Statement of

Robert Lanham
President
Williams Brothers Construction Co., Inc.

For

The Associated General Contractors of America

to the

United States Senate

Committee on Environment and Public Works

For a hearing on

"Addressing America's Surface Transportation Infrastructure Needs"

November 28, 2018

AGC of America
THE ASSOCIATED GENERAL CONTRACTORS OF AMERICA
Quality People. Quality Projects.

The Associated General Contractors of America (AGC) is the largest and oldest national construction trade association in the United States. AGC represents more than 26,500 firms, including America's leading general contractors and specialty-contracting firms. Many of the nation's service providers and suppliers are associated with AGC through a nationwide network of chapters. AGC contractors are engaged in the construction of the nation's commercial buildings, shopping centers, factories, warehouses, highways, bridges, tunnels, airports, waterworks facilities, waste treatment facilities, levees, locks, dams, water conservation projects, defense facilities, multi-family housing projects, and more.

2300 Wilson Boulevard, Suite 300 • Arlington, VA 22201 • Phone: (703) 548-3118

Statement of AGC Vice President Robert Lanham

President

Williams Brothers Construction Co., Inc.

Houston, Texas

Senate Committee on the Environment & Public Works

On the topic of

Addressing America's Surface Transportation Infrastructure Needs

November 28, 2018

Chairman Barrasso, Ranking Member Carper and members of the Senate Environment and Public Works Committee, thank you for inviting me here today. My name is Bob Lanham. I am a highway and bridge builder from Houston, Texas and currently serve as the Vice President of the Associated General Contractors of America (AGC). AGC is a national organization representing 26,500 businesses involved in every aspect of construction activity in all 50 states, Puerto Rico and Washington, D.C. AGC members build highways, bridges, airports, transit systems, rail facilities and other transportation projects that keep America running.

In my testimony, I will stress the following themes:

- The time for infrastructure investment is now;
- The U.S. transportation infrastructure system's needs cannot sustain a status quo approach to investment;
- The economic benefits of transportation infrastructure investment are well-documented;
- Continued federal, state and local partnership is critical to the success of our national transportation system;
- A broad infrastructure package must include a sustainable, long-term solution to funding the Highway Trust Fund; and
- Further improving the environmental review and permitting process is necessary.

None of these themes are new. In fact, I imagine that you have heard them before, time and time again. What's different today, however, is that leaders on both ends of Pennsylvania Avenue and on all ends of the political spectrum agree that the addressing our nation's transportation infrastructure is the top priority for the new Congress. And, this committee and its leaders are an essential component to making this priority a reality. That is why I not only feel grateful to be here, but hopeful that my words will ring true and help lay the foundation for your successfully passing a broad infrastructure package.

The Time for Infrastructure Investment is NOW

Addressing our nation's infrastructure needs, and transportation infrastructure in particular, has no partisan bounds. America's transportation system impacts our daily lives whether we live in rural communities or in great urban meccas. It effects everything from our ability to get to work to the cost and availability of the products we rely on both in our personal lives and in our businesses. Further, to the global competitiveness of our nation's economy. Investing in our nation's transportation infrastructure has traditionally enjoyed bipartisan support. President Trump and leaders in the 115th Congress—including members of this committee—made investing in infrastructure a top priority. Although, a robust and broad infrastructure bill remained elusive for now, AGC applauds the efforts of the Senate and your colleagues in the House of Representatives in passing a host of legislation that will help maintain our infrastructure, including America's Water Infrastructure Act, the Federal Aviation Administration Reauthorization, Federal Emergency Management Agency Reauthorization and disaster relief legislation. In addition, Congress recognized the need to shore up federal infrastructure investment by providing an additional $10 billion in FY 2018 for transportation infrastructure programs above the levels contained in the Fixing America's Surface Transportation Act (FAST Act).

