

Hearing on Long-Term Financing of the Highway Trust Fund

HEARING

BEFORE THE

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Chad Shirley

Chad Shirley, Deputy Assistant Director, Microeconomic Studies Team, Congressional
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Hearing on Long-Term Financing of the Highway Trust Fund

U.S. House of Representatives,
Committee on Ways and Means,
Washington, D.C.

The committee met, pursuant to notice, at 10:00 a.m. in Room 1100 Longworth House Office Building, Hon. Paul Ryan [chairman of the committee] presiding.

*Chairman Ryan. All right. I would like to have everybody to take their seats, if they could. The committee will come to order.

First, I want to thank Chairman Reichert of the Subcommittee on Select Revenue Measures. He has done a lot of hard work on this topic, and he is one of our team leaders on this. And he is going to continue working on this issue through the subcommittee.

I also want to thank our witnesses: Chad Shirley, from CBO; my old friend, Bob Poole, from the Reason Foundation; and former governor of the great state of Kansas, Bill Graves, from the American Trucking Association. Everybody here holds all three of you in high regard. I am looking forward to an informative discussion on a very important issue that -- Members of both sides of the aisle have requested that we dig into this issue, and I am glad we are doing this here today, because we need your ideas.

The roads, the bridges, and the highways in this country are in a sorry state. And the Highway Trust Fund that pays for them, well, it is broke. But, instead of fixing the problem, we have dodged it -- on a bipartisan basis. Five times we have come up with temporary solutions, and transferred money from the general fund into the trust fund, which, in English, means we have patched a pothole and not fixed the problem. We are talking over \$63 billion, in total.

And, according to the latest projections, we are looking at a \$168 billion shortfall over the next 10 years. So things are only getting worse. We need to find a real, long-term solution, and that is one of the things we would like to investigate in this hearing today.

Now, ever since we built the interstate highway system, we have had a simple principle: user pays. The people who use the highways should pay for the highways. So far, that has been done mostly through the gas tax. Problem is, the current user pay system doesn't pay enough. Ever since 2008, the trust fund has spent more than it took in. And the reason? Well, the reason is pretty simple: people have been using less gas. They are driving more fuel-efficient cars. It is a good problem to have. You get a lot more miles to the gallon than you used to. And so, gas just doesn't track use as well as it used to. We just can't chase fuel efficiency with much higher taxes.

So I want to make something very clear. We are not going to raise the gas tax. There is not much happening in this economy to help it grow but lower gas prices, that is one thing that is happening that is good for consumers. Working families have been struggling for years to get by. They have looked high and low for good-paying jobs. Their paychecks have not grown much at all. And now they are finally catching a break at the pump. It would be downright unfair to take that away from them. So we are not going to raise gas taxes, plain and simple.

But we are confronted with a big problem, and there is no easy solution. By the end of July, the Highway Trust Fund will begin running out of money again. I was hoping last month that we could have extended the Highway Trust Fund to the end of the year, to give us the required and appropriate time to come up with a longer-term solution. But that ran into last-minute opposition. It is going to be difficult to reach consensus on a permanent solution, but there are a lot of ideas out there. That is why we are here today, that is why we are having this hearing -- to hear more about these ideas.

There is talk about handing more authority over to the states, making greater use of tolls, creating more public-private partnerships, and repatriation as a middle solution. There are a lot of ideas worth considering. But, either way, we need to find a real solution, a permanent solution.

So, again, I want to thank our witnesses. We appreciate your taking time to speak with us today, and I look forward to hearing your testimony.

And all I can say is we are all ears, and we are looking forward to your testimony.

And, with that, I would like to turn it over to the ranking member for any opening statements he might like to make.

*Mr. Levin. Thank you very much, and welcome. Mr. Chairman, we need to be all ears, but we need action. And we have been sending letters to you. We Democrats really are determined that there be action. The key words are "long term," because, just short -- six short weeks from now, as we know, the spending authority expires and the balance is run out. Short-term extensions, there have been 24 to date.

And the facts really are startling: the American Society of Civil Engineers gave our national infrastructure a D-plus grade, and when it came to my home state, they even

took the plus off. It is a straight D. Bridges are in terrible condition: 145,000 of them in every state. And a quarter of them are more than 60 years old. And two-thirds of our highways are in poor or mediocre condition. Two-thirds.

So, if safety weren't enough of a factor, economics is. A major 2014 economic report from Standards and Poors Rating Agency notes -- and I quote -- "Each dollar of infrastructure spending, if allocated wisely, translates into much more than that, in terms of economic growth." And here is what the report finds, a \$1.3 billion investment in 2015 would likely add 29,000 jobs to the construction sector, and even more to infrastructure-related industries. That investment would also likely add \$2 billion -- \$2 billion -- to real economic growth, and reduce the federal deficit by \$200 million for that year.

So, inaction is not an option, and this cannot be done on a partisan basis. A long-term infrastructure bill must be a product of our coming together, Mr. Chairman, you and I and all of us on this Committee of jurisdiction.

And I close with this: all options should be on the table, except doing nothing. I yield back.

*Chairman Ryan. Thank you. Mr. Shirley, why don't we start with you?

I want to just mention to all witnesses, your full written testimony will be inserted in the record. And if you can try to confine your remarks to five minutes, so that we can entertain all of the Members' questions, we would be much appreciative.

Mr. Shirley, we will start with you. Please turn your microphone on.

STATEMENT OF CHAD SHIRLEY, DEPUTY ASSISTANT DIRECTOR,
MICROECONOMIC STUDIES TEAM, CONGRESSIONAL BUDGET OFFICE,
WASHINGTON, D.C.

*Mr. Shirley. Thank you very much. Chairman Ryan, Congressman Levin, members of the committee, I appreciate the opportunity to be here today to talk with you about the status of the Highway Trust Fund, and options for financing highway construction.

In 2014, federal, state, and local governments spent about \$165 billion on highways, another \$65 billion on transit. About three-quarters of that spending came from state and local governments, and about a quarter from the Federal Government. Most of the federal spending comes from money in the Highway Trust Fund.

For decades, the trust fund's balances were stable or growing. More recently, however, the amount of money collected from taxes on gasoline, diesel fuel, and other transportation-related items, has been less than spending. To address that shortfall,

lawmakers have transferred \$65 billion from the general fund to the treasury to the trust fund since 2008.

The Highway Trust Fund's current sources of revenue cannot support spending at the current rate. By the end of this fiscal year, CBO estimates that the balance on the highway account of the trust fund will fall to about \$2 billion, and the balance in the transit account will fall to about \$1 billion. Because of those declining balances, the Department of Transportation would probably need to delay payments to states before the end of the fiscal year. Beyond that, if nothing changes, the shortfall in the trust fund would steadily accumulate in subsequent years.

Lawmakers have three broad options to address the projected shortfalls in the trust fund: reduce spending from the trust fund; increase revenues credited to the fund; and continue to transfer money from the treasury's general fund. One option would be to reduce federal spending on highways and transit projects. If lawmakers choose to address the shortfall entirely by cutting spending, all of the receipts credited to the fund during the next year would be needed to meet obligations made during or before 2015. Beyond that, the authority to obligate funds from the highway account would decrease by about a third over the next decade. Similarly, the authority to obligate funds from the transit account would decrease by about two-thirds, compared to CBO's baseline.

A second option would be to increase the revenues credited to the fund. That could be done in several ways. For instance, one way would be to increase the existing taxes on gasoline and diesel fuel. The staff of the JCT estimated that a one-cent increase in those taxes would raise \$1.7 billion per year. That amount would decline to about \$1.5 billion per year by 2025. Increasing those taxes by roughly \$.10 per gallon would eliminate the projected shortfall. Another way to increase revenues would be to impose new taxes on using the highway system, such as one based on vehicle miles traveled. Still another way would be to impose taxes on activities unrelated to transportation.

A third option for addressing the shortfall would be to continue to transfer money from the general fund to the Highway Trust Fund. Unless spending were cut, or revenues were increased, that would require a transfer of \$3 billion before the end of Fiscal Year 2015. After that, the amounts needed each year would start at \$11 billion in 2016 and grow to \$22 billion by 2025. The projected shortfall in the trust fund has generated interest in greater use of borrowing by state and local governments or private companies to pay for highways. The Federal Government encourages borrowing through tax preferences that provide a subsidy for highway financing projects.

In addition, the Federal Government offers loans and loan guarantees to assist with highway financing. Through both of those channels, though, the Federal Government bears some of the cost of such financing. Despite some prominent examples, the experience with private financing in the United States is very limited.

In particular, highway projects that have used private financing have accounted for less than one percent of all spending for highways over the past 25 years. Some of those projects have failed financially because the revenues for the projects were over-estimated. Perhaps because of that experience, projects that are now under construction rely less on tolls as a revenue source. More commonly, private partners are compensated from a state's general fund. Thus, limiting the risk to the private partner that it will not be repaid. As a result, the risk of lower-than-expected revenues stays with the public sector.

Ultimately, borrowing is only a mechanism for making future tax revenues or future user fees available to pay for transportation projects today. It is not a new source of revenues. Borrowing can augment the funds readily available for highway projects today, but revenues that are committed to repaying borrowed funds will be unavailable for new transportation projects or other government priorities in the future. Thank you very much for your time, and I would be happy to answer any questions that you have.

*Chairman Ryan. Thank you.

Mr. Poole?

