

Testimony of the Honorable Edward G. Rendell
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Committee on Ways and Means
Subcommittee on Select Revenue Measures

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Introduction

Good morning and thank you Chairman Neal, Ranking Member Tiberi, and members of the subcommittee for welcoming me to the House Ways and Means Subcommittee on Select Revenue Measures. I am pleased to be here to testify about the need to create a National Infrastructure Bank which will help fund and finance critical investments in our nation's crumbling infrastructure.

Building America's Future

I am here both in my capacity as the Governor of Pennsylvania and as Co-Chair of Building America's Future, which I am honored to lead along with Governor Arnold Schwarzenegger of California and Mayor Mike Bloomberg of New York City. Building America's Future is a bipartisan, non-profit organization that we formed to bring together state and local elected officials from across the country to reform how we pay for infrastructure and to advocate for additional investments.

Our members include 16 sitting governors, 37 mayors of major cities – including Mayor Villaraigosa whom I pleased to testify alongside with today - and 46 other state and local elected officials. They are republicans, democrats, and independents representing a diverse mix of opinions and communities. However, one thing we all have in common is our fundamental belief that we must do more to repair and rebuild our infrastructure.

We are very grateful to the Rockefeller Foundation, and their President Dr. Judith Rodin, for providing us with financial support. The Rockefeller Foundation is doing great work in making the case for a renewed and reformed transportation bill and we are pleased to collaborate with them on this effort.

The Need for Additional Investments in our Infrastructure

Building America's Future has been fighting for additional investments in our nation's roads, bridges, transit systems, ports, drinking water and waste water facilities, broadband and electricity systems as well as seeking major reforms to the way we make those investments.

We know that for the United States to remain competitive in a global economy we must have a first class infrastructure system.

The American people deserve nothing less.

America's infrastructure belongs to the American people: these are their water systems, their transportation systems, and their electricity systems. For too long, people have had to deal with congested roadways, leaking or busted pipes, blackouts, and wasted resources. We believe that must change.

Building America's Future conducted a poll a little over a year ago and found that 94% of the people polled are concerned about America's infrastructure. But what is even more remarkable – even in these financially difficult times – fully 81% of those people were willing to pay 1% more in income taxes to rebuild America's infrastructure but only if we make important changes. It is clear that the American people get it. It is time that Washington listens to their message and acts boldly.

In the transportation sector alone, we know that the outstanding needs of our highways and transit systems far exceed the revenues generated by the Highway Trust Fund. There is no shortage of studies and reports outlining the outstanding needs - from the American Society of Civil Engineers, to the National Surface Transportation Policy and Revenue Study Commission (or the 1909 Commission as it is referred to in short), to the National Surface Transportation Infrastructure Financing Commission.

For example, according to the 1909 Commission's report released in January, 2008, the United States needs to invest at least \$225 billion annually from all sources for the next 50 years to upgrade our existing system to a state of good repair and create a more advanced surface transportation system to sustain and ensure strong economic growth for our families. We are spending less than 40 percent of this amount today.

We also know that if people choose to use transit, over driving, they can save approximately \$9500 per year according to the American Public Transportation Association. So we must provide significantly more investments into transit alternatives which will have the dual benefit of reducing harmful emissions while decreasing traffic congestion in some of our most populated areas.

However, because the federal gas tax remains as it was in 1993 – at 18.4 cents per gallon – we have fallen way behind because the population and the amount of traffic has increased significantly over those 17 years. The increasing availability of more fuel efficient cars has had the unintended consequence of reducing revenues to the Highway Trust Fund which, in turn, has not kept pace with inflation, the rising costs of construction, or the growing needs.

And this is just in the transportation sector. Drinking water facilities need to invest over \$334.8 billion over the next 20 years beyond what we are spending today to ensure every American family has safe, reliable drinking water, according to the Environmental Protection Agency.

Further, we know that over 4,095 dams are unsafe leaving them more susceptible to failure. If we do not repair these critical systems we could see epic disasters in areas all over the United States.

We already know the kind of devastation that will occur when levees and dams fail. Just look at the massive flooding that occurred in and around New Orleans when levees failed during Hurricanes Katrina and Rita. And, in 2008, Cedar Rapids and Des Moines, Iowa were flooded due to levee breaches causing thousands to evacuate and billions of dollars in damage.

We cannot just sit back and let these systems continue to deteriorate and hope more failures do not occur. The warnings have been issued and we must act boldly and swiftly to correct them before another disaster occurs.

The Need for a National Infrastructure Bank in the United States

This is why Building America's Future believes that the United States must create a National Infrastructure Bank. We need a single entity in this country that can leverage dollars from state and local governments or the private sector, can focus on projects of regional and national significance, will remove politics from the process, subject all requests to a benefit-cost analysis, and do all of this in the brightest of sunlight, openness and transparency.

Right now, if multiple states wanted to complete a project crossing multiple jurisdictions and multiple infrastructure sectors, there is no singular place to which they can apply for financial assistance. Only recently have we attempted to fund high-speed intercity passenger rail in the United States. Congress included \$10.5 billion through the American Recovery and Reinvestment Act (ARRA) and in the fiscal year 2010 Transportation and Housing and Urban Development and Related Agencies appropriations act for high speed rail but we know that is not enough to build out an entire system.

