

TESTIMONY OF

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REGARDING

Hearing on Examining the Economic Impact of Federal Infrastructure Investment

BEFORE THE

Subcommittee on Select Revenue Measures of the Committee on Ways and Means of the United States House of Representatives

ON

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INTRODUCTION

Chairman Thompson, Ranking Member Kelly, and Members of the Subcommittee, thank you for the opportunity to appear today to discuss building the foundation for our nation's future and delivering major economic benefits thanks to the Infrastructure Investment and Jobs Act (IIJA).

My name is Joung Lee, and I serve as Deputy Director – Chief Policy Officer for the American Association of State Highway and Transportation Officials (AASHTO). Today, I am accompanying Secretary Wilson and Commissioner Sheehan to testify on behalf of our members—the state departments of transportation (state DOTs) of all 50 states, Washington, DC, and Puerto Rico.

I would very much like to share Secretary Wilson and Commissioner Sheehan's gratitude for the House Ways and Means Committee's dedicated and tireless leadership on development and delivery of the IIJA. This afternoon's hearing is especially meaningful to me, with our nation finally achieving the long-sought infrastructure package in the form of the IIJA almost two years after the January 2020 Ways and Means Committee hearing entitled "Paving the Way for Funding and Financing Infrastructure Investments," in which I last had the great honor to testify before this Committee.

In order to immediately deliver on the public benefits of the IIJA, AASHTO is currently working on an implementation plan to convey optimal program design recommendations to our federal partners involving formula programs, discretionary grant programs, and research and policy studies. AASHTO has offered the following implementation considerations to federal executive branch agencies:

- AASHTO strongly urges federal executive agencies to implement the law as soon as
 practicable and for Congress to pass FY 2022 appropriations promptly to enable full access to
 increased transportation funding in the IIJA.
- Where a range of possible legislative interpretations exist, USDOT and other federal partners should provide flexibility that best meets the unique needs of each state.
- AASHTO's ongoing input will be critical in the development of federal regulations, guidance, and policies.

I'm also proud to share the overarching policy vision for AASHTO, as laid out in our 2021-2026 Strategic Plan developed under Commissioner Sheehan's stewardship. In this Strategic Plan, we are calling for providing improved quality of life through leadership in transportation—and a key goal is "Safety, Mobility, and Access for Everyone" which we look to achieve through the following objectives:

- Advance a safe, multimodal transportation system
- Connect community, economy, land use and the environment
- Advance equity and social justice
- Improve asset performance
- Strengthen resiliency
- Align transportation interests across partners and regions

With that in mind, as part of your efforts to oversee timely and effective implementation of the IIJA, I would like to discuss the following state DOT priorities this afternoon:

- Robust multimodal investment under the IIJA
- Importance of completing the FY 2022 omnibus appropriations package
- IIJA implementation areas important to AASHTO
 - o Ensuring Highway Trust Fund solvency and utilizing tax provisions of the IIJA
 - o Administration of existing and new discretionary grant programs
 - System preservation and asset management
 - o Climate change and carbon reduction
 - o Complete Streets and vulnerable road users

ROBUST INVESTMENT IN MULTIMODAL TRANSPORTATION AND INNOVATION UNDER THE IIJA

State DOTs are grateful to Congress for recognizing the need to revamp and modernize the entire physical stock in the United States by investing in all infrastructure asset classes. We're also thankful that the IIJA, at its core, includes a five-year reauthorization of federal highway, highway safety, transit, and rail programs for fiscal years 2022 through 2026.

TABLE 1: AGENCY/MODAL FUNDING LEVEL IN THE INFRASTRUCTURE INVESTMENT AND JOBS ACT

	In \$ billions							
AGENCY	2021 ACTUAL	2022	2023	2024	2025	2026	TOTAL	AVG
HIGHWAYS/FHWA	49.0	67.7	69.0	70.3	71.5	72.9	351.3	70.3
TRANSIT/FTA	12.8	17.6	17.9	18.2	18.5	18.9	91.2	18.2
RAIL/FRA	2.5	13.2	13.2	13.2	13.2	13.2	66.0	13.2
SAFETY/NHTSA	1.0	1.3	1.3	1.3	1.4	1.4	6.7	1.3
SAFETY/FMCSA	0.7	1.0	1.0	1.0	1.0	1.0	5.1	1.0

The IIJA represents a historic investment in all forms of infrastructure, with \$567 billion in Highway Trust Fund and General Fund resources provided to the US Department of Transportation. IIJA has also provided a unique \$113.3 billion in advance General Fund appropriations for various forms of infrastructure—including transportation—above and beyond authorization and funding of federal trust fund programs. We appreciate these advanced appropriations that provide guaranteed funding between FY 2022 and FY 2026.

