TESTIMONY OF GOVERNOR EDWARD G. RENDELL
SENATE ENVIRONMENT AND PUBLIC WORKS COMMITTEE
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Madam Chairman, Ranking Member Inhofe, and Members of the Committee, thank you for the opportunity to testify before you this morning on the vast infrastructure needs of our nation. This hearing could not be more important as I believe this issue is one of the most urgent our country faces.

Because of that urgency, last year I joined with California Governor Arnold Schwarzenegger and New York City Mayor Michael Bloomberg to form Building America's Future. Our bipartisan coalition of state and local elected officials shares a vision for a new era of increased national infrastructure investment that will spur job creation and long-term U.S. economic competitiveness, address global warming and our dependence on fossil fuels, and enhance safety and the quality of life for our citizens and communities.

Transparency, accountability and reform are the pillars which guide us – we pledge to spend public dollars wisely in our states, cities and counties. And we boast a diverse and growing membership from all across the country.

As the current Chair of the National Governors Association, I have also made infrastructure the main focus of my tenure, and the response from my fellow governors has been overwhelming. States across the country are spending an ever-larger portion of

their budgets on infrastructure and they cannot continue, especially in light of the current economic crisis. And investing in infrastructure is an area of broad, bipartisan consensus.

I know I don't need to tell this Committee, which has taken the lead on so many key infrastructure issues, from highways to water to public buildings, about the challenge before us. In January, the American Society of Civil Engineers issued its most recent report card on the state of the Nation's infrastructure and gave it an overall grade of D. ASCE estimated that our Nation needs to invest $2.2 trillion over five years just to get our current infrastructure into "good" condition – an increase of 38 percent from just five years ago. And yet we are currently spending less than $200 billion per year at all levels of government combined on our Nation's infrastructure, leaving a funding gap of over $1.1 trillion over the next five years.

And, as Members of Congress, you experience firsthand the demand from your local communities for infrastructure investment. In the Fiscal Year 2009 Omnibus bill that President Obama just signed into law, approximately 70 percent of the earmark dollars were for infrastructure projects. While some earmarking lacks merit, many of the earmarks demonstrate the large and legitimate unmet infrastructure needs our country faces. A well-funded and carefully crafted national infrastructure policy could better address the needs and priorities of our citizens and communities and thereby reduce the impetus for earmarking.

But our constituents will not support increased public investment in transportation unless we make dramatic changes to the current structure of our Federal programs. We cannot

continue to channel billions of dollars through the same old programs which lack innovation, accountability, market discipline and an outcome-driven focus. We must invest more in transportation, but first we should decide what the policy and performance goals for our system should be. We should then target funds at the projects and programs that best achieve those goals. Taxpayer dollars are too precious to spend on projects that fail to achieve national objectives.

Building America's Future and the NGA recently commissioned a national poll by Frank Luntz which found that public support for infrastructure investment is high, but it is predicated on how much confidence the public has that such funds are spent transparently and accountably. The American people will only have confidence in an ambitious infrastructure bill if it provides:

1. An accountable, transparent and merit-based process to decide what is built and to ensure that those projects meet key national goals, incorporate appropriate pricing mechanisms, and provide good value for taxpayers;

2. Responsible maintenance of our extensive existing infrastructure while addressing new needs in an economically efficient way;

3. Jobs for American workers and orders from factories located in the U.S., while enhancing our nation's long-term economic competitiveness; and

4. Environmental sustainability by reducing fossil fuel consumption and carbon emissions, while improving safety and quality of life for our citizens and communities.

If we are to finally step up and fully address the nation's transportation challenges, we need to make a substantial and sustainable financial commitment. There is clearly no silver bullet to accomplish this, but fortunately there is a good menu of financing options available. While we agree that the gas tax is no longer a sustainable way to fully finance surface transportation, it is still a necessary element. And clearly transportation should receive some portion of revenue derived from a cap and trade system for reducing carbon emissions. In addition, collecting revenues based on vehicle miles traveled is a potentially useful ingredient in an overall infrastructure financing system.

Likewise, congestion pricing and increased flexibility with respect to tolling on Federal Interstates are necessary since user charges are needed to attract private capital to certain aspects of infrastructure financing. Finally, just as our nation rebuilt after World War II by issuing war bonds, American Infrastructure Bonds may also offer a viable way to demonstrate public confidence and support to rebuild our nation's assets.

A National Infrastructure Bank can play a role as a financing vehicle for projects that have major national impact or are multi-state. I know that many in Congress are concerned about how an infrastructure bank would work, but I ask you all to keep an open mind. There are models worth studying in other parts of the world, the TIFIA

Program (Transportation Infrastructure Finance and Innovation Act) here in the U.S., and the California Infrastructure and Economic Bank, which has been up and running for nearly a decade and now manages a large portfolio of projects.

I believe a well-crafted National Infrastructure Bank, with direction from Congress and the Administration, can help address the unmet transportation and infrastructure needs in this country – needs that all of us hear about daily from our constituents. An infrastructure bank would choose projects based on merit, which would create a healthy level of competition among states, cities, towns and agencies to develop projects that achieve the best results in the most cost-effective way.

One apt analogy may be the National Institutes of Health. We trust the NIH to conduct and sponsor our nation's most important medical research on cancer, HIV/AIDS and heart disease, for example. Many of those research projects are bid on a competitive basis and the grantees are selected in a rigorous and science-based process. An infrastructure bank could bring that same level of national purpose and professionalism to addressing the U.S.'s top infrastructure priorities.

And an infrastructure bank can help leverage private funds and reduce upfront costs to the Federal budget. The key to making this concept work is to replicate what is in place in many cities and states – a capital budget – where the costs of a valuable asset are accounted for over its useful life of 20 or 30 years instead of all up front. Applying this principle to an infrastructure bank would allow it to get started without a dramatic effect

on the Federal deficit in the short term and to finally begin paying for capital assets over their useful lives.

The challenges we face with regard to our nation's transportation system are great, but they also present great opportunity. It's been over 50 years since President Eisenhower embarked on his vision of connecting our nation by building the Interstate Highway System. Now that this system is complete, we must harness our great resourcefulness and ingenuity as a nation to bring transformational change to our transportation policy.

We must now create a 21st Century transportation policy that fosters good-paying jobs, improves U.S. economic competitiveness, moves people and goods efficiently, enhances quality of life for our citizens and communities, and creates a cleaner, healthier, safer environment for our families. We must not let this once-in-a-decade opportunity slip by – the consequences are too great.

I look forward to working with this Committee and other leaders and stakeholders throughout the country to start the process of investment and reform that will build lasting, productive assets and provide economic dividends for generations to come.

Thank you, Madam Chairman, Ranking Member Inhofe, and Members of the Committee. I welcome your questions.