing we always look for, and you have been emphasizing, is predictability and reliability of the revenue stream.

Senator INHOFE. Any other comments?

Mr. RIORDAN. Mr. Chairman, I would agree with Mr. Heminger's comments. And one other additional point is the transparency that goes with that, whether it is the wholesale level or extraction level.

Senator INHOFE. Sure.

Mr. RIORDAN. But I think it is important to be clear and transparent in general as well as with the American public relative to where this is coming from, and again I would echo the comments of the hit and miss concern that the extraction level, the faucet can turn on real hard and it can't turn off real hard, as you know.

Senator INHOFE. I understand that. Also, I might suggest there is a way of doing this in a more consistent basis. I come from an oil and gas State, and we know how to do those things. Any comment on that, Mr. Gardner?

Mr. GARDNER. Yes. I was going to say that I think the Federal leadership is absolutely critical. We need a complete, integrated solution across the United States. I think the gas tax, or a user fee, is a very simple concept that can be sold, and we see it supported at the State level.

I would also say that the States and all the companies that use the systems also need to demonstrate they are making investments. I can say from an Ingredion perspective, we are investing in transportation management systems so we can be smarter with the use of trucks. We are maximizing payloads so we can use less trucks and we are redesigning our distribution network to minimize the number of miles.

So we are making our effort. I think we need a complete, integrated solution to beat this problem.

Senator INHOFE. We have actually gone over our time, but since I initiated a question to be responded to by all five, I think Mr.

Heminger was as far as I got. Any comments for the last three having to do with devolution?

Mr. RIORDAN. Mr. Chairman, I think you, as they say, hit the nail right on the head. This is one of the fundamental legs of the service and the contribution from the national or the Federal Government. I find it hard pressed, and frankly, manufacturers in general find it hard pressed on how the Federal Government can walk away and pass the problem of funding or not back to the States. The criticality of the interState highway system, as you alluded to earlier, was very much dependent upon planning and vision at the Federal level. I think we would strongly encourage that to continue.

Senator INHOFE. Yes, thank you. Agreed?

All right. Let me thank our panelists. You have been very helpful. We have held you longer than we had said we would. But the intensity of this issue is so significant. As you have witnessed, it is one that is bipartisan. It is one that we all know. I think one of my jobs is to kind of explain the Constitutional requirements that we are talking about when we talk about a system.

So we are going to try to make this work this time. I remember, I have been at this for so long, I remember back when I was in the House T&I Committee, we had one problem with the Highway Trust Fund. We had too much surplus. Are you guys old enough to remember that? Well, we did. And we all know what happened to that, and that is why we need to get back and start doing the job that the Constitution says that we should be doing.

With that, we will adjourn.

[Whereupon, at 11:30 a.m., the hearing was adjourned.]

[Additional material submitted for the record follows.]

Urgent Need to Address the Solvency of the Highway Trust Fund

- CBO estimates that \$85 billion in additional revenue is needed to maintain current funding levels plus inflation during the next 6 years – that’s about \$14 billion per year.
- America’s transportation infrastructure needs are massive:
 - 63,500 bridges are structurally deficient.
 - 50 percent of highway miles are in less than “good” condition.
- Almost one million jobs and thousands of businesses depend on the Highway Trust Fund.
- Within the past decade, the U.S. has fallen from 7th to 18th in the world in the quality of our roads.
- Traffic congestion cost Americans \$121 billion in 2011, or about \$818 per commuter.
- There are still over 700,000 unemployed construction workers in our country.

Middle Class Drivers Will Not Pay More Under All Options

Once a year, the IRS Commissioner will announce the average driver's increase in gas costs due to the provisions in this bill. Every household with adjusted gross income below \$100,000 (\$50,000 for single taxpayers) will be eligible for a refundable tax credit to offset those costs, based on their mileage.

Example: If the option chosen is a 6-cent increase in the gas tax, and the average household drives 15,000 miles per year, then the average household will pay an additional \$36 in gas costs. Therefore, the household would receive a refundable tax credit of \$36.

Mileage Credit Example

| Miles per year | Single Filers Refund | Household Filers Refund |
|----------------|----------------------|-------------------------|
| 10,000 | \$15 | \$30 |
| 15,000 | \$18 | \$36 |
| 20,000 | \$21 | \$42 |

Another option would be to cut the lowest income tax bracket rate from 10 percent to 9.8 percent, or to increase the standard deduction by \$100. Either of these options would deliver a tax cut of up to \$36 to households that pay taxes. It would be matched with an increase in the Earned Income Tax Credit to deliver an equivalent tax benefit to low-income families.