**STATEMENT OF ROBERT POOLE, DIRECTOR OF TRANSPORTATION POLICY
AND SEARLE FREEDOM TRUST TRANSPORTATION FELLOW, REASON
FOUNDATION, LOS ANGELES, CALIFORNIA**

*Mr. Poole. Chairman Ryan, Ranking Member Levin, and Members, thanks very much for inviting me to testify. In 2005, I served on a TRB special committee on the long-term viability of fuel taxes for transportation funding, 10 years ago. We concluded that, in coming decades, per-gallon fuel taxes should be replaced by per-mile charges. Three years later, the Infrastructure Financing Commission agreed with that recommendation. I have written extensively on the problems with today's trust fund, and today offer four recommendations for your consideration.

My first recommendation is do no harm. In fixing the trust fund's problem, the emphasis should be on strengthening the core principle of users pay, users benefit. The best protection for needed transportation investment comes from dedicated user fees funding that is immune to the constraints of the budget process. This is how nearly all other infrastructure is financed. Airports, electricity, railroads, telephones, water supply, they don't have problems like fights -- perennial fights over tax increases.

Reliable user-fee revenue streams enable long-term revenue bonds to finance major projects, rather than funding them piecemeal out of annual appropriations. Any uses of general fund revenues to bail out the trust fund undercut the user pays/user benefit principle, and make the program less reliable, going forward, since the Federal Government will have less and less general revenues in coming decades.

My second recommendation is to set real priorities for trust fund spending. If it is politically untenable to increase fuel tax rates, then spending must be trimmed to the level of user tax revenues. You should ask which aspects of the trust fund spending are truly federal in nature, versus state and local in nature. Government agencies across the country are having to review their budgets and separate core programs from many things that are nice to have, but are not really core. Congress has an opportunity now to do this, or start doing this, regarding the trust fund.

A couple of examples on this. Federal programs' top priority, in my view, should be reconstructing and modernizing the interstate highway system, our most important asset, which will need an estimated \$1 trillion over the next 2 decades to do. Yet, according to a recent GAO analysis in my written testimony, only half of the \$50 billion trust fund spending goes to highways and bridge projects at all, and only 3 billion is spent on major projects of the kind that would be involved in reconstructing and modernizing NHS and interstate highways.

Also, just why should highway user taxes support the two highway safety agencies, NHTSA and FMCSA? Nearly all other federal safety regulatory agencies are funded out of the general fund, not out of user taxes. Just a point.

My third recommendation is that Congress should encourage the eventual transition from per-gallon fuel taxes to per-mile user fees. It is clear that state DoTs are taking the lead on this with pioneers like California, Minnesota, and Oregon. There are many unanswered questions, though, about which mechanism will be most feasible for collecting the fees, while protecting privacy and ensuring that they actually replace, rather than adding to fuel tax revenues, which is the premise.

Congress could further these efforts right now by focusing more of FHWA's research dollars on pilot projects in a larger number of states. Another useful step would be to encourage increased use of per-mile electronic tolling for major highways. Congress could expand the existing three-state pilot program for toll-financed interstate reconstruction. More states should have this option, and existing states should not be able to sit on their slots indefinitely without using them.

The revamped pilot program also needs much stronger protections for highway users to ensure that the new tolls would be pure user fees, not a cash cow to bail out state DOT budgets. Highway user groups will certainly oppose expanding the pilot program without much stronger safeguards along these lines.

My final recommendation is that Congress should give states increased tools to make their transportation dollars go further, and long-term public-private partnerships, P3s, are an important way to do this, and well-suited to major highway and bridge projects like interstate highway reconstruction. Tolls provide a bondable revenue stream so that major projects could be financed now, rather than years or decades in the future. And P3s shift many of the risks of mega-projects to the P3 company, rather than taxpayers.

Federal Government assists in these kinds of projects in two ways: by enabling the issuance of tax-exempt private activity bonds; and providing subordinated loans via the TIFIA program. The current PABs law only allows \$15 billion worth of tax-exempt bonds. Two-thirds have already been used up. So the reauthorization needs to include, we suggest, a doubling of the \$15 billion cap to keep that pipeline flowing.

Finally, TIFIA was expanded in MAP-21, doesn't need a bigger expansion. But the money would go farther if Congress were to make one important change. The MAP-21 law increased the maximum TIFIA loan from 33 percent of a project budget to 49 percent. It really ought to go back to 33 percent, consistent with TIFIA being GAAP financing, and also enabling more -- existing amount of money would go a lot further if it were only funding up to 33 percent, rather than 49 percent.

That concludes my testimony. I am happy to answer questions at the appropriate time.

*Chairman Ryan. Thank you very much.

Governor Graves?

STATEMENT OF BILL GRAVES, PRESIDENT AND CHIEF EXECUTIVE OFFICER, AMERICAN TRUCKING ASSOCIATION, ARLINGTON, VIRGINIA

*Mr. Graves. Chairman Ryan, Ranking Member Levin, members of the committee, I appreciate this opportunity to appear before you and comment on an issue of great national importance: a long-term and sustainable funding source for building our roads and bridges. I am particularly appreciative of Congressman Renacci and Congressman Blumenauer for their passionate advocacy on this issue.

While representing ATA, I am proud to be speaking on behalf of many organizations whose members are daily users of our transportation system. The consequences of failing to act are great, and we stand ready to support you in making the tough choice that lies ahead. While I will speak to ATA's preferred option for sustainable funding, let me say at the outset that almost any policy you adopt that supports a multiple-year program and can be relied upon in the future, we will support. The consequences of inaction are just too great.

As we all know, Americans cherish their freedom of mobility to travel in pursuit of economic opportunity, educational training, medical care, or recreational enjoyment. People and products have been moving freely since our nation was founded. That mobility has served as one of the pillars in constructing the interstate highway system, along with the need to efficiently and quickly mobilize our military resources.

President Eisenhower got it right when he envisioned this interstate transportation network and all it would do for this nation. In my lifetime, beginning with President Eisenhower, Presidents Reagan, Bush, and Clinton all found a way to successfully enact

an increase in the federal fuel tax. But since 1993, Congress and subsequent Administrations have been predicting the demise of the fuel tax without ever identifying and successfully advocating for an alternative funding source that would be long-term and sustainable.

Today's conversation has been taking place for 22 years. And I believe it is time for Congress to acknowledge, in the near term, that the fuel tax continues to be the lesser of all the infrastructure funding evils. I believe it is the only funding option that actually makes sense. But over that 22-year period, what has made this challenge even greater is that Americans have been promised over and over again that a fuel tax isn't necessary. Yet rarely is an alternative proposed that has a chance of being adopted. And, if it were, it would likely fall short of what the fuel tax has provided for over 50 years: long term and sustainable.

Roads and bridges aren't free, and they are certainly not cheap. Yet Congress has been operating under the assumption that pennies might fall from heaven. For years, while personally advocating a fuel tax increase, I have been instructed that it wasn't going to happen, that I needed to be thinking outside the box. I have been told to come up with creative financing options to embrace private-sector investment, or agree to make this problem go away by passing it down to state and local governments.

So, after 22 years of thinking outside the box, we are here discussing the fuel tax, spending general fund dollars, passing off all or greater responsibility to the states, or simply erecting toll roads across the country. We know the fuel tax works. It is easy to administer, Americans are familiar with it, and, with some modifications to account for the emerging class of non-fuel vehicles, it would continue to be viable for years, if the rate were raised.

General funds. With all the fiscal challenges the Federal Government faces, adding one more large mouth to feed makes no sense. Once we start down the path of paying for roads and bridges without user fees, you will have a very hard time ever going back. Some have suggested that devolution is simply a realignment of federal and state responsibilities.

As a former governor, I can tell you that a large number of states don't seek to assume this financial responsibility, nor do they have the financial capability to do so, not to mention the incredibly unwise notion that we should leave the condition and capacity of our interstate network of roads to the discretion of 50 state legislatures and governors. This idea is a ruse to dodge the tough responsibility of finding adequate funding for road and bridge construction.

And the other oft-heard suggestion is to simply toll our interstate roads. Toll systems certainly have a limited place in this country. But they are a more expensive option than the fuel tax we currently enjoy. How could Congress or an Administration ask citizens to pay more than they otherwise would need to pay, in order to get the same system that they could get for less?

My father found opportunity in digging his way out of the Depression by starting a trucking company in 1935. He honed his transportation skills serving in World War II, hauling supplies in Europe. After the war, he built a company that provided economic opportunity for over 2,500 men and women. I am not just sitting before you as a spokesperson for ATA. I am the son and grandson of truckers, representing men and women who work each day on this nation's highways.

Trucks will keep moving America forward, but only if we have a network of roads and bridges for them to travel. And to do that, Congress must find the courage to admit what I believe it already knows.

Thank you, Mr. Chairman.

*Chairman Ryan. Thank you. Let me ask all of you a quick question right now, but start with you, Mr. Shirley.

We have had patches for a long time. I am looking at a list here. We had a patch in 2008, which was an \$8 billion general fund transfer. We had one, two, three, four patches in 2009: 7 billion was the first one, the three subsequent ones were not offset. Then we had three patches in 2010 from the general fund, totaling \$19.5 billion in just 3 patches there. So, having these temporary patches, obviously, is no way to run a railroad -- no pun intended -- but it is something that we are not unfamiliar with.

There has been a suggestion that we look for a user pay solution to the trust fund shortfall that can be enacted by the time the next expiration occurs in July. But from all of your testimony, what I am hearing is that there are several promising options that may realistically require several years to develop and implement in a best-case scenario.

The point I am trying to get at is, first, it seems to me a general fund transfer this summer is unavoidable. Do any of you think we can enact and Treasury could implement and collect sufficient funds by the end of July to avoid a general fund transfer? Let's start with you, Mr. Shirley, and just go.