Now is the time to build on these legislative successes and quickly address our transportation needs when the 116th Congress convenes. Even as this committee prepares to reauthorize the FAST Act, a broad infrastructure package could provide an important earlier opportunity to address many issues impacting our nation's surface transportation network. Among the issues, priority should be given to providing the revenue or funding necessary to achieve the long-term solvency and stability of the Highway Trust Fund. Any new surface transportation investments made as part of a robust infrastructure bill should be distributed among existing FAST Act programs. Allocating resources in this manner would ensure that they have the greatest impact on our transportation infrastructure network and our economy as a whole.

Public opinion clearly suggests that infrastructure spending is broadly popular. Recent Gallup polling shows that Americans support substantial infrastructure spending: more than six in ten Americans (64 percent) in March 2017 agreed with the President's proposal to enact a $1 trillion program to improve U.S. infrastructure, including roads, bridges and tunnels. A year earlier, in March 2016, an even larger majority of Americans (75 percent) said they support spending more federal money to improve infrastructure. In addition to winning broad national support, transportation infrastructure renewal sparked majority support from both major parties last year.

The U.S. Transportation Infrastructure System's Needs Cannot Sustain a Status Quo Approach to Investment

Despite the importance of transportation investment to the U.S. economy there is much need for improvement and growth. For example, the 2015 American Association of State Highway and Transportation Officials (AASHTO) Transportation Bottom Line Report found that annual investment in the nation's roads, highways and bridges needs to increase from $88 billion to $120 billion and from $17 billion to $43 billion for the nation's public transit systems to improve conditions and meet the nation's mobility needs. The investment backlog for transportation infrastructure continues to increase, reaching

$836 billion for highways and bridges and $122 billion for transit according to the U.S. Department of Transportation. The American Society of Civil Engineers (ASCE) has identified a $1.1 trillion funding gap for surface transportation between 2016 and 2025.

Americans' use of our transportation systems underscores the necessity to close these funding gaps. The Road Information Program (TRIP) reports, for instance, that increases in vehicle travel since 2000 have resulted in a significant increase in wear and tear on the nation's roads. Vehicle travel growth, which slowed significantly because of the Great Recession and subsequent slow economic recovery, has since returned to pre-recession growth rates. From 2000 to 2016, vehicle travel in the U.S. increased by 16 percent. The rate of growth in vehicle miles traveled has accelerated since 2013, increasing by six percent between 2013 and 2016. Travel by large commercial trucks, which place significant stress on paved road and highway surfaces, continues to increase at a rate approximately double the rate for all vehicles, and is anticipated to continue to grow at a significant rate through 2030. Travel by large commercial trucks in the U.S. increased by 29 percent from 2000 to 2016. The level of heavy truck travel nationally is anticipated to increase by approximately 56 percent from 2018 to 2045, putting greater stress on the nation's roadways.

From coast to coast, major streets and freeways are showing significant signs of distress. Reports provided by the Federal Highway Administration (FHWA) based on data submitted annually by state departments of transportation on the condition of major state and locally maintained roads and highways uncover a litany of troublesome facts, including:

- Forty-four percent of America's major roads are in poor or mediocre condition.
- One-third of the nation's major urban roadways—highways and major streets that are the main routes for commuters and commerce—are in poor condition. These critical links in the nation's transportation system carry 70 percent of the approximately 3.2 trillion miles driven annually in America.
- Forty-five percent of America's major urban interstates experience congestion during peak hours. Traffic congestion costs American motorists $170 billion a year in wasted time and fuel costs.

  The nation's population grew by 15 percent from 2000 to 2017 while new road mileage increased by only five percent.
- Driving on roads in need of repair costs U.S. motorists $130 billion a year in extra vehicle repairs and operating costs – $599 per motorist.

With these worrisome facts in mind, we must remember that our transportation infrastructure needs do not discriminate between rural and urban America. Many of the transportation challenges facing rural America are like those in urbanized areas. However, rural residents tend to be more heavily reliant on their limited transportation network—primarily rural roads and highways—than their counterparts in more urban areas. Residents of rural areas often must travel longer distances to access education, employment, retail locations, social opportunities and health services. As the Department of Transportation (USDOT) reported:

- In 2015, 15 percent of the nation's major rural roads (arterials and collectors) were rated in poor condition 21 percent were rated in mediocre condition, 16 percent were rated in fair condition and 48 percent were rated in good condition.

