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HEARING ON THE USE OF TIFIA AND INNOVATIVE FINANCING IN
IMPROVING INFRASTRUCTURE TO ENHANCE SAFETY, MOBILITY, AND
ECONOMIC OPPORTUNITY

Wednesday, July 12, 2017

United States Senate

Committee on Environment and Public Works

Washington, D.C.

The committee met, pursuant to notice, at 10:10 a.m. in room 406, Dirksen Senate Office Building, the Honorable John Barrasso [chairman of the committee] presiding.

Present: Senators Barrasso, Carper, Boozman, Wicker, Ernst, Cardin, Whitehouse, Gillibrand, Duckworth, and Harris.

STATEMENT OF THE HONORABLE JOHN BARRASSO, A UNITED STATES
SENATOR FROM THE STATE OF WYOMING

Senator Barrasso. Good morning. I call this hearing to order. This is the sixth hearing our Committee has held this year on improving our Nation's highways, bridges, and water projects.

As these hearings have shown, infrastructure is critical to our Nation's prosperity, and the needs and solutions for rural and urban areas are frequently different.

Solutions to address and pay for fixing our Nation's crumbling roads and bridges are not one-size-fits-all. Private financing, especially for transportation projects, tends to be much less effective in sparsely populated parts of our Country. It can play an important role in and around large population centers.

Big ticket projects that cause billions of dollars, or even projects that cost hundreds of millions of dollars, are rare in rural and small States like Wyoming. Large projects are frequently critical for urban areas. Many of these projects are made possible through financing, combining Federal, State, and local assets.

Today we are here to receive testimony from experts about the range of financing options that can be used to rebuild our transportation infrastructure. Leveraging public funding to

maximize private investment is a tool that the Administration strongly supports. A primary existing mechanism is the loans and loan guarantees provided by the Transportation Infrastructure Finance and Innovation Act, commonly referred to as TIFIA. TIFIA loans have been used successfully for the construction of critical transportation infrastructure.

Today we will hear about a TIFIA success story in California from Anne Mayer, the Executive Director of the Riverside County Transportation Commission; Jennifer Aument, of Transurban, will testify about other innovative transportation funding options and ways we can improve and broaden TIFIA so more of our communities can benefit; and Mr. Christopher Coes will share Smart Growth America's ideas about how to improve the program for smaller and transit-oriented projects.

I believe that, working together in a bipartisan way, this Committee can find transportation solutions that work for both rural and urban America.

I will now turn to Ranking Member Carper for his comments.

[The prepared statement of Senator Barrasso follows:]

STATEMENT OF THE HONORABLE THOMAS R. CARPER, A UNITED STATES
SENATOR FROM THE STATE OF DELAWARE

Senator Carper. Thank you so much, Mr. Chairman.

To our witnesses, welcome. Very nice to see you. We are glad you are here.

Mr. Chairman, I am grateful to you for calling the hearing on TIFIA. It is an important source of low cost financing, as we know, for thousands of critical projects across our Country, and that includes Delaware.

I am going to take a minute to describe why it is important to us.

Senator Barrasso and I sometimes talk about the 80/20 rule, which we first learned from Mike Enzi, who once described his ability to work very well with Ted Kennedy, a very liberal Democrat, and Mike Enzi a very conservative Republican, who were the co-leads on the Health, Education, Labor, and Pensions Committee. They got a lot done.

I once asked Mike Enzi, how are you and Ted Kennedy able to get so much done, and he said, we believe in the 80/20 rule. I said, what is that? He said, the 80/20 rule, Ted and I agree on 80 percent of the stuff; we disagree on 20 percent of the stuff. So what we do is we focus on the 80 percent where we agree.

On this Committee's broad agreement with the leader, this Chairman, and before him Senator Inhofe and Barbara Boxer had

broad agreement on a lot of the transportation and infrastructure items. And there is, I think, special agreement on TIFIA. One of the things we like about TIFIA I will mention in a minute is how much other money, private sector money, public money, State and local money, that we can leverage through TIFIA.

But our State has just closed its first TIFIA loan. We did it last year for a project on U.S. 301. And if you are leaving Washington, D.C., you get on Route 50 heading east, trying to get to those great Delaware beaches, and pretty good Maryland beaches too. But you get on Route 50 heading east and you get to a point you can go south and head to the beaches or head north on the 301.

U.S. 301 is a four-lane highway. It is a beautiful stretch of road, one of the loveliest stretches of road on the east coast. A four-lane road, and it goes all the way through Maryland to the Delaware line, where it becomes a two-lane road, a two-lane road, and on a busy day it gets to be a very crowded two-lane road.

But we have a project underway on U.S. 301 that will make it easier for drivers to travel through our State and get up to I-95, if they want to, or find someplace in Delaware to go to. It will also make our community safer by taking large trucks off our smaller local streets, and our State will repay a \$211

million loan with toll revenues and other State transportation funds.

The U.S. 301 project has a total construction cost of over \$400 million. That is a lot of money for a little State. That is more than three times as much funding as Delaware receives annually, in fact, from the Federal Highway formula programs.

Without this loan, the U.S. 301 project could never have been completed. And, again, it is not just for Delaware; it is actually for a lot of folks that are moving a lot of commerce that is moving through that part of our Country.

The TIFIA loan helped to leverage, as I said, other bonds and State funding for the project and provided a lower interest rate and beneficial repayment terms that help the State take on such a big project.

Across the Country, the story is very much the same. TIFIA is a critical component of a funding package for large projects. It helps to leverage non-Federal funding, including State, local, and private dollars.

It is important to recognize, though, TIFIA is not the solution for all types of projects. There are certain types of projects that have not received loans through TIFIA. TIFIA has provided loans for just 64 projects total since it was authorized in 1998. Think about that. How many years is that, 19 years? Nineteen years. Do the math. That is about four

projects a year. But the vast majority of these projects have ranged in total cost from about \$200 million to \$3 billion, so there are some big ones.

The President has called on Congress to expand the TIFIA program in order to encourage more non-Federal investments and, stop the presses, I think he is right. As we consider that call, we should acknowledge that TIFIA is a useful tool, not replacement for direct grants to States and cities.

We should also look for opportunities to make TIFIA available for a wider range of projects, and that includes smaller projects as well as multi-billion dollar investments that have the potential to transform regional economies like the project we are doing in Delaware.

The FAST Act expanded eligibility for small and rural projects, and for projects to build transit-oriented developments. However, to date, none of these project types have received TIFIA loans.

We look forward to working with the Chair, colleagues on the Committee, including Senator Inhofe, to expand and broaden this program, and I look forward to hearing the testimony and suggestions for doing so from our panel today.

Welcome, everybody. Bienvenido, as we say in Delaware.

[The prepared statement of Senator Carper follows:]

Senator Barrasso. Thank you, Senator Carper.

Before we hear from our witnesses, I would like to invite Senator Harris to introduce one of our witnesses from her home State of California.

Senator Harris. Thank you, Chairman Barrasso and Ranking Member Carper. I appreciate and agree wholeheartedly that there are so many issues that are presented to this Committee and to all of us as Senators, the vast majority, in fact, that are not even bipartisan or non-partisan, and it is critical that we approach them that way.

So thank you, Mr. Chairman. I am honored to introduce Anne Mayer from California.

It is good to see you again. I welcome you warmly to the United States Senate.