*Mr. Shirley. Thank you. I see -- I am not clear exactly on the time frame of the spend-out that the treasury -- I am sorry, that the Department of Transportation is facing on the trust fund, other than we do understand that there would be a need for additional funds in order to prevent delays in payment some time before the end of the fiscal year.

The -- some of the alternatives that have been proposed to the fuel tax, such as a vehicle miles traveled tax, there are experiments that are in place in some other states. So it certainly would take some time to put together.

*Chairman Ryan. If we want to keep the fund full and level-financed, level-funded, is there any other way than a general fund transfer to do that in the time frame we are talking about, with the expiration -- or the insolvency occurring at the end of July?

*Mr. Shirley. General fund transfer certainly would take care of it.

*Chairman Ryan. Bob?

*Mr. Poole. I don't see any way to do that. I mean you have got a very short-term problem, and I think that is probably the only realistic short-term solution.

*Mr. Graves. I am certainly not going to disagree with CBO and Bob. I think that there is no doubt we are going to see another transfer.

*Chairman Ryan. Yes. So the question is, for us here, we don't like transfers any more than anybody else does. We think it is bad for planning, bad for certainty, bad for our transportation strategies. So what we are trying to figure out is, how do we come up with a longer-term solution? We like doing six-year highway bills. That is the tradition here, that is what our goal and aspiration is.

But the other solutions that are out there to replace gas taxes -- Bob, you mentioned three or four of them -- those aren't really ready for prime time yet, are they? I mean give me a -- Bob, this if for you. Those aren't ready for prime time. How long would it realistically take to take one of these innovative ideas and solutions and get it actually occurring in a law?

*Mr. Poole. Well, on the mileage-based user fees, I think you really are looking at probably close to a decade of pilot projects and experiments at the state level, possibly some implementation on a large scale at the state level to figure out, really, how to do this in a way that is economical to collect -- which I think is possible -- that protects privacy, and gives users a real choice of method.

But we are nowhere near there, and I think, if Congress tried to do -- to impose a federal one in the next year or two, you would risk a huge fiasco and a tremendous backlash from the motoring public. And I don't think any of us want to go there.

*Chairman Ryan. So I --

*Mr. Poole. The one thing you could -- this reauthorization could easily do the expansion of the interstate toll financed reconstruction program with stronger safeguards. And we will have to have lots of discussions with ATA about that. But I think that is something that is a near-term possibility, and -- including the use-it-or-lose-it provision for the states that -- the three states that are sitting on their slots and not yet using them. You need to give them a push to actually figure out how to get to yes on this at the state level.

But that could start the ball rolling on some major projects. That, plus increasing the cap on private activity bonds. I mean those things would keep the P3 pilot programs -- the P3 programs going. \$28 billion have been financed in the last decade

through major P3 projects in the highway and bridge sector. And a lot more of that is possible if we don't run out of financing ability.

*Chairman Ryan. Okay. So to continue this thought a little further with you, Bob, so we know that the current financing mechanism isn't really working, and I want to ask you a question about why that is. We know that a long-term solution isn't actionable right now. So we have got to find an interim measure. That is pretty much what this Committee does -- the Transportation Committee, they are the authorizers, they are the ones who determine the things you just discussed. This Committee does the financing in between. So we have got to figure out what the bridge is, the financing bridge.

But, to the point about why the current revenue system isn't working, let me ask you. We have got federal regulatory policies like CAFE, you know, the Corporate Average Fuel Economy standards. They mandate more fuel-efficient cars. So, on the one hand, we have got these laws and regulations that mandate more fuel-efficient cars. On the other hand, we have got fuel taxes that are measured on a per-gallon basis. So the farther those gallons can take a car, the less money per mile the taxes raise. So, we have got this contradictory federal policy --

*Mr. Poole. Exactly. They are going at cross purposes.

*Chairman Ryan. Exactly. So, you know, also, people who drive electronic vehicles don't pay gas taxes. In fact, this Committee, I remember, I think 2005, 2006, we had a tax incentive for people to buy gas -- I mean electric cars.

So, we are at cross purposes here. Even if we decided to raise gas taxes, it is just another temporary solution to a long-term problem that doesn't solve the problem. Am I not correct in that?

*Mr. Poole. I agree. That is my assessment, certainly, and that was the assessment of the TRB committee 10 years ago, that we were going to be in this situation by about now. And it is going to get worse and worse. That was before the CAFE standards were increased --

*Chairman Ryan. Right.

*Mr. Poole. -- dramatically a few years ago. And that is -- they are going to devastate the state and federal transportation budgets over the next couple decades, as they fully work their ways out to --

*Chairman Ryan. So we have federal policy colliding with each other. And the casualty is our roads and our bridges. So we are going to have to figure out what is the interim financing bridge to get to this better world of a more accurate, consistent system that doesn't have this contradictory federal policy.

There are lots of ideas out there. I don't want to take up all of the time, because I want to give other Members the opportunity. But I thank you very much for your indulgence.

Mr. Levin?

*Mr. Levin. Thank you. Thank you for your testimony. Mr. Chairman, as I hear the back-and-forth in answer to your questions, I think the problem is a bridge to what. And we keep on building a short bridge because we don't face up to the what.

And to simply focus on the interim, the interim has been used as a reason not to do the long-term. And you know, I wish we really had a video today. Your testimony has been graphic, but nothing would be like having videos as to the conditions of roads and bridges in this country.

I was in Nepal last year, before the tragic earthquakes. And then I came back here to Washington and to Michigan, and I thought some of the roads were as bad as I had seen in Nepal. And so, I really think the time has come for us to make a basic decision, and that is whether we are going to make one.

And my concern about the focus on finding an interim, and arguing about how long, is that it becomes a reason for us not to face up to what needs to be done, long term. And that is why my suggestion is that we just should not take -- begin to take ideas off the table, because that becomes, essentially, a stalemating of action.

So, in my few minutes left, just the three of you, just have a little discussion -- or, if you want, a debate -- about the premise user-pay/user-benefit. The three of you just argue. Talk.

[Laughter.]

*Mr. Levin. You got two, two-and-a-half minutes.

*Mr. Shirley. I will briefly start off. The idea of the user pay is that it provides incentives for the users of the highway or the infrastructure to use it more efficiently if they have to pay for the infrastructure. And alternatives that would not be user pay wouldn't contain those incentives.

*Mr. Poole. I think another key lesson comes from Europe, where they have gas taxes, but the gas taxes are a general revenue source. And if you compare the amount that comes in in gas taxes in Europe, most countries, with the amount they actually spend on surface transportation, they typically take in two or three times as much in fuel taxes as they do in -- do actually invest in the infrastructure.

So, I mean, making a direct connection between the users and having the money be dedicated to transportation is critically important. If we lose that, I think we may go the

way of Europe, and have higher and higher payments and less and less actual investment because of losing that tie.

*Mr. Graves. Congressman, it just feels to me like, you know, for 50 years this is what our nation has known, that users pay. I mean people do get that concept. Now, they expect you to deliver, programmatically, what they are paying for. And I think we have, you know, room to go in that regard.

But I think we make a terrible mistake to move away from that concept. And I would also argue that, as Chairman Ryan just mentioned, even, you know, another extension, we end up once again reassuring the American public that we don't need to find new sources of revenue, we are just going to go find -- you know, clean out the sofa for dimes and nickels and come up with some sort of general fund solution, and everybody is reassured that they are never going to have to increase their -- you know, the user fee.

I just think we need to have a more honest discussion with the American public about what is necessary to upgrade and improve this road system.

*Mr. Levin. Okay, close. You know there is talk about electrification, and how that doesn't quite fit with user fees. It is often raised by people who don't support the effort for more electric vehicles. And private activity bonds, I think, need to be looked at. And often, it is raised by people who sometimes would propose their elimination.

So, I think all that shows we have got to face up to this, and we need an interim, as long as it is not another excuse for the failure to act long-term. And 24 times, is it? That is exactly what has been happening in this country by this Congress, by congresses. And we need to do much better. Thank you.

*Mr. Reichert. [Presiding] Thank you. The gentleman's time has expired.

Mr. Johnson, you are recognized.

*Mr. Johnson. Thank you, Mr. Chairman. You know, according to the Wall Street Journal, "simply using the taxes that are supposed to pay for highways to pay for highways makes the Highway Trust Fund 98 percent solvent for the next decade." I would like to introduce in the record.

[No response.]

*Mr. Reichert. Without objection.

[The information follows: [The Honorable Sam Johnson](#)]

*Mr. Johnson. Thank you. Mr. Chairman, I would just note that I have recently introduced legislation by the name of Right of Way for American Drivers Act that would begin to do just that: pay for it.

Speaking of the gas tax, some in Washington are calling for a higher gas tax. Mr. Shirley, for the record, isn't it true that a majority of the tax burden of a gas tax increase would fall on hardworking, low-income Americans? Yes or no?

*Mr. Shirley. A higher relative burden of the gas tax does fall on lower-income households, compared to higher-income households.

*Mr. Johnson. Okay, I appreciate that.

And, Mr. Poole, I see you are a big fan of tolls. I got to tell you, folks back home in Texas most likely drive you off the road because my constituents have had it up to here with tolls. In fact, you can't get out of Plano, Texas without getting on a toll road. North Texas is said to have the largest toll network in the country. So you know I have actually put out legislation to stop the federal authorization for tolling.

Wouldn't you agree that tolling is like a double tax? I mean folks have already paid for the road with their gas tax dollars, and now they have to pay a toll. Don't you think that is a double tax?

