TESTIMONY OF

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ON BEHALF OF

THE AMERICAN ASSOCIATION OF STATE HIGHWAY AND TRANSPORTATION OFFICIALS

REGARDING

THE AMERICAN RECOVERY AND REINVESTMENT ACT OF 2009:120-Day Progress Report for Transportation Programs

BEFORE THE

COMMITTEE ON TRANSPORTATION AND INFRASTRUCTURE
U.S. HOUSE OF REPRESENTATIVES

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Mr. Chairman and Members of the Committee, my name is Butch Brown. I am Executive Director and Chief Administrative Officer of the Mississippi Department of Transportation and Vice President of the American Association of State Highway and Transportation Officials (AASHTO). I am here today to testify on behalf of AASHTO, which represents the departments of transportation in the fifty states, the District of Columbia and Puerto Rico.

First, I want to thank you, Mr. Chairman, for the continued vigilance of you and your Committee in ensuring that we deliver on the promises of American Recovery and Reinvestment Act of 2009 (ARRA), which included substantial funding for transportation projects. We appreciate that you and the Members of your Committee recognize the contribution that transportation capital investments are making toward turning our economy around. With these transportation capital investments we are putting our dollars into physical assets lasting 50 to 100 years or move and providing future generations with a modernized transportation system at the same time we are creating and sustaining good paying "made-in- America" jobs.

Today, I want to emphasize three points –

- The State departments of transportation are on target for obligating 50 percent of the non-suballocated funds by the June 30, 2009 deadline, as required by ARRA.
- The State departments of transportation are delivering on economic recovery, job creation and long term transportation capital assets -- projects are under construction and people going back to work in good paying jobs.
- The State departments of transportation are directing funds for ready-to-go projects that will spread economic recovery and job creation to all corners of the States, distributing funds equitably with special consideration to economic needs and geographic balance.

The Goals and Requirements of the American Recovery and Reinvestment Act of 2009 (ARRA)

In specifying the purposes of the Act, Congress outlines several objectives of direct implication for transportation, including the preservation and creation of jobs to promote economic recovery, and the investment in transportation infrastructure "that will provide long-term economic benefits." The American Recovery and Reinvestment Act provided $48 billion for transportation investments out of a total economic recovery package of $787 billion:

- $27.5 billion for highways (of which $26.81 was apportioned to the States and balance is the Federal Lands and Indian Reservation Program, for highway surface transportation and technical training, DBE bonding assistance, the Territorial Highway Program, the Puerto Rico Highway Program, the Ferryboat Discretionary Program, and FHWA Oversight.
- $8.4 billion for transit
- $8.0 billion for intercity and high speed passenger rail
- $1.3 billion for Amtrak
- $1.5 billion for National Surface Transportation Discretionary Grants.

Mississippi received in excess of $354 million in stimulus money for transportation projects and MDOT received the bulk of the money for statewide projects. Nearly $74 million is being spent in areas with a population of less than 200,000. Another $11.7 million was put in a fund for our State Aid Division for roads in areas of less than 5,000 people.

Congress included a number of provisions that impact the distribution and use of highway economic recovery funds. For example –

- Priority shall be given to projects projected for completion within a 3-year time frame, located in economically distressed areas, can be delivered expeditiously and will maximize job creation and economic benefits.
- Of the amount of funding for the highway stimulus program, Congress extends eligibility beyond the current highway program to include passenger and freight rail and port infrastructure projects.
- Of the amount of highway funds apportioned, 3% is set aside for Transportation Enhancements and 30% is suballocated within the States according to the existing suballocation rules.
- All Title 23 statutory and regulatory requirements will apply to these projects, including all environment, procurement and labor provisions regardless of project size or location.

States are On Target for Obligating Funds

The State departments of transportation must obligate 50% of their apportioned highway funds (excluding suballocated funds) within 120 days after the funds were apportioned – that deadline is June 30, 2009.

All apportioned highway economic recovery funds (including suballocated funds) must be obligated by September 30, 2010.