She is the Executive Director of the Riverside County Transportation Commission, also known as RCTC. Riverside County is the tenth most populous county in the Nation and home to over 2.3 million people. It is also located approximately 60 miles east from the ports of Los Angeles and the Port of Long Beach, making it a major transportation corridor for the goods in and out of the United States.

Residents and visitors to Riverside are used to sharing their highways with a high volume of trucks, but as the population continues to grow, so does congestion. This is part

of a State that suffers from poor air quality, mostly due to the number of vehicles moving through it, so that growing traffic also threatens public health.

As head of RCTC, Ms. Mayer oversees the safe and reliable mobilization of the people and all the international and domestic products that pass through the region. She has over 34 years of service as a transportation official and civil engineer. Previous to her current role, she served as the District Director of the California Department of Transportation's geographically largest district, which is District 8 in San Bernardino and Riverside Counties. And with her extensive knowledge and experience, Anne has led RCTC to look for different solutions to meet the challenging transportation demands in Riverside County.

During her tenure, she steered RCTC into successfully receiving one of the United States Department of Transportation's earliest TIFIA loans to expand State Route 91, a project that cost a total of \$1.4 billion. She has also helped expand Southern California's commuter rail line, MetroLink, to expand service from Los Angeles into Southwest Riverside County.

Riverside County is a model of how a transportation agency can leverage Federal resources and bring jobs and transportation to a community that needs both. Therefore, it is my distinct

pleasure to hear from Anne about how we can efficiently and effectively accelerate the development of infrastructure improvement projects for the benefit not only of California, but the entire Nation.

Thank you, Mr. Chairman.

Senator Barrasso. Well, thank you very much.

I want to remind the witnesses that your full written testimony will be made part of the official hearing record, so please try to keep your statements to five minutes so that we may have time to questions. I look forward to hearing the testimony of each of you, beginning with Ms. Mayer.

STATEMENT OF ANNE MAYER, EXECUTIVE DIRECTOR, RIVERSIDE COUNTY
TRANSPORTATION COMMISSION

Ms. Mayer. Good morning, Chairman Barrasso, Ranking Member Carper, and members of the Committee.

Senator Harris, thank you for the kind introduction.

Thank you all for the opportunity to testify about our experience with TIFIA and recommendations for the future of the program.

I would like to start by thanking this Committee for your work on the FAST Act. The FAST Act made TIFIA a more user-friendly and effective program for regional transportation agencies like ours.

TIFIA is an important program that provides a flexible and low-cost source of financing that allows State and regional governments to put less money into debt repayments and more money into projects.

Let me take a minute to describe how TIFIA has helped our county. As was mentioned, Riverside County is both geographically and economically diverse, spanning over 7,000 square miles, with both urban and rural areas. We have the population of New Mexico in the area the size of New Jersey.

Riverside County is what we call a self-help county. Our voters have approved sales tax measures for transportation on two occasions. The combination of local and Federal dollars can

lead to transformative projects that change thousands of lives for the better.

The \$1.4 billion 91 corridor improvement project has been RCTC's largest undertaking to date, with the TIFIA program providing a loan of \$421 million. The TIFIA loan was absolutely essential to the financing of the project. Without it, we would have faced costly delays or increased costs from issuing municipal debt. The project opened to traffic in March of 2017, and I am very pleased to report that the results have been overwhelmingly positive.

Now we are seeking to do even more with the TIFIA program. We are currently in the process of applying for another TIFIA loan of \$152 million for the Interstate 15 Express Lanes project. This \$471 million project will add two tolled express lanes in Northwest Riverside County.

We have learned many lessons from our extensive work with the TIFIA program. With the leadership of this Committee, Congress has made the TIFIA program more stable by creating a predictable application and approval process.

In the years between financing the 91 and the I-15 projects, there has been a decreased appetite for financial risk out of the TIFIA office. We welcome rigorous Federal review to ensure the integrity of the TIFIA program, but would ask that the review not be overly onerous or costly for project sponsors.

Because of uncertainty created with the change in administrations, we were concerned about delays in approving the I-15 project. We had to pencil out what would happen if we had to abandon the TIFIA program. We estimated that financing the I-15 project without TIFIA, and using more traditional bonds, would cost RCTC an additional \$25 million. Thankfully, the Council on Credit was able to convene last month and approve our TIFIA loan, which now awaits Secretary Chao's decision.

I commend every employee who works on this program for the integrity with which they administer it. We have had challenges, but we have addressed them head on and together as a team.

Given our experiences with the TIFIA program, I would like to highlight a few of our recommendations.

Maintain mode neutrality; continue the rolling application process; maintain a high bar for financial feasibility for TIFIA projects, but not so high that project sponsors cannot afford the time or the cost to apply; continue the Build America Bureau and Federal Highway Administration efforts to address permitting issues with other regulatory agencies; and encourage the integration of TIFIA requirements into other approval processes.

In conclusion, TIFIA must continue as an essential financing source for revenue-backed transportation projects, and must remain insulated from politics and stay focused on

objective measures such as credit worthiness and deliverability of projects.

As Congress and the Administration look to pursue an infrastructure initiative and prepare for the reauthorization of the FAST Act in 2020, please look to RCTC as a resource. We stand ready to assist you in your efforts.

Thank you again for allowing me to testify today, and I look forward to answering your questions.

[The prepared statement of Ms. Mayer follows:]

Senator Barrasso. Thank you, Ms. Mayer.

Ms. Aument.

STATEMENT OF JENNIFER AUMENT, GROUP GENERAL MANAGER, TRANSURBAN
NORTH AMERICA

Ms. Aument. Good morning. Chairman Barrasso, Ranking Member Carper, and members of the Committee, thank you for your leadership on transportation and for the opportunity to speak to you today on the benefits available through TIFIA and other efforts to leverage private sector financing and innovation to deliver transportation improvements.

My name is Jennifer Aument, and I am the Group General Manager-North America for Transurban.

Transurban is the largest infrastructure company in Australia and among the largest toll road builders and operators in the world. We manage and develop urban toll road networks by partnering with governments to deliver innovative transportation solutions. Transurban has delivered \$25 billion to upgrade capacity, ease road congestion, and provide travel time savings in the cities in which we operate.

There is much discussion in Washington right now and among members of this Committee about the potential to leverage private capital to help available funds go further. I am pleased to be here today to provide concrete examples of how this model is working to deliver transformational transportation projects that unlock congested cities, provide travelers with more options, create thousands of jobs, and inject billions into

the economy.

Here in the United States, like California, Virginia has established itself as a key leader in embracing innovative transportation solutions. We are fortunate to have had the opportunity to work with the Commonwealth to deliver a \$3 billion Express Lanes network on the Capital Beltway and I-95 just across the river in Virginia. It is among the best examples in the Country of how States can successfully leverage private capital and partnership to meet critical transportation needs.

The 495 and 95 Express Lanes projects are 45 miles of dynamically priced high occupancy toll lanes. The Express Lanes, which run parallel to the existing regular lanes, provide options for travelers to pay a toll to avoid the infamous congestion of the region. Carpools and transit vehicles may access the lanes at no charge.

Both projects utilize the TIFIA program, as well as Private Activity Bonds. The innovative financing approach enabled the Commonwealth of Virginia to leverage private capital to translate \$492 million in public investment into \$3 billion worth of transportation improvements. When factoring in construction costs as well as operations and maintenance, which Transurban is responsible for, the Commonwealth's direct return on its investment is 29 times for the 495 Express Lanes and 110

times for the 95 Express Lanes project.