*Mr. Poole. I agree. I am opposed to double payment. And we have supported at Reason Foundation rebates -- all electronic tolling makes it possible to give -- to calculate how many miles people have driven, paying tolls. And you know the vehicle, so you know the fuel economy. You can figure out how much gasoline or diesel they used, and give rebates based off that. And that is an integral part of the planning in Oregon, for example, for mileage-based user fees, that it would be -- that people would get rebates for the fuel taxes they paid, and wouldn't be paying both the user fee and the gas tax.

*Mr. Johnson. That is interesting. Okay, Mr. Chairman, I yield back the balance of my time.

*Mr. Reichert. Mr. Lewis, you are recognized.

*Mr. Lewis. Thank you very much, Mr. Chairman. Let me thank all of the witnesses for being here.

Governor Graves, thank you for your leadership, and thank you for your statement. When I first came to Congress almost 30 years ago, I served on the old Public Works and Transportation Committee. And we tried to do something to authorize our transportation needs. Democrats and Republicans came together. We never thought that our roads and our bridges was partisan, we just did it. And it is a need today to come together.

You know, I represent a city, the City of Atlanta. And we have three major interstates coming through the heart of the city: I-75, I-85, I-20. A lot of trucks. And we need to do something. I want you to tell the committee, I want you to dramatize it, to make it plain, to make it clear. If we fail to act, if we fail to do something, what is -- what would happen?

*Mr. Graves. Well, Congressman, it is happening already. I think the cost to this nation in terms of congestion, what we are wasting every day in terms of burning fuel and emitting into the atmosphere, what we are wasting in terms of missing our commercial delivery schedules, not to mention just every individual who is late for this, that, or the other, or doesn't get to a job interview or a medical appointment, or whatever.

I mean our trouble just getting here this morning, and the condition of the roads in this city, you know, we are having a hard time with a driver shortage, because most drivers get paid by the mile, or in some form or fashion based on meeting a delivery schedule. And it is a hard living to make. And, therefore, we have a lot of people who are turning away from our industry, just because the conditions out on the nation's highways are such that they just don't want to do that.

So, it is having a tremendous impact. And, you know, we are not benevolent. We have to absorb the cost associated with the safety concerns, the maintenance concerns on vehicles, the delays that we have to endure. We build those into shipping rates, and those get passed on, and Americans all pay more than they otherwise need to for their products. So it is a very real problem, and it exists today. And when we look at the numbers, they are staggering.

We can't cut our investment in the nation's infrastructure. We need to increase, on an annual basis, somewhere in the neighborhood of 25 to \$50 billion. We are going to lose our competitive edge as a country, vis a vis the rest of the world, if we don't figure this one out.

*Mr. Lewis. Could you tell the committee what is the impact of short-term fixes and emergency action, rather than being bold and prepare for the long haul?

*Mr. Graves. Well, it would be my opinion the problem with all the short-term fixes is that it always messes up state governments and their ability to adequately predict what revenue is going to be available and what projects they can do. Some of your states have very, very short construction seasons, and we end up essentially delaying. We end up with whatever inflationary factor it is that kicks a project a year down the road. It is one more year that a road is less safe. It is one more year that we have the same kind of congestion that is detrimental to our economy.

So, I mean, delay just leaves us, again, right where we are and, again, having the same conversation that started 22 years ago.

*Mr. Lewis. Thank you very much.

Mr. Chairman, I yield back.

*Mr. Reichert. Mr. Brady?

*Mr. Brady. Chairman, thank you for holding this hearing. This is long overdue.

A couple observations, then I want your advice on something. Governor, I agree. We ought to have a real serious discussion about moving away from user pay in our transportation infrastructure. I think that is a critical part of how we fund, and we ought to have a long discussion about moving even farther away from that.

Secondly, our transportation system, how we fund and operate it, you know, reminds me of a leaky bucket. You know, we have got diversion into non-highway and transportation issues, you know, you have got very long permitting processes that drive up the cost and delay them. We got issues like Davis-Bacon -- very sensitive, but have an impact on all that. And so, I think one of the keys to pouring more money into this system is to fix the bucket. Before or as we do that, I think it draws more support to this.

I am skeptical that tax reform on the international side is the solution. The two are unrelated. I am sort of old-school. I think changes in the tax code should accrue to make us more competitive and create a stronger tax growth for growth, which will help to generate revenues, generally, for the country.

So here is my question. There doesn't seem to be one single solution to this problem. It will be -- require a series of them. What I have noticed is, you know, around the world, other countries draw much more private investment to infrastructure than America. Dramatically more. Countries we wouldn't even expect it. I think in France, 70 percent of the water and sewage systems are created by private investment. We already know long-term expressways are privately funded. Airports, the 100 largest airports in the world by revenue, 36 are created by private investment. Yet that trend toward investment in America, in modern, efficient infrastructure, has grown a bit, but still is largely missing.

I think part of that could be these very capital-intensive projects. I think tax exemption on municipal bonds. I am not saying end that at all, but if you start off with a 40 percent disadvantage in the cost of capital, you are not likely investing in infrastructure. I am not suggesting that.

But my point is I don't think a minor lifting of the private activity bond solves the problem. How do we draw -- as part of the solution, how do we draw more private investment into infrastructure in the United States? It seems to me we do have a lot of capital. These are needs. I think they can be structured the right way. As part of the solution, what do we do?

*Mr. Poole. If I may, since I have done a lot of work on that subject, I find it is truly ironic that Congress is perennially grappling with "there is not enough funding, there is

not enough funding," and yet the global infrastructure investment funds have raised hundreds of billions of dollars for sound infrastructure, and large-scale projects, many of them in Europe, in Latin America, in Australia. And so far, only 27 billion in this country.

We could do a lot more if -- Federal Highway Administration is doing some good work on developing, basically, prototypes for the kinds of long-term agreements that states who don't have the experience with this could adapt. We really need a bigger effort to -- this is not the whole solution, by any means --

*Mr. Brady. No, no, I get that.

*Mr. Poole. But it is a piece that could go a lot further. And U.S. public employee pension funds, like CalPERS and CalSTRS are starting to invest in these kinds of infrastructure projects. They see the long-term -- you know, a project that generates revenues on a long, steady, increasing fashion is a very good match for pension fund liabilities. So -- and insurance companies have the same kind of long-term -- we need to figure out how to mobilize more of that capital, and get it into the investment cycle for --

*Mr. Brady. Yes. You know, we are doing that in some of the states, not in the private side, but on the public side. You know, states are advancing -- or local communities advancing dollars for projects. States are reimbursing on a per-mile and per-use basis -- so you are already laying out sort of the cost benefit of these projects, it is just happening on the government side of the equation. My question is, why can't we be doing more of that, not as the full solution, but could that not be helpful in filling that gap on the private-sector side?

*Mr. Poole. It would be very helpful. We have got major bridges that need to be replaced. We have aging interstates, like I-70 in Missouri, that still has some of the original pavement from the highway that I-70 was built on top of that is falling apart. So, mega-projects of that sort are really good fits for the long-term P3s. And that, again, is part of the solution. It is not the whole thing, but it would help a lot if we did more of that.

*Mr. Brady. Okay. thank you all very much.

*Mr. Reichert. Mr. Neal, you are recognized.

*Mr. Neal. Thank you very much, Mr. Chairman.

I want to thank our panelists, as well, and note that Congress has gotten very good at doing the seminar side of things. Mr. Tiberi and I, in our respective positions on the Select Revenue Committee some years ago, along with Mr. Blumenauer, we addressed this issue head on with the American Trucking Association, with the American Chamber of Commerce. We brought in witnesses. And here we are, eight years later, in stalemate over the same issue.

And Governor, one of the things that you noted correctly was that President Eisenhower had the vision to move forward, but also to connect another very important element, and that was he had Lyndon Johnson as the Majority leader in the Senate, and Sam Rayburn as Speaker of the House. We saw this as an act of national purpose. We saw it as an act of national will. Not the divisiveness that currently confronts this Congress on every single issue that comes along. One bad story, let's get rid of earmarking.

We have watched Congress be reticent about the challenges that we face every day, when we have had this opportunity to go forward. And I really hope Chairman Ryan is going to lay out his ideas as we go forward on this issue. That is what the chairman does. And it is important for all of us to ask questions. But at some point, eight years later -- we began these hearings -- to have some action.

Now, let me call attention to something specific, Governor. The Port of Boston is now being dredged for the purpose of accommodating the tankers that will come through the new Panama Canal expansion, the double tankers. Those are going to be union jobs, \$350 million of dredging, more longshoreman. And I supported the FTA with Panama, because of that very purpose.

So, could you address the issue of what is happening with congestion at our major ports, including Logan Airport in Boston, as well as one of the great ports on the East Coast, the Boston Port?

*Mr. Graves. Well, I think you all know that one of the problems we face in this country is that so many of our ports, airports, major infrastructure projects, were built so many years ago, that no one anticipated the kind of expansion and activity that would ultimately take place. So we have got land-locked ports that don't have any way to expand. And therefore, there is congestion, just inherent with where they are located.

You start bringing in thousands and thousands of trucks every day to move containers, I think there is great potential in some of the inland intermodal facilities that we are starting to see spring up, but they are not inexpensive. We have had -- I hope you all know the number-one customer of our class-one railroads are trucking companies. We are putting more and more freight on intermodal movement than we ever have before. But, to tell you the truth, it barely scratches the surface, in terms of the tonnage that, overall, gets moved in this nation.

And, as I say to people often, we -- you know, in 2006, for the first time, we had 300 million people in this country. In 2042, we are going to have 400 million people in this country. That is just a lot of stuff, it is a lot of mobility, it is a lot of demand. And yet we are basically, you know, treading water on our infrastructure investment.

