American Road & Transportation Builders Association

Testimony of Charles Potts

CEO, Heritage Construction and Materials
&
Chairman, American Road and Transportation Builders Association

Before the
Subcommittee on Highways and Transit
Committee on Transportation and Infrastructure
U.S. House of Representatives

Hearing on the Need for a Multi-Year Surface Transportation Authorization Bill

July 16, 2009

American Road and Transportation Builders Association
1219 28th Street, NW, Washington, DC 20007
202-289-4434

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Chairman DeFazio, Representative Duncan, members of the Subcommittee, I am very pleased to be here to testify on behalf of the American Road and Transportation Builders Association (ARTBA), the consensus voice of the transportation construction industry. I am Charles Potts, CEO of Heritage Construction & Materials in Indianapolis, Indiana. I am also the 2009 chairman of the American Road & Transportation Builders Association.

ARTBA, which celebrated its 100th anniversary in 2002, has over 5,000 member firms and member public agencies from across the nation. They belong to ARTBA because they support strong federal investment in transportation improvement programs to meet the needs and demands of the American public and business community. The industry we represent generates more than $200 billion annually in U.S. economic activity and sustains 2.5 million American jobs.

Thank you for the opportunity to appear before this hearing of the Highways and Transit Subcommittee to address the critical topic of why Congress must enact a full six-year surface transportation authorization act as soon as possible.

Mr. Chairman, I have spent over 40 years in this sector as an official at the Florida Department of Transportation and as the C-E-O of two national construction firms. I guarantee you I have never seen a situation as dire as the one facing the nation's surface transportation infrastructure network today.

Virtually every state is facing budget shortfalls. According to the National Governors Association, 15 states have cut transportation investment in 2009— Massachusetts, New Jersey, Pennsylvania, Michigan, Georgia, Louisiana, Mississippi, North Carolina, South Carolina, Virginia, Arizona, Utah, California, Oregon, and Washington. 19 states will make similar reductions in 2010— Maine, Massachusetts, Delaware, New Jersey, New York, Illinois, Michigan, Minnesota, Georgia, Louisiana, North Carolina, South Carolina, Virginia, West Virginia, Idaho, Utah, California, Washington, and Arizona.

At the same time, revenues flowing into the federal Highway Trust Fund will fall short of meeting FY 2009 highway investment commitments to the states and will not be able to support even current levels of spending during the next authorization period.

The only bright spot is the transportation investments from the American Recovery and Reinvestment Act. Due to state budget challenges, however, the stimulus funds are allowing some states to simply maintain current activities, while in other states they are at best serving to make cuts less severe.

It is this confluence of challenges that makes the current push by some to delay the reauthorization of SAFETEA-LU until March of 2011 mind boggling. We learned the hard way from 2001 to 2005 that uncertainty at the federal level at a time of economic and state budget difficulty leads to an overall stagnated national effort to deliver surface transportation improvements, as I will discuss later.

For four years, we have known the next reauthorization bill is due at the end of September. In my world, that's a deadline and you either meet your obligations or suffer the consequences. This Subcommittee did its work and produced a comprehensive bill in a timely manner. We urge the rest of Congress and the Obama Administration to follow your lead.

The most important reason for enacting a full six-year authorization is that physical conditions and performance on our nation's highway and transit systems are badly deteriorating because of inadequate investment.

Our outdated transportation system is a major impediment to U.S. competitiveness in the global marketplace. Congestion impairs freight movements within the United States and raises the cost of American-made products. Deficient roadways contribute to 22,000 highway fatalities, costing the nation more than $217 billion each year. And, according to the 2009 Urban Mobility Report issued just last week by the Texas Transportation Institute, traffic congestion costs the nation's highway users $87 billion each year in wasted time and fuel.

