STATEMENT OF
THE HONORABLE PETER A. DEFAZIO
COMMITTEE ON WAYS & MEANS HEARING ON
"OUR NATION'S CRUMBLING INFRASTRUCTURE AND THE NEED FOR IMMEDIATE ACTION"
March 6, 2019

Chairman Neal, Ranking Member Brady, members of the Committee – thank you for inviting me to testify today. I commend you for calling this hearing on the need to provide funding for our crumbling infrastructure.

As Chairman of the Committee on Transportation and Infrastructure, I come with a simple message today: we need real, sustainable Federal investment to shore up our Nation's infrastructure and we need it now. There is no sugar-coating the situation.

My Committee colleagues and I stand ready to direct investment to bring our highways, bridges, transit systems, rail lines, aviation system, and water infrastructure to a state of good repair, create family wage jobs, support U.S. industry and manufacturing, preserve affordable access to infrastructure, and improve the safety of the traveling public.

We are eager to enact policies to ensure that investments made today will meet the needs of the next generation of Americans - by maintaining what we have, modernizing how we plan and build infrastructure projects, and moving people and goods more efficiently through innovative solutions. We also need to address the looming threat of a warmer planet from carbon emissions, and the increasing frequency of severe weather events that threaten the longevity of our infrastructure and the quality of life of our citizens.

But in order for our Committee to do its work, particularly when it comes to surface transportation, we need the Committee on Ways and Means to act to raise Federal revenue. There is no way around this reality. We cannot limp along on short-term patches, leveraging, or shifting responsibilities to other levels of government. It is time for Congress to step up and do its part. And that means, as part of any infrastructure package we consider, we have to provide real revenue for our surface transportation network to shore up the Highway Trust Fund (HTF).

Our Infrastructure Deficit is Massive

According to the Congressional Budget Office (CBO), from 2003 to 2017, there has been a nearly 20 percent decrease in Federal spending, adjusted for inflation, on transportation and water infrastructure. This lack of Federal investment has contributed to a massive backlog of infrastructure needs. According to the U.S. Department of Transportation, we have an $836 billion backlog of unmet capital investment needs for highways and bridges and a $90 billion backlog of transit capital investment needs. The American Society of Civil Engineers (ASCE) similarly identified a more than $1 trillion gap in current surface transportation funding in order to fix what we have, meet future needs, and restore our global competitiveness.

The Cost of Doing Nothing is High

The question is not whether we need to invest, but when will we invest and how much will we add to the price tag by inaction. Last month, our Committee held its first hearing entitled "The

Cost of Doing Nothing: Why Investing in Our Nation's Infrastructure Cannot Wait." At that hearing, we heard from a variety of elected officials and stakeholders about why Congress must immediately take action to solve our ballooning infrastructure deficit. Every day that we ignore our investment backlog, the problem becomes more expensive to fix and more pronounced; our constituents lose time and money; and we increase the risk of failure of these increasingly fragile systems. Let me provide a few examples.

- Delaying the known replacement of an asset adds further cost. As an example, for the $2.6 billion Brent-Spence bridge project, every year the start of construction is delayed means $75 to $85 million per year in additional costs due to inflation alone.
- When infrastructure assets fail, the impacts to the economy are staggering. The Northeast Corridor Commission estimates that a Northeast Corridor shutdown would have an economic impact of $100 million per day, or $36.5 billion per year. If either the Hudson River tunnels or the Portal Bridge failed the Northeast Corridor would shut down. These two critical assets, which are part of the Gateway project, cost $14.6 billion to replace; but doing nothing would result in $36.5 billion in annual economic losses if these assets fail.
- Poor infrastructure is already costing our citizens and businesses money. According to the Business Roundtable, inadequate infrastructure costs U.S. businesses $27 billion per year in extra transportation costs. Between 2016 and 2025, the economy will lose almost $4 trillion in GDP if we do not upgrade our infrastructure, resulting in a loss of 2.5 million jobs, according to the American Society of Civil Engineers. American families will lose $3,400 each year in disposable income due to the infrastructure deficit if we do nothing.
- The cost of congestion is taking a massive toll. According to INRIX, in 2017, congestion cost drivers $305 billion, or an average of $1,445 per driver. Motorists spent an average of 41 hours a year in traffic during peak hours. The Texas Transportation Institute's 2015 Urban Mobility Scorecard found that congestion caused urban Americans to waste 3.1 billion gallons of fuel in 2014 stuck in traffic – and this figure will increase to 3.8 billion gallons in 2020.

