Foundation for Growth:

Restoring the Promise *of* American Opportunity

The Fiscal Year 2014 Senate Budget Resolution

Chairman Patty Murray (D-WA)

Investing in our infrastructure to lay down a strong foundation for long-term growth

On February 22, 1955, President Dwight D. Eisenhower delivered a message to the U.S. Congress, explaining why the country needed more investment in its national highway system. He began with the following:

> *"Our unity as a nation is sustained by free communication of thought and by easy transportation of people and goods. The ceaseless flow of information throughout the Republic is matched by individual and commercial movement over a vast system of interconnected highways crisscrossing the country and joining at our national borders with friendly neighbors to the north and south.*
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> *"Together, the united forces of our communication and transportation systems are dynamic elements in the very name we bear—U.S. Without them, we would be a mere alliance of many separate parts."* [107]

Today, we are still held together by free communication and a reliable transportation system, but we are again facing the need to reinvest in the infrastructure that makes it all possible.

We need to strengthen the roads and bridges, transit and rail systems, ports and waterways, and air transportation systems that connect people across town and across the country. We need to invest in broadband technology, which makes it possible to communicate and share information. We need to fix our water infrastructure in order to provide clean drinking water and protect our communities from floods. Finally, we need to update our energy and transmission system at a time when so much of our daily lives depend on access to reliable electric power.

Restoring the competitive advantage afforded by a strong and modern transportation system will create a more productive environment for American businesses to expand and grow and will help families and communities. The shortsighted, cuts-only Republican approach to our infrastructure needs leaves little room for needed upgrades, but the Senate Budget prioritizes them—tackling a major obstacle to our future economic strength and potential for broad-based growth.

Investing in transportation infrastructure

For decades, the U.S. enjoyed the benefits that came with having one of the most modern transportation networks in the world. Thanks to American ingenuity and pragmatism, freight moved efficiently, air travel was reliable, and our highways were the envy of the world. Massive investments in infrastructure, much of it initiated by President Eisenhower, built the networks we have today. That vision helped create decades of economic prosperity and supported the rise of a strong middle class.

Fifty years later, much of our transportation system is old and crumbling, a reality as evident to the average commuter or traveler as it is to those who evaluate the overall condition of the nation's infrastructure. Those assessments are alarming:

- The Federal Highway Administration rates 70,000 of the country's bridges as "structurally deficient;"[108]

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[107] Letter from President Eisenhower to the Congress, Office of the Press Secretary to the President, 2/22/55

[108] White House Office of the Press Secretary, "Fact Sheet: The President's Plan to Make America a Magnet for Jobs by Investing in Infrastructure," 02/20/13.

- The World Economic Forum now rates the quality of U.S. roads 20th in world, just ahead of Taiwan and Cyprus; [109]
- Our roads, transit and aviation systems fared no better than a grade of "D" on the American Society of Civil Engineers 2009 report card.[110]

The failure to adequately maintain and modernize our transportation infrastructure, and to expand it to keep pace with the needs of a population that has grown almost 40 percent since 1980, has real consequences. According to the President's Economic Recovery Advisory Board, freight congestion alone now costs $200 billion a year, equal to 1.6 percent of U.S. gross domestic product.[111] We now waste 2.9 billion gallons of fuel each year in congested traffic,[112] and as roads become more clogged, Americans spend more time in their cars, putting them at greater risk of accidents. An estimated 36,000 Americans were killed on our roads in 2012, an increase of about five percent.[113]

We continue to rely on the Highway Trust Fund as the principle source of revenue to cover the costs of maintaining our road and transit networks. However, each year it generates less revenue, even as Americans drive more miles. States, desperate for funding, have tried to make up the shortfall, with the result that in 2010 they owed almost three times as much road debt as they did in 1995.[114] Many of the nation's largest transit agencies are in the same predicament,[115] incapable of generating the revenue they need to modernize their systems. Like the roads it helped build, the Eisenhower-era funding structure for surface transportation programs is in desperate need of an overhaul.

In aviation, the story is only slightly better. The Federal Aviation Administration (FAA) handles more aircraft each year than does any other country, moving an average of almost 2 million passengers each day with an unequalled safety record. Yet the expected future growth in air travel risks overwhelming our air traffic control system. At a time when tens of millions of Americans carry smart phones that take advantage of the latest computer and satellite networks, the FAA continues to rely on ground-based radar developed during World War II. The result is a quarter of U.S. flights arrive more than 15 minutes late, a situation that is likely to worsen as air travel increases.[116]

Increases are a certainty because the U.S. is projected to grow an additional 100 million people or more in the next 35 years, with most of that growth expected to occur in already congested areas. Consider that if car ownership rates remain unchanged, the country would see an additional 81 million vehicles on our roads by the time we reach this population milestone. Clearly, to do nothing in the face of these realities is to leave the next generation with levels of congestion that will strangle the economy.