- In 2016, 10 percent of the nation's rural bridges were rated as structurally deficient.

Furthermore, a concern in the rural areas of our country is motorist safety. As TRIP points out, "[t]he higher traffic fatality rate found on rural, non-Interstate routes is a result of multiple factors, including a lack of desirable roadway safety features, longer emergency vehicle response times, and the higher speeds traveled on rural roads compared to urban roads." Many of the safety deficiencies on rural roads can be fixed. These include narrow lanes, limited shoulders, sharp curves, exposed hazards, pavement drop-offs, steep slopes and limited clear zones along roadsides.

As articulated above, the needs of our nation's transportation infrastructure system are great and extensively catalogued. Nonetheless, so too are the tremendous benefits of sufficiently investing in this system.

The Economic Benefits of Transportation Infrastructure Investment are Well-Documented

The positive relationship between transportation capital investment, economic output and private sector productivity has been well documented for decades by business analysts, economists and the research community. A safe, reliable and efficient transportation network helps businesses increase access to labor and materials, increase market share, expand customer base, reduce production costs, access global markets and foster innovation. A 2017 study performed for NAIOP—the Commercial Real Estate Development Association—by Professor Stephen Fuller of George Mason University found the $1.16 trillion in construction spending in 2016:

- Contributed $3.4 trillion to U.S. GDP.
- Generated $1.1 trillion in new personal earnings.
- Supported a total of 23.8 million jobs throughout the U.S. economy

Transportation investment also drives technology advances. Advances made in autonomous vehicle technology is driven by transportation needs and, once available commercially, will rely on a good transportation network to operate safely and efficiently. There has been a technology boom in transportation construction that is increasing productivity and enhancing quality.

Contractors are making widespread use of drones, estimating and project management software, automated machine guidance systems on equipment, 3D modeling, paperless projects, E-construction, precast-slide in bridges and the list goes on. Most of this technology is developed and manufactured in the United States. New materials and treatments are being developed to lengthen the life of the infrastructure once put in place. Enhancing critical transportation assets will boost the economy in the short-term by creating jobs in construction and related fields.

In the longer-term these improvements will enhance economic competitiveness and improve quality of life by reducing travel delays and transportation costs, improving access and mobility, improving safety, and stimulating sustained job growth.

Continued Federal, State and Local Partnership is Critical to the Success of our National Transportation System

The partnership between federal, state and local governments is essential to our transportation infrastructure. This partnership is as important as ever and must be continued for our country to meet the transportation needs of our growing economy. As such, state and local governments have taken it upon themselves to raise revenue to supplement their respective programs in the absence of new federal investment.

According to the USDOT's *2015 Conditions and Performance* report, state and local governments provided 80 percent of $217 billion invested in state and local road-related programs and 74 percent of $43 billion invested in transit-related programs compared to 20 percent and 26 percent, respectively, contributed by the federal government. States continue to make significant commitments to invest in transportation infrastructure as evidenced by successful enactment of transportation revenue packages in 33 states since 2012. Unfortunately, the federal government has not kept up its end of the bargain by failing to adjust the user fees that provide funding for much of our federal surface transportation investments.

Federal leadership and commitment is crucial to ensuring the continued success of this long-standing partnership. The certainty of federal investments allows state departments of transportation (DOTs) to make needed investments in the major freight corridors that drive national and regional economic growth. The one million miles of roadways eligible for the federal aid highway program account for 25 percent of total miles but carry 84 percent of all traffic. The 48,000 miles of the Interstate Highway System, which is the backbone of the U.S. economy, carries 25 percent of all traffic, including over half of the miles driven by freight trucks delivering goods across the country. Federal investment also accounts for 82 percent of rural and 64 percent of urban transit agency capital outlays, in infrastructure and rolling stock. Federal-aid funding remains critical to state-level capital investment in highways and bridges, averaging 52 percent of that state investment in recent years.