*Mr. Neal. In addition -- I am glad somebody mentioned the private activity bond cap. That is something that ought to be able to apply here. We ought to be talking about something I worked very, very hard on, the Build America Bonds effort, which was

extraordinarily successful. Massachusetts alone issued \$5 billion in Build America Bonds, municipal bonds.

There used to be a can-do attitude about infrastructure in America. And I am delighted that Sam Johnson said that his constituents have about had it with toll roads. This is a public responsibility that we have to increase greater efficiency and productivity.

And, Mr. Shirley and Mr. Poole, would you speak about those three bonding opportunities that we have that I just addressed?

*Mr. Poole. Well, I think bonding is critically important. We really need to be financing, through long-term kinds of vehicles, more of the needed infrastructure that we have. We are way behind, as several people have mentioned, in what we should be building. And so, if you continue funding almost all of these big infrastructure out of annual appropriations, it is a losing game. To catch up, to have a chance of catching up, you have got to go to more long-term financing through revenue bonds. And all the vehicles that would do that deserve serious consideration, in my view.

*Mr. Neal. We need to embrace here, Mr. Chairman, pro-growth economics. This economy has grown at 2.1 percent and even less in previous years. For 15 years, downward pressure on wages and very little growth in the economy, and we can't find a common path forward in infrastructure? This used to be the easiest thing to do in Congress. Members would rush to the well in an opportunity to put their cards into the polling place so that they might vote, based upon requests from local government and hospitals and colleges and airports and roadways and bridges. And, for all of us, this stalemate has ill-served the American people.

*Mr. Reichert. Mr. Neal, thank you.

Mr. Tiberi?

*Mr. Tiberi. Thank you, Mr. Chairman. Thank you for your leadership. And I want to associate myself with the Irish-American from Massachusetts over there, my friend, Mr. Neal. I have been using the same argument on trade, by the way. That is a discussion for another time.

[Laughter.]

*Mr. Tiberi. I will talk to you about it, too, Bill.

*Mr. Neal. Gentleman yield?

*Mr. Tiberi. Sure.

*Mr. Neal. I did cite the example of the Panamanian FTA.

*Mr. Tiberi. I know you did.

[Laughter.]

*Mr. Tiberi. Thank you. Let me take -- and I am serious about his comments. I do associate myself with him.

I will take a little bit different tack. Mr. Poole, as we have done today, and as we have done over the last eight years, much of the focus has been spent on revenue, and I understand that. Much of the focus has been spent on the solvency of the trust fund, and I understand that. But there is another aspect of this that I found in your testimony to be quite interesting, and I want to take it a little bit farther, because I think Governor Graves is right, that this is a crisis, and this is a conversation that we need to have with the American people in a broad way.

And that is the struggle that we all have here. If I am at an event, talking to a group of people, and a gas tax comes up, and the wealthiest person there drives a Tesla, he is not as invested as the person who drives a Chevy Cruze.

So, the question I have, though, is I had a county engineer in my district who has complained for a long time about federal regulations. And to prove the point that he was complaining about, he did a road construction project with state and local funds, a very similar project in the county with federal funds, same distance, same, basically, type of a project. As you can expect, the one with federal funds cost twice as much and took twice as long.

We never seem to have the discussion here in the context of making the fund solvent. I understand revenue component is extremely important. Mr. Neal is right. But, from a taxpayer component, that is extremely important, too. What can we do to ensure that we provide our constituents, our taxpayers, the users of the highway, the greatest bang for their buck when federal dollars are involved in a construction project? That will actually make that dollar go farther, by the way, so you can build more --

*Mr. Poole. Right. Congressman, you have really hit the nail on the head, that federal projects, because of all of the regulations that go along with them -- well-intentioned things, Davis-Bacon, the Buy America, and a whole lot of others, and all the different regulatory oversights, if the project is federalized, really do -- double may be an exception, but certainly 30 or 40 percent more is pretty routine. And I know some state DoTs that try hard to figure out projects that they can do without a dollar of federal money in them, in order to have the cost savings. So that clearly -- regulatory reform would be one key to making the dollars go further.

Another, of course, as I said in my testimony, is to look really hard at what the scope of the Highway Trust Fund is. I mean there is all kinds of things in there that are nice to have, but aren't necessarily core federal concerns. There are things that, over time, have

migrated from being solely state and local responsibilities to now shared federal, state, and local responsibilities.

I know this is not really this Committee's jurisdiction. But on the other hand, if you cannot come up with a medium-term revenue fix --

*Mr. Tiberi. All right.

*Mr. Poole. -- I suppose you could go back to the authorizers and say, "Look, you guys haven't done your job of figuring out a scope of the program that is actually fundable."

*Mr. Tiberi. Let me just add one more thing. In my home state of Ohio, the Ohio Department of Transportation has looked inward because of a lack of a reauthorization bill. And they have actually implemented cost-efficient reforms that have redirected some \$600 million from their operating budget into capital projects in our state. So they are leading. Ohio has streamlined project delivery for more innovative methods, such as design-build.

I sat on the conference committee of MAP-21, and it was supposed to reduce red tape. Not as much as I wanted to, but it was supposed to reduce red tape, streamline programs. But many of the reforms that were in MAP-21 have yet to take place.

So, looking long term, I ask the three of you -- and you don't have to answer -- if you can just help put pressure on us and the administrators of this highway fund, to do what not only we have said for them to do, but do more to make taxpayers' dollars go further.

Thank you, I yield back.

*Mr. Reichert. Thank you, Mr. Tiberi. Mr. Becerra, you are recognized.

*Mr. Becerra. Mr. Chairman, thank you very much. Gentlemen, thank you for your testimony.

In California, we are told by our state Transportation agency that there are about 6,800 bridges that are structurally deficient. That is one in every four bridges in the State of California.

There is also a letter that was recently issued by Caltrans, our state transportation department, that said the following: "Caltrans may be forced to shut down ongoing construction, due to an inability to absorb the federal shortfalls with state cash, in the event that the Federal Government doesn't move forward with financing the Highway Trust Fund."

Governor Graves, let me ask you a question. I got to believe -- and let me add one other thing. LA County's metro agency, which deals with a large sector of all

transportation within Southern California, also said the following: "In order to avoid massive cost increases associated with construction stoppage or delay as a result of any shortfall in federal funding for these projects, LA Metro would refrain from beginning any new project construction all together, as well as stop any construction bid notices for projects that are in the pipeline, because of the uncertainty of federal funds."

What, Governor, does that do to a state, a state government, when it comes to planning its long-term projects, not just in a metro area, but in the entire state, if you have got a Federal Government for the last several years doing two-month extensions of funding when you have got long-term, multi-year projects to have to worry about?

*Mr. Graves. Well, it is, obviously, incredibly disruptive.

I mean I will tell you all that in my eight-year experience, I thought I had the best state DoT that there was. They were great professionals, they understood what the needs of our state were. I thought their planning efforts were just, you know, outstanding. But it involved that partnership with the Federal Government.

Were we frustrated from time to time with some of the regulatory burden? Yes, we were. But we eventually worked through that. And it was the -- and I know we need to think programmatically, because, at the end of the day, it is the delivery that matters, that we got something built and done.

But the states have to know that you all are going to be there for them in that funding partnership. And every time there is a bit of uncertainty, it sends shock waves through the various states, who are in various stages of planning. I mean not every state is on the same schedule, in terms of a 5-year plan or a 10-year plan, or whatever it might be. We happen to have done a 10-year plan in our state while I was in office.

But they count on you, they expect this partnership to be -- to work both ways. They will adhere to whatever requirements the Federal Government sends their way. But they expect the money and, clearly, that is where our problem is today.

*Mr. Becerra. I think you said the operative words, "They count on us." And I think -- actually, I compliment all three of you for saying pretty clearly that there are pretty straightforward ways of doing this. And I think I have heard a lot about user fees. And I tend to agree with you. You are going to use it, you should pay for it. And we should step to the plate.

I think you all have been saying this -- folks on the outside, in state government, local government have been saying this for quite some time. In fact, in Los Angeles -- not just city, but county -- we have stepped to the plate. We have actually passed user-fee proposals, ordinances, that provide a pot of money that we can come to the Federal Government with and say, "Look, we are willing to impose a user fee on ourselves through bonds to show you how serious we are about completing these projects," so it is not just going to be federal money that helps pay for California's projects. Our local

dollars are being invested, and we are ready to fork it over, put it on the table to show you how serious we are about these projects.

I believe that any delay is just an excuse. We have ever opportunity to move with proposals that are clearly before us. I think I would agree with you gentlemen, that user fees are clearly the way to go. And the sooner we get to it, the better, because we are just deceiving the American public to making them believe that we can fund all that we need without coming to the table.

And so, you are right. Folks have a belief, and they have a right to believe that we are going to be at the table coming up with solutions. I hope you will continue to weigh in, give us your thoughts, because we should not be doing these piecemeal, itty bitty baby-step extensions of funding for projects that don't get done in two months. No contractor, general contractor, who is going to build a highway buys cement or asphalt or lumber for two months. You buy it ahead of time. And if there is any place where the adage "time is money" applies, it is in construction.

So, thank you all for your testimony. Hopefully we will get there and solve it, and people can count on us.

I yield back.

*Mr. Reichert. I thank the gentleman. I will yield myself five minutes for questions.

And I first want to thank the three witnesses for being here. And I think you have heard at least one voice today saying that we need to do something. All of us here believe that. Frustration for not accomplishing some progress here. And, of course, frustration in trying to find a solution which we know would include more than one aspect of all of the things that are being talked about here today.