The projects, which were both delivered on time, on budget, and with industry-leading safety records, also created more than 28,000 jobs during construction and generated \$6.3 billion in economic activity.

Now in operation, the Express Lanes serve nearly 100,000 carpoolers and 940 bus trips every day. We save commuters 225,000 hours of delay a month, which is why it is no surprise that recent surveys show that more than 90 percent of frequent toll-paying customers give the lanes rave reviews.

The success of Virginia's Express Lanes network would not have been possible without the TIFIA program. Thanks to the program's flexible terms and attractive interest rates, TIFIA enables major projects to be delivered that might not otherwise be possible.

As both a long-time TIFIA advocate and borrower, Transurban believes that administrative and policy changes are necessary to ensure the program can continue to deliver on its policy mission and realize its full potential in helping to meet our Nation's transportation needs.

TIFIA can build on the success that it has had under the leadership of this Committee and produce even greater transportation outcomes by promoting consistency in its loan terms and conditions; strategically managing risks across its

portfolio to enable it to support more projects, while also protecting taxpayers; and providing greater certainty and speed in the evaluation and approval process.

Projects benefit when borrowers can depend on consistency in major terms over time, and can have confidence in an underlying risk framework within which terms are defined and loan decisions made. This consistency is critical to the project planning process and the sponsors' ability to work with our government partners to develop transportation projects that meet policy needs and can ultimately be financed and delivered.

When developing major projects, certainty and process in timing is also critical, particularly when private investors are involved. Transurban recently made the difficult decision not to pursue TIFIA to support the 395 Express Lanes project. Looking at all aspects of the project, we decided that the potential costs associated with the uncertainty around the terms TIFIA would require for the 395 loan, as well as the timing and process for approval, outweighed the benefits that a TIFIA loan could provide.

Fortunately, we worked with Virginia to find another solution that enabled us to move forward with the project, which breaks ground in a couple of weeks. But that solution may not, in fact, will not be available for other projects. Policies that drive transparency and certainty in process and terms will

ensure that TIFIA can continue to support transformational projects like the Express Lanes.

Beyond TIFIA reform, the Federal Government can take additional steps to help increase the pipeline of transportation projects and attract more private investment. Private Activity Bonds have been a cornerstone of the P3 industry in the U.S., supporting 16 of the 20 privately financed major projects that have closed over the last decade.

It is critical that Congress increase PABs authorization to support growing demand for the program and expand the program to accommodate new, more innovative and diverse projects, including brownfield projects.

The U.S. could also benefit from replicating certain programs from around the world that have proven to attract private investment and help States increase the total funding available for infrastructure, including Australia's Asset Recycling Model. If merited in the U.S., this kind of federal incentive program could unlock billions in proceeds to support new projects. In fact, Transurban estimates the top 10 existing U.S. public toll roads alone have the potential to unlock as much as \$150 billion for new transportation projects.

These kinds of programs, combined with a long-term sustainable public transportation funding, will enable the U.S. to put the best of government and the private sector to work to

help rebuild our infrastructure, create jobs, and get the economy moving.

Mr. Chairman, Ranking Member Carper, and Committee members, thank you again for inviting me to be part of this dialogue today.

[The prepared statement of Ms. Aument follows:]

Senator Barrasso. Well, thank you very much for sharing your testimony.

Mr. Coes.

STATEMENT OF CHRISTOPHER COES, VICE PRESIDENT FOR REAL ESTATE
POLICY AND EXTERNAL AFFAIRS, SMART GROWTH AMERICA DIRECTOR,
LOCUS: RESPONSIBLE REAL ESTATE DEVELOPERS AND INVESTORS

Mr. Coes. Good morning, Chairman Barrasso, Ranking Member Carper, and members of this Committee. Thank you for the opportunity to testify today on the importance of TIFIA and financing transit, transit-oriented development, and local infrastructure projects.

I am Christopher Coes, Vice President at Smart Growth America, leading the LOCUS and TOD Finance and Advisor programs, representing billions of dollars in real estate assets ready to invest in America's crumbling infrastructure, while revitalizing its neighborhoods.

There is a pent-up demand for walkable communities in urban, suburban, and rural markets. According to a recent Smart Growth America report, in the Country's 30 largest metro areas, walkable neighborhoods has a 74 percent price premium over non-walkable neighborhoods. Despite the obvious economic physical benefits, there are many barriers to meeting this demand, including financing the up-front costs of public infrastructure and development, particularly near transit stations and suburban town centers, and along rural Main Streets. If left unaddressed, this pent-up demand will drive prices higher, exacerbating the current housing shortage and creating more

displacement.

Smart Growth America and LOCUS worked very closely with this Committee to ensure the FAST Act made significant improvements to the TIFIA program by expanding the project eligibility to include TOD and local infrastructure projects, as well as lowering the overall project threshold from \$50 million to \$10 million. These changes ensure that TIFIA can be used to facilitate greater private investment in both infrastructure and economic development.

Since the passage of the FAST Act, we have worked very closely with USDOT towards the implementation of these reforms. I welcome the opportunity today to share with you my perspective and some recommendations to help TIFIA meet its goals and bring in more private investment to the problem of public infrastructure.

Our first observation is that current prospective applicants are still unclear about TIFIA's project eligibility and its transportation and planning requirements. For example, there is an uncertainty on whether this current USDOT will accept statute allowing TIFIA to finance commercial development typically used to pay for public infrastructure. Without clear guidance or clear DOT policy guidance, the Bureau staff is very reluctant to move projects forward. This type of uncertainty is deadly to public-private partnerships.

Our second observation concerns the enormous transaction costs associated with applying. The TIFIA, by statute, requires projects to secure an investment-grade rating to demonstrate credit worthiness. This makes projects under \$75 million absolutely unworkable. The cost of obtaining just one letter from a credit rating agency can range from \$300,000 to \$400,000, and it must be paid regardless if the loan is actually approved. This does not include the additional legal and financial consulting it takes to actually process a loan.

This Committee should allow applicants to demonstrate their credit worthiness using more economical and market-tested methods like providing financial statements, project cash flows, or providing collateral.

The third observation is the need to provide greater outreach to small and rural communities. While the present Bureau staff provides great support, it is a D.C. operation that lacks a robust outreach capacity for project pipeline development, particularly for smaller towns and rural communities. Based on a lot of the work we do in these communities, we find that many of these communities are unaware of TIFIA, do not have the capacity to travel to D.C., let alone apply for the program. This Committee should provide greater capacity to USDOT to do more targeted outreach to small towns and rural communities.

Lastly, there is a need to expand TIFIA's eligibility. Unlike the RRIF program, residential development is not an eligible component in the TIFIA program. Mixed use and mixed income TOD projects significantly increase transit ridership, allowing transit agencies to recover more of their costs from the fare box revenue than rely on taxpayer money. We urge the Committee to allow residential, specifically affordable and attainable housing, to be eligible.

Further, TIFIA's eligibility should be expanded to include some of the latest innovations in surface transportation, including broadband, green infrastructure, and supporting local revolving infrastructure funds.

In conclusion, I would like to thank the Committee for its support for the TIFIA program. I also appreciate the opportunity to share some of our ideas on how to accelerate the private investment into public infrastructure while rebuilding and building more inclusive and vibrant communities, which I believe is a clear win-win.

Thank you, Mr. Chairman.

[The prepared statement of Mr. Coes follows:]

Senator Barrasso. Well, thank you very much for your testimony and that of all of the members of the panel today.

