

Statement of

The American Society of Civil Engineers

**The Need to Invest in America's Infrastructure
and Preserve Federal Transportation Funding**

United States Senate

Committee on Environment and Public Works

September 25, 2013

The American Society of Civil Engineers (ASCE)¹ would like to commend the Senate Environment and Public Works Committee for holding a hearing on the need to invest in America's infrastructure by preserving federal surface transportation funding. Federal revenues supporting the Highway Trust Fund have not been adjusted since 1993; however, demands on the system continue to grow. As a result, current levels of highway and public transportation investment cannot be maintained solely with trust fund resources and Congress has had to rely on the General Fund to shore up resources.

ASCE strongly urges Congress to identify a long-term funding solution for the nation's surface transportation programs in order to guarantee increased revenues for the 2014 reauthorization bill. While MAP-21 reformed the federal highway and transit program, Congress was only able to cobble together two years of funding, meaning the long-term certainty that the program requires for construction projects was not provided. Holding a hearing today, a year before MAP-21 will expire, on the sustainability of the trust fund and assessing what the impacts are to the nation's roads, bridges, and public transportation systems is an important first step in the process.

An Aging Infrastructure System

Our infrastructure is the foundation on which the national economy depends, yet it is taken for granted by most Americans. While the Interstate Highway System is a shining example of a focused national vision for the nation's infrastructure, an ever expanding population and a growing economy requires these aging infrastructure systems to keep pace. Deteriorating and aging infrastructure is not only an inconvenience, it financially impacts our families, local communities, and our entire country.

While revenue for the Highway Trust Fund continues to fall short, the current lack of infrastructure investment has also weakened or nation's surface transportation system, as well as critical industries and construction employment. Our inability to keep our infrastructure efficient undermines the U.S. competitiveness and economic strength.

ASCE's *2013 Report Card for America's Infrastructure*² graded the nation's infrastructure a "D+" based on 16 categories and found that the nation needs to invest approximately \$3.6 trillion by 2020 to maintain the national infrastructure in good condition. The following are the grades and the investment needs by 2020 for the surface transportation area:

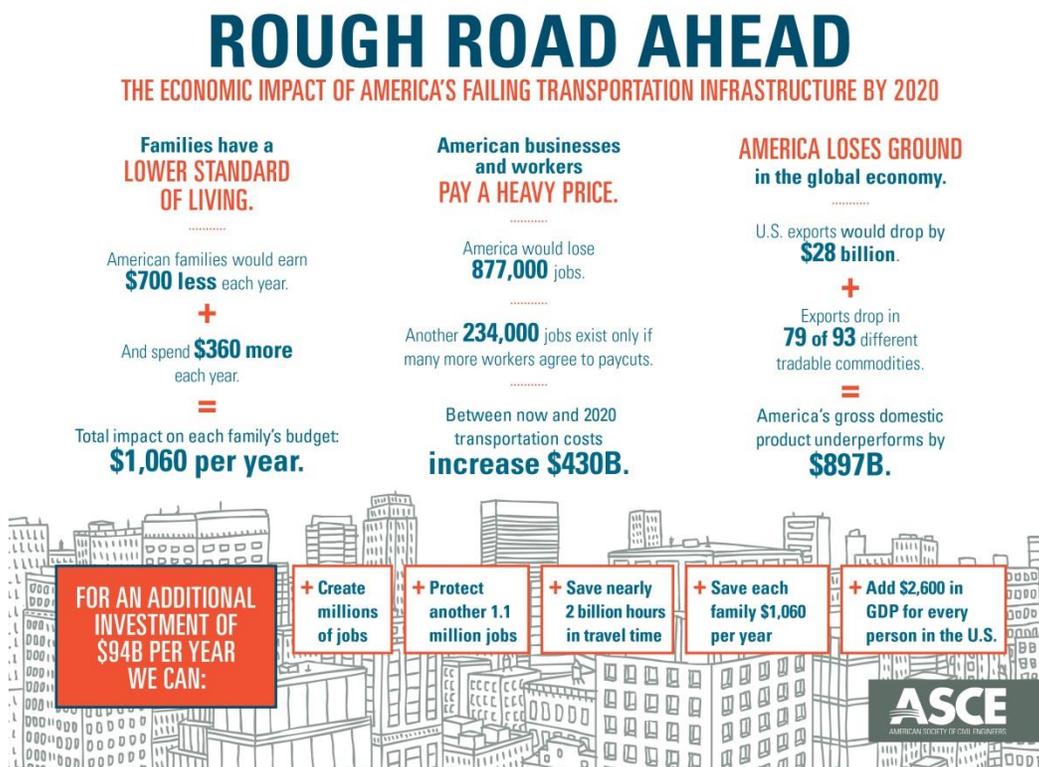
- Bridges received a grade of C+;
- Transit received a D;
- Roads received a grade of D, and combined with bridges, and transit, have an estimated investment need of \$1.7 trillion; and
- Rail received a grade of C+ and has an estimated investment need of \$100 billion.