TABLE 2: BUDGET AUTHORITY FOR US DEPARTMENT OF TRANSPORTATION PROGRAMS
IN THE INFRASTRUCTURE INVESTMENT AND JOBS ACT

Investment Category	Amount
Baseline HTF Contract Authority, FY 2022-2026	\$293.5 billion
Additional HTF Contract Authority, FY 2022-2026	\$89.8 billion
Upfront USDOT Appropriations, FY2022-2026	\$184.1 billion
USDOT Total Budget Authority	\$ 567.4 billion

State DOTs are proud of the progress they have been able to make in recent decades to invest in all modes of the transportation system as part of the statewide network. In 2019, state DOTs invested \$20.8 billion in public transportation, compared to the federal investment of \$11.3 billion. Formula transit funding in the IIJA for Rural Areas (Section 5311) and Enhanced Mobility of Seniors and Individuals with Disabilities (Section 5310) remain crucial for statewide mobility and accessibility.

Twenty state agencies provided \$750 million in funding support to Amtrak, providing service to 48 percent—or almost half—of Amtrak riders system-wide in 2019. States will also play a major role in passenger and freight rail investments supported in the IIJA, by applying for new discretionary grant programs including Federal-State Intercity Passenger Rail Partnership (\$36 billion), Railroad Grade Crossing Elimination Program (\$3 billion), Restoration and Enhancement Grants to start new corridor service (\$250 million), and Consolidated Rail Infrastructure and Safety Improvements (\$5 billion).

For civil aviation, the FAA reported that in 2020, states helped to support 4 million jobs and generated \$850 billion in total economic activity. The increased funding from the IIJA will allow state DOTs to continue to make these kinds of critical investments.

State DOTs are also on the cutting edge of technology and innovation. Through AASHTO's collaborative "inter-committee" working groups, state DOTs are directly addressing some of the most important emerging issues in the transportation sector—such as connected and automated vehicles, electric vehicles, unmanned aerial systems, and shared mobility.

IMPORTANCE OF COMPLETING THE FY 2022 OMNIBUS APPROPRIATIONS PACKAGE

While advance General Fund appropriations can begin to be implemented, we are concerned that the rest of the IIJA programs funded under the Highway Trust Fund and traditional General Fund appropriations cannot be put to use until the full Fiscal Year 2022 appropriations package is enacted. Last month, AASHTO led a <u>letter signed by 67 industry organizations</u> to inform Congress that we can begin to fulfill the promise of the IIJA expected by the public only when the FY 2022 omnibus package is in place—the outcome that all of the signing organizations recognize and fully and unreservedly support.

Without a full-year appropriations bill, we anticipate that states, local governments, and public transit agencies will not be able to access the IIJA's roughly 20 percent funding increase for highway formula programs and more than 30 percent increase for public transit formula programs, along with any new transportation initiatives that Congress provided for in the IIJA. Instead, under the current CR that now extends through March 11, the obligation limitation dictating spending levels for many federal transportation programs remains well below what is included in the infrastructure legislation. The illustrative estimate of highway formula dollars remaining inaccessible is on the next page.

For highway programs, this means only \$18 billion of the \$57 billion authorized under the IIJA will be available to state DOTs. This lower obligation limitation means that implementation of new formula programs that were priorities in the IIJA—Carbon Reduction and the PROTECT resiliency programs—will be delayed. This delay in receiving IIJA funding will cause significant project disruptions, reduced construction and manufacturing employment, and delays in delivering critical transportation infrastructure improvements—just when Americans were promised the most ambitious infrastructure package of our time.

Given the hard work and effort that Congress put into the IIJA, we ask for your help to put the much-needed infrastructure and safety investments envisioned in this bipartisan package to work as soon as possible by fully honoring the IIJA's funding levels for all transportation-related programs, as well as removing the CR prohibition on starting new programs authorized under the IIJA.