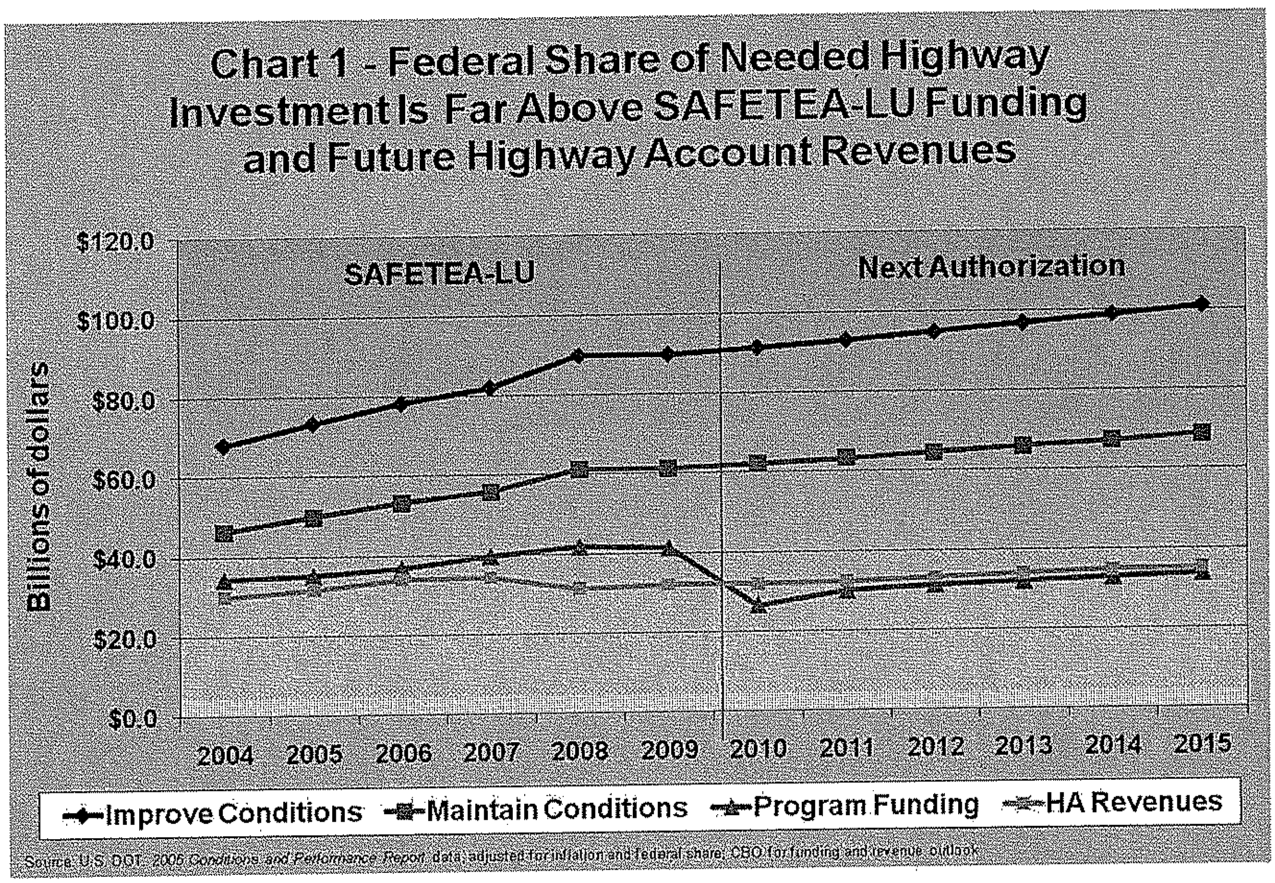
Every two years, the U.S. Department of Transportation issues a report on the Conditions and Performance of the Nation's Highways, Bridges and Transit, in which it calculates the annual investment that all levels of government would have to make both to maintain current conditions on U.S. highways as well as to improve conditions. These calculations are not a wish list of all the projects we would like to do if we had the money. They are instead based on an economic comparison of costs and benefits of potential improvements to a sample of more than 100,000 highway segments in the U.S. and are about as objective as possible given current data sources and computational techniques.