Highway accessibility was ranked the number one site selection factor in a 2017 survey of corporate executives by Area Development Magazine. Labor costs and the availability of skilled labor, which are both impacted by a site's level of accessibility, were rated second and third, respectively. Seventy-three percent of the $27.7 trillion worth of commodities shipped to and from sites in the U.S. is transported by trucks on the nation's highways. An additional 14 percent is delivered by rail, water, parcel, U.S. Postal Service or courier, which use multiple modes, including highways.

A Broad Infrastructure Package Must include a Sustainable, Long-term Solution to Funding the Highway Trust Fund

The FAST Act expires on September 30, 2020. AGC urges Congress to use the opportunity provided by a broad infrastructure package to fix the Highway Trust Fund (HTF) and look at ways to enhance the existing federal transportation infrastructure programs. While the FAST Act was a welcome reprieve from the uncertainty created by the many delays and short-term reauthorization extensions that led up to its passage, it still left a great deal of uncertainty about future surface transportation investments. The FAST Act temporarily stabilized federal highway and public transportation investment by transferring $70 billion from the General Fund of the U.S. Treasury to supplement an estimated $208 billion in HTF revenue from existing sources over the five-year duration of the bill.

Soon after the FAST Act expires, additional revenue of some $20 billion per year will be needed just to maintain current funding levels. Failing to address the HTF's ongoing revenue shortfall leaves open the possibility of disruptive uncertainty for states and the construction industry leading up to and after the expiration of the FAST Act. Without an extension and new revenue, AASHTO estimates that states will see about a 50 percent reduction in highway funding from FY 2020 to the following year and $47 billion to $23 billion in FY 2021. We urge you to act sooner rather than later. In the past, failure to meet the deadline resulted in numerous short-term extensions that caused project delays and cancellations, higher costs and delay of improvements affecting safety, efficiency and economic development

Federal Motor Fuels and Diesel User Fees

With the hope that the legislation will not just keep the country treading water but will instead provide the kind of investment needed to propel our economy into the future, AGC urges you to provide real, reliable, dedicated and sustainable revenue sources derived from the users and beneficiaries of the system for the Highway Trust Fund that supports increased federal surface transportation investments. Additionally, any new revenue should be dedicated solely to surface transportation improvements and preferably distributed through the current federal highway and transit programs. AGC's preferred method to address the solvency of the HTF is an increase in the federal motor fuels tax—something that has not been done since 1993—of 25 cents for both gasoline and diesel. Recognizing the growing number of electric and hybrid vehicles, we also recommend Congress consider fees or charges that would ensure these vehicles pay into the system they use. For example, consideration should be given to imposing an annual registration fee for electric and hybrid vehicles.

Vehicle Miles Traveled or Mileage Based User Fees

In 2009, the National Surface Transportation Infrastructure Commission concluded that the U.S. needs a new approach to transportation infrastructure financing. The commission specifically notes that "[d]direct user charges are the most viable and sustainable long term- user pay option for the Federal government." There, the commission recommended moving to a vehicle miles traveled (VMT) fee or mileage-based user fee (MBUF). The VMT is a user charge based on miles driven in a specific vehicle as opposed to the current excise tax on fuel consumed. At its simplest, the fee would be cents per mile. A VMT would ensure that all users are paying their "fair share" to keep roads and bridges in a state of good repair regardless of the type of vehicle they drive.

To make it work on a national scale, a VMT system needs to be tested, piloted and refined at the state and local level. In the FAST Act, Congress provided some $95 million to states to undertake pilot programs to look at implementation of a VMT fee. Numerous states are currently undertaking these studies and they are showing positive results. The VMT seems to make sense as a future replacement for the motor fuels tax but is not ready for implementation just yet. We urge you to continue to provide assistance to states to continue these pilots. The next step should be to build on the results of these state pilots and institute a national pilot program.