TABLE 3: ILLUSTRATIVE STATE-BY-STATE ESTIMATE OF IIJA HIGHWAY FORMULA FUNDS REMAINING INACCESSIBLE WITHOUT FULL-YEAR FY 2022 APPROPRIATIONS / UNDER CONTINUING RESOLUTION THROUGH FEBRUARY 18, 2022

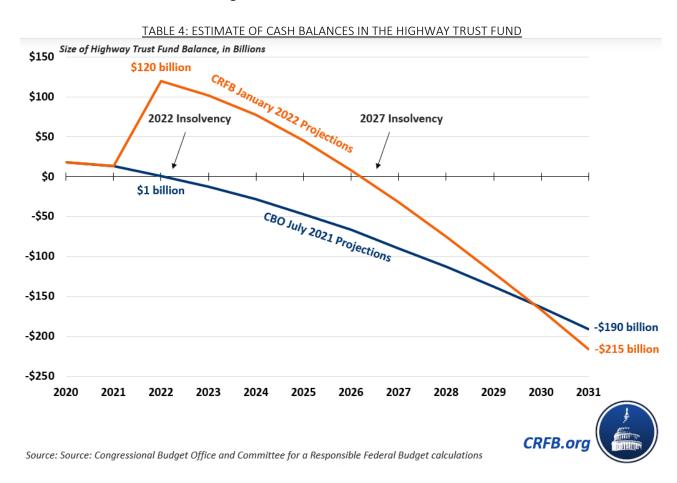
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MAINE \$65,840,340 \$211,272,683 \$145,432,343
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MINNESOTA \$232,512,460 \$746,100,814 \$513,588,354
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MISSOURI \$337,292,310 \$1,082,325,081 \$745,032,771
MONTANA \$146,227,211 \$469,223,203 \$322,995,992
NEBRASKA \$105,212,206 \$337,611,638 \$232,399,432
NEVADA \$129,643,413 \$416,008,054 \$286,364,641
NEW HAMPSHIRE \$60,163,204 \$193,055,527 \$132,892,323
NEW JERSEY \$363,752,417 \$1,167,231,961 \$803,479,544
NEW MEXICO \$130,857,609 \$419,904,244 \$289,046,635
NEW YORK \$611,573,244 \$1,962,455,240 \$1,350,881,996
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NORTH DAKOTA \$88,505,138 \$284,000,933 \$195,495,795
OHIO \$478,297,824 \$1,534,792,570 \$1,056,494,746
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TENNESSEE \$301,248,083 \$966,664,066 \$665,415,983
TEXAS \$1,420,089,793 \$4,556,874,720 \$3,136,784,927
UTAH \$126,405,125 \$405,616,829 \$279,211,704
VERMONT \$72,395,715 \$232,307,989 \$159,912,274
VIRGINIA \$362,907,025 \$1,164,519,213 \$801,612,188
WASHINGTON \$241,793,642 \$775,882,863 \$534,089,221
WEST VIRGINIA \$144,918,656 \$465,024,228 \$320,105,572
WISCONSIN \$273,890,260 \$878,876,539 \$604,986,279
WYOMING \$89,383,763 \$286,820,321 \$197,436,558
SUBTOTAL \$14,110,186,832 \$45,277,667,645 \$31,167,480,813
OTHER PROGRAMS/PENALTIES \$3,800,648,208 \$12,195,762,427 \$8,395,114,219
TOTAL \$17,910,835,040 \$57,473,430,072 \$39,562,595,032

IIJA IMPLEMENTATION AREAS IMPORTANT TO AASHTO

Ensuring Highway Trust Fund solvency and utilizing tax provisions of the IIJA

For many years, Congress has struggled with how to address the insolvency of the federal Highway Trust Fund (HTF). With the \$118 billion cash transfer from the General Fund to the HTF in the IIJA, state DOTs express our appreciation to the Subcommittee for your leadership in stabilizing the HTF over the next five years of this legislation. However, with \$272 billion transferred from the General Fund to support HTF solvency since 2008, we recognize that General Fund transfers do not provide the long-term solution needed to stabilize these important programs.