The latest report, which was issued in January 2007, provides data on the average annual investment that would be needed between 2004 and 2023 both to maintain conditions and improve conditions. When combined with information on recent increases in highway construction costs and the traditional federal share of highway investment, the report shows that funding for the federal highway program in the next surface transportation authorization bill should be in the range of $62 to $69 billion per year just to maintain current highway and bridge conditions. The annual federal investment needed to improve conditions would be even higher.

By contrast, federal highway investment in fiscal year 2009 is $40.7 billion, a shortfall of more than $20 billion from just keeping the status quo.

Looking forward, the gap between resources and needs is daunting. As Chart 1 shows, projected Highway Trust Fund revenues between FY 2010 and FY 2015 are far less than needed to support the current level of federal highway investment, let alone support a program that meets the nation's highway investment requirements.

Chart 1 also illustrates the fact that projected Highway Trust Fund revenues are grossly inadequate to meet the nation's highway investment needs. The gap between projected revenues and the annual federal investment required just to maintain current conditions and performance on the nation's highways and bridges is just over $31 billion per year between FY 2010 and 2015.



The report also includes data on the cost to maintain and improve the nation's mass transit systems, including both bus and rail-based transit. When combined with data on recent cost increases and traditional federal share, the report indicates that a federal transit program of $12 to $13 billion annually between FY 2010 and 2015 would maintain conditions while $16 to $18 billion would be needed to improve conditions. In FY 2009, total funding for the public transportation program was just over $10 billion. For FY 2010 through 2015, transit account revenues are projected to be just over $5 billion per year, less than half the amount that would be needed just to preserve existing conditions.

The massive gap between federal highway investment and needs is shown on a state by state basis in Table 1. For example, the table shows that Minnesota would need an annual federal investment of just over $1.6 billion to provide its share of the cost to maintain conditions and performance on the state's highways and bridges[1]. In FY 2009, it received about one-third of that amount. The table also shows that the one-time highway stimulus funds in the American Recovery and Reconstruction Act, while helpful, come nowhere near filling the gap. Most other states are in a similar situation.

This Committee's proposed $450 billion surface transportation authorization bill would substantially meet the nation's highway and transit investment needs during the next six years. Decades of deteriorating road and bridge conditions and ever-increasing congestion would be reversed. By comparison, an 18-month extension of the current law would put the nation even further behind in addressing its highway and transit needs.

Another very good reason for enacting the Committee's bill rather than an 18-month extension is that it would create thousands of new jobs in the construction industry and its suppliers and reinforce the highway stimulus in the Recovery Act.

According to ARTBA's analysis, the $337 billion for highway improvements in the Committee's bill would generate almost 150,000 new jobs in 2010. About half these jobs would be in the highway construction industry or the industries that supply materials and services used in highway construction, and the rest would be spread throughout the rest of the economy.

Over the six-year period covered by the legislation, the increased highway funding would support an annual average of almost 540,000 more jobs in the U.S. economy than we would have under the current funding level.

Table 2 of my testimony shows the job-creation potential of the Committee's bill by state. In Oregon, the bill would generate almost 1,700 new jobs throughout the state's economy next year and would, over the full six years, support an average of 6,100 more jobs each year than the current level of highway program funding. Tennessee would see 3,200 new jobs in 2010 and a six-year average of almost 11,600 jobs.

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[1] State investment needs are based on Federal Highway Administration data on the number of highway miles in poor or mediocre condition in each state, the total deck area of deficient bridges in each state, and a measure of highway congestion.