Ms. Mayer, you talked about how the TIFIA funding had benefitted Riverside County Transportation Commission in terms of your ability to plan, to program, to deliver major transportation improvements. I think you pointed out that you were able to avoid delays and additional expenses all because of the way that the system worked.

You recommended, I think, keeping the rolling application process going. I am wondering, are there things that you would share in terms of any programmatic hurdles you might have experienced in applying and what we could do better if you had an opportunity to change anything about the process for applying and for receiving the funding? Are there some changes that we ought to be looking at?

Ms. Mayer. Thank you, Senator. I definitely think that the change to a rolling application process was a huge improvement in the program. There is also a process in advance of the formal application, it is the letter of interest process, and it is an important step.

However, that process does not have schedule certainty, so I would make a recommendation that the letter of interest process have some schedule certainty to it so that project sponsors can anticipate how long that process will take, as well

as start to identify how much it might cost. So I think that that would be an important improvement.

Senator Barrasso. So when someone put in a letter of interest, they would have a pretty good understanding of the timing it would take until they would hear back. Should we set a specific amount of time? What are your thoughts there?

Ms. Mayer. I would recommend that you do. In the FAST Act there is statutory requirements for reviews on the applications themselves, so I would recommend a similar policy or statute that would put deadlines and timelines in for the letter of interest process as well.

Senator Barrasso. Thank you.

Ms. Aument, you have experience working to advance large-scale transportation projects, Virginia 495 and 95 Express Lanes. We are talking about legislation to improve the infrastructure, both urban and rural. Do you have any thoughts on how we could assist small projects, rural agencies, to make better use of the investments and the leveraging opportunities?

Ms. Aument. Thank you, Senator. You know, first and foremost, the large urban projects, like the ones that I have described, do go a long way into help supporting rural communities as well, and how they do that is, if you look at a project like 95, where Virginia was able to get 110 times their investment, that really helps their public dollars go much

further and frees up resources that then they can direct to communities that may not have multi-billion dollar Express Lane project potential. So that is the first important role that these projects can play, and TIFIA has certainly enabled that.

Our advice to rural communities and rural States across the Country is to, one, engage the private sector in helping to look at the assets that you may have and find more creative ways to make them viable for private investment. One thing that we have seen and is happening successfully in States like Pennsylvania with their bridges program, Kentucky with their broadband program, is while an individual project, in Pennsylvania, for instance, a bridge project, might not be viable as a candidate for private investment, by bundling a series of smaller projects, it can develop a system or a network that may be a bit more suitable candidate to this kind of private investment.

Senator Barrasso. Because, as you mentioned, 110 to 1 of the ratio. We are informed that for every Federal dollar through the TIFIA program, it leverages, on average, about 40 to 1. So you had an incredible response there and success.

Talk a little bit more about how the ratio depends on project size and what a rural transportation agency undertaking a smaller scale might expect. You talk about bundling projects together. I don't know if you have additional thoughts on that.

Ms. Aument. Definitely. I think what you are going to see

is, first and foremost, the opportunity to leverage a dollar into two dollars. With the critical transportation needs that we have in this Country, we will certainly want to look at policies that provide as many opportunities as possible to take those dollars as far as they will go. That is really going to range on the size of the project. It is going to range on the level of private participation on the project, the risk profile of the project, and, again, will range across the board.

If you look at 495, for instance, for every TIFIA dollar we delivered \$20 of private capital and then \$40 of transportation infrastructure. And I think, again, you will see that range across the Country and across different kinds of projects with different risk profiles and sizes.

Senator Barrasso. Thank you very much.

Senator Whitehouse.

Senator Whitehouse. Thank you very much, Chairman. I want to thank you for holding the hearing and I want to thank the witnesses for coming in.

I would like to mention a few things. First is that I think on our side we are very eager to work with the Administration on an infrastructure bill. The Committee held a hearing not too long ago with Secretary Chao, who said that she would have the outline of an infrastructure bill to us shortly, and we eagerly await that outline so that we can begin to work.

I do think that there is a role for TIFIA and its water cousin, WIFIA, in such a bill, but I think we also have to be aware that these programs are not a sufficient solution, although they are necessary.

Rhode Island has actually seen very little use of TIFIA, and none of WIFIA, partly because the organizations that would take these projects on very often have debt capacity that is available to them; they have different ways that they can borrow money. They don't want to borrow more money. What they are looking for is more support. And if they are borrowed out, then it takes WIFIA and TIFIA a little bit off the table or reduces the viability.

In a small State, smaller projects can also be burdened by the enormous overhead of getting through the WIFIA and TIFIA process. So if you are building something enormous, like the Express Lanes through Virginia that millions of people are going to drive down, then that is one thing. So I think we are going to be looking at the WIFIA and TIFIA programs, if they reappear in this bill, and ways to try to make them more accessible to smaller States and to make them more competitive with other forms of borrowing.

The other thing that I want to mention, since today appears to be the day that the massive ice shelf has broken off the Antarctic, the way the physics of that works is that when the

ice shelf breaks away, it is like a dam that has been holding back the land-borne ice, which then accelerates its flow.

I know ice doesn't go very fast when it flows, but if you look at the sped-up film of glaciers, you can see they really look like slow motion rivers running into the sea. So we are going to see, as this dam of ice shelf breaks off, heightened travel of land-borne ice and snow into the sea, and that is going to continue to raise sea levels, and all of that continues to put pressure on coastal States like Rhode Island.

So I hope very much that, as we look at WIFIA's and TIFIA's, we can at least be thinking about the prospect of a coastal IFIA, because the power of the ocean against the land is an astonishing thing, and the damage that it can do when it comes ashore, powered up by storms, lifted by sea level rise, is really significant. It requires planning in advance to be able to do the protective measures that are necessary, whether they are hardening of infrastructure or whether they are protecting dunes and marshes and other ameliorating natural infrastructure that can protect the upland, or whether it is being able to respond when bad things happen and you have to do things that I have had to do, like walk down the beach in Rhode Island and see people's houses in the water and see a legacy of many generations that has gone to that home for seaside recreation lost irrecoverably to the seas.

So whether it is roads or other types of infrastructure, very often sewage facilities are downstream so they can take advantage of gravity. If you are a coastal State, that means that they tend to be located near the water level, and that tends to be near the coast, and that puts them in harm's way, and that means that they are infrastructure that needs attention.

And we are actually looking, Mr. Chairman, at things like having to figure out ways to relocate emergency vehicles, because in a bad storm the roads that serve neighborhoods can be blocked off by high water, and as we, I think very unfortunately, saw in New Jersey or New York, if you can't get the fire trucks through the water to the neighborhood and a fire goes off, then it just goes catastrophic in a hurry.

So we are having to look at our emergency infrastructure in Rhode Island to make sure that, at six or seven feet of sea level rise or in 100-year storm conditions, we haven't walled our citizens off from the emergency services that they pay for.

So it is a really serious issue for Rhode Island and I think other coastal States to address the problem of the new pressures on our coasts of storms and seas, and I look forward to working with all of my colleagues and with the organizations that are represented here to try to make sure we do a good job of that.

And I thank the Chairman for holding this important hearing.

Senator Barrasso. Thank you, Senator Whitehouse.

Senator Boozman.

Senator Boozman. Thank you, Mr. Chairman, and thank you all for being here. This has been a great hearing.