So, we know it is difficult, and recognize there is a problem. When you start to look at some of the options that you have all talked about -- the federal gas tax and tolling and public-private partnerships and vehicle miles traveled, and Transportation Infrastructure Finance and Innovation Act, which is a program that provides credit assistance, the mass transit account has even been -- people have talked about phasing that account out to help -- reducing the federal burdens, which we have talked about, some of the Davis-Bacon issues which I support, and some other regulatory issues. And then also streamlining the National Environmental Policy Act, NEPA, requirements is another issue that has been talked about.

So, in trying to find a solution here, we have got to go through an awful lot of gymnastics to get agreement, not only amongst the panel here that you have before you today, but in the House of Representatives, on to the Senate, and then the White House. Right? So we need your help.

I come from the State of Washington. We have had our issues with bridge collapses, as you know. The Skagit River Bridge, three vehicles plunged into the river as a result of the bridge failing after a collision. We have had some other bridges collapsing in Washington State. This is not a story that is new to, I think, Americans. In every state we have had similar experiences.

I would like to revisit the P3s. I think Mr. Brady focused on that somewhat. And Mr. Shirley, Mr. Poole, you both highlighted the current role of public-private partnerships in financing. The first -- could you discuss specific benefits that you have seen?

And, Mr. Graves, you may have some opinion on the private partnerships, also.

And, second, if there are benefits that you have seen, what obstacles, current obstacles, do you see that would get us to those?

And then, lastly, what, if any, impact would greater access to public-private partnerships -- what kind of benefit would that provide to us?

So, a three-part question. I hope you got it. I can repeat it, if you can't. But would like to hear from all three of you. You got two minutes.

*Mr. Poole. I think there are an important set of benefits from the long-term P3s. One of the biggest ones is -- these are really a best fit for mega-projects, \$500 million to several billion dollar-scale projects, bridge replacements, and so forth. And risk transfer is very important benefit.

Mega-projects are notorious, worldwide, for cost overruns, late completion, over-optimistic traffic forecasts. And most of those risks can be transferred to the P3 entity, which has skin in the game, by making an equity investment in the project and then takes those risks. And it means the taxpayers aren't burdened with them. That, to my mind, is the most important benefit of the P3s.

Another, of course, is that it means you are financing the project, instead of building it out of operating cashflow, annual appropriations. We need to do a lot more long-term financing of the major projects. And so P3s are a mechanism to do that.

*Mr. Shirley. The risk transfer that takes place will depend on the nature of the particular structure of the deal for a P3.

I would also point out that, in some instances with private financing, there can be incentives to move the project along a little bit more quickly. We have seen some evidence that some projects come to fruition a little faster with private financing.

*Mr. Reichert. Mr. Graves?

*Mr. Graves. I think, Congressman, it is important to note that P3 generally means a toll project, whether it is a bridge or a road. And since it is a private investment, there is an expectation there is going to be a return on investment. So, inherent in that, you at least potentially have some additional costs that otherwise wouldn't be there if the government were doing it on its own.

We think P3s have a place in this dialogue. We think, certainly, there is a lot of bridge projects that they match up nicely on. The experience in this country with a lot of tolled road, private investment in roads, is mixed. Some have not done and fared nearly as well as some anticipated. And a lot of that has to do with the amount of diversion, where people just simply are not going to pay, or can't pay the cost to use that facility. And, therefore, they start to run, in our case, commercial vehicles off onto routes that they otherwise shouldn't be on. So there can be a safety issue, from our perspective, as well.

*Mr. Reichert. Thank you. Appreciate your comments. And just quickly mention that I look forward to continuing this discussion next week. We will have a hearing in our subcommittee to further delve deeper into some of the solutions. And we will see where this investigation takes us.

So, Mr. Doggett, you are recognized.

*Mr. Doggett. Thank you. Thank you very much, and thanks to each of our witnesses for your testimony. It has been a long time coming. We asked for this hearing at the beginning of this Congress. And now, I don't know, 17, 18 months later, we finally have you here. And I think your testimony has been very helpful.

Certainly, Governor Graves, I agree with you that this affects our competitiveness in so many areas of our economy. Our foreign competitors see the tremendous advances that we are making in technology, not just on highways, but -- and transportation -- but in other areas. And then they take that technology and adapt it, copy it at home, and gain competitive edge over us. And I think that that is a real problem. It cannot help but cause significant harm to our competitiveness if we are not meeting the needs of a 21st century transportation system.

I think it is also a security issue. When President Eisenhower developed our interstate system, he recognized the importance of tying the country together, and the importance, from a security standpoint, of having adequate transportation.

It seems to me that what is missing from our Transportation policy that you have addressed very well is, of course, first and foremost, money, revenue. We cannot build these highways with fairy dust. It takes dollars. And those dollars have not been forthcoming.

But a very equally important factor is certainty. It is amazing that, during the first six or seven months, when we were trying to get the hearing that we finally have today, that the lead proposal from some of our Republican colleagues was to finance our highways

by eliminating Saturday mail delivery. And that and other ludicrous proposals were offered as a way to address needs that are urgent and that our planners need to be able to know that the funding is not there, just for the next three or six months or even a year, but that it will be there as these significant projects need to be developed.

I really live on Interstate 35, between San Antonio and Austin, back and forth. And it is one of the biggest bottlenecks. I think the bridge over the Colorado River in Austin has been listed as number one, but it has plenty of competition around the country as being a major bottleneck, a steady stream of 18-wheelers both ways. It is clearly not just Willie Nelson who is on the road again, but many of my neighbors that are out there.

And there is great uncertainty there, because you never know when that traffic is just going to completely stop, you can't get to your work, you can't get to pick up the kids, or, in my case, simply move from one office to another to meet with constituents.

I do agree with my colleague, Mr. Johnson, on one factor, and that is there is a bit of a problem in tolling roadways that have already been financed originally by taxpayers. Our former colleague, Senator Kay Bailey Hutchison, included a provision in the Transportation Act once about that. And we are headed to a situation in Texas where it will be impossible to get to any of our major cities -- Austin, San Antonio, Dallas, Houston -- unless you are willing to pay a tollway or stop every few blocks on the access road.

The other revenue source that I have some concern about -- and, Mr. Poole, you have addressed this in an article that you wrote back in February, and perhaps at other times -- is the notion that, speaking of fairy dust, that there is some magic way we can handle this through repatriation. And you looked, I believe, at all of the proposals: the one from the Administration, which you described as the most foolhardy; the one from Mr. Delaney; the one from Boxer and Paul. And, in February, said that you could not support any of them. Is that still correct?

*Mr. Poole. That is still my position for the reasons I stated, that it would be another big departure from the user pays principle, which I think is crucially important, to strengthen, rather than continue weakening.

*Mr. Doggett. And that a one-time fix, whether it is repatriation or Saturday mail delivery, or some other gimmick, would not provide the certainty --

*Mr. Poole. Exactly.

*Mr. Doggett. -- that is important, along with the funding.

*Mr. Poole. Yes.

*Mr. Doggett. And I was pleased to see that our colleague, Dr. Boustany, was quoted earlier this month in Politico as saying that this is -- "It is not a real way to fix the problem of finding the cash for the chronically under-funded highway program."

There is a tendency to believe, because we have some carpet tax dodgers that have hidden money that they earned here in the United States in the Caymans or some other tax haven, and they are just dying to bring it back at a nickel or a dime a dollar, which is a -- anyone would love to pay on all of their federal taxes, but only these folks, that haven't paid anything in many cases, want to bring it back. It is so tempting, even though the cost, when you actually go out and score it, of most of these repatriation proposals -- well, as the President told me at one meeting here a year, year-and-a-half ago in a presentation, he has looked at it and the math just doesn't work. And I don't think it works either for certainty, in terms of tax fairness, or any other way, to be a funding source here.

I hope that we can come together. I think there are many people here that are willing to cast some tough votes, to provide the revenues needed to fund our transportation system, but it has to be done in a bipartisan way, rather than just setting up an argument to attack someone as being for more revenue for an essential public service.

And your testimony here today, all three of you, is helpful, I hope, in advancing that. And, hopefully, we can get an answer sooner than we got this hearing, and --

*Chairman Ryan. [Presiding] The time for the gentleman has expired.

*Mr. Doggett. Thank you.

*Chairman Ryan. Thank you. Mr. Boustany is recognized.

*Mr. Boustany. Thank you, Mr. Chairman. I am really glad we are holding this hearing. This is really an important topic.

In my home state of Louisiana, we have two key infrastructure projects that have been held. One is completion of Interstate 49 south. This is a project that has been on the books for two-and-a-half decades.

Now, why is it important? This is the energy corridor for the country. I mean it links key ports and key energy infrastructure that supplies this country. It is also an important hurricane evacuation route, which is important more locally. And then, third, we have got a number of fatalities, rising number of fatalities each year. This is a project that has been on the books, it is authorized. The limitation is funding. We have to fix the problem with funding and financing of infrastructure.

Secondly, I have a key bridge on Interstate 10 in a location that is seeing \$65 billion in new investment coming in related to energy and trade. This piece of infrastructure is a

limitation. The bridge is increasingly dangerous. The maintenance schedule is escalated. We have got to fix this. So, I mean, local cases in point for the necessity.

Now, why is it important? The infrastructure is key to address the issues that my friend, Mr. Neal, talked about, and that is two percent growth is just unacceptable in this country. And infrastructure basically serves the key elements of growth, whether it is the energy sector, the international trade and exports.

I firmly believe we need to get to a user fee system that works, is broad-based, and sustainable. And I have some concerns about one source of funding that has actually been vetted about, and that is it has been talked about perhaps replacing or supplanting or augmenting the gasoline tax, or a motor fuel tax system, with a per-barrel fee on crude oil.