Table 1 - Federal Highway Program Funding versus Federal Share of Highway Investment Needs

(Millions of dollars)

State	Highway Program Formula Funding FY 2009	Federal Share of Annual State Highway Investment Needs, FY 2010 /1 Maintain Conditions	Improve Conditions	ARRA Highway Stimulus Funds /2 FY 2009-10
Alabama	$664.2	$840.7	$1,222.5	$513.7
Alaska	$290.7	$166.8	$236.6	$175.5
Arizona	$672.4	$734.4	$1,126.3	$522.0
Arkansas	$410.8	$1,294.0	$1,824.0	$351.5
California	$3,002.8	$8,217.3	$12,141.4	$2,569.6
Colorado	$451.1	$836.3	$1,266.7	$403.9
Connecticut	$422.8	$627.6	$952.2	$302.1
Delaware	$129.9	$140.8	$214.3	$121.8
Dist. of Col.	$126.8	$165.4	$240.6	$123.5
Florida	$1,690.1	$1,955.8	$3,133.1	$1,346.7
Georgia	$1,143.8	$1,266.9	$1,957.4	$931.6
Hawaii	$136.0	$176.5	$251.0	$125.7
Idaho	$244.8	$697.2	$968.5	$181.9
Illinois	$1,121.7	$2,208.5	$3,240.0	$935.6
Indiana	$852.5	$1,152.7	$1,725.1	$658.0
Iowa	$384.4	$875.1	$1,196.3	$358.2
Kansas	$327.6	$1,672.7	$2,297.2	$347.8
Kentucky	$568.1	$609.8	$940.3	$421.1
Louisiana	$555.6	$1,408.8	$2,005.2	$429.9
Maine	$141.8	$270.8	$365.8	$130.8
Maryland	$518.5	$973.5	$1,437.5	$431.0
Massachusetts	$531.9	$1,047.7	$1,598.8	$437.9
Michigan	$927.0	$2,010.1	$2,899.6	$847.2
Minnesota	$523.4	$1,656.5	$2,449.1	$502.3
Mississippi	$389.2	$966.9	$1,366.6	$356.3
Missouri	$762.0	$2,039.9	$2,906.2	$637.5
Montana	$315.8	$176.1	$238.1	$211.8
Nebraska	$244.6	$406.4	$568.5	$235.6
Nevada	$256.1	$385.7	$603.9	$201.4
New Hampshire	$146.2	$280.3	$421.5	$129.4
New jersey	$859.7	$2,127.0	$3,193.0	$651.8
New Mexico	$310.2	$778.8	$1,103.8	$252.6
New York	$1,450.2	$3,282.3	$4,887.6	$1,120.7
North Carolina	$930.6	$2,062.3	$3,262.1	$735.5
North Dakota	$207.3	$247.0	$338.3	$170.1
Ohio	$1,147.4	$1,254.0	$1,876.3	$935.7
Oklahoma	$504.8	$1,849.5	$2,493.4	$464.7
Oregon	$372.6	$647.9	$974.6	$333.9
Pennsylvania	$1,443.9	$2,722.6	$3,958.7	$1,026.4
Rhode Island	$163.8	$187.7	$269.4	$137.1
South Carolina	$549.0	$589.6	$780.9	$465.1
South Dakota	$217.4	$407.4	$543.1	$183.0
Tennessee	$704.2	$1,087.8	$1,688.8	$572.7
Texas	$2,868.6	$4,664.0	$6,986.8	$2,250.0
Utah	$259.4	$460.0	$730.7	$215.5
Vermont	$134.1	$216.8	$300.0	$125.8
Virginia	$859.5	$850.1	$1,258.7	$694.5
Washington	$556.5	$1,092.3	$1,604.9	$492.2
West Virginia	$350.1	$871.3	$1,260.2	$210.9
Wisconsin	$642.7	$874.9	$1,164.7	$529.1
Wyoming	$215.5	$166.3	$235.8	$157.6
Total	$32,700.1	$61,701.0	$90,706.2	$26,666.1

1/ The "Needs" column shows investment required in FY 2010. The amounts would grow each year with inflation.

