TESTIMONY OF

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ON BEHALF OF

THE AMERICAN ASSOCIATION OF STATE HIGHWAY AND TRANSPORTATION OFFICIALS

REGARDING

INVESTING IN INFRASTRUCTURE: THE ROAD TO RECOVERY

COMMITTEE ON TRANSPORTATION AND INFRASTRUCTURE
UNITED STATES HOUSE OF REPRESENTATIVES

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Mr. Chairman and Members of the Committee, my name is John Porcari. I am Secretary of the Maryland Department of Transportation. I am here today to testify on behalf of the American Association of State Highway and Transportation Officials (AASHTO) which represents the departments of transportation in the fifty states and the District of Columbia and Puerto Rico. We want to thank the leadership of the House of Representatives for aggressively moving forward with a package to achieve economic recovery. And we especially want to thank you for convening this hearing to discuss how investment in our nation's infrastructure can have an immediate and long-lasting effect on our economy.

Today, I would like to cover three points –

1. An immediate and long-lasting economic gain can be realized from investing in our transportation capital assets across all modes (highway, transit, rail, aviation, and ports and waterways);
2. The unprecedented fiscal crises already facing at least half of the States is taking a toll on our ability to preserve, maintain, and operate our transportation systems;
3. States have highway and transit projects that are planned and ready to start, and the construction industry has machinery and people ready to go to work. Congress can help to accelerate the process of getting projects moving with special attention to a few program administration details.

It's important to remember that capital investments are fundamentally different from other kinds of government operations spending. Transportation dollars are converted to physical assets that will last 50 to 100 years or more and provide future generations with a modernized system to enable us to remain competitive in the global economy. At the same time, such investments also create and maintain well-paying "made-in- America" jobs. By getting projects underway this winter and spring, new funding will support much-needed employment and puts idle equipment back in operation.

We suggest that you consider an economic recovery package that provides funding for two types of transportation infrastructure projects –

- First, the more routine, quick turnaround project types such as bridge re-decking or pavement resurfacing for which bids could be awarded within 120 days. With funding, many of us can swiftly move forward on these projects. While slightly more than half of the states could initiate construction in late winter or early spring, the remaining states enjoy a year-round – or close to year-round -- construction season and could have work underway over the next few months.
- Second, we need funding for the more complex, larger projects that are ready to go but may need additional time – up to 6 months – to award bids and then begin construction.

In Maryland, we have identified nearly three dozen projects costing approximately $150 million that we could obligate within 120 days should additional federal funds become available. About 80 percent of those projects would be in the urbanized areas of the State and the remainder in the rural areas. One of the projects on the list would overlay three lane-miles of an Interstate route in the urban area at a cost of $2.4 million. This particular facility carries 60,000 vehicles per day and the improvement would add 15 years to the pavement service life. If this resurfacing is not completed soon, the cost to maintain and rehabilitate the road will increase significantly.

We have another overlay project on the list in a rural area of the State popular with tourists, carrying nearly 10,000 vehicles a day. Nearing the end of its useful service life, this facility now requires a structural and functional overlay to meet the traffic demands. The estimated cost of this project is $1.8 million. It will improve almost 5 lane-miles and add 15 years of service life. The roadway is subjected to harsh winters and damaging snow-plow operations, and is exhibiting widespread surface raveling and fatigue cracking. If the resurfacing is delayed, the overall project cost will be higher because the roadway will continue to deteriorate. Additional preventive pavement activities will also be necessary to maintain the road in a safe condition.

My second point is that today's moribund economy coupled with last month's unprecedented Highway Trust Fund cash flow crisis has resulted in an ever-increasing number of postponed or cancelled projects Just nine months ago, state departments of transportation identified more than 3,000 projects totaling over $18 billion for which contracts could be awarded within 90 days. The U.S. Department of Transportation has estimated that each billion of highway investment supports more than 33 thousand good paying American jobs. Today, that number and dollar value is considerably greater. Due to state budget crises, almost half of the States have been forced to shelve planned and ready-to-go transportation projects, reduce services to the public and eliminate state agency positions along with other cost-cutting measures. The budget gaps may widen as we continue to see a shrinking revenue pool from payroll, property and sales taxes as well as state motor fuel taxes and fees. The requirement most states have for a balanced budget means an immediate and severe impact in terms of delayed or cancelled projects.