In addition, the \$1.5 billion provided in the Transportation Investment Generating Economic Recovery (TIGER) grant program is a great new method to fund creative and multi-jurisdictional transportation projects but we know the need far exceeds the demand for such funding.

But where are we going to find the rest of the money needed to build out a true high speed rail system? Where are we going to find the creative ways to help get big projects moving quickly so that costs do not escalate? Where are we going to make the bold choices that our previous leaders did when they built the Interstate Highway System, the Erie Canal, and the Hoover Dam?

It is obvious that existing revenue sources and methods are inadequate to address our vast infrastructure needs. That is why we believe a National Infrastructure Bank is part of the solution and we support the House and Senate moving forward with its creation this year. But in order for it to succeed, it must operate to improve people's quality of life.

Concepts for a National Infrastructure Bank

We believe that a National Infrastructure Bank should be created with the follow basic concepts:

- Establish the NIB as an independent entity with the greatest flexibility to finance and fund only projects of regional and national significance.
- Allow the Bank to fund projects beyond just transportation such as ports, drinking and waste water, electrical grid, broadband and others.
- Enable merit-based selection of projects by experts so that the most critical and feasible projects proceed.
- Ensure federal assistance at a significant enough scale to make these major projects financially viable.
- Ensure that the Bank has the authority to employ a range of finance and funding tools including, but not limited to: grants, credit assistance, low interest loans, tax incentives, Build America Bonds, Private Activity Bonds, enhanced TIFIA authority, and others to be determined.
- Create a method for leveraging public investments with private capital.
- Establish clear performance measure standards such as completing projects on time and within budget, reducing traffic delays for passengers and goods movement, and reducing carbon emissions.

Questions about the initial capitalization of the Bank have been raised by proponents and skeptics alike. President Obama's budget last year contained \$5 billion per year for five years for a total initial capitalization of \$25 billion. Unfortunately, this year's budget did not include that same proposal. Congress and the Administration must come together now to find enough resources to get the Bank up and running. The alternative is to simply allow for the continued deterioration of our infrastructure, declining revenues, and allow unnecessary risks to develop into full-scale disasters. We believe that if Congress has the political will to get this done, the American people will support your efforts.

By many estimates, there are billions of dollars in private capital available and looking for safe and reliable rates of return for investors. The proliferation of infrastructure investment funds in recent years demonstrate the confidence that the private investment community has in infrastructure. We believe the National Infrastructure Bank could help attract some of these entities into additional infrastructure investments.

There are no single, easy answers to fixing our nation's crumbling infrastructure. However, we believe that a National Infrastructure Bank will supplement – not supplant – existing funding streams provided to state and local governments while at the same time changing the way we establish priorities, measure success, and make smart, targeted investments.

Specifically, because we believe the National Infrastructure Bank will address projects of regional and national significance, we believe this will ease the burden on the Highway Trust Fund for those projects that were funded under SAFETEA-LU. By doing so, that will allow additional dollars to flow back to the states through the reformed funding mechanisms that will be crafted during the next reauthorization of the transportation bill.

A few other points that I think are worth considering.

Congress should look at some existing models like the European Investment Bank and the California Infrastructure and Economic Development Bank as models to emulate when crafting legislation. These entities have successfully provided the financing necessary to build hundreds of projects that would not have been completed without their assistance. While an exact replication may not be appropriate, lessons can be learned from these institutions.

If it makes economic sense, Congress should consider areas such as broadband, the electric grid, and other needs, to determine whether they should be eligible under the Bank's authority.

Our hope is that if the National Infrastructure Bank is capitalized at the right level it will make significant progress towards addressing some of the larger projects and outstanding needs in the country while at the same time Congress moves forward with significant reforms with respect to existing funding silos, policy decisions, and the need for a national vision.

Conclusion

I would like to close with something very important. As the Governor of the sixth largest state in the nation I have seen firsthand what is happening to families who are out of work and under financial stress. In April, our national unemployment rate was at an unacceptably high rate of 9.9% - in Pennsylvania we are slightly below that at 9%. In the construction area, according to the Associated General Contractors, roughly 25% of workers are unemployed. Everyone is hurting.

We must get serious about a massive investment in rebuilding our country.

There is absolutely no doubt in my mind that making major investments in our crumbling infrastructure is not only the right thing to do for our nation but it will create and sustain thousands of jobs. And not just on the construction sites. But back in the factories that make the steel, wood, concrete, asphalt, aggregate, and other materials that go into these large-scale projects.

Americans want to work and I believe that the National Infrastructure Bank can help get some of these important projects moving and, in turn, help get our economy back on its feet. Is this the singular solution to the unemployment problem? No it is not. However, it will help us put people back to work while repairing and modernizing our infrastructure.

The time is now for Congress to take action. Let's get to work on establishing a National Infrastructure Bank. Working together, we can make a difference and build the 21st Century infrastructure that Americans need and deserve and that will provide lasting economic dividends for future generations and keep America one of the greatest nations on this planet.

Thank you.