2/ ARRA is one-time funding only during FY 2009-10 and thus not available to meet needs in future years.

Table 2 - Job Impact of House T&I Committee Highway Program Funding (Includes effect of 20 percent state match)		
State	New Jobs that Would be Created in 2010 by T&I Committee Bill	Average Increase in Jobs During 2010-2015 Supported by T&I Committee Bill
Alabama	3,038	10,926
Alaska	1,330	4,782
Arizona	3,075	11,061
Arkansas	1,879	6,758
California	13,733	49,396
Colorado	2,063	7,420
Connecticut	1,934	6,956
Delaware	594	2,137
Dist. of Col.	580	2,085
Florida	7,729	27,802
Georgia	5,231	18,816
Hawaii	622	2,237
Idaho	1,120	4,028
Illinois	5,130	18,452
Indiana	3,899	14,024
Iowa	1,758	6,324
Kansas	1,498	5,389
Kentucky	2,598	9,345
Louisiana	2,541	9,139
Maine	649	2,333
Maryland	2,371	8,530
Massachusetts	2,433	8,750
Michigan	4,239	15,249
Minnesota	2,394	8,611
Mississippi	1,780	6,403
Missouri	3,485	12,535
Montana	1,444	5,195
Nebraska	1,119	4,023
Nevada	1,171	4,213
New Hampshire	668	2,404
New Jersey	3,932	14,143
New Mexico	1,419	5,103
New York	6,632	23,855
North Carolina	4,256	15,309
North Dakota	948	3,411
Ohio	5,247	18,874
Oklahoma	2,309	8,304
Oregon	1,704	6,129
Pennsylvania	6,604	23,752
Rhode Island	749	2,695
South Carolina	2,511	9,031
South Dakota	994	3,576
Tennessee	3,221	11,584
Texas	13,119	47,188
Utah	1,186	4,268
Vermont	613	2,206
Virginia	3,931	14,139
Washington	2,545	9,154
West Virginia	1,601	5,759
Wisconsin	2,939	10,572
Wyoming	986	3,545
SUBTOTAL	149,550	537,915

Almost every industry in the United States would add jobs as a direct or indirect result of this Committee's bill, according to the latest detailed input-output data for the U.S. economy from the Department of Commerce. Table 3 shows just some of the industries that will add new jobs as a result of the Committee's bill. For example, employment in the aggregates industry would grow by almost 3,000 jobs in 2010, and the average increase in employment during the full six years would exceed 10,500 jobs.

Table 3 - Job Impact of House T&I Committee Highway Program Funding by Industry
(Includes effect of 20 percent state match)

State	New Jobs that Would be Created in 2010 by T&I Committee Bill (1)	Average Increase in Jobs During 2010-2015 Supported by T&I Committee Bill (2)
Highway, bridge and tunnel construction	72,714	261,544
Stone, sand and gravel mining and quarrying	2,929	10,535
Asphalt paving mixtures and coatings	2,775	9,980
Cement and ready-mix concrete	3,281	11,800
Iron and steel industry	1,396	5,021
Petroleum refineries	3,854	13,861
Oil and gas extraction	2,878	10,352
Concrete product manufacturing	1,330	4,784
Structural metal fabrication industries	2,549	9,168
Truck transportation	3,146	11,317
Engineering services industry	3,957	14,234
Accounting and bookkeeping	422	1,516
Machinery & equipment rental industry	2,352	8,461
Real estate and insurance industries	2,783	10,011
Wholesale trade	3,733	13,429
Machinery & vehicle repair shops	2,485	8,939
Lighting fixtures manufacturing	363	1,306
Paint and coatings manufacturing	570	2,050
Plastic pipe and fixture manufacturing	1,428	5,137
Sign manufacturing	226	814
Waste management industry	219	789
Other industries	34,159	122,865
Total	149,550	537,915

Mr. Chairman, there is growing discussion of a second stimulus bill. Congress need look no further than this Committee's surface transportation authorization bill if it wants to generate productive, well-paid jobs in the United States next year.