A vision for transportation in the 21st century

The U.S. needs a new transportation vision that will serve its people as well as President Eisenhower's proposal for the Interstate Highway System did in the 1950s, when our population was half its present size. That vision must modernize the existing aging infrastructure and provide innovative new solutions

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[109] Schwab, Klaus, "The Global Competitiveness Report," World Economic Forum, 2012.
[110] American Society of Civil Engineers, "2009 Report Card for America's Infrastructure," 03/25/09.
[111] The President's Economic Recovery Advisory Board, "Infrastructure Investment and the Creation of a National Infrastructure Bank," 12/04/09.
[112] Texas A&M Transportation Institute, "As traffic jams worsen, commuters allowing extra time for urgent trips." 02/05/13.
[113] "U.S. traffic deaths rose 5 percent in 2012," The Detroit News, 02/20/13.
[114] Polly Trottenberg, Testimony before the U.S. Senate, Committee on the Budget, 02/26/13.
[115] Ibid.
[116] Puentes, Robert, and Adie Tomer, "Expect Delays: An Analysis of Air Travel Trends in the United States," 10/08/09.

that help us to compete successfully in the 21st century. It must take advantage of new and emerging technologies to make travel speedier and safer. It should be transformative, as the creation of the FAA in 1958 was for air safety. Central to its success will be strategies that support economic growth and strengthen the middle class. To be successful, it will need to solve one of our greatest challenges, the lack of resources, by leveraging private capital and identifying a sustainable source of federal funding.

- Roads – Our nation's roads and bridges are a legacy that we need to protect. Today, the Interstate Highway System is over 50 years old. It needs repairs and reconstruction so that it can continue to serve the U.S. economy for another 50 years. The Federal Highway Administration has designated over 143,000 bridges as either structurally deficient or functionally obsolete.[117] Those designations mean that either the condition of the bridge has deteriorated and the bridge no longer performs as it should, or that the design of the bridge no longer meets the needs of the surrounding road system. Without additional investment, we will continue to lose the kind of mobility and safety that we have been able to take for granted for so many years.

  We must also add to our legacy, and continue to shape and improve our communities. More than ever, state and local governments are planning road projects that make room for bicyclists and pedestrians, bridge projects that include transit as well as cars and trucks, and regional plans that require multiple jurisdictions to work together. While we continue investing in our roads and bridges, we need to make sure that federal programs remain compatible with each other to accommodate the innovation happening at the State and local level.

- Freight – Freight transportation serves as the backbone of the global economy, and over the past 30 years, the efficient movement of goods has helped drive U.S. economic growth. Retailers rely on our transportation network to efficiently deliver a steady stream of goods from across the country and around the world. U.S. manufacturers rely on just-in-time delivery to produce their goods and get them to market. But the increased congestion on our highways, railroads, and ports adds to the cost of moving freight.[118] The investment in our transportation systems has not kept pace with basic maintenance, nor has it added capacity to meet our growth needs for the future. The value of U.S. trade in goods is expected to double in the next 13 years[119] and if U.S. infrastructure does not keep pace, we risk diminishing productivity and higher costs for businesses and consumers alike.

Major changes in transportation planning and funding will be necessary to keep pace with anticipated growth. The federal government must partner with states, local governments and private entities to target investments at improving the national and regional movement of freight, reducing congestion, fostering economic growth and promote global competiveness. Freight investments should focus on projects that involve multiple states or jurisdictions, or that involve both public and private resources, such as multi-state trade corridors.

- <u>Transit</u> – As Building America's Future, a bipartisan coalition of elected officials, notes, building more roads alone will not solve the nation's congestion challenge.[120] We must also expand access to public transit to more Americans, offering a reliable, lower-cost and energy-efficient alternative to the large portion of the population that has no other alternative today but the automobile. This is a pragmatic

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[117] Federal Highway Administration, "Deficient Bridges by State and Highway System," <u>02/07/12</u>.
[118] Federal Highway Administration, "Public Roads, Vol. 68 – No. 3," <u>November/December 2004</u>.
[119] IHS Global Insight, "The U.S. Economy: The 30-Year Focus," First Quarter 2012.
[120] Building America's Future, "Falling Apart and Falling Behind" 2011.

recognition that in many heavily congested areas, we will never be able to build enough new bridges or roads to ease congestion, especially as our population continues to grow.

- Passenger rail – The growth in passenger rail ridership in the Northeast U.S. offers an energy-efficient and environmentally-friendly mode of transportation that could be replicated in other parts of the country. However, in the Northeast and elsewhere, reliance on track, tunnels and bridges that are over a century old limits our ability to provide reliable service and increase capacity to meet demand. Currently, the corridor serves 13 million Amtrak passengers, 200 million commuter rail passengers, and 25,000 freight trains annually.[121] This volume is expected to increase 59 percent by 2030.[122] To accommodate this growth, the U.S. will need to establish more reliable passenger service comparable to the world class systems operating across Europe and Asia. These systems increase mobility and promote regional economic development, and the demand for new passenger rail equipment will create new jobs in the nation's manufacturing sector.