Just this fall, we in Maryland deferred $1.1 billion of needed transportation projects in our six-year capital program due to the economic downturn on State revenues. We have also been hurt by the recent shortfall in the Federal Highway Trust Fund and the economic crisis on Wall Street, which had a chilling effect on the municipal bond market.

Prior to this fall, bonds had supplemented many states' abilities to move forward with critical projects. Now, however, my state has postponed the issuance of the remainder of GARVEE bonds—another $425 million toward meeting our critical needs. We are hopeful recent activity in the market will allow us to move forward with a bond sale sooner rather than later. We simply do not have the state revenue to proceed.

While the funding we are discussing here today will not alleviate the issues in the bond market, this new infusion will dramatically help states to address immediate needs in

their infrastructure program. AASHTO supports emergency funding as well as the following program adjustments to accelerate transportation investments.

Congress can make the situation for all states significantly better. By acting to provide funding for recovery investments, Washington will be sending a signal that could help strengthen the markets for states that are looking to sell bonds. In addition, the provision of emergency funding and the adjustment of a few program requirements will help accelerate immediate transportation infrastructure investments.

- First, we recommend temporarily suspending the matching requirement on federal funds. An exemption from the 20 percent non-federal match would relieve States from having to go immediately to their legislatures for additional funds to match the federal contribution.

- Second, we urge Congress to apportion the emergency funds to states based on their overall relative levels of apportionments or using the formula for distributing obligation authority. A "category-neutral" apportionment would expedite states' use of these funds.

- Finally, we appeal to Congress to eliminate the $8.5 billion rescission of contract authority required in SAFETEA-LU to be applied at the end of this fiscal year. The looming rescission has caused most states to plan and program for significant additional program constriction, exacerbating the delays in further project planning and future project lettings. While this may have been a reasonable recalibration strategy when it was enacted over three years ago, the economic downturn, rapid inflation and terrible state of both federal and state transportation revenues make this upcoming rescission ill-timed and damaging to our nation's transportation system.

Beyond highway projects, our state and others have additional critical infrastructure needs in transit, rail, maritime and aviation infrastructure.

We hope Congress will agree to provide sufficient resources for the Army Corps of Engineers to maintain the proper depth and width of shipping channels that are essential for the safe and efficient operation of ships serving our Ports. With the growth in size and number of ships serving US ports, it is vital to keep our waterways maintained at their authorized depth on a year-round basis. The cost of inaction is great: this past summer, we dealt with that unfortunate reality in Maryland when insufficient dredging activities led to reduced operations and a shoaling incident with economic consequences but thankfully, no environmental damage. We may not always be so lucky and therefore urge full funding for the Corps Operations and Maintenance account.

On the public transit side, system preservation is a pressing issue in the current economic climate—we must "fix it first" to serve our current riders as well as new customers who are using transit in ever-growing numbers as a result of higher gas prices, economic strains on families, and a desire for transportation alternatives.

Additional transit funds can be used to accelerate projects that are fundamental to the safe and efficient operation of our transit system in Maryland and other states. With supplemental funding, we in Maryland can improve asset management, upgrade emergency and safety equipment, refurbish vehicles and stations, expand parking facilities and improve switches.

And lastly, passenger rail projects should also be eligible for funding. The Federal Railroad Administration made awards this fall under the Intercity Passenger Rail grant program but left a significant number of good projects on the table due to lack of funding. Recent enactment of the rail safety bill that included authorization for intercity passenger and other rail programs points to the great support for these infrastructure needs nationwide and should be reflected in a comprehensive transportation funding measure.

Mr. Chairman and Members of the Committee, I thank you for inviting me to testify and for your recognition of the role that near-term transportation infrastructure investments can play in accelerating our Nation's economic recovery. My State and AASHTO stand ready to assist you and the other leaders in Congress as you deal with this most critical issue. I will be happy to answer any questions you may have.