WRITTEN STATEMENT OF
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HOUSE SUBCOMMITTEE ON SELECT REVENUE MEASURES
ON
LONG-TERM FINANCING OPTIONS FOR THE HIGHWAY TRUST FUND

July 23, 2009

On behalf of the 32 member unions of the Transportation Trades Department, AFL-CIO (TTD), thank you for inviting me to testify on the financing provisions of the federal surface transportation programs.

These are perilous economic times. The workers that our unions represent face unprecedented economic risks. Overall, unemployment and under-employment are high, the earning power of working families is stagnant at best and many economists say the jobless rate is likely to continue rising for many months.[1] In the transportation sector alone, approximately 367,300 jobs have been lost during this recession.[2] With that backdrop, I commend this Committee for holding this hearing to consider options for boosting investment in the nation's surface transportation infrastructure.

The reauthorization of the federal surface transportation programs, set to expire at the end of September, offers an excellent opportunity to both create economic growth in the near-term and to address years of underinvestment in our transit systems, roads, bridges and other segments of our transportation network. This is our opportunity, quite literally, to build the bridges to a better economic future.

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[1] Shierholz, Heidi, *Jobs Picture for July 2, 2009: Nine Years of Job Growth Wiped Out,* Economic Policy Institute, Washington, D.C. June 2009.

[2] Total job losses in the transportation sector come from the Bureau of Labor Statistics' *The Employment Situation: February 2008* and *The Employment Situation: June 2009*, which measure the change in nonfarm payroll figures from the beginning of the recession in December 2007 through June 2009. Figures determined by examining payroll changes from the December 2007 Establishment Data and the June 2009 Establishment Data. Industry sectors used for calculation include transportation and warehousing and manufactured transportation equipment, excluding manufactured motor vehicles and parts.

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Later in my statement I will specifically address several potential means to raise revenues for the surface authorization and address the Highway Trust Fund shortfall. This is the essence of our challenge. We need to repair America's crumbling infrastructure and prepare our economy for the challenges that lie ahead. We must find a way to finance Transportation and Infrastructure Committee Chairman Jim Oberstar's vision for a new transportation future. But first I would like to set the stage by addressing the state of the economy from the perspective of transportation labor. When combined with the historic economic stimulus bill, this authorization would produce additional jobs in an economy struggling to stem job losses. With all the discussion in Washington about the need to promote economic recovery, we urge you to consider this authorization legislation as another chance for Congress to pass a true stimulus bill that puts people to work in good, family-supporting jobs. After all, every billion dollars Congress and the President invest in surface transportation will create at least 30,000 jobs.

We need a surface transportation authorization bill today. To move legislation to the President's desk, we must have an honest discussion about investing in and paying for our vast transportation needs. Make no mistake – the costs of delaying this bill are higher than the costs of passing it. Without a surface transportation authorization, our transit systems will not meet soaring demand, our highways and bridges will continue to crumble, transportation and construction unemployment will rise, transporting freight will become more expensive and our economy will suffer.

Long-term postponement of the surface transportation reauthorization as some have proposed is a mistake. We simply cannot tell unemployed and underemployed transportation workers to wait at least 18 months for a crucial jobs bill that history shows will contribute to the economic recovery. The time to act on a multi-year bill is now.

We understand the concern about revenue shortfalls in the Highway Trust Fund. We share this apprehension and have confidence that Congress and the President will take the actions necessary to address the problem. But we reject the notion that pursuit of a long-term authorization now somehow threatens action to deal with the significant funding shortfalls in the Highway Trust Fund. We know that Congress will do whatever it takes – at the appropriate time – to ensure these crucial investment programs do not lapse. And we are mobilizing to urge Congress and the President to take immediate action to replenish the shortfall in the Highway Trust Fund before the August recess.

As this Committee considers revenue options for a multi-year authorization bill, we must have an honest discussion about paying for these important investments. Those on both sides of the aisle must reach consensus that cheap shots and political attack ads on the gas tax and other revenue options do a shameful disservice to our nation and undermine our ability to solve the serious national challenges we are discussing today. The nation needs a bipartisan truce on funding this program because inaction places the national economy at severe risk. Americans need leadership in Washington, not more politics as usual.

