TESTIMONY OF

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REGARDING

"NATIONAL INFRASTRUCTURE BANK: MORE BUREAUCRACY & MORE RED TAPE"

BEFORE THE

COMMITTEE ON TRANSPORTATION AND INFRASTRUCTURE
U.S. HOUSE OF REPRESENTATIVES
SUBCOMMITTEE ON HIGHWAYS AND TRANSIT

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Mr. Chairman and Members of the Committee, my name is Gary Ridley. I am Secretary of Transportation in Oklahoma. I am here today to testify on behalf of the Oklahoma Department of Transportation.

First, we want to thank you, Mr. Chairman, for your work towards identifying ways to increase the efficiency of investing transportation funding and to accelerate project and program delivery. We appreciate that you, Congressman Lankford and the Members of your Committee recognize the important contribution of the transportation system in improving the Nation's economic viability and sustaining our quality of life.

Today, I want to emphasize several points –

- The nation requires new and effective transportation revenue streams, but does not need new ideas about how to go into debt.

- The utilization of GARVEE, TIFIA, Public / Private Partnerships, state infrastructure banks and other such financing methodologies have proven effective in delivering certain, well defined transportation system needs and our work should focus on enhancing the effectiveness of these existing programs.

- The proposition that an additional federal Authority is necessary to organize, support and provide states with insight into innovative financing options is ill conceived.

Understanding the Fundamental Difference Between Funding and Financing

Dedicated public funding, innovative financing and opportunistic partnerships have important roles in the development and management of a modern, world class transportation system. Depending on the conditions, each method can be equally effective in facilitating infrastructure implementations and each has both positive aspects and drawbacks. For example, pay as you go infrastructure delivery has minimal up front risk, but may be slow to deliver the desired results. Infrastructure financing accepts a higher level of risk but can sometimes implement large scale and expensive improvements in a vastly expedited manner.

First and foremost, it is imperative we recognize that the success of dedicated funding initiatives, financing methodologies and partnerships are all dependent on the identification and stability of long term supporting revenue streams. When a system exists in a state of disrepair at a defined funding level, it should not be expected that the government can incur enough debt to influence those conditions without introducing new, long term revenue streams. Much the same, a defined funding level that is inadequate to support the development, expansion and maintenance of a system in the near term certainly will not improve those conditions in the long term without reducing the scope of that system or adding some type of new resources.

The federal interstate and national highway systems have been predominantly constructed and operated on a publicly **funded** basis with the majority of projects designed, operated and maintained by public sector transportation agencies. Most of the mileage of these critical transportation systems

was originally conceived and delivered through a pay as you go process facilitated by the dedicated funding revenues provided by the States and the Federal Highway Trust Fund.

The important work of creating those systems as originally conceived is now largely complete and the country has benefitted greatly. However, the aging core transportation infrastructure of this nation has developed an enormous backlog of unaddressed deficiencies that are commonly and consistently recognized. This country's CORE infrastructure is in a state of disrepair and we have no fiscal pay as you go solution for making wholesale improvements. Simply put, it is no secret that the revenues being deposited to the once stable Highway Trust Fund are consistently being outstripped by demand.

Therefore, as we turn our attention to the work of identifying ways to modernize, expand and maintain our aging and deteriorating infrastructure, we must remain mindful that long term, consistent funding is critically important to the development and delivery of transportation improvement projects. Extremely difficult decisions related to the care, preventative maintenance, reconstruction and expansion of the transportation system must be made every hour of every day. These decisions and investment strategies are predicated on the basic, critical needs of the system and the clear understanding of long term resources available to address these needs.

Certainly, when properly vetted and administered, a variety of **financing** methodologies can be brought to bear in order to help successfully deliver significant transportation improvements that are out of the reach of immediately available transportation funding sources. In recent times, the utilization of Grant Anticipated Revenue Vehicle bonds (GARVEE), Transportation Infrastructure Finance and Innovation Act (TIFIA) financing, Public / Private Partnerships, Build America Bonds, state infrastructure banks and other such methodologies have proven effective in financing certain, well defined transportation system needs.

The difference between identifying new near and long term sources of transportation revenue and simply creating new ways to incur debt without providing for new revenue streams capable of retiring the debt must be acknowledged. None of the referenced financing opportunities specifically provides for any new or additional funding. Bonds still must be repaid with interest. Government guaranteed loans are still loans and the associated long term repayment plan reduces available resources. Capitalizing an infrastructure bank duplicates other financing methodologies and does not generate new revenue. Therefore, attempting to address the dilemma by citing partnerships and innovative financing options simply cannot be the federal government's best or only solution to stemming the further deterioration of our national transportation system.