The State departments of transportation are on target for delivering projects –

- According to the U.S. Federal Highway Administration's daily tabulation, as of June 16, 2009, $14,541,637,471 or 54% of the ARRA highway dollars apportioned to the States has been obligated.

- As of June 16th, all states, the District of Columbia and Puerto Rico have projects underway. FHWA estimates that there are 914 projects under construction valued at $2,719,061,540 in the states, D.C. and the Territories.

Mississippi, for example, has obligated nearly 80 percent of its apportioned funds for highways and bridges. In total, Mississippi plans on letting approximately 165 contracts using the ARRA funding. These contracts will be let by the State DOT, Office of State Aid Road Construction, and local public agencies both within and outside of metropolitan areas. The number of direct, on-project jobs created and sustained by the Recovery Act funds as of late May is 524. This Act has restored jobs essential to family survival and self sufficiency, rebuilding America infrastructure and repairing roads, bridges and livable communities.

States are On Target for Delivering Projects that are Creating and Sustaining Jobs and Maximizing Economic Benefits

With more than 4,200 highway projects now approved totaling almost $15 billion, all the states have construction underway. The orange barrels are out and workers are back on the job. During the disbursement of stimulus funding ,one of our Transportation Commissioners was quoted in saying that in all, Mississippi has $6 billion in transportation needs. "There has always been more *need* than resources, so we are pleased to now have an opportunity to begin work on several important area projects." Our Transportation officials crafted a plan that provided equitable distribution of projects throughout Mississippi, to ensure the greatest possible impact in terms of job creation and economic development. The stimulus dollars will also provide critically-needed funding for improvements to an aging infrastructure system.

A recent news report from **New Hampshire's** *Winnisquam Echo* illustrates the success of job creation and preservation. Because of the stimulus funds, Pike Industries, a local highway construction company, has been able to preserve 250 jobs and add 100 more in the New Hampshire area alone. The company's president also describes the multiplier effect – new employees "buy new work clothes and shoes,…feed and clothe their families and…spend mony on recreation and entertainment." The trickle down also benefits smaller companies with which Pike Industries subcontracts.

States are On Target for Delivering Ready-to-Go Projects that are Targeting Economically Distressed Areas and Spreading Economic Benefits across All Areas of the States

The economic recovery legislation's goal of maximizing job creation and economic benefits also directs recipients to give priority to projects that can be completed in three years, can be quickly delivered, and can benefit economically distressed areas of the states. The State departments of transportation, working in cooperation with their metropolitan and local governments, are taking all these criteria into consideration as they identify and advance ready-to-go economic recovery projects. The challenge is to balance resources across all areas of the state in a way that will maximize long-term economic benefits and deliver job creation and preservation to the most economically depressed areas of the states. It is a further challenge to track and report the actual employment impact since many people seek and find employment beyond the immediate areas in which they live.

The National Surface Transportation Infrastructure Commission found in its finding, that the roots of our current transportation crises lie in our failure as a nation to fully understand and, act on the coasts of deferred investment in our surface transportation infrastructure, especially in the face of an aging infrastructure, a growing population, and an expanding economy. From 1980 to 2006, the total number of miles traveled by automobiles increased 97 percent and the miles traveled by trucks 106 percent. Over the same period, the total number of highway lanes miles grew a negligible 4.4 percent—meaning that over twice the traffic was traveling on essentially the same roadway capacity. Real highway spending per mile traveled has fallen by nearly 50 percent since the federal Highway Trust Fund was established in the 1950s. Total combined highway and transit spending as a share of gross domestic product (GDP) has fallen by about 25 percent in the same period to 1.5 percent of GDP today. Because it is not adjusted for inflation, the federal gas tax had experienced a cumulative loss in purchasing power of 33 percent since 1993—the last time the federal gas tax was increased.