The state of transit systems across the country illustrates this point. Due to state and local budget shortfalls, service and job cuts are occurring even as transit is more popular than ever. As we speak, drastic cuts and layoffs by transit agencies are either being considered or have already happened. For example, the St. Louis Metro laid off over 550 employees and cut transit service by 30 percent,[3] while the Cleveland Regional Transit Authority (RTA) plans to cut 300 jobs.[4] Meanwhile, as states like California suffer from budget crises, the catastrophic problems faced by their mass transit systems will only add to the burden. In fact, New York City's MTA narrowly averted a doomsday scenario of service cuts and job losses through last-minute fare increases and tax hikes. To help address this problem, Congress included limited flexibility in the Omnibus Appropriations bill to allow transit agencies to use some of their capital funds provided in the economic recovery bill for operating needs. While we strongly support this provision, it is only a stop-gap measure. We need a permanent solution that provides flexibility to transit agencies so they can better manage the ebbs and flows of the economy, budgeting and funding.

Meanwhile, the capital needs of our nation's mass transit system continue to languish due to insufficient funding. The condition of transit fleets, stations and critical technologies remain incredibly outdated. According to the Federal Transit Administration (FTA), over one-third of the capital assets of the seven largest rail transit operators – who together serve more than 80 percent of all rail transit riders – are either in poor or marginal condition.[5] A $50 billion investment will be required to return these capital assets to a state of good repair. [6] Overall, estimates suggest that improving our nation's transit system will require capital expenditures of $21.6 billion annually.[7] In 2008, total capital spending at all levels on transit was only $12.6 billion.[8]

The recession has caused a dramatic downturn in construction employment. Since December 2007, almost 1.3 million construction jobs have been lost.[9] As of June 2009, there are more than 1.6 million unemployed construction workers across the nation.[10] Last month, the unemployment rate in the construction sector hit 17.4 percent—up 9.2 percentage points since June 2008[11], and in Michigan the figure approaches 40 percent. These are the worst employment numbers in any industrial sector. Construction employment is lower now than at any point in 11

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[3] Press Release, "McCaskill Urges Stimulus Money for Transit Programs to Include Operational Needs," Office of Senator Claire McCaskill, May 12, 2009.
[4] "RTA needs $9 million to avoid cutting routes, layoffs," *Cleveland Plain Dealer*, March 25, 2009.
[5] *Rail Modernization Study: Report to Congress* Federal Transit Administration, April 2009.
[6] Ibid.
[7] U.S. Department of Transportation, Status of the Nation's Highways, Bridges, and Transit: 2006 Conditions and Performance, 2007.
[8] Ibid.
[9] The Bureau of Labor Statistics, *The Employment Situation: June 2009.*
[10] Total unemployment for construction workers derived from the Household Data set of the Bureau of Labor Statics' *The Employment Situation: June 2009.*
[11] Ibid.

years.[12] Nonetheless, as the condition of our roadways and bridges continue to deteriorate, the need to put people back to work could not be more evident. As of 2008, more than 26% of the nation's bridges were classified as structurally deficient.[13] From 2005 to 2008 the number of deficient bridges in urban areas, which are the most traveled and vulnerable, increased by over 2,000.[14] To significantly reduce the number of deficient bridges will require a $6.5 billion yearly increase in spending, from $10.5 to $17 billion.[15] Similarly, the Department of Transportation has found that the urbanized portions of the interstate highway system are also declining in quality.[16] According to the American Association of State Highway and Transportation Officials (AASHTO), an investment of between $132 and $166 billion is needed to merely improve our highway system – a significant departure from $78 billion most recently allotted by all levels of government for highway capital improvements.[17]

Freight movement offers a glimpse at our overall economy. Forty percent of American freight is transported by rail.[18] Reports indicate that freight rail business is down 25 percent; at least 10 percent of the industries workers are furloughed. However, when the economy does pick up, meeting the projected demand will require an increase in investment of $3.4 billion per year.[19] Port workers on both the east and west coast are also suffering in this economic downturn. As inbound and outbound cargo is badly depressed, work hours are being reduced to levels not seen in years. Our longshore affiliates report that in some West Coast ports volume has fallen to 2003 levels, while volume on Atlantic and Gulf Coast ports is down 25-35 percent. Longshore workers understand that a strong, immediate surface transportation authorization bill will help expand the economy and will ready our transportation system and economy for the next wave of growth.