Transportation Departments across the country are hopeful that the Congress will make every effort to at least fund transportation at the historic levels. However, we understand the difficulties that are presented by the limitations of the Highway Trust Fund revenues. Therefore, we are greatly appreciative of the work to find ways to get more of the scarce transportation dollars to the core transportation infrastructure through reducing or eliminating bureaucracy and transportation funding diversions and increasing the efficiency of project delivery. In addition, the continuation and enhancement of the federally facilitated transportation financing tools that exist and that are already available to the States today represents an important component of this current and on-going discussion.

Enhancing the Existing Transportation Infrastructure Finance and Innovation Act (TIFIA) Loan Program verses the Creation of a National Infrastructure Bank

As excerpted from the United States Department of Transportation's (USDOT) TIFIA Program Guide –

The Transportation Infrastructure Finance and Innovation Act of 1998 (TIFIA) established a Federal credit program (referenced hereafter as the TIFIA program) for eligible transportation projects of national or regional significance under which the U.S. Department of Transportation (DOT) may provide three forms of credit assistance – secured (direct) loans, loan guarantees, and standby lines of credit. The program's fundamental goal is to leverage Federal funds by attracting substantial private and other non-Federal co-investment in critical improvements to the nation's surface transportation system. The DOT awards credit assistance to eligible applicants, which include state departments of transportation, transit operators, special authorities, local governments, and private entities.

In the current form (extension acts and continuing resolutions recognized), TIFIA receives $122 million each year and can support an estimated $1 billion in average annual credit assistance. In recent years a more widely recognized and mature TIFIA program has received a considerable level of interest and has successfully participated in important transportation improvement projects. Most recently in 2011 the program received over $14 billion in Letter of Interest requests for participation in projects with an estimated value of more than $48 billion.

While TIFIA is generating interest, the relatively low levels of funding availability and the low participating percentages along with narrowly defined project eligibility have potentially constrained the effectiveness of the program. Oklahoma has yet to submit a Letter of Interest to utilize the TIFIA program. This fact is primarily because we have a very limited number of projects that would fit the criteria and have had reasonable success in financing transportation projects through other available mechanisms. However, under the right set of project circumstances we would not hesitate to enter the competitive TIFIA consideration.

Based on the summary information currently available, both the House and Senate reauthorization bills include plans to build upon and improve the TIFIA loan program. It is very appropriate to utilize the existing and successful program and format to deliver an enhanced financing opportunity along with a more robust set of eligibility criteria. Providing additional funding for TIFIA will help meet demand for credit assistance for transportation projects and enable an increased leveraging of Highway Trust Fund dollars with state, local and private-sector funding.

Even with the success of TIFIA, nothing in federal transportation law should inhibit or restrict the way a state is allowed to fund or seek financing for the transportation improvement projects and transportation facilities of today. In a time of such overall funding uncertainty, federal law should be permissive and States should be empowered to look outside the federal government for desperately needed transportation investment dollars.

Conversely, the concept that a new **"government corporation"** and Federal Authority will somehow enhance the ability to finance infrastructure seems untimely and entirely unnecessary. Especially when considering that many of the proclaimed new ideas encompassed by the Authority already appear to closely parallel the provisions of other existing federal financing programs.

In addition to recognizing the apparent federal duplications of the proposed National Infrastructure Bank, most States already have or can easily obtain the expertise necessary to facilitate infrastructure banks and other innovative transportation financing methodologies. States can choose to work with the existing federal bureaucracy or seek the assistance of private financial institutions, knowledgeable investors and even other experienced states. If Oklahoma determines that innovative financing advice and counsel is necessary, we will consult with other states that have demonstrated success along with the private financial sector. It has been our experience that they will gladly share their information and knowledge with us and we have been effectively and efficiently arranging financing for transportation improvements within our borders for more than 50 years.

Quite simply, the bureaucracy is already in place to finance public infrastructure projects and an additional federal layer in the form of a new "**government corporation"** will add no value. It is time to face the fact that if we are unable to repay our debts now, government loan guarantees and financial innovation are incapable of improving those conditions.

Conclusions

For financing transportation projects, the states only require clear federal guidance in the law and the continued and enhanced utilization of existing financing opportunities. A bold, new vision will be necessary to meet the increasing transportation challenges ahead and it is unlikely that such a vision will be defined by an easy payment plan.

The resolution of our national transportation funding crisis is not yet at hand. The crafting of new, more effective project and program funding, financing and delivery protocols will be slow to develop and must be forged in a renewed and fundamental State and Federal partnership. It is much more likely that efficiencies will be gained through regulatory reforms and red tape reductions, rather than through the creation of new government corporations and additional bureaucracy. The nation requires new and effective transportation revenue streams and delivery mechanisms, but does not need new ideas about how to go into debt. Now more than ever, extreme care and caution must be exercised in order to avoid over projecting and over extending our limited resources.