Ms. Mayer, there is lots of talk around Washington about reducing the amount of time it takes to obtain permits and get projects built. Can you talk about some recommendations that you have for reducing permitting timelines without sacrificing environmental protections, public transparency, or other public interest?

Ms. Mayer. Certainly.

Senator Boozman. I think a great example of that would have been the bridge that was rebuilt in Minneapolis, when it collapsed, which was done in a year, and that project probably would have taken 20 years.

Ms. Mayer. Correct. And the challenge is trying to bring that sense of urgency to projects that are delivered on a non-emergency basis.

I am very proud that Riverside County is home to two habitat conservation plans, and we believe that the use of habitat conservation plans to have advanced mitigation for transportation projects really does not only allow us to protect

the environment, but it also allows us to get our projects delivered.

The Western Riverside County Habitat Conservation Plan was implemented well over a decade ago. The State and Federal resource agencies are signatories to that plan as well. We have put over 400,000 acres into conservation, protecting 146 species, and what it has done for transportation projects is make sure that our transportation projects can get through a process in a rapid timeline.

We have shortened the environmental process by, on average, two years by using the habitat conservation plan. So we have a decade's worth of proof that it is possible to build projects and protect the environment. It is possible to have streamlining at the same time we have conservation that really is meaningful.

Senator Boozman. Now, that is a good story. What has that done to your cost in the sense of getting these projects done in an expeditious way?

Ms. Mayer. It has really reduced the cost not only of the delay in a project environmental process, but also in terms of having mitigation on a project-by-project basis. That can be very costly and it sometimes is not very effective. So by having an up-front contribution to the habitat conservation plan, which our sales tax measure did, by having that up-front

contribution, we get the investment in the land up front, and we believe that it has saved us millions of dollars both in real costs, as well as time.

Senator Boozman. Very good.

Mr. Coes, you mentioned that broadband should be eligible under TIFIA. How do you envision TIFIA being able to help communities complete those important broadband infrastructure projects which have become a necessity these days?

Mr. Coes. Well, particularly in rural communities, broadband is an essential tool to be connected to the broader economy, and what we are finding with a lot of the real estate developers we are working with is that it is a vital asset to redevelopment, and we believe by adding broadband as an eligibility, you now incentivize communities, along with their private sector actors, to bundle projects together to actually bring those types of services to those communities.

Senator Boozman. Good. And you mentioned in your testimony that we needed a more targeted outreach for small towns because they simply don't understand the benefit of TIFIA. What would be your recommendation? How can we see the TIFIA program more utilized?

Mr. Coes. Well, I, for one, am very supportive of interagency collaboration. Today, USDA, Department of Agriculture, actually has an enormous field staff on the ground,

and I believe if USDOT works collaboratively with USDA, we can be able to provide those resources directly to those communities.

Senator Boozman. Very good.

Ms. Mayer, do you agree that while programs such as TIFIA are important, there is need for direct Federal funding for transportation programs? This is especially important for States like mine, where TIFIA may not be a viable option, given a very rural nature in much of our State.

Ms. Mayer. Absolutely. TIFIA is a wonderful tool, and we will use it on the projects where it makes sense to do so, but not only is our agency dependent on and do we rely on those direct Federal grants, but so do all of our cities, as well as the counties. So, absolutely, Federal grants are very, very important.

Senator Boozman. Thank you all.

Thank you, Mr. Chairman.

Senator Barrasso. Thank you.

Senator Cardin.

Senator Cardin. Thank you, Mr. Chairman. I thank our witnesses for their testimony.

The TIFIA program is very important in all States, and Maryland has utilized it for some very important programs. We are now using it in our Purple Line for transit, which is a

major commitment of funds, and the TIFIA is one part of that equation. Without that, it would be difficult to see the project move in the manner that we hope that it will, with 16 miles of track and 21 new stations, which is critically important to the Washington community.

So I recognize its importance and I understand that there are certain standards that have to be met for a project to be eligible. But I want to get your thoughts. Senator Cochran and I have worked long and hard to preserve transportation alternative programs so that you can, as you do transit infrastructure, you are able to enhance local communities, that they can have pedestrian and bike paths, that they can have the types of enhancements that are important for a community to continue to grow and thrive.

I know that there are certain restrictions in the TIFIA program which are challenging for these types of projects because of the size requirements, etcetera. Do you have any suggestions on how we could make the TIFIA program more appropriate for these types of projects, particularly that are desired by our local governments? They are the ones, in my view, that have the closest understanding of the needs in their community. How can they better utilize this? Is there something we can do to make it easier?

Mr. Coes. Senator Cardin, thank you for that question.

First, thank you for your leadership on this issue. I know we worked very closely with your staff on the Complete Streets policy that has been really critical to advancing and providing pedestrian safety across the Country.

The simple answer to that is in the FAST Act we were able, working with Rails-to-Trails, lower the threshold for projects to \$10 million for those types of projects. However, one of the challenges we are still seeing is the fact that the TIFIA program only provides gap financing. We believe for these types of projects, and rural projects as well, if we allow TIFIA to take a higher level of the percentage of the total project cost, it would be more advantageous for these types of projects.

In addition, I cannot emphasize enough the level of transactional costs that comes with applying for TIFIA. As I mentioned before in my testimony, just getting an investment grade rating takes about \$400,000. And for a lot of local communities that are budget-strapped, that is an enormous hurdle. And I believe that one of the opportunities that we have is to provide more resources so local communities can actually reduce that cost barrier.

Senator Cardin. Yes, ma'am, did you want to respond?

Ms. Aument. I was just going to add, Senator, if I may, that the policies of this Committee have expanded the eligibility of TIFIA into new projects, including community

projects. What we found is that you now have a potential backlog of projects, because it takes about the same amount of resources to do underwriting for a \$10 million project as it does for a \$3 billion project.

So looking at not just expanding the eligibility, but ensuring the TIFIA program has the administrative funding it needs to manage that, and also getting those projects, both small and large, through the program more efficiently. That means transparency in process; it means really an underwriting risk framework to guide decision-making, and prioritizing projects where there is a particular need for time sensitivity, like when private capital is involved. Those kinds of reforms, along with expanding eligibility for different projects, will make sure that all projects, large and small, can move through the process quickly.

Senator Cardin. So here is how we need you to help us. Let's say I run a small business, an entrepreneurship committee, and we look at ways in which we can make costs less for small business, recognizing that their transactional costs can mean the difference between business and going out of business. It seems like we have a similar problem here because those underwriting costs are just not manageable for a relatively smaller project, and the delay issues means that it is fatal, rather than just delaying the project.

So, can you help us with how we could address that problem, perhaps for certain defined projects, the smaller projects, so that we don't have that type of cost and delay?

Mr. Coes. Absolutely.

Senator Cardin. Would you get us that information?

Mr. Coes. Absolutely.

Senator Cardin. I would welcome that, because I think all of us want particularly the reduced transaction costs for our local governments that are working on much tighter budgets and much tighter timelines than perhaps a major expansion of a transit system or a major transportation infrastructure project.

Mr. Coes. Absolutely.

Senator Cardin. Thank you, Mr. Chairman.

Senator Inhofe. [Presiding.] On behalf of the Chairman, we recognize Senator Wicker.

Senator Wicker. Thank you. I do appreciate that.

[Remarks made off microphone] tax-exempt facility bonds. These bonds provide a number of benefits and opportunities for private-public partnerships, but road and bridge projects are currently excluded. Is that correct?