I don't think that is a very good idea, for a number of reasons. One, I think it adds additional complexity in how do you -- you know, in terms of separating out the user fee piece versus consumers of other types of crude-based products that have nothing to do with the highway system. That is a problem. I think it would also cause serious competitive harm. We are now seeing our refineries, for the first time in many decades, being competitive, not only more profitable domestically, but very competitive internationally. I think we would harm that. And finally, I think the per-barrel increase that would have to be put in place, in terms of a fee like this, is somewhere on the order of \$10. I don't think that would be very popular, either, at a time when, you know, we are just starting to see lower oil prices.

So, I have a concern about that particular method of payment or financing, but I would be curious to get your input. I don't think it fits the classification of being a broad-based user fee that is sustainable.

*Mr. Graves. Congressman, that option is on our list. We actually -- because we know how difficult your challenge is, collectively, we tried to sit down, as an industry, and come up with a whole lot of things that we could support, if it wasn't just a -- if it wasn't a fuel tax, if it wasn't indexing, I mean, if it wasn't some sort of freight fee, I mean, we just -- and the barrel tax is on the list.

I will tell you we discussed at length the concern you addressed, which is there are people who derive benefit off of a barrel of oil who have nothing to do with running cars or trucks up on the nation's highways. It is -- at least in our conversation, it was there simply because we acknowledge that there has got to be a path forward somewhere, and we didn't want to be at the table, being prepared to support whatever you all might, you know, grasp as the best path forward. But I recognize the concern on the users of the barrel of oil.

*Mr. Boustany. Thank you, Governor. Mr. Poole, do you want to comment on that?

*Mr. Poole. I agree exactly with your objections. I think it is -- it would have all kinds of unintended negative consequences on other parts of the economy, and is another departure from the user -- the real user-pays principle.

*Mr. Boustany. Any thoughts on how we capture electric vehicles, vehicles fueled by electrical -- or batteries and so forth? I mean this is a growing area, and it is currently outside of the scope of the motor fuel tax.

*Mr. Poole. A number of states, a small number -- I think maybe less than a dozen -- have started putting in an annual fee tied to the vehicle registration fee as a way of recovering something from users of electric and some other types of alternate fuel vehicles. That is a good start, at least. They certainly should pay for using the highways.

*Mr. Boustany. Anybody else want to comment on that? Governor?

*Mr. Graves. Well, I would only say that I would imagine, in most instances, the person that is driving the vehicle was previously driving something that burned gasoline or diesel, and so that the concept of paying something for the use of the roads, again, is not something they are not familiar with, and I don't think there is going to be a huge outcry to support the roads of this country through some sort of a registration fee on non-fuel vehicles.

*Mr. Boustany. Thank you.

*Chairman Ryan. Thank you. Mr. Thompson?

*Mr. Thompson. Thank you, Mr. Chairman, and thank you for holding the hearing. And thanks to all the witnesses for being here. You have all done a great job. I think there is one thing that we can all agree on, and that is that Congress is failing the American people in our responsibility to help ensure that we have safe and efficient infrastructure upon which to travel and to move our goods, and that is something that is totally unacceptable. We do need to step up. We do need to address this. And we need to do it sooner, rather than later.

A number of my colleagues referenced the fact that the cost of dealing with this problem somehow falls disproportionately on hard-working people. And I guess that it is hard for me to understand why the same concerns aren't voiced when you look at the costs that fall disproportionately on those same hard-working people when it comes to repairing their automobiles.

I know in California, my home state, 34 percent of our major roads are in poor condition. And I am told by my state folks that it costs the motoring public \$17 billion a year to drive on these roads that are in such bad shape, about \$703 per motorist. So, who do you think pays that cost? The same hard-working folks, the same trucking companies that are trying to move goods across the country and across the states.

Also in California we have two of the top three most congested urban areas: Los Angeles and the San Francisco open area. I am told that that costs -- that congestion costs billions of dollars a year, and can be translated to -- costs about \$1,000 per commuter in lost wages and time spent on the road in their cars and in their trucks. It disrupts the amount of time it takes to deliver goods from either manufacturing to a point of distribution or whatever else your truck drivers, Governor, are doing. And that is just totally unacceptable. And we need to fix this now. We can't wait any longer.

The construction costs, I am told, for building infrastructure are down 20 percent since before 2007, and they have been flat since 2011. And, at the same time, bonds are at an historic low. It seems to me that this is the time to lock these construction projects in place, and to set it up so every state, states with short construction windows, states with long construction windows, can get to work and make these repairs and improvements that are so much needed.

And I would like to ask all three witnesses. Is this the time to fund these projects? Should we lock this in now, and get going?

*Mr. Graves. Well, I will start and say, you know, the time is now, next week, next year, 5 years, 10 years from -- I mean, again, we are starting to lag so far behind, in terms of the investment we have made -- and, as I said, the blessing we have is our economy is expanding, and will continue to expand. And, therefore, the demand and pressure on all our infrastructure will continue to grow.

So it is -- in some way it is not an option you all have to address this, it is just getting around to finding the will to do it.

*Mr. Boustany. Governor, let me just ask you. I got a memo today from a constituent, and it says that our transportation system is in an historically unique state of decline and, if not addressed soon, will make even strong investment potentially incapable of meeting the level of structural decay. You agree with that?

*Mr. Graves. I do. I think any of you that have driven in your own communities, your own states, or certainly, if you travel much around this country, are seeing the same problems everywhere.

The states are doing a great job making an effort to sort of fill that void. And you have seen a number of them take action as of late. But it is a drop in the bucket, compared to what the overall demand for investment is.

*Mr. Boustany. And I can tell you I am from a state that has taken action. Many of my counties in my congressional district are what we call self-help counties. They have taken action. They have taxed themselves in order to step up and help contribute to fixing the infrastructure problems that are hampering all of us. And the only holdback, the only dark spot in all this is the Federal Government's participation.

I know my constituents want this addressed now. They are ready to go. And they see us as failing in our job --

*Chairman Ryan. Thank you. The time of the gentleman has expired.

Mr. Smith?

*Mr. Smith of Nebraska. Thank you, Mr. Chairman. Thank you to our witnesses, as well. Obviously, these topics are very important, this topic of transportation and the Highway Trust Fund. And it is interesting how I think the general public certainly wants solutions. They want their taxpayer dollars to end up where they are intended to end up. And yet there seems to be frustration, in terms of bureaucracy.

I mean the President himself kind of looked back on the stimulus and the so-called shovel-ready projects as not so shovel-ready, or I -- in discussion with my constituents, I mean, there were small communities who had a project ready to go, and when they pursued the dollars from the stimulus, it actually delayed the project further. And so, that creates frustration.

I know many folks are frustrated with Highway Trust Fund dollars going to non-highway projects. And I was just wondering, Governor, if you could touch on, you know, the use of these dollars -- obviously, there is a shortage of dollars -- and how they might be used on non-highway projects.

*Mr. Graves. Well, I would first of all say that, you know, one of the -- you all did such a fine job on stimulus that people did come away with a notion there was going to be a massive infusion of dollars into infrastructure programs, and it really didn't turn out that way. And I think that left everyone a bit disillusioned. And I think we missed an opportunity there, to some extent. But we won't, you know, relive that history.

You know, we obviously have a frustration with where some of the dollars we pay into the Highway Trust Fund go. But we also have come to appreciate that there is a big diverse transportation community in this nation. As I mentioned, you know, if we had our d'ruthers, would we want, you know, the money that goes to public transit to come out of the Highway Trust Fund? No. But the reality is, as a nation that is now approaching, as I said, 400 million people in a few years, there are more and more communities and states that, essentially, must have public transit options available to them. So it is a partnership, it is a deal we have made, maybe in our perspective, with the devil, but it is one we are willing to live with and continue to work.

*Mr. Smith of Nebraska. Okay. Other witnesses wish to comment?

*Mr. Poole. Well, I think I address this point at greater length in my written testimony, which I hope you will have a chance to read. I think there is a huge scope for rethinking the wide breadth of the Highway Trust Fund programs. Again, this is not this Committee's job, per se. But, from Congress's overall standpoint, it is really time to start

saying, well, the Federal Government can't do everything in transportation, it really needs to focus more on the core problems that are uniquely the Federal Government's responsibility.

*Mr. Smith of Nebraska. Mr. Shirley?

*Mr. Shirley. Let me just briefly acknowledge that, you know, highway projects typically do take some amount of time for the money to spend out, and they take time to build and put together.

*Mr. Smith of Nebraska. And another concern that has been brought to me is the concern that it takes as long to build a highway today, perhaps, as it did 50 years ago. I mean I would hope that we would have more to show for new technology and new methods than that. And so that creates a frustration that, as we heard earlier, you know, we have got a diminishing source of revenue, and yet an increasing need for the dollars. And so it kind of -- you know, chasing those, as was stated earlier, chasing projects with reduced gas mileage -- or increased gas mileage and efficiency, it is just, I think, a troublesome combination.

So, with that, Mr. Chairman, I yield back.

*Chairman Ryan. Thank you.

Mr. Blumenauer?

*Mr. Blumenauer. Thank you, Mr. Chairman. And I deeply appreciate the fact that we are having this hearing today.

Mr. Chairman, I agreed with much of your opening statement. I have one slight exception that I will reference to in a moment. But Mr. Thompson pointed out that the American public is right now paying the price. They are paying hundreds of dollars a year damage to vehicles, stuck in traffic. Mr. Graves's teams of drivers are losing money, and wasting fuel. The American -- there are people in this room, if we were able to have real hearings on this, who could dive in and give you details about what those problems are, what the solutions are, and how to refine them. And I hope that we will be able to have those hearings.