According to the Congressional Budget Office, if spending levels from the infrastructure bill are maintained, dedicated revenue coming into the Highway Trust Fund over the coming decade will be sufficient to cover only about half of ongoing spending, and the Trust Fund will face a \$215 billion cumulative shortfall through 2031.



At the same time, the purchasing power of HTF revenues has declined substantially mainly due to the inflationary impact on the flat, per-gallon motor fuel taxes that have not been adjusted since 1993, losing more than half of their value in the last 29 years.

To address long-term solvency of the HTF, AASHTO strongly supports reauthorization of the Surface Transportation System Funding Alternatives Program—now titled "Strategic Innovation for Revenue Collection" in the IIJA —to test the feasibility of a road usage fee and other user-based alternative revenue mechanisms to help maintain the long-term solvency of the Highway Trust Fund, through pilot projects at the state, local, and regional level.

AASHTO also strongly supports the new National Motor Vehicle Per-Mile User Fee Pilot established in the IIJA. This provision establishes a much-needed pilot program to demonstrate a national motor vehicle per-mile user fee. We believe this program should focus on the development of national policies and standards related to privacy, data collection, interoperability, and administrative structure and cost. I would be remiss if I didn't note that state DOTs are at the forefront of these research efforts already. As such, the national pilot program should emphasize augmenting, leveraging, and building upon existing and planned state DOT efforts, as many best practices have been identified through state pilot programs and research and they should inform the national effort.

State DOTs also express our appreciation for Section 80403 of the IIJA which increased the private activity bond volume cap for qualified highway or surface freight transportation facilities to \$30 billion from the prior \$15 billion cap. This increase will allow more state DOTs to utilize public-private partnerships given their ability to not only leverage scarce dollars, but to also better optimize project risks between public and private sector partners best suited to handle them.

Administration of existing and new discretionary grant programs

A critical part of the IIJA are USDOT discretionary programs, which have increased substantially in number and funding and which support some of the most important Congressional priorities. I would like to review AASHTO's general issues to address and initial recommendations for the development of an optimal framework to help deliver these programs in a reasonable and timely manner.

Issues to address

- The institutional capacity and resources necessary for eligible recipients to successfully apply vary widely, presenting an equity issue specific to discretionary grant programs.
- The amount of time needed to launch new discretionary programs (structuring, releasing NPRMs, reviewing comments, finalizing) could mean that money won't flow for a year or more.

- The unpredictability of obtaining a discretionary grant (from the roughly \$25 billion in grants available per year) makes it difficult for states and localities to forecast around the availability of these funds especially for their fiscally constrained plans and (S)TIPs, especially since some awards could be extremely large.
- Participation of 60,000+ local entities in the competition process could dramatically slow down the review of applications.
- Significant time and money is spent in the development of applications that are ultimately unsuccessful, and the success rate is likely to go down dramatically with increased competition.
- Oversight and stewardship of these programs at the federal level is a concern if the number of recipients expands into the hundreds.
- The ability of many local recipients to manage federal dollars if awarded discretionary grants without fully understanding federal contractual requirements, such as Davis Bacon, Buy America, etc. will affect the timely delivery of individual projects.

Recommendations

Applications

- Early outreach: Provide early and continuous outreach to all modes and to all eligible entities to educate them on processes and to provide insight into the types of proposals being sought.
- Build institutional support: Consider reducing "barrier to apply" and improving equity
 especially for smaller eligible entities which lack institutional capacity and resources to pay
 for application development. A model currently exists for project development assistance at
 the USDOT Build America Bureau. State DOTs may also share grant-writing expertise with
 their local partners.
- Consistency, simplicity, and transparency: The criteria and application process established for the discretionary programs need to be as straightforward and transparent as possible, and consistent between programs as much as possible. A common application, or common sections between applications to reduce duplication of effort, would help to speed up the process of applying, as entities are likely to apply to multiple programs. The weights or scoring placed on individual aspects of the application should be identified up front, as the requirements of many programs are complex (eligibilities, priorities, considerations, and partnering aspects) and applicants need to know which attributes of a project carry more weight than others in order to determine whether the project they are proposing fits well with the desires of the program (and whether it is worth the cost and time to apply).
- Groupings of projects and proposers: Given the number of new discretionary programs and the number of entities eligible to apply, the number of applicants and recipients could easily grow into the hundreds or thousands. As indicated in several of these new programs, groups of entities are permitted to propose projects or programs of projects for funding. As USDOT is able, extend and encourage this option for all discretionary programs to allow for fewer, larger awards, which will speed up evaluations, ease federal oversight (fewer individual