¹ ASCE was founded in 1852 and is the country's oldest national civil engineering organization. It represents more than 146,000 civil engineers individually in private practice, government, industry, and academia who are dedicated to the advancement of the science and profession of civil engineering. ASCE is a non-profit educational and professional society organized under Part 1.501(c) (3) of the Internal Revenue Code. www.asce.org

² www.infrastructurereportcard.org

In an effort to see how significant investments are to the nation’s infrastructure, ASCE released a series of economic studies that answer a critical question – what does a “D+” mean for America’s economy and what is the return on investment we can expect to see. In 2011, ASCE released the study that measures the potential impacts to the economy in 2020 and 2040 if the nation merely maintains current levels of surface transportation investments.

The study, *Failure to Act: the Economic Impact of Current Investment Trends in Surface Transportation Infrastructure*³, found that if investments in surface transportation are not made, families will have a lower standard of living, businesses will be paying more and producing less, and our nation will lose ground in a global economy. The nation’s deteriorating surface transportation will cost the American economy more than 876,000 jobs, and suppress the growth of the country’s GDP by \$897 billion in 2020. The study also estimates that more than 100,900 manufacturing jobs will be lost by 2020. Ultimately, Americans will also get paid less. While the economy will lose jobs overall, those who are able to find work will find their paychecks cut because of the ripple effects that will occur through the economy. In contrast, a study from the Alliance for American Manufacturing shows that roughly 18,000 new manufacturing jobs are created for every \$1 billion in new infrastructure spending.



Failure to Act also shows that failing infrastructure will drive the cost of doing business up by adding \$430 billion to transportation costs in the next decade. Firms will spend more to ship goods, and the raw materials they buy will cost more due to increased transportation costs. Productivity costs will also fall, with businesses underperforming by \$240 billion over the next

³ www.asce.org/failuretoact

decade; this in turn will drive up the costs of goods. As a result, U.S. exports will fall by \$28 billion, including 79 of 93 tradable commodities. Ten sectors of the U.S. economy account for more than half of this unprecedented loss in export value – among them key manufacturing sectors like machinery, medical devices, and communications equipment. On the contrary, most of America’s major economic competitors in Europe and Asia have already invested in and are reaping the benefits of improved competitiveness from their infrastructure systems.

Therefore, by improving the nation’s deteriorating infrastructure system both economic and job creation opportunities will be provided, however first Congress will need to identify additional revenue for the Highway Trust Fund.

A Diminishing Highway Trust Fund

Since the creation of the Interstate Highway System in 1956, the Highway Trust Fund has been supported by revenue collected from road users. This “pay-as-you-go” system has served the nation well over the past half a century, allowing States to plan, construct, and improve the surface transportation network. Additionally, the reliable stream of user-supplied revenue has been critical to the legislative process, because it has enabled Congress to guarantee the availability of multi-year funding to States.

The federal gas tax has not been changed in twenty years, creating a revenue shortfall that increases each year and which has been exacerbated by the weak economy. Currently, the Highway Trust Fund is allocating more than the revenues it receives, with the trust fund allocating \$15 billion more in 2012 alone. However, the problems that the Highway Trust Fund has experienced over the past five years pale in comparison to the 10 year shortfall projected by the Congressional Budget Office (CBO).

The Congressional Budget Office recently projected that to prevent a massive shortfall for highway and transit spending in 2015, Congress will need to severely cut highway spending by 92%, transfer \$14 billion to the Highway Trust Fund from the General Fund, raise the federal gas tax by at least 10 cents per gallon, or implement some combination of the three. If nothing is done to make the Highway Trust Fund solvent, forecasts show that the fund will be insolvent by October 2014, which would cut annual federal highway investment from \$41 billion to \$6 billion and annual transit investment from \$11 billion to \$3 billion. On the other hand, if current revenue and spending rates remain unchanged, the shortfall would exceed \$100 billion by 2023. This is an unacceptable path.