Ms. Mayer. Senator, I didn't hear the first part of your statement.

Senator Wicker. With regard to tax-exempt facility bonds.

Ms. Mayer. I am not familiar with the use restrictions on

tax facility bonds. I would have to check that and get back to you, and we can certainly do that after the hearing. I apologize.

Senator Wicker. Okay, is anyone on the panel familiar with whether road and bridge projects are currently eligible for tax-exempt facility bonds?

Ms. Aument. Senator, I can actually speak not to that specific bond, but to private activity bonds, which is a form of tax-exempt bonds that have been used very successfully in public-private partnerships. There is a limitation on private activity bonds right now which we believe is handicapping the market in terms of opening up opportunities. Currently, they are only allowed for greenfield or new projects. Expanding private activity bonds to include more innovative projects, a larger number of projects, and brownfield projects we believe will go a long way to help build the pipeline and provide opportunities for private investment here in the U.S.

Senator Wicker. Okay. And who can speak to me about revenue streams with regard to the FAST Act, and particularly my interest in rail service between New Orleans and Orlando?

Mr. Coes, let me ask you, then. The FAST Act mandated that the FRA convene a working group to evaluate the restoration of intercity passenger rail between New Orleans and Orlando, a corridor that was significantly impacted by Hurricane Katrina.

Transportation options are essential to economic development for rural areas.

However, startup projects such as these will likely take a good deal of time to build up large enough user bases to generate the revenue stream. So what funding mechanisms can medium-sized municipalities and medium-sized local communities use to fund projects like passenger rail service?

Mr. Coes. Well, thank you, Senator, for that question and, Senator, again, thank you for your support for the rail. As you know, Transportation for America, with John Robert Smith, is a huge advocate, has been working on this issue for a long time.

Senator Wicker. Old friend of mine.

Mr. Coes. Old friend of all of ours, sir.

With that being said, one of the recommendations I outline in my written testimony is the fact that we are increasingly finding that private developers, who I work with, are willing to bring private capital to the table to allow these infrastructures to move forward. However, right now, currently, RRIF program provides residential and commercial development opportunities to do that.

However, in the TIFIA program there is not that ability to allow private developers to bring their residential and commercial revenues to the table to help finance those projects. So I think one of the immediate recommendations would be to make

the TIFIA and RIFIA program both copasetic to allow more real estate revenue to be allowed to help provide more funding for these infrastructure projects.

Senator Wicker. And what is it going to take to do that?

Mr. Coes. Statutory change.

Senator Wicker. I see. Well, I would certainly like to work with other members and with the panelists in that regard. Thank you very much.

Mr. Chairman, thank you for your indulgence.

Senator Barrasso. [Presiding.] Thank you, Senator Wicker.

Senator Carper.

Senator Carper. I am happy to yield to Senator Duckworth. Thank you.

Senator Duckworth. Thank you, Mr. Chairman. Thank you, Senator Carper.

I want to thank the Chair and Ranking Member for convening today's hearing, and I want to thank our witnesses for participating in this very important conversation.

Mr. Chairman, our Nation's infrastructure is crumbling. I appreciate this Committee's engagement to address this challenge, but a 21st century transportation system is simply not going to materialize without the full and coordinated engagement of Congress, the White House, and our States.

We are seven months into the Trump Administration, and we

still haven't seen any meaningful details of the President's infrastructure plan. In fact, the President's budget proposal is a net negative for infrastructure investment, cutting nearly \$150 billion from critical programs over the next decade.

Mr. Chairman, I would like unanimous consent to insert the President's budget document into record.

Senator Barrasso. Without objection.

Senator Duckworth. Thank you.

[The referenced information follows:]

Senator Duckworth. Instead of creating jobs that boost local, regional, and national economies by rebuilding our roads, bridges, and water systems, President Trump and Congressional Republicans made the conscious decision to prioritize eliminating health care for 20 million Americans and providing tax cuts for the wealthy.

Mr. Chairman, the opportunity costs of inaction are simply skyrocketing, born by a distracted White House and an uncoordinated Congress.

Tomorrow, Senator Carper and I, along with Senators Stabenow, Booker, and others, are holding a roundtable discussion to highlight the nexus between water quality and public health and the challenges many communities face regarding drinking water and wastewater investments. Water infrastructure by itself requires an estimated \$650 billion in investments over the next 20 years, and I invite all of my colleagues to come and participate.

We are simply just scratching the surface of addressing our infrastructure needs. In the process, men and women across America are missing out on jobs that would be created through investments.

Earlier this year, Senate Democrats put forth a commonsense blueprint for addressing these challenges, and it is my hope that today's hearing, and others like it, are bearing the case

for robust investments that prioritize safety, public health, and jobs creation.

Ms. Mayer, your written testimony suggests that financing tools like TIFIA and public-private partnerships are critically important, but are no substitute for traditional grant funding. I agree with you. Financing mechanisms are important, but you still need that core investment to leverage other dollars.

The President's fiscal year 2018 budget proposes cuts to infrastructure programs across the board to about \$150 billion over 10 years. In your opinion, what would be the consequences to communities just like yours should the President's proposed budget cuts ever be enacted? Would it help or hurt?

Ms. Mayer. The loss of Federal grant funding would be very detrimental to our ability at the regional level, as well as at the local level, to get our projects built. There simply isn't sufficient funding to be able to build the projects that we need. We are fortunate we have a local sales tax measure that brings in revenues that we can use to build our projects, but it is simply not enough; we need the Federal grant program.

Senator Duckworth. And do you have projects that have low or simply no returns on investment that would be outside of any type of a public-private partnership? You can't get people to come in and invest in filling potholes, right?

Ms. Mayer. Most of our projects are outside of the type of

eligible projects that we would consider for a TIFIA process, whether those be local road projects, widening projects, commuter rail. We were just talking about rail projects as well. Most of those are outside of those types of programs, so we would absolutely see a need to make sure that we had those Federal grant programs going. And it is particularly critical for us in our rural areas. Riverside County has both urban and rural areas. Those rural jurisdictions definitely count on that funding just for the most essential services and projects.

Senator Duckworth. Thank you.

Mr. Coes, in your opinion, does the Trump budget help or hurt efforts to expand transit-oriented development?

Mr. Coes. Currently, the proposed budget would be a setback for transit-oriented development partly due to the fact that a lot of the funds that are coming through HUD and DOT actually provide some of the necessary subsidies to allow communities to build those local infrastructures. In addition to that, the current Administration has the opportunity to actually implement the current changes in the FAST Act that could also help in that area as well.

Senator Duckworth. Thank you. In your written testimony, Mr. Coes, you highlight some of the challenges that rural communities face in addressing their infrastructure needs through programs like TIFIA. People think of Illinois and they

think of Chicago, but they don't realize how large a State I represent and how it is mostly rural, with Chicago in one end of it.

Of the five TIFIA leveraged projects in Illinois, all of them are in the Chicagoland area. With the Administration's preference for incentivizing more private investments in infrastructure projects, rural America is likely to lose out.

What can we do, Mr. Coes, to ensure more attention is paid to rural communities in the context of financing opportunities like TIFIA?

Mr. Coes. There are two recommendations I would put on the table. First, USDOT should collaborate directly with the Department of Agriculture, who have field staff on the ground in those communities to better leverage the program. And the second would be to allow the TIFIA program to actually be open to more local infrastructure revolving funds like CFIs, who are actually on the ground in these communities who can be able to distribute those funds much more readily and easier.