Transportation labor believes the economic recovery bill passed by Congress and the President is starting to produce real results. By mid June, the Department of Transportation had made $47.5 billion available to states and obligated $20.7 billion.[20] Hundreds of thousands of jobs will be created or saved because of these transportation sector investments. More than 2,000 highway

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[12] Summary of Subject Matter, Hearing on the Importance of Long-Term Surface Transportation Authorization In Sustaining Economic Recovery, Committee on Transportation and Infrastructure, Subcommittee on Highways and Transit, July 14, 2009.

[13] American Society of Civil Engineers, *2009 Report Card for America's Infrastructure*, January 2009.

[14] Ibid.

[15] American Association of State Highway and Transportation Officials, *Bridging the Gap,* July 2008.

[16] U.S. Department of Transportation, Status of the Nation's Highways, Bridges, and Transit: 2006 Conditions and Performance, 2007.

[17] American Association of State Highway and Transportation Officials, *The Bottom Line Report*, April 2009.

[18] "Freight Railroads: Industry Health Has Improved, but Concerns about Competition & Capacity Should Be Addressed," Government Accountability Office, October 2006.

[19] Figures from the National Rail Freight Infrastructure Capacity & Investment Study, Cambridge Systematics, Inc., September 2007, which estimates that freight rail must invest, beginning in 2007, $148 billion over the next 28 years, or approximately $5.3 billion annually. In contrast, a total of $1.9 billion was spent on freight rail in 2007. The $3.4 billion figure is the difference between these numbers.

[20] Summary of Subject Matter, Hearing on the Importance of Long-Term Surface Transportation Authorization In Sustaining Economic Recovery, Committee on Transportation and Infrastructure, Subcommittee on Highways and Transit, July 16, 2009.

bridge projects are under way and positive economic effects will continue for an additional two years. Amtrak is restoring about 80 rail cars with Recovery Act funds and has hired 400 workers, many of whom were former auto workers. It expects to fill almost 9,000 new job openings in the next two years.[21] Fifty percent of the funds for mass transit are now approved or waiting for final federal signoff. The Federal Transit Administration has awarded $3.4 billion in 360 grants. Additionally, 325 grants valued at $3.96 billion are being reviewed and pending award.[22]

But the stimulus is not enough. This nation clearly needs to continue to invest in jobs, infrastructure and to bolster our fledgling economy. The surface transportation authorization is one of the most important jobs bills in Congress. Over 12.5 million family wage jobs will be either created or preserved by the Transportation and Infrastructure Committee's surface transportation authorization.[23] One of the main hurdles to the passage of this bill are the financing provisions we are here to discuss today.

Transportation labor and several of the other organizations testifying today have called for an increase in the gas tax to fund needed improvements to our surface transportation system. This user fee has not increased since 1993, a 16-year period in which one-third of its purchasing power was lost as construction costs, freight shipments and passenger traffic skyrocketed. Increasing this user fee is core to any effort to pay for transportation infrastructure investments. We know other alternatives will be considered such as a vehicle miles tax, tolling, bonding and so on. We will work with Congress to review these options but it is important to realize that the user-based system for collecting funds to support our surface transportation system is failing and Congress must act to fix it. Unless we act expeditiously to address the fuel user fee, congestion will increase, transit systems will fail to meet soaring demand, bridges will fail, safety will suffer and unemployment will rise. This decision cannot be delayed any longer as the Highway Trust Fund and the Transit Account continue to lose purchasing power.

Two federal commissions have supported an increase. In March of this year, the National Surface Transportation Infrastructure Financing Commission called for a 10 cent increase in the federal gas tax and a 15 cent increase on diesel. Last year, a majority of the National Surface Transportation Policy and Revenue Commission called for an annual increase of five to eight cents for five years. These commissions, chartered by Congress, show the way forward. They provide the only near-term solution to our surface transportation funding needs.