Establishing a sound financial foundation for future surface transportation expansion and preservation must be an essential part of a reauthorization. Despite increased funding levels in the Transportation Equity Act for the 21st Century (TEA-21), the Safe, Accountable, Flexible, and Efficient Transportation Equity Act: A Legacy for Users (SAFETEA-LU), and Moving Ahead for Progress in the 21st Century (MAP-21), the nation’s surface transportation system requires even more investment. The current spending of \$91 billion per year, from all levels of government, for highway capital improvements is well below the estimated \$170 billion needed annually to improve conditions.

The Federal Transit Administration (FTA) estimates a maintenance backlog of nearly \$78 billion needed to bring all transit systems up to a state of good repair. Demand for freight rail

transportation is projected to nearly double by 2035 requiring an estimated \$148 billion in improvements to accommodate the projected rail freight demand increase. With funding as the cornerstone of any attempt to authorize the nation's surface transportation programs, it is imperative that a variety of funding issues be advanced as part of an overall strategy.

ASCE supports a reliable, sustained user fee approach to building and maintaining the nation's highways and transit systems and believes that all funding and financing options should be considered by Congress. In recent years the Simpson-Bowles Commission and the Gang of Six on the National Debt have each come to the conclusion that additional user-based revenue to needed, with each suggesting an increase in the gas tax. However, a full range of options must be considered within the context of reauthorization, but also in the context of a broader tax reform package.

Increasing Revenue for the Highway Trust Fund to Provide Adequate Infrastructure Investment

While the federal gas tax is an important element of the current revenue stream feeding the Federal Highway Trust Fund, it should be just one of many options considered. While in the short term an increase in the gas tax might be the simplest way to quickly infuse the Highway Trust Fund with additional revenue, it might not be the best method for long term viability. ASCE supports a three step process to remedy this condition. First, raise the motor gas tax in the immediate term through a broader tax reform package. This would provide a much needed infusion of funding. In tandem with raising the motor fuels user fee, ASCE believes that it is important to shore up the weakness of the motor fuels user fee and its inability to retain value over the long term by adding a provision to the law that would index it based on the Consumer Price Index (CPI). This would allow the rate to adjust, thus reflecting the current economic conditions of the nation. Finally, motor fuels other than gasoline (diesel, ethanol, bio-diesel, etc.) must be taxed in a manner equitable to the gasoline user fee, while other revenue sources are also examined.

Long-term Viability of Fuel Taxes for Transportation Finance

ASCE supports the need to address the issue of future sources of revenue for surface transportation funding. Congress should allow for the exploration of the feasibility of the most promising funding options that will ensure the viability of the Trust Fund. In particular, the impacts of increased fuel efficiency and alternate fuel technologies such as fuel cells should be studied. A mileage-based system for funding our nation's surface transportation systems also needs further study, and the recommendation of the National Surface Transportation Infrastructure Financing Commission calling for a transition to a mileage-based user fee system must be considered. A federal effort to follow up on the work done in Oregon should be executed to determine the practicality of such a program. This data will be critical in determining how to generate Trust Fund revenue as the nation's dependence on gasoline as a fuel source for automobiles is reduced.

Innovative Financing

Innovative financing techniques can greatly accelerate infrastructure development and can have a powerful economic stimulus effect compared to conventional methods. However, it must be

recognized that innovative financing is not a replacement for new funding. ASCE supports innovative financing programs and the use of public-private partnerships and advocates making programs available to all states where appropriate. Additionally, the federal government should make every effort to develop new programs. These types of programs include the Transportation Infrastructure Finance and Innovation Act, National and State Infrastructure Banks, and Grant Anticipation Revenue Vehicles. It should be noted, however, that innovative financing does not produce revenue, and should not be seen as an alternative to increasing direct user fee funding of surface transportation infrastructure.

Conclusion

Transportation infrastructure is the critical engine supporting the nation's economy, national security, and public safety. It is the thread which knits the country together. To compete in the global economy, improve our quality of life and raise our standard of living, we must successfully rebuild America's public infrastructure. Faced with that task, Congress must continue to fund surface transportation projects and should approve a long-term Highway Trust Fund revenue solution to complement Moving Ahead for Progress in the Twenty-First Century's (MAP-21) policy reforms before the law expires in September 2014. This long overdue combination would maximize the ability of federal resources to build and maintain a national surface transportation network that boosts economic competitiveness and job creation.

ASCE looks forward to working with the Committee as it develops additional revenue for the Highway Trust Fund and begins work to reauthorize surface transportation programs.