**Option: Replace All Existing HTF Fees With
a Fee on the Wholesale Price of Fuel**

Congress could replace the existing cents per gallon federal fee on fuel, as well as the other federal user fees on heavy trucks, with a percentage sales fee on the wholesale price of gasoline and diesel fuel, as Virginia and Maryland have done.

These rates would need to be sufficient to replace the revenue lost by eliminating the current fees that are collected (\$233 billion) and overcome the \$85 billion shortfall (for a total of \$318 billion over 6 years) in order to sustain current spending plus inflation through 2020.

This approach is cost-effective to administer and easy to implement as it would be collected at the same or fewer collection points as the current fee.

| | | |
|-----------------------------------------------------------------------------------------|---|----------------------------|
| Replace all existing user fees with percentage highway user fee charged at the refinery | | |
| based on the fuel price, equal to 8.25% on gasoline and 11% on diesel fuel | = | \$319 billion over 6 years |

Option: Adjust Existing Fuel Fees

Congress could increase the existing gasoline and diesel fuel fees and index those fees to the Consumer Price Index (CPI). This option has several advantages including that these fees are a current source of Highway Trust Fund revenue that are cost-effective to administer and easy to change. It also continues the “user pays” concept and indexing these fees to inflation ensures that the purchasing power is maintained over time.

| | | |
|--------------------------------------------------------------------------|---|---------------------------|
| Index current fees on gasoline and diesel fuel to CPI | = | \$12 billion over 6 years |
| Increase fee on gasoline by 5 cents/gallon and index increase to CPI | = | \$38 billion over 6 years |
| Increase fee on diesel fuel by 15 cents/gallon and index increase to CPI | = | \$36 billion over 6 years |
| Total revenue increase | = | \$86 billion over 6 years |

Option: Repatriation Plus Adjust Existing Fuel Fees

Congress could reinstate a one-year repatriation holiday to increase support for the highway bill. One approach would be to enact a holiday at 8 percent, rather than the 5.25 percent that was used in the 2004 repatriation holiday. The gas and diesel fuel fees could be increased enough to cover the remaining shortfall in the Highway Trust Fund.

| | | |
|-------------------------------------------------------------------------|---|---------------------------|
| Revenue generated from repatriation holiday of 8% | = | \$24 billion over 2 years |
| Index current fees on gasoline and diesel fuel to CPI | = | \$12 billion over 6 years |
| Increase fee on gasoline by 4.5 cents/gallon and index increase to CPI | = | \$34 billion over 6 years |
| Increase fee on diesel fuel by 6 cents/gallon and index increase to CPI | = | \$15 billion over 6 years |
| Total revenue increase | = | \$85 billion over 6 years |

**Option: New Fee on the Sales of New and
Used Vehicles**

Congress could apply a highway user fee on the sales of new and used vehicles. Even a small percentage user fee raises significant revenue and the revenue it generates should rise at least proportionally to inflation since it is based on the sales price of the vehicle, ensuring that the purchasing power is maintained over time. This approach would cover the entire shortfall and would keep all other fees in place at their current levels.

| | | |
|-------------------------------------------------------|---|---------------------------|
| Fee of 4% on the sales price of new and used vehicles | = | \$89 billion over 6 years |
|-------------------------------------------------------|---|---------------------------|

**Option: New Honor-Based Fee on Vehicle-
Miles-Traveled**

Congress could maintain all existing Highway Trust Fund user fees and apply a new honor-based user fee on the number of miles each individual drives each year in order to generate the additional revenue needed to overcome the shortfall. Since a phase-in is necessary, one of the other options could fill in the gap on an interim basis.

| | | |
|-------------------------------------------------------------------------|---|------------------------------|
| Fee of ½ cent per vehicle mile traveled by all vehicles on all roads | = | \$96 billion over 6 years |
|-------------------------------------------------------------------------|---|------------------------------|

All Options Should Include Additional Bonding Authority

Federal tax incentives can be a highly effective tool for encouraging private sector investment in transportation infrastructure. Including a bonding measure with each of the revenue options, such as raising the existing cap on private activity bonds or establishing a class of qualified tax credit bonds for the transportation sector, can give states and local agencies additional resources to complete more projects sooner with less federal funding for these projects.