Many economists, including those in the Administration, have raised concerns about increasing the gas tax during this economic downturn. Some have suggested delaying the gas tax increase for one or two years. Others support triggers so that the increase would kick in after the end of

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[21] Statement of Amtrak President and CEO Joseph Boardman at a Senate press conference on July 15, 2007.

[22] "American Recovery and Reinvestment Act (ARRA)," Federal Transit Administration website, http://www.fta.dot.gov/index_9440.html, July 21, 2009.

[23] Testimony of Rep. Peter DeFazio at the Hearing on the Importance of Long-Term Surface Transportation Authorization in Sustaining Economic Recovery, Committee on Transportation and Infrastructure, Subcommittee on Highways and Transit, July 16, 2009.

the recession. Subcommittee on Highways and Transit Chairman Peter DeFazio has discussed indexing the gas tax to the construction cost index. He would also use this revenue stream to issue bonds, which would provide a funding stream in the neighborhood of at least $50 billion during the early years of the bill. Transportation Labor is not wedded to any one of these ideas, but we do believe they offer concrete, carefully considered solutions to the problems we face. We encourage Congress to carefully consider these concepts as a means to reach principled compromise on this important issue.

Mr. DeFazio has offered a new proposal worthy of serious consideration: a transaction tax on crude oil securities. Under this proposal, crude oil futures contracts would be taxed at a 0.02 percent rate with an additional 0.5 percent tax on crude oil options. This would create a $190 billion revenue stream over six years. Beyond simply providing the necessary funding, this proposal could also lower crude oil prices and reduce price volatility. With all the concerns expressed by Congress about the conduct of oil market speculators, Mr. DeFazio offers an opportunity to finally reign in the excesses created by rampant speculation, protect the public and fund vital surface transportation needs.

A variety of innovative finance proposals have been offered to fund transportation and infrastructure. While we believe that these are important ideas, they are tangential to the larger discussion of the gas tax user fee. Public-private partnership (PPP) arrangements, the federal infrastructure bank and other proposals do not offer a solution to the core funding problem. We will continue to support some of these concepts as a means to supplement direct federal investment, as outlined below, but they will never offer the primary means of transportation infrastructure funding.

PPPs arrangements are likely to be included in the final version of the surface transportation authorization. We continue to believe that the vast majority of transportation projects are not a candidate for this funding mechanism. PPPs simply cannot offer the revenue streams necessary to finance a national, intermodal transportation system. But PPPs do provide the means to fund certain types of transportation projects. With any PPP arrangement, we must protect workers and taxpayers from one-sided agreements that provide long-term benefits to investors without improving either service or infrastructure. These protections will ensure that PPPs are only allowed when the public interest is preserved. Additionally, we call for protections in this section of the bill for those workers who could potentially be adversely impacted by PPPs.

The vehicle miles traveled (VMT) fee has the advantage of charging a user fee to those who utilize our roadways, just like the gas tax. In the near future, some believe it may replace the gas tax as the primary funding source for the Highway Trust Fund. However, by most accounts it will be years before a VMT system is ready for implementation. A transition period of several years will be needed to plan such a significant change in funding. During that period we encourage Congress to consider protections in order to protect the privacy of drivers, including those with commercial drivers licenses. Additionally, we encourage Congress to exclude or discount VMT charges for mass transit and over-the-road buses because they contribute to decreases in traffic congestion.

As Congress considers these and other proposals to address financing issues in the next surface transportation authorization bill, transportation labor urges the application of all appropriate labor protections. Worker protections play an important role in any efficient and safe transportation system. We are pleased to see the Transportation and Infrastructure Committee's commitment to 13(c) transit worker protections and Davis-Bacon prevailing wage requirements. These protections should apply to all appropriate federal transportation funding programs. We look forward to working with members of Congress to ensure this outcome.

Mr. Chairman, thank you for convening today's hearing to discuss financing mechanisms in the surface transportation bill. On behalf of transportation labor, I urge you to act on this complex transportation revenue issue. We cannot postpone action on this bill for 18 months. Such a long wait will undermine the job creation benefits in the Recovery Act. And we fear an 18 month delay could result in a three or more year delay. The nation cannot wait for action on this legislation – more delay means millions of lost jobs at a time when our economy can least afford it.

The time has come to act. I urge you to do so immediately.

Thank you for inviting us to present our views.