- contracts to track), and promote collaboration with and assistance between states, local governments, LTAP centers, the private sector, and others. Encouraging proposers to group individual projects into larger packages or programs will reduce the cost and time needed to develop individual applications, which can be a burden on states and a barrier to many local governments. In addition, encouraging partnerships between states and localities to meet non-federal match requirements will improve competitiveness of the application.
- Programmatic approach: Consider the development of a programmatic structure for one or more discretionary programs, including such attributes as partnership agreements for programs of projects, paired with multi-year funding through these agreements and the establishment of performance metrics to allow appropriate federal oversight of the funding provided.
- Prequalification approach: Consider a broader approach to the discretionary programs to include a general "prequalification" step to determine eligibility and minimum qualifications of an entity to effectively and efficiently deliver projects, and then allow those entities to provide input on the scope of projects that would meet the intent of the various programs.
- Deadlines: To assist with potential deluge of proposals, as well as to help state DOTs and others who are likely to submit proposals in multiple programs, a logical progression and separation of deadlines for the programs is needed. This will help states better plan, develop applications, and balance multiple discretionary grant submissions. Spreading out the deadlines will also help with staffing the evaluation of proposals. A rolling deadline may also be appropriate for discretionary grant programs funded through advanced appropriations.

Evaluations

• Assistance: Considering that there are 20+ new discretionary programs to establish, as well as the potential for hundreds or even thousands of applicants to apply for funding from these programs, temporary assistance may be needed from subject-matter experts to help structure the programs, review applications, etc. The state DOTs stand ready to offer staff assistance to FHWA and other modal agencies to assist in getting these programs up and running. A potential program to emulate is the use of state DOT personnel by FRA to conduct safety assessments.

Awards

- Multi-year: To the extent allowable, implement multi-year awards, which allow for greater certainty of funding by the recipients and reduces the need for continual applications for single-year grants. Because discretionary grant programs funded from advance General Fund appropriations are not subject to the uncertainties associated with annual appropriations, such as continuing resolutions, once program structure is developed the entire program timeline –applications, evaluations, awards, and implementation should remain consistent and predictable in each subsequent year of the IIJA.
- State DOT role in grant administration: Consider emulating the existing structure in place in some states for the distribution of federal transit dollars to localities. If there are multiple local recipients of discretionary grant funding in a state, the state DOT could serve as

- administrator ensuring federal requirements are met as funds are distributed to local governments.
- Tracking: For many states, matching the increased federal funding (for formula and discretionary programs) is a growing concern. In addition, the ability of local governments to match the funding provided or, as has occurred in the past, to simply identify state funding as the match without a commitment to such has been problematic. For this reason, and to ensure that a coordinated program of projects is developed and implemented in a given state, state DOTs need the ability to track local applications and awards provided.
- Funding sources: Since discretionary grant programs in the IIJA are funded through both Highway Trust Fund contract authority and General Fund appropriations, clear guidance on spending requirements under both funding streams will be necessary.

Implementation

- Utilize existing relationships: Make use of existing contractual relationships and work histories that states have with their local governments, which can be leveraged to get projects underway faster, as states almost always assist the local governments in the delivery of federal-aid projects.
- Fund swapping: To the extent allowable, recognize federal/state fund swapping as an option to reduce the contractual burden on local entities that do not have the ability to meet all of the federal-aid requirements in a timely fashion.
- Best practices: Share tips and best practices for state/local collaboration to help speed delivery of local projects, such as from Washington State DOT's Local Programs Division or Minnesota DOT's Local Partnership Program.

System preservation and asset management

State DOTs remain fully committed to strategically managing its transportation assets under the IIJA. This is reflected in the federally accepted transportation asset management plans (TAMP) that states develop. Each state DOT's TAMP is focused on transportation assets of national interest and reflects the unique nature of each state.

It should also be recognized that state DOTs balance many different needs, ranging from managing existing assets for the long-term, system operations, transportation demand management, strategic highway expansion, and additional capacity for other transportation modes. These various transportation options and solutions are needed to meet state and local communities' mobility and accessibility challenges.