Our Dire Needs Require Real Revenue

How did we get to this dire situation? The user pays principle has been a hallmark of Federal surface transportation investment for over 60 years. However, by letting existing user fees – the gasoline and diesel tax - sit unadjusted for over 25 years, Congress has undermined this longstanding notion and shaken the stability of highway and transit funding in recent years. Since 1993, Federal gas and diesel taxes have lost over 40 percent of their purchasing power.

This imbalance has forced Congress to transfer $144 billion from the General Fund to shore up the HTF over the last 10 years. And this is just the beginning: CBO estimates over the next 10 years, the HTF will fall $164 billion short based on continuing currently-authorized highway, transit, and safety program levels. Let me reiterate – filling this $164 billion gap simply extends the status quo - it does not include higher investment levels to make a dent in our massive needs backlog.

I want to be clear that financing solutions for infrastructure have merit, but financing does not actually increase Federal revenue. Borrowing money using municipal bonds, private activity bonds, infrastructure banks, TIFIA, or Build America Bonds helpfully lowers borrowing costs, but revenue – government revenue at either the Federal, State, or local level – is still needed to repay loans. Furthermore, asking state and local governments to borrow and repay loans only further magnifies the long-term trend of declining Federal spending.

We have an incredible opportunity to use the momentum and support for infrastructure investment from the American people to provide long-term, sustainable revenue as part of an infrastructure package. I am eager to hear what members of this Committee consider on this front.

Today, we need to put the Highway Trust Fund on a long-term path to solvency, and raising the existing user fees is the most efficient way to do this, and the only way in the foreseeable future. Any serious discussion of how to adjust our user fee should also include indexation. In the longer term, Congress will debate new methods to assess and collect a Federal user fee.

There has been a lot of talk about a Vehicle Miles Travelled (VMT) fee in recent years. But even under a VMT system, a per-mile fee will need to be set at a level that will generate sufficient revenue to cover future investment needs. The Government Accountability Office has estimated that drivers of passenger vehicles with average fuel efficiency would pay two and a half times what they currently pay in Federal gasoline taxes under a VMT, if the per-mile rate is expected to raise enough revenue to maintain existing conditions and performance of our system. Restoring the purchasing power of the current user fee – the gas tax - today is a responsible first step in paving the way for a future VMT fee. A VMT must also be tested at the national level first, which I support, before it can be considered a viable Federal user fee. Finally, we need to apply a user fee to electric vehicles, and a VMT fee does this efficiently while retaining the user fee model.

I also plan to reintroduce three bills that provide real investment. One of these falls squarely under the jurisdiction of the Ways & Means Committee. My bill, "A Penny for Progress", provides approximately $500 billion for infrastructure investment to improve the conditions of our Nation's highways, bridges, and public transit systems; address state-of-good-repair backlog; and meet estimated future highway and transit needs. The bill will provide approximately $20 billion per year in additional investment for surface transportation. We can achieve this level of investment by indexing the gas and diesel tax, with the increases capped at 1.5 cents per year. We can provide an immediate boost in investment by issuing bonds tied to the future indexation revenues. The bond revenues are available immediately and fully offset.

My proposals to provide for higher investment levels for harbors, ports, and airports will not require action by this Committee. My "Unlocking the Harbor Maintenance Trust Fund" legislation amends current budgetary controls to allow the Army Corps of Engineers to spend the funds collected in the Trust Fund each year, thereby providing more than $18 billion for our Nation's coastal and inland harbors over the next decade without raising taxes or increasing the deficit. Finally, my "Rebuilding America's Airport Infrastructure" bill will generate billions of dollars each year to help our airports rebuild and rehabilitate aging terminals, runways, and taxiways and keep pace with increasing demand in the 21st century – without raising Federal taxes – by eliminating or raising the cap on the passenger facility charge (PFC).

The revenues we need may sound ambitious, but we cannot maintain our infrastructure and be ready to meet 21st century challenges without doing the right thing. America's businesses are calling for similar investment levels in order to continue to have a reliable transportation network. The Business Roundtable recently released a report calling for a $737 billion investment in infrastructure over 10 years. Their calls for investment by mode track well with the investment levels my proposals offer – $475.7 billion for roads and bridges, $52.9 billion for transit, $32.3 billion for aviation, $41.7 billion for ports and inland waterways, $41.7 billion for dams and levees and $92.7 billion for water and wastewater infrastructure.

Thank you, Mr. Chairman. My Committee stands ready to work with you to rebuild America.