In Arkansas, with 70 of their 75 counties are designated as Economically Distressed Areas (EDAs), the **Arkansas State Highway and Transportation Department** was faced with several issues in developing a program of “shovel-ready” projects:

- Not all EDAs in the State had projects that were ready-to-go.
- Arkansas’ population centers, which had major, ready-to-go projects, are not located in the EDAs

Therefore, the Arkansas State Highway and Transportation Department coordinated with local officials and the contracting industry to assure that major projects in non-EDAs (e.g., development of Congressionally-designated High Priority Corridors, major widening of regional connector routes and urban, freeway-to-freeway interchange modifications) would draw construction employees from neighboring EDAs. The Department also considered what they believed to be the overall intent of the ARRA, and strived to distribute highway projects geographically to as many areas of the State as possible. The result is that the program of highway economic recovery projects will deliver 84% of the jobs to EDAs, 81% of the dollar amount of work will be undertaken in EDAs, and at least one project will be located in 80% of the EDAs. As of June 10, 2009, the Arkansas State Highway and Transportation Department had issued a “Notice to Proceed” on 51 ARRA-funded projects; 48 of these are in EDAs.

Immediately following enactment of ARRA, the **Arizona Department of Transportation** instituted a process for identifying projects for economically distressed areas of their state, represented by 12 of 15 counties. The process was complicated by the fact that 75% of their population resides in non-economically distressed areas as defined by the U.S. Economic Development Administration (EDA). Yet those non-economically distressed counties were also affected by the economic downturn. Arizona used an alternative approach that weighted economic distress as compared to a per capita share of resources. The result is that 60% of the projects and 40% of the highway economic recovery funds will be directed to economically distressed areas of the state representing 25% of the population.

States are On Target for Delivering Projects Across All Modes

The States are investing highway economic recovery funds in projects to deliver smoother and safer roads and bridges, to reduce congestion, and to long-term economic benefits while delivering good paying jobs. Congress also expanded the eligibility of the highway funds to include intercity passenger and freight rail and port projects, and states are using that flexibility.

ARRA Funds Flexed for nation’s Waterway Projects – The United States Army Corps of Engineers New Orleans District issued its first two contracts funded by the American Recovery and Reinvestment Act—with a combined valued of $9.9 million, these contracts were awarded for maintenance dredging of the Mississippi River’s Southwest Pass. During the high water season, maintenance dredging is necessary to maintain authorized project dimensions and provide safe, efficient river channel for the navigation industry. With four of our nation's top fifteen ports located along the Mississippi River between Baton Rouge and Gulf of Mexico, this navigation plays a critical role. There is no better return to the U.S. economy than investment in our nation's critically important lock-and-dam infrastructure. Our waterways system transport 20 percent of the nation's coal burned to generate electricity in utility plants and around 22 percent of domestic petroleum products. The inland waterway system is the primary artery for more than half of grain and oilseed exports, feedstock to chemical plants and aggregate material for construction use.

Highway Funds Flexed to Rail Projects – The Iowa Department of Transportation will provide $5 million for four freight rail projects. The projects include, for example, $2 million to the Clinton Regional Development Corporation to establish rail access to an industrial park and to add passing track to facilitate switching; and $2 million to the Iowa Interstate Railroad to upgrade an intermodal facility.

Highway Funds Flexed to Port Projects – The Port of Tacoma, Washington will be the direct beneficiary of $15. 4 million in highway stimulus funds for a highway-rail grade separation project. The project will raise a five-lane major roadway above train tracks eliminating four at-grade rail crossings. Currently trains blocking the corridor cause truck and vehicle delays up to 45 minutes several times a day. This is the first phase of a larger $60 million freight project for the Port that will enhance access and improve traffic circulation.

Highway Funds Flexed to Transit Projects – The Iowa Department of Transportation has transferred $440,200 in highway economic recovery funds to transit projects, funding the purchase of 4 light-duty (body-on-van-chassis) buses, 3 ADA minivans, 2 non-ADA minivans and one service truck for use in rural areas of the State.

Highway Funds for Bike/Ped Projects- The Washington State Department of Transportation has awarded over $20 million of their highway economic recovery funds to bicycle and pedestrian improvement and safety projects, and multi user trails.

Highway Funds for Smoother, Safer Roads and Bridges – The Colorado Department of Transportation reached its goal obligating 50% of the apportioned highway economic recovery funds (excluding suballocated funds) on May 12th. Just this past week the Colorado Department of Transportation began a three-mile pavement resurfacing project on I-25 in Denver. Earlier this month, the North Carolina Department of Transportation awarded a $3.4 million contract to resurface the roadway and exit ramps along a 2 ½ mile section of the Raleigh Beltline (I-440).