Senator Duckworth. Thank you.

I do want to note for the record President Trump's budget actually eviscerates the U.S. Department of Agriculture's Rural Development Office, including zeroing out infrastructure and small business funding and eliminating the Undersecretary for Rural Development. I don't see how we can move forward with

those cuts.

Thank you so much, and I yield back, Mr. Chairman.

Senator Barrasso. Thank you very much.

Senator Inhofe?

Senator Inhofe. Thank you, Mr. Chairman.

I noticed, when you were giving your opening statement, Ms. Mayer, that you listed many of the things that we have done,, going back even before MAP-21, to try to get more projects done. I thought, and I commented to the Chairman, I said the one thing she left out in her list was streamlining. Then later you corrected that when you responded to a question from Senator Boozman.

But I think it is important that we get into that, and I would like to hear from each one of you, because this became a very contentious thing. When I chaired this Committee and we were able to do two or three of these, Senator Boxer and I, we had a disagreement and finally we worked it out so that that agreement did work. In fact, we had the program, the TAP Program, that is a good example, where 2 percent would be going to ART, and then that was changed, so that was expanded a little bit when we did our FAST Act.

So I would like to have the three of you just make any comments you want to make about the significance of streamlining in these projects.

Ms. Mayer. The importance of streamlining can't be overstated. It has been a basic principle for my board's platform for well over a decade in that we have to continuously find ways to do things faster and more effectively.

From a streamlining standpoint, there are a couple of programs that I would point to. Federal Highway Administration administered the Every Day Counts program. They also had an enhanced environmental review program. Our State Route 91 project was in the environmental program and it really made a difference. What it did was create a high level of attention at the Federal agency level to ensure that discussions were taking place, reviews were happening on a timely basis, and if we, as a project sponsor, ran into trouble, we had a resource to go to to help facilitate the problem. I think the Build America Bureau has the opportunity to really help us with additional streamlining.

Senator Inhofe. Do the other two agree essentially with her comments on that?

Ms. Aument. Of course.

Mr. Coes. [Nodded affirmatively.]

Senator Inhofe. One of the things I can remember, and I go all the way back to prior to coming to the Senate, I was in the House committee, and people have forgotten one of the big problems we had with the Highway Trust Fund back then is we had

too much surplus. Remember those days? You were probably too young to remember that, but you can remember reading about it.

So we acknowledge we know what has happened to that and we know the problems that now exist and how important it is. The most popular project the Government does is transportation.

So, having said that, in one of our Committee hearings that we had, and it has already been covered a little bit by the Chairman, we had five witnesses, and these witnesses were from the contracting community. And talking about the 3P, they all agreed, four out of five agreed it was very important and a very important part of the project that comes up. But they all said, except it doesn't work as well in rural areas.

Now, we have talked about this a little bit. It happens that everyone on this side of the dais is from a rural State. So I would like to have comments from any of you who have not weighed in on the problem in using 3Ps in the rural area, and maybe a possible solution to weigh in now.

Ms. Aument. Senator, that is a great question as we look to how can we make dollars go further in all kinds of communities. Again, I want to reinforce that don't overlook large urban projects and P3s and their role in freeing up resources to help meet needs in rural communities.

I would also underscore that in States across the Country, as rural communities look at networks and systems, instead of

just individual projects. As a private investor, an individual project may not make sense. An individual big project might not be financially liable. But by putting across a network, either a network across the community, across the State, it is something that could work for private investment.

So I would encourage those mayors and governors and their teams to bring private investors in and really engage to get feedback on what networks or systems within their communities might indeed stack up as a financially viable P3 project.

Senator Inhofe. Yes.

Mr. Coes. The only thing I would add to your comments is the fact that oftentimes smaller projects do not generate the revenue stream in order to support it. However, our experience is that if you actually tie those infrastructure projects to economic development, you are able to generate new revenues, maybe from the retail, maybe from commercial or residential, that can underwrite those infrastructure projects. And we find that a lot in a lot of rural towns and areas. So my recommendation would be to think about more innovative ways to pay for the infrastructure projects using real estate and other economic development means.

Senator Inhofe. Ms. Aument, when I saw your resume, your background and the fact that you work with a lot of other countries, my first thought was we keep trying to do a lot of

the same things over again. Is there anything you can think of that has been used in some of these other countries that maybe we haven't properly explored?

Ms. Aument. Absolutely. You know, the U.S. Federal Government, and very much some of the policies advocated by this Committee, has played an increasing role, and very effective role, in the last 10 years in providing education to States and localities across the Country in helping to provide resources that will enable these professionals to look at public-private partnerships, and we have seen real progress in that area. And State and cities across the Country are taking that information and those best practices and putting them to work to move transportation projects forward.

Where I think the natural next step would be for the Federal Government to really enhance meaningful opportunities for private investment is to move from educator to incentivizing States and localities to look at these kinds of projects. And I think that is an important shift.

Australia has a concept that has worked very successfully in that country called asset recycling, where the federal government provided a 15 percent bonus, for lack of a better word, for states who, when they look around and they looked at their infrastructure and they said what assets, be it electrical grid, ports, toll roads, what assets would have more value in

the hands of the private sector. And the federal government would provide a 15 percent bonus or incentive for states to privatize those assets. And those funds, both through the privatization and through the bonus, were then redirected to help support greenfield projects and great projects like the Sydney Metro.

So that would be an incentive program I would encourage you to look at, or if not word-for-word that policy, at least that theme of moving from educator and facilitator to incentivizing.

Senator Inhofe. Okay, my time has more than expired, but this is a very common thing to do at these meetings. If you would supply us with, or me, for the record, other ideas that you have. I have a feeling you could go on for quite a while on this subject. Would you do that for me?

Ms. Aument. Of course.

Senator Inhofe. Thank you.

Thank you, Mr. Chairman.

Senator Barrasso. Thank you, Senator Inhofe.

Senator Carper.

Senator Carper. Thanks, Mr. Chairman. This has been a good hearing, and I was mentioning, in a sidebar conversation with the Chairman, you are exceptionally good witnesses; very knowledgeable and very clear and concise in your responses. It doesn't always happen. Sometimes we are not very clear and

concise in our questions either.

I know we keep coming back to the idea that TIFIA works in a lot of places; it doesn't always work in rural areas. A couple of you commented on that.

Ms. Mayer, do you have anything you want to add in terms of I think in your area of California you have -- I used to live in California when I was in the Navy. But you have nine metropolitan areas; you have rural areas as well. Just mention one or two maybe additional features to the TIFIA program that might make it more attractive as a financing tool in rural areas. Anything come to mind?

Ms. Mayer. What comes to mind, although we haven't had the opportunity to use it yet, there is a provision that allows for master agreements in the TIFIA program, which is a master agreement with a sponsoring agency that would allow a bundle of projects, as was mentioned before, to come forward.

In the rural area we see this as a real potential opportunity to explore how we could use a master agreement process to bring forward a suite of projects, as opposed to just a single project. The challenge there is finding the revenue stream with which to pay back the loan. But we see exploration of the master agreement and the bundling concept perhaps as the best way of trying to approach the rural question that you pose.

Senator Carper. Thank you. Without getting into the

details, I would ask the other two witnesses to react to that, to what Ms. Mayer said.