The investment strategies of state DOTs are not made in a vacuum. They must be made within the bounds of both federal requirements and the constitutional and statutory authority provided by state legislatures. Investment strategies and decisions reflect robust community engagement that informs long-range plans and transportation improvement programs that are developed with metropolitan and regional planning organizations.

Given constrained financial resources, state DOTs engage in the management of their transportation assets through the utilization of a systems process and approach. Proposals to require "Fix it First" solutions or prescribing the use of certain sources of funding for system preservation do not reflect the use of strategic planning but rather a one-size-fits-all approach to asset management. Concerted asset management efforts by every state DOT over the past decade have resulted in improved outcomes on asset condition and system operations. For example, according to the National Bridge Inventory, the number of bridges in poor condition decreased by 18 percent from 2012 to 2018. Similarly, the amount of Interstate pavement in good condition increased by 10 percent according to FHWA.

How each state DOT uses its mix of funding sources for its investments varies greatly, reflecting the rich diversity of transportation needs across the country.

Climate change and carbon reduction

State DOTs also recognize the transportation industry is responsible for the largest share of greenhouse gas emissions in the United States. In response, thirty-four states have released a climate action plan or are in the process of revising or developing one, according to the Center for Climate and Energy Solutions.

As state DOTs look to implement climate change programs in the IIJA—especially the Carbon Reduction formula program—the federal government should recognize the multiple entities impacting different aspects of transportation sector greenhouse gas (GHG) emissions and the leadership and stewardship roles state DOTs play. The success of a broader carbon reduction program needs to include federal government (CAFE standards), state DOTs (infrastructure owners), local DOTs (infrastructure owners), and land use agencies such as municipalities (affecting demand).

AASHTO also believe that state DOT-based GHG reduction efforts should target urbanized areas where communities and neighborhoods are disproportionately impacted by air pollution and system users likely have more modal choices available, and also rural areas where there are fewer modal choices and trip distances tend to be longer.

Congress should also consider the important roles of the metropolitan planning organizations (MPOs) with GHG measures as the metropolitan planning and decision-making process may include transportation and land use connections and they directly include federal, state, regional, and local decision makers as part of the discussion. Under the IIJA, Congress and the Biden Administration should look to support states and their MPO partners in planning, designing, constructing, and operating transportation projects in the MPO area that will address the GHG target for the urbanized area.

Vulnerable road user safety and Complete Streets

As noted by Secretary Wilson, the recent increase in roadway fatalities is wholly unacceptable given that safety remains priority number one for every state DOT. In addition to partnering with the USDOT and its *National Roadway Safety* Strategies, AASHTO has a long history of advocating for "Toward Zero Deaths: A National Strategy on Highway Safety" as its strategic highway safety plan. AASHTO supports its member departments to implement a traffic safety culture and more fully deploy proven safety countermeasures. Like USDOT through its recent action, many states have adopted the concept of zero fatalities and are using resources developed by one or more zero-based programs.

In addition, a specific area of state DOT leadership is in "complete streets." The goal of a "complete streets" policy is to make the nation's highway system safe and accessible to all users; drivers, passengers, bicyclists, pedestrians, and transit riders alike. To that end, proper planning is key: providing the appropriate level of multimodal accommodations in the right context, on the right project, and in the right manner to meet the needs of the community. That requires a state DOT to work with a state's regional transportation planning partners and transit providers to identify and include walking, bicycling, and transit needs as part of regional mobility plans. The state DOT then tailors those "complete street" plans to the "unique needs" of locales across the state, serving as a foundation for highway planning and design, construction, maintenance, and daily operations.

According to the National Complete Streets Coalition (NCSC), thirty-five states plus Puerto Rico have adopted "Complete Street" policies and additional states are carrying out programs producing similar outcomes even if they may not necessarily refer to them as "complete streets". AASHTO Vice President Roger Millar is the former Director of the NCSC and has been a member of the organization's steering committee since 2015.

CONCLUSION

AASHTO and its members are thrilled for the chance to implement this historic legislation in the coming months and years to deliver public benefits to every corner of our country. Thank you again for the Ways and Means Committee's stewardship and support in getting the IIJA across the finish line.

Thank you again for the honor and opportunity to testify today, and I am happy to answer any questions.