Highway Funds for Congestion Relief – Last week the Colorado Department of Transportation began widening State Highway 9 to four lanes though north Breckenridge. The project will include the reconstruction of two intersections, new traffic signals, relocating segments of a bicycle/pedestrian path, a new pedestrian bridge, new retaining walls and water quality ponds, drainage improvements and wetlands mitigation.

Transit. The ARRA provides $8.4 billion in funds for public transportation which is made available to the Federal Transit Administration for three different programs – transit capital assistance, fixed guideway infrastructure investment and capital investment grants. A few States oversee urban transit programs but most have responsibility only for the non-urban transit capital assistance program.

Of the $8.4 Billion set aside for transit in ARRA, $760 Million is allocated to the States for the non-urban transit program. Fifty percent of the funds must be obligated by September 1, 2009, and because of the 60-day Department of Labor approval period, states must submit their economic recovery transit grant applications by July 1, 2009.

The Federal Transit Administration to date has awarded 112 grants totaling $1.42 billion and 354 grants totaling $3.39 billion are pending. AASHTO surveyed the State departments of transportation and found that

- Five State departments of transportation have had one or more of their state ARRA grant applications approved by the Federal Transit Administration
- Nineteen State departments of transportation have grant applications pending approval with the Federal Transit Administration.
- The remaining States are in the process of submitting grant applications and we anticipate that all State will have submitted their grant applications by the July 1, 2009 deadline.

The States with approved non-urban transit grant applications include Connecticut, Iowa, Kentucky, Maine and Missouri. Missouri has been awarded $14.6 million of its initial $20.7 million allocation of ARRA rural transit capital funds for transit vehicle replacement projects and will purchase hundreds of new buses for use throughout the state.

Intercity Passenger and High Speed Rail. ARRA included $8 billion for high speed and intercity passenger rail. The Federal Railroad Administration (FRA) just released guidance on June 17th for the States to use in preparing and submitting applications to compete for these funds. The States will have 45 days to submit applications and FRA intends to announce the first track of grant recipients within 45 days after the submission deadline.

The State departments of transportation have been working closely with FRA to develop the guidance, including working to help FRA coordinate regional workshops over the last month to ensure timely submissions for high speed and intercity rail funds.

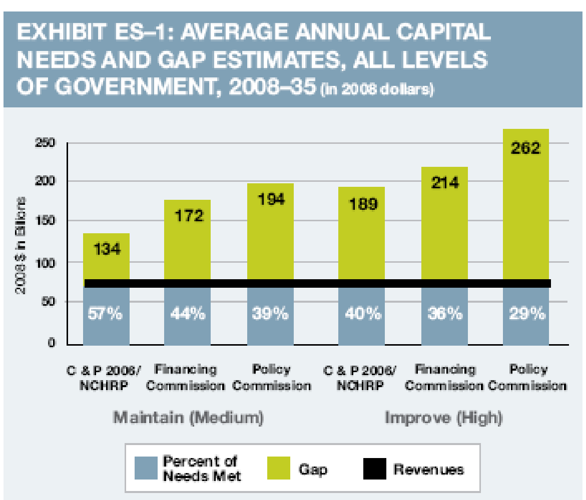
Over the last two fiscal years Congress has appropriated $120 million to the State departments of transportation to undertake intercity passenger rail capital projects. For the first $30 million made available in FY 2008, which required a 50% match, 22 states applied for 25 separate projects, and 12 states were awarded funding. In addition, fifteen states currently contract with Amtrak to cover the operating expenses of additional intercity passenger rail service, and other States are investing in stations, rail relocation, track improvements, signalization and grade crossing improvements.