- Aviation – The technology that our air traffic controllers use to keep air travel safe is outdated. We need to continue our investments in the FAA's modernization to make possible projected future growth in air travel.

- Ports and waterways –Ports are the gateway to the nation's transportation web, handling more than 95 percent of our overseas trade.[123] However, as the volume of trade quickly increases, we must ensure that our ports can handle the additional volume to support US economic growth. We need to ensure our ports can accommodate the new deep draft post-Panamax vessels, and seamlessly integrate the movement of cargo into the nation's vast multi-modal transportation systems.

Using innovative approaches to investing in our infrastructure

While we need to strengthen the federal programs that provide basic investments in our nation's infrastructure, that is not going to be enough to keep the US competitive. We also need to create new opportunities for financing our infrastructure needs.

For this reason, the Senate Budget proposes two innovations for financing infrastructure investments: tax-credit bonds, and an infrastructure bank. Both initiatives build on past successes of the federal government to make strategic investments in transportation projects that make a difference in regions and communities across the country, and leverage investments from the private sector and other sources.

Tax-credit bonds to support new jobs and infrastructure

The Senate Budget allows the use of tax-credit bonds, such as recent proposals for TRIP bonds, as part of a fiscally responsible infrastructure plan. Under a tax-credit bond program, states or local governments are authorized to issue bonds and use the proceeds of those bond sales to fund roads, bridges, railroad projects, transit systems, ports, inland waterways, or other kinds of infrastructure. Investors who buy the bonds will receive tax credits instead of interest on the bond.

Authorizing tax-credit bonds would build on the success of Build America Bonds, which expired on December 31, 2010. In less than two years, there were 2,275 separate issues of Build America Bonds, and

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[121] National Railroad Passenger Corporation (Amtrak), "National Railroad Passenger Corporation: 2012 Update Report," July 2012.
[122] National Railroad Passenger Corporation (Amtrak), "The Northeast Corridor Infrastructure Master Plan," 03/24/10.
[123] Frittelli, John, "Port and Maritime Security: Background and Issues for Congress," Rep. no. RL31733. 27 05/27/05.

all 50 states participated in the program. The bonds supported over $181 billion of financing for new infrastructure projects such as schools, bridges and hospitals.[124]

Traditionally, the federal government used tax-exempt bonds to support infrastructure investments by state and local governments. However, according to the CBO, tax-credit bonds offer a more cost-effective way for the federal government to support state and local investments.[125] Build America Bonds show what happens when you put better tools into the hands of our states and local communities.

Infrastructure bank

The Senate Budget includes $10 billion to start an infrastructure bank, which can provide direct loans and loan guarantees for a variety of infrastructure investments. These investments may include roads and bridges; transit and rail systems; port and water infrastructure; or other critical projects that help sustain our economy.

By providing credit assistance, an infrastructure bank can leverage federal dollars to achieve significantly more project funding through private investment and other sources.
An infrastructure bank can also provide an opportunity to support crucial infrastructure projects that currently seem out of reach, particularly projects that cross state boundaries, involve several local jurisdictions, or include more than one mode of transportation or sector of the economy. These projects can be difficult to fund through traditional federal programs or formula grants.

An infrastructure bank would build on the success of the Department of Transportation's (DOT) Transportation Infrastructure Finance and Innovation Act (TIFIA) program. This program provides direct loans and loan guarantees to support transportation projects of regional or national significance. Because the TIFIA program offers credit assistance and only covers 33 percent of a project's total cost, the federal investment leverages significant contributions from the private sector and other sources of funding. In fact, every dollar used through the TIFIA program can provide about $10 in loans and support up to $30 in total infrastructure investments.[126]

However, the demand for investment opportunities is greater than what our current infrastructure programs can provide. An infrastructure bank would create new opportunities to build the kind of infrastructure that our economy demands.

The Senate Budget approach: lay down a strong foundation for long-term economic growth

Given the high stakes for our country and its future, this budget protects investment in transportation infrastructure and makes sure that as we save money responsibly, our investments go toward the highest-value projects that help the greatest number of families and communities. By comparison, House Republicans would damage our national economic prospects by making deep cuts to transportation investment, accelerating the deterioration of roads, bridges and transit systems.

Last year, Congress passed legislation that continues our investments in highways, transit and road safety. This budget protects those investments and makes room for needed growth in them in responsible ways if Congress can agree on how to produce the additional revenue they require. It also

[124] Department of the Treasury, "Treasury Analysis of Build America Bonds Issuance and Savings," 05/16/11.
[125] Frank Sammartino, Testimony before the U.S. Senate, Committee on Finance, 04/25/12.
[126] Federal Highway Administration, "Transportation Infrastructure Finance and Innovation Act (TIFIA) program" accessed 3/8/13.