Public Private Partnerships

Public Private Partnerships (P3s) have been given much emphasis in the past few years. Clearly, there is a place for P3s in addressing current and future transportation needs. P3s bring additional financing to the table to address transportation needs that would not be there without federal encouragement. In addition, P3s shift risk away from state DOTs and bring new players into the operations and maintenance mix. However, P3s are not the one and only answer to the funding shortfall. Only certain types of projects may attract P3 development. These are primarily revenue generating projects based in largely in dense urban areas. While encouragement for P3s should continue, it must be understood that they are an enhancement and not the solution to the funding shortfall.

Further Improving the Environmental Review and Permitting Process

AGC is very appreciative for the work this committee has undertaken in helping enact bipartisan environmental reforms in MAP-21 and the FAST Act. But more work can be done and improvements upon those enacted reforms can be made.

AGC members have pointed to a host of technical and procedural problems that government agencies face, in general, during document preparation and interagency reviews: they inevitably lead to inconsistencies in the environmental approval process, schedule delays and costs overruns. Such uncertainty spurs legal challenges, which can ultimately threaten the viability of the project. AGC has worked closely with the current Administration and supports their efforts to further improve the environmental review and permitting process. Additionally, we have shared our extensive environmental recommendations to the House and Senate in testimony or statements for the record[1]. Three of these reforms that would have substantial positive impacts are:

[1] The Associated General Contractors of America to the U.S. House of Representatives Committee on Small Business for a hearing on "Evaluating the Paperwork Reduction Act: Are Burdens Being Reduced?", March 29, 2017; (2) The Associated General Contractors of America to the U.S. Senate Committee on Environment and Public Works for a hearing on "Infrastructure Project Streamlining and Efficiency: Achieving Faster, Better, and Cheaper Results", May 3, 2017; (3) The Associated General Contractors of America to the U.S. House of Representatives' Committee on Small Business for a hearing on "Expediting Economic Growth: How Streamlining Federal Permitting Can Cut Red Tape for Small Businesses", September 6, 2017; (4) The Associated General Contractors of America to the U.S. Senate Committee on Homeland Security & Governmental Affairs' Permanent Subcommittee on Investigations for a hearing on "Cutting Through the Red Tape: Oversight of Federal Infrastructure Permitting and the Federal Permitting Improvement Steering Council", September 7, 2017; and (5) The Associated General Contractors of America to the U.S. House of Representatives Committee on Transportation and Infrastructure Subcommittee on Water Resources and Environment for a hearing on "America's Water Resources Infrastructure: Approaches to Enhanced Project Delivery", January 18, 2018.

- First, require a merger of the National Environmental Policy Act and Clean Water Act 404 permitting processes with the U.S. Army Corps of Engineers issuing permits at the end of the process, using the NEPA-generated information;
- Second, allow the monitoring, mitigation and other environmental planning work performed during the NEPA process, and included the final Environmental Impact Statement / Record of Decision, to satisfy federal environmental permitting requirements, unless there is a material change in the project; and
- Third, develop a reasonable and measured approach to citizen suit reform to prevent misuse of environmental laws.

Conclusion

Mr. Chairman, thank you again for convening today's hearing, your leadership and for allowing AGC to participate. The role of our national transportation system in supporting U.S. competitiveness and our quality of life cannot be understated. Transportation impacts the daily lives of citizens and businesses in every state in the Union. The American public recognizes the need to improve our system and bring it back to world class status.

A golden opportunity is before the Congress. At a time when it seems there is little we all agree on, infrastructure may prove to be the missing link. I urge this committee to take advantage of this opportunity. An important step Congress can take is to fix the Highway Trust Fund. Providing a reliable, dedicated and sustainable revenue source derived from the users and beneficiaries of the transportation system to not only address the annual shortage but allow for robust future investments is key. Please don't put off this debate until later. The longer we wait the more difficult the solution becomes. You have shown great leadership in not waiting until the new Congress convenes before holding this hearing. Please continue that leadership and work with your colleagues here in the Senate and over in the House to allow such legislation to move forward. Again, thank you for your time and consideration.