Another drawback of an 18-month extension of the current surface transportation law is that it will create uncertainty about federal highway funding and disrupt the ability of state and local DOTs to make long-term highway investment plans. And that is especially problematic at a time when state and local governments are struggling with serious financial problems related to the current economic recession.

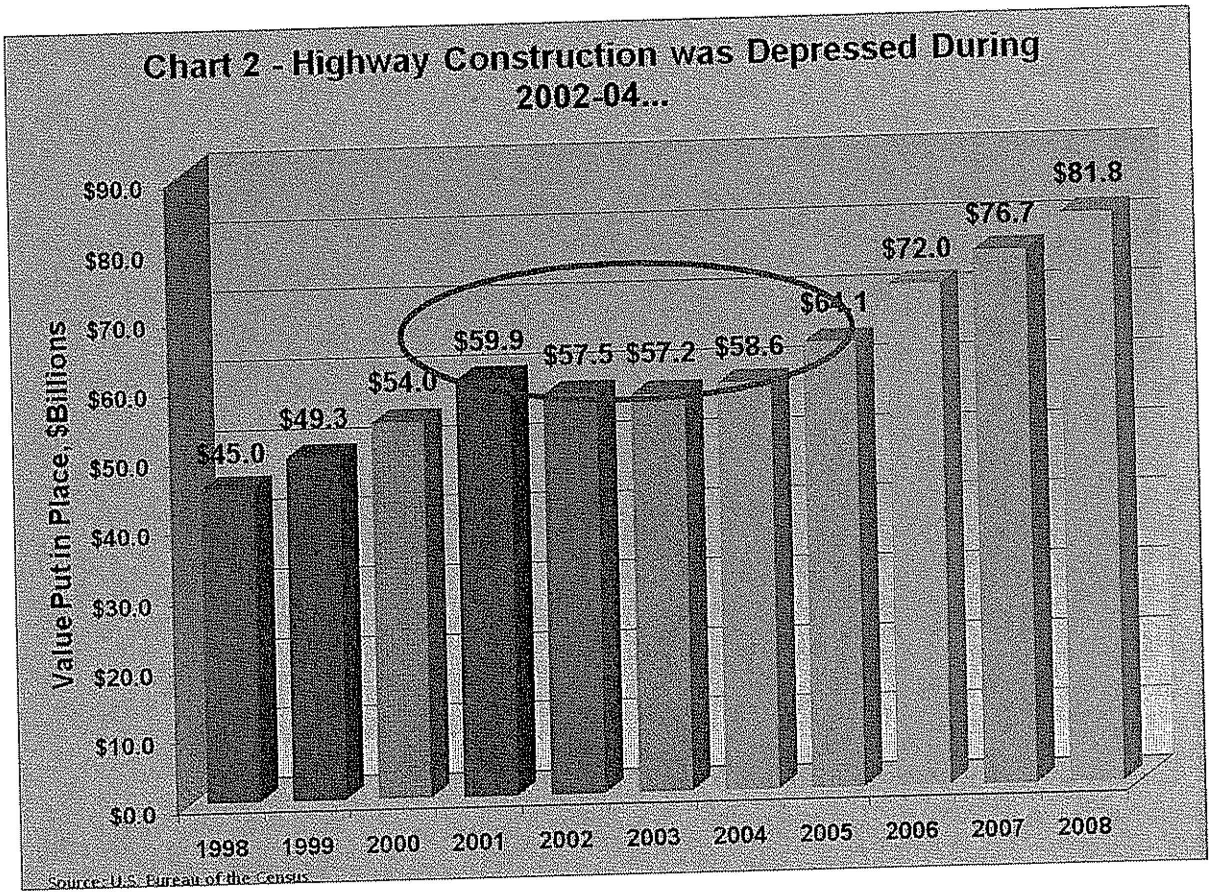


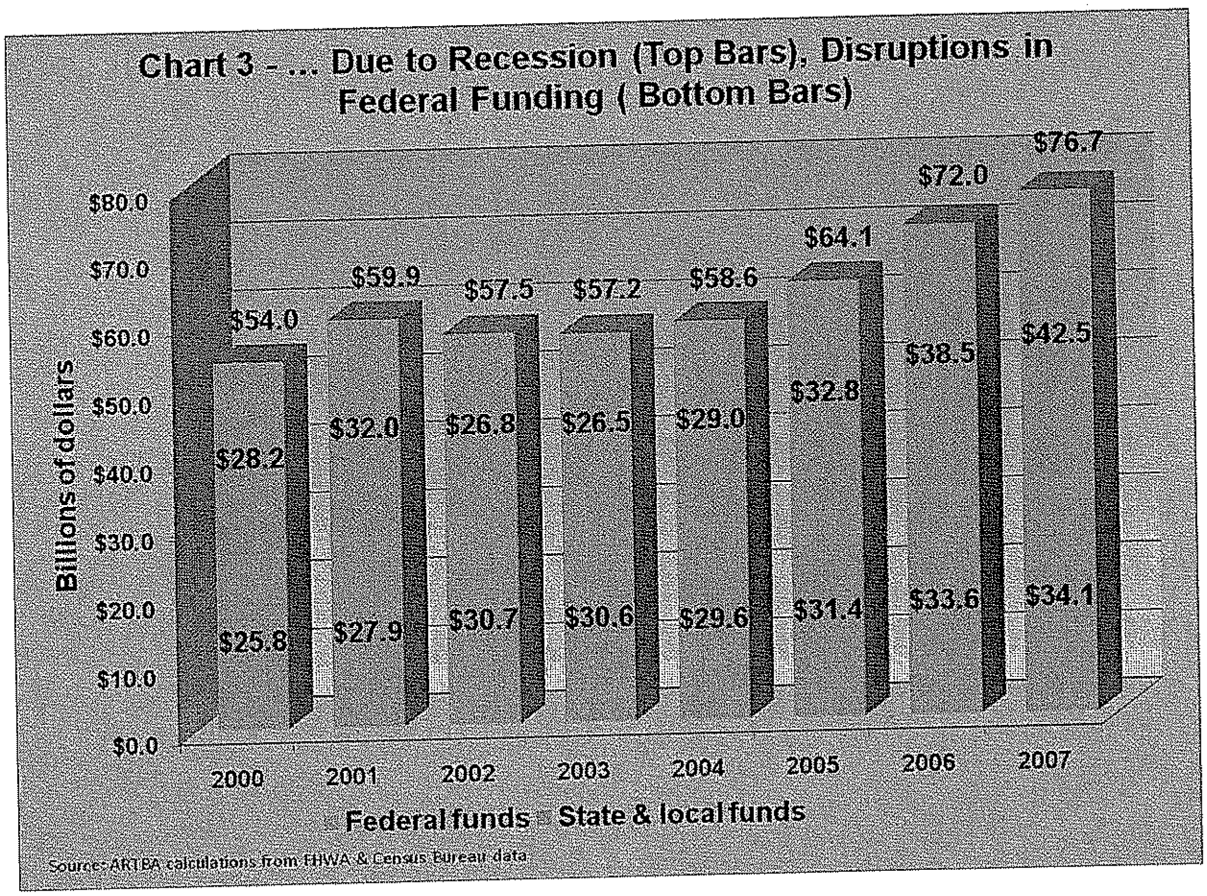
Chart 2 illustrates the potential impact of this combination on the outlook for highway construction and, by implication, the number of jobs supported by highway construction. At the start of this decade, the "perfect storm" of recession plus uncertainty caused by disruptions to federal highway funding caused a three year recession in highway construction, as shown in the chart. Let me review the chronology of events:

- The problem began with a relatively mild recession from March through November 2001, which nonetheless caused serious fiscal difficulties for state governments during their fiscal years 2002, 2003 and 2004. A number of states raided their highway funds to balance their budgets. The current recession is much worse and likely to have an even bigger impact.