Ms. Aument. About the TIFIA, I am really glad that you brought that up, because I mentioned earlier the case study of 395. Because of the uncertainty in the timing of the process, we chose not to use TIFIA. It would have made perfect sense had we had that agreement available when we did the 95 Express Lanes, to be able to move that forward.

Senator Carper. Thank you.

Mr. Coes?

Mr. Coes. The only thing I would add is, yes, the master credit agreement creates a great opportunity. In addition to that, I think there should be some encouragement for USDOT to take more of a portfolio approach in terms of the risk management of rural projects, or particularly smaller projects. I think that, in and of itself, would create more incentive for local communities to take advantage.

Senator Carper. Did the three of you rehearse this before the hearing started? That was pretty good.

I think it was in 2012 when GAO found that projects which received credits through the TIFIA program tend to be large, high-cost highway projects. More recently, I think last year, TIFIA report to Congress showed that about two-thirds of the TIFIA program's credit assistance goes to finance highway

projects only.

In what ways can we further help multi-modal and intermodal projects to leverage TIFIA financing? And I would direct that question to you, Mr. Coes.

Mr. Coes. As I stated in my written testimony, I think what we are finding now, particularly working with transit-oriented development and biped infrastructure through the TIFIA process, the transactional cost is a major hurdle.

The second piece, I think, is one that is more cultural in the bureaucracy of DOT. If you are a staffer who, for the past 15 years, have been working on financing highway projects, you get really good at it. I think when you begin to increase the eligibility, the staff may have little expertise in underwriting those projects. So I believe one of the things that we want to think about moving forward is either providing USDOT the capacity to gain greater expertise in these new projects that may be lacking on the staff or allowing them to acquire that outside.

Senator Carper. Thank you.

Another question, if I could, for Ms. Mayer. Are you ready for another one?

Ms. Mayer. Yes.

Senator Carper. All right. In Riverside County, I think you have already talked a little bit about SR 91 projects.

Contract originally I think it included a non-compete clause, is that right, to protect the private partners' profits? Those clauses prevented, I am told, the public agency from building any new lanes, even when congestion increases to the point, I understand, of being dangerous. And ultimately I think it was the Orange County Transportation Authority had to buy out the private partner in order to expand the number of lanes.

Given this experience, what are the protections that might be helpful in safeguarding public interest?

Ms. Mayer. At the time that the State of California issued a concession to the private sector for the Orange County toll lanes, it was typical to include a non-compete clause which was very prohibitive. My understanding at this point, and perhaps my colleague could address this more directly, is that non-compete clauses are not typically found in those kinds of concessions anymore. Certainly, with the public ownership of the tolled express lanes, there are no non-compete clauses. We have to make sure we understand what happens if we add other projects, but those non-compete clauses are no longer typical, and it was absolutely damaging to our ability to move people through that corridor with that non-compete clause in place.

Senator Carper. Just very, very briefly, yes or no, do you agree with that?

Ms. Aument. It is atypical to have anything. We certainly

don't have anything in our network that would prohibit the State from moving forward with other transportation projects. And I will underscore that they are in the driving seat when they have these transactions. They have a number of levers to pull, and if those competing facilities are a priority to ensure that they are left flexible, that is absolutely in the control of the State.

Senator Carper. Okay. Thank you.

I sometimes say I learn more from my mistakes than the things I do right, and maybe this was a good lesson for us to learn from a mistake.

If I could, back to Mr. Coes. You ready for another one, Mr. Coes? Okay. Bring it on? Bring it on.

In 2012, MAP-21 began a new era of performance management, as you know. I like to say we can't manage what we can't measure, and that includes measuring performance to make sure that we maintain our existing roads before we start to build some new ones.

Would it be prudent for USDOT's Build America Bureau, which administers the TIFIA program, as you know, for them to consider performance metrics in the TIFIA program, such as having States fix it first, prior to expanding their systems?

Mr. Coes. Overall, I think, interesting enough, this is an issue that our organization cares about very deeply. We do

believe that we should be investing in our existing communities. Once we have done that, we should then think about greater capacity.

In terms of the Bureau, I would say this. Every project is different. However, we do believe that the Bureau should take a view that projects that are coming through the pipeline should have the ability to be sustainable over the long term, and that could be done in different ways: one, through the underwriting process, in terms of whether or not this project can financially support itself over the long term, as well as will there be long-term support by the community to invest in this project.

So those two items I think that would be one of the ways we can increase public performance measures through the TIFIA program particularly through the Bureau.

Senator Carper. All right, thanks.

And maybe one for all three, then I am done.

The President's budget proposed to increase TIFIA's contract authorities we know to, I think, about \$1 billion per year. But just over a year ago, in the FAST Act, Congress reduced the program from \$1 billion a year to its current authorization of \$275 million because it was more money, apparently, than DOD could process and more than was needed. In your opinions, what level of capitalization would make sense and be useful?

Ms. Mayer?

Ms. Mayer. I think it is important to make sure that there is sufficient capital there. There may be times where \$1 billion might be too much, but project delivery is very cyclical, and I think predictability for project sponsors is important. So having an understanding that there is at least a base level authorized would be very, very important, so that we know the program will be there when we need it.

Senator Carper. All right, thanks.

Ms. Aument?

Ms. Aument. Senator, TIFIA can only leverage tax dollars to deliver more if there are projects for TIFIA to support. So you can put all the money that you want into the TIFIA program, but if there are not projects, a pipeline of projects in cities and States across the Country ready to receive that TIFIA and to be able to move forward to serve communities, then it won't do any good.

So I think I agree that sufficiently funding TIFIA is very important, but also looking, at the same time, at strategies to incentivize States to move projects forward, efforts to streamline the process to ensure projects can move forward in a quick fashion, those are the kinds of efforts that are necessary to build that pipeline and unlock a lot of the private capital that is waiting to invest. But it is the lack of projects that

is the real obstacle for us.

Senator Carper. All right.

Mr. Coes, just a quick word, please.

Mr. Coes. I would like to agree with my colleagues. In addition to that, I think one of the lessons we have learned in other loan programs is that those programs have partnered with local banks on the ground who have been able to do transactions with loan guarantees to be the aggregator of these projects. So I think that is one strategy to think about how to increase the volume.

But I agree with the colleagues that you can increase money, but if there are no projects, it doesn't make any difference.

Senator Carper. Good. Thanks.

Thank you. In the Olympics, Mr. Chairman, sometimes the figure skaters or other performers, at the end of their performance, the judges hold up a number from 1 to 10, and I can't speak for my other colleagues who have left, but I would say you got 9s and 10s from Delaware, and my guess is from other States too. Very nicely done.

The other thing I would say, this is really important stuff, and we are struggling to find things to agree on to work on together. This is certainly a big one. And the idea of not just roads, highways, bridges, but I think a couple of you

mentioned broadband, deployment of broadband, water sewer treatment and that kind of thing. It all kind of works together to create that nurturing environment for job creation and job preservation, which we know we need a lot more of.

So thank you for adding a lot to the conversation. And I expect we will be back to you to ask some more questions offline. Thank you so much.

Thanks, Mr. Chairman. This was excellent.

Senator Barrasso. Well, thank you very much, Senator Carper. I agree we have had an outstanding panel. They have done a great job in answering our questions.

As you know, members may submit written questions to you over the next couple weeks, so we would ask that you respond quickly, if you could. I want to thank each of you for being here, for your time, for your testimony, for sharing your expertise and your knowledge.

With that, the hearing is adjourned.

[Whereupon, at 11:27 a.m. the hearing was adjourned.]