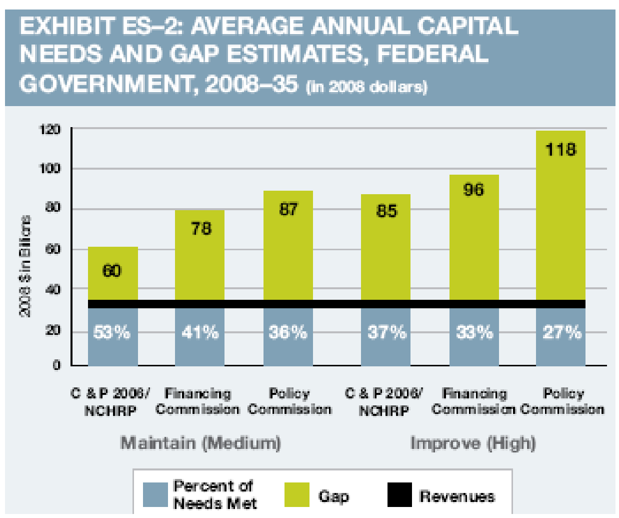
Therefore, state departments of transportation are well prepared to apply for the $8 billion rail economic recovery funds "ready to go" projects that have completed environmental and engineering work, and for preparing corridor projects to support the future development of high speed and intercity passenger rail.

The Backlog of Ready to Go Projects exceeds Available Resources

Mr. Chairman and Members of the Committee, AASHTO believes that it is worth repeating in our testimony that the dollars made available by the American Recovery and Reinvestment Act of 2009 are having a positive effect on our economies, and we appreciate the infusion of these dollars. However, we urge you recognize that the dollars are far less than we could have put to use in ready-to-go projects.

Several national studies have shown that the current funding levels provided through the Highway Trust Fund (**approximately $55 Billion/year**) are far short of what is needed to adequately support our transportation system. The funds received last year through the *American Reinvestment and Recovery Act (ARRA)* (**27.5 Billion**) provided a needed boost, but the combination of our regular funding through SAFETEA-LU and the ARRA funding (**a total of $84 Billion**) barely provided the funding necessary to support our transportation system in its existing condition. And even more money is needed to bring the system up to an acceptable level. The point I am making is that that the ARRA funding was a great first step, but we need at least that much more additional funding every year to provide the transportation system necessary to sustain our economy.





All levels of government are failing to keep pace with the demand for transportation investment. Increasingly, policy makers at all levels must use existing revenues to simply attempt to keep pace with the preservation and maintenance of an aging system, leaving few or no resources for vitally needed new capacity and improvement to the system.

The State departments of transportation have been working cooperatively with metropolitan and local officials to move rapidly to get economic recovery projects under construction and people back to work. To this end, the States have worked hand in hand with their Metropolitan Planning Organizations and local governments to identify ready-to-go projects geographically and strategically dispersed across their States to generate the maximum benefit in terms of jobs and the economy. Unfortunately, the backlog of ready to go projects is substantial, and there are many more projects ready to go than we have available economic recovery dollars. We certainly hear the criticism that no area is getting their fair share. We believe that this is clearly indicative of the substantial demand for additional highway and transit investments, and we certainly support and applaud your efforts to move quickly forward with the debate on the next surface transportation authorization bill.

Short Term Funding Issues

Moreover, we want to reiterate our concerns that Congress and the Administration recognize the importance of timely and adequate action on continued and stable funding for the federal highway and transit programs. We hope that the economic gains, job creation and preservation resulting from the Economic Recovery Act are not swept away by the bleak short term funding picture we face resulting from any or all of the following –

- A potential cash flow shortfall in the HTF sometime this summer;
- Imposition of the $8.7 billion rescission called for in the Safe, Accountable, Flexible, and Efficient Transportation Equity Act: A Legacy for Users (SAFETEA LU); and/or
- Failure to generate sufficient resources to at least maintain current program funding levels in FY 2010.

Finally, Mr. Chairman and Members of the Committee, we especially want to commend the U.S. Department of Transportation for working in partnership with the States to efficiently and competently implement the provisions and requirements of the economic recovery act and to deliver on the promise of investing in long term capital assets and creating and sustaining good paying jobs.

Mr. Chairman and Members of the Committee, thank you for the opportunity to testify and share our good news. I will be happy to answer any questions you may have.