- Then, in February 2002, the administration's budget for FY 2003 included an $8 billion negative RABA adjustment slashing federal highway funding from $32 billion in FY 2002 to $24 billion in FY 2003, a 25 percent cut that was completely unanticipated. That issue was not fully resolved until half way through FY 2003, when Congress enacted appropriations legislation maintaining highway funding at its FY 2002 level. Nonetheless, for more than 12 months, state DOTs did not know how much federal highway aid to expect.

- That was followed by the expiration of TEA-21 at the end of September 2003 without any prospects for timely enactment of a multi-year surface transportation authorization bill. Instead, Congress extended TEA-21 twelve different times, some extensions as short as one month. Between September 2003 and August 2005, when Congress finally enacted SAFETEA-LU, state and local transportation agencies were essentially in the dark about how and when they would receive federal highway funds.

The impact of these two concurrent calamities is made clear in Chart 3. This chart shows the value of construction work performed on highways and bridges each year and how the cost of that work was divided between the federal highway program and state and local funds. The bottom or blue part of each bar shows the actual payment of federal highway funds to state and



local government each year. The top or pink part of each bar shows outlays of their own funds by state and local governments.

- Looking at the top bars, state and local spending plunged from $32 billion in 2001 to $26.8 billion in 2002 as a result of the recession and its impact on state and local revenues. Their highway investment did not recover until the economy started to grow again in 2004 and 2005. We are already seeing the same kind of impact of the current recession, as I mentioned earlier in my testimony.

- The story told by the bottom bars is that outlays of federal highway funds also went down at the same time, for the reasons explained above. The uncertainty caused by short-term extensions of TEA-21 led state and local governments to spend fewer federal highway funds in 2003 and 2004 than in 2002, and the number in 2005 would have also been down except for emergency highway spending to repair damages caused by hurricanes in 2004 and 2005.

And here we are in the middle of 2009, facing exactly the same set of circumstances – a serious recession combined with a proposal to once again extend the highway program for a short period of time rather than enact a robust well-funded six year authorization.

Mr. Chairman, we have known for years that state and local transportation agencies need long-term funding certainty to plan and implement highway and bridge construction projects. That is why Congress moved from annual authorizations during the 1950s and 1960s to the current practice of enacting six-year authorization. Short-term authorizations are simply too disruptive. It is virtually impossible for a state or local transportation agency to develop an effective highway investment program without a long-term funding horizon.

The lesson learned during the first half of this decade is that a series of very short-term extensions doesn't work. We need a full six-year surface transportation authorization bill.

Mr. Chairman, I have heard enough political hand-wringing about why now is not the right time to act on a surface transportation bill to make you wonder how some people decide to get out of bed in the morning.

While most of this is nothing more than justifying the urge to procrastinate, I do hear of people in and out of government who want a reauthorization delay to better advance their policy agenda. Narrow constituencies attempting to manipulate this legislation to gain political leverage when over 37,000 workers in the transportation construction industry lost jobs in the last year is incredibly offensive and exactly why so many Americans are soured on this process.

In closing, I would like to share a quote from an editorial by President Obama in last Sunday's Washington Post.

"There are some who say we must wait to meet our greatest challenges. They favor an incremental approach or believe that doing nothing is somehow an answer. But that is exactly the thinking that led us to this predicament. Ignoring big challenges and deferring tough decisions is what Washington has done for decades, and it's exactly what I sought to change by running for president."

Admittedly, this statement is in a broad context, but I think we would all agree its sentiments are equally applicable to the surface transportation bill. I only hope we are allowed to take on these tough decisions.

Thank you for allowing me to appear before you today and I would be happy to respond to any questions.