The committee has a bill. I have had legislation to extend the road user charge experiment that Oregon has been doing for the last 10 years to extend it to other states to refine it. That is part of a long-term solution everybody agrees with. I think the committee ought to look at it after a year-and-a-half.

I am hopeful, however, that we don't somehow believe that there is nothing we can do.

*Chairman Ryan. Will the gentleman yield just real quickly? Some of these are not in our jurisdiction, as you well know.

*Mr. Blumenauer. It has been referred to this Committee.

*Chairman Ryan. Oh, okay.

*Mr. Blumenauer. House Bill 679 is here. It is a dual referral.

The notion that somehow we can't do anything over the next six weeks, I would respectfully suggest, is not the case. The gas tax is legislation that is well known, it is not hard, it is simple. Six Republican states have raised it already this year. This is something that, if the committee wanted to, we could have hearings next week, we could have Members go back over the Fourth of July recess and talk to people at home, their Chambers of Commerce, their unions, their contractors, their truckers. The vast coalition that is ready for us to step up and take action we could hear from during that period. And we could come back in July, in the course of a week, finish the hearings, and get a bill out, and it could be enacted. It is all about will. This is not complex. It has been done by Republican and Democratic Presidents alike. So I just respectfully suggest that we could do better.

But I want to go to the Chairman's point, that he doesn't think it is a good idea to raise the gas tax because it is problematic for the people out there. I would ask unanimous consent to enter into the record testimony that would have been given by the road builders about the tax and political implications and costs on fuel after these states have raised the gas tax.

*Chairman Ryan. Without objection.

[The information follows: [The Honorable Earl Blumenauer](#)]

*Mr. Blumenauer. Thank you.

But, Governor, I would like to turn to you, if I could, maybe in a different hat. Because I recall you were governor of Kansas, had to face this question about funding your own issues. Do you have some thoughts about what calculation you went through in Kansas, what difference it made, what you did?

*Mr. Graves. Well, obviously, you know, we are a large, rural state. And roads and bridges -- you know, mobility is very, very important, both to our economy and to individuals. What we did was essentially do a road show throughout the state. We assessed what the needs were, we came up with a list of the projects that we felt, you know, met the criteria for action, told people what the cost was going to be, created the program, and went out and just sold the fuel tax to the state legislature. And it was actually, I will confess, a little easier than I thought it would be.

But -- and it had tremendous benefit. We did a \$13 billion program over the course of 10 years, and it was of great importance to our state. And Congresswoman Jenkins was part of that, so she remembers.

And I mean it is hard. There is no doubt about it. We don't think that, you know, for one instance that what we are asking of you isn't hard. But, again, as I said in my remarks, I still believe the fuel tax is the lesser of all the funding evils you will confront.

*Mr. Blumenauer. And it didn't destroy your political career? You were --

*Mr. Graves. Well, I was term-limited out, which is a wonderful thing.

[Laughter.]

*Mr. Blumenauer. Yes. Some of us are starting to look at it favorably ourselves. Thank you very much.

*Chairman Ryan. Yes, thank you.

*Mr. Blumenauer. Thank you, Mr. Chairman.

*Chairman Ryan. Ms. Jenkins from Kansas.

*Ms. Jenkins. Thank you, Mr. Chairman. And thank you all for being here. A special thanks to my fellow native Kansan, Governor Graves.

It was a pleasure to work with you in the state's capital, and it has been equally pleasurable to work with you in the nation's capital.

We have talked some already this morning about the public-private partnerships. But I have a more specific question. So, for Mr. Shirley, studies have shown that every dollar that government spends on P3s is likely to attract several dollars of private capital, provided there is sufficient market for the type of project being financed. In your testimony you state that the scoring of P3s depends on where control of a given project resides. Historically, CBO has not scored private capital raised by P3s as reducing spending obligations.

So, my question is, what could be done to change that? If detailed instructions were specified as conditions for accepting government financing of a P3, would the resulting project be scored as reducing spending obligations? So if you would comment, please.

*Mr. Shirley. So, the -- so one comment, certainly at one level the rules that are established for scoring legislation could be changed by lawmakers. Another comment would be spending by private parties is not something that is scored. So whatever sort of private capital happens to be spent on highways or infrastructure is not something that the CBO would score.

*Ms. Jenkins. So if we gave you specific instructions, then you would include that in scoring. We would get credit for that. Is that what you are telling me?

*Mr. Shirley. Ultimately, I would discuss and -- with some of my colleagues, their understanding of the scorekeeping requirements. But, yes, my understanding is that the Congress has the ability to alter scorekeeping rules if it so desires.

*Ms. Jenkins. Okay. Obviously, Kansas roads and bridges are important to the good people of Kansas. We have a strong commitment to that. But sometimes the scoring in this town gets in the way of making good decisions. And so we would be happy to work with you on that and, again, appreciate your time.

I yield back.

*Chairman Ryan. Thank you. Now we are in the two-to-one cycle, so we will go to Mr. Paulsen.

*Mr. Paulsen. Thank you, Mr. Chairman. And I know the topic of the hearing, we have kind of exhausted, I think, some of the focus on the long-term financing connection to the Highway Trust Fund, but -- and there are other options that are outside of our jurisdiction, as was just mentioned a little while ago.

And one I think is worth mentioning is -- and Congressman Tim Murphy and Congressman Tim Walz, a bipartisan effort, I have been a part of the effort in past years, as well -- focuses on more Outer Continental Shelf exploration or energy resources, and then dedicating those royalties and those monies to transportation. In fact, I think the score was something like the largest investment in U.S. infrastructure funding in the history of the country. So I think that is absolutely something that we do need to look at that hasn't had as much attention. I think those are probably conservative estimates. And that also looks at locks and dams and bridges and a whole source of our transportation infrastructure.

But I want to get into one other point and follow up on what Congressman Tiberi had mentioned earlier. And, you know, we have had a lot of conversation today that has been centered around the trust fund, obviously, and that is rightly so. But the important other piece of the equation is the regulatory aspect, right? Making sure we have reforms that are in place that are actually channeling the resources in the most efficient and appropriate manner possible, reducing red tape to ensure we are spending money wisely.

And a lot of folks recall the tragedy we had in Minneapolis back in 2007, when the I-35 bridge collapsed. And had they rebuilt that bridge using the normal regulatory process and timeline -- that was a major artery into the Twin Cities, and it would take, like, three to five years to complete. Instead, we were able to cut through a lot of the red tape. We streamlined the regulatory process, all without sacrificing any safety, any quality issues. And the new bridge that reopened in September of 2008 -- so, essentially, one year from the starting point of when the collapse happened. And, furthermore the cost of the bridge was projected to be something like \$350 million, but the final price tag came at about 234 million. So you saved more than \$100 million.

And, Mr. Poole, I will just start with you, just because you kind of were having a conversation with Mr. Tiberi before. What lessons can we learn from that rebuilding effort in Minnesota that could be applied to similar projects across the country? And what does streamlining the regulatory process mean for individual project costs, as well as the greater balance of the Highway Trust Fund in general? Mr. Poole, go ahead.

*Mr. Poole. This is not an area that I have really studied and researched, but there are other examples. When the Northridge Earthquake happened in Southern California, which I lived through as a resident, a bridge on I-10, the Santa Monica Freeway, collapsed. And it was rebuilt in something like four months with 24/7, round-the-clock activity and significant incentive payments for the contractor to get it done expeditiously, because it was such a crucial artery.

I don't know how the regulatory barriers were gotten around in that case, but that is another good example, along with your I-35 case, that, if the barriers are not there, we can do tremendous amounts of speedy construction of needed things. So it suggests that this Congress -- maybe not this Committee, per se, but this Congress -- really needs to do a much better job of environmental and other kinds of regulatory streamlining for the -- in the interest of better highway projects.

*Mr. Paulsen. Mr. Graves, I mean, for your members -- and I talked to the general contractors and others that just say, "Yes, that should be a model we should be using, actually, in terms of future projects." Do you ever have those conversations with your members?

*Mr. Graves. Well, and with conversations with Chairman Shuster I know that, while everyone is proud of the reforms that were in MAP-21, the chairman would love to take that to the next level, and all the more reason why getting a bill done is, I think, so critically important.

*Mr. Paulsen. Mr. Poole, let me ask one other question, because you mentioned earlier about the trust fund and identifying sort of what are the federal priorities, what are the state priorities, the core focus of what the program should be, the nice-to-haves, et cetera. Because the trust fund has been diluted, right? It has been diluted over time, and going into all these other different areas. Do you have any sort of sense of what percentage of the trust fund now is not going to highways, bridges, as sort of was originally set up? And just to kind of paint a picture a little bit, every penny, every dollar.

*Mr. Poole. Well, there is a GAO analysis that is referenced in my written testimony that says about half of the trust fund is not actually being spent on highway and bridge projects. It is being spent on planning and CMAC and all kinds of other things that, you know, you really need to be -- somebody should be really taking a look at to see is that really the purpose of the program, to do huge numbers of things, and even paying for the safety regulatory agency out of the user fee revenues, rather than out of general fund revenues?

So half is the -- you know, half of the 50 billion is not being spent directly on highway and bridge projects. And when you look at the major projects, it is really only about 6 percent of the total 50 billion is actually going to build or rebuild major highway and bridge projects around the country. I mean I think that is complete distortion of what the program was set up to be, and it is way overdue to be rethought, from first principles.

*Mr. Paulsen. Thank you, Mr. Chairman.

*Chairman Ryan. Mr. Pascrell?

*Mr. Pascrell. Mr. Chairman, we have had a very civil and reasonable discussion up until now. One could almost be lulled into some sense of fantasy. I think, Mr. Chairman, with all due respect, that I don't sense -- maybe you do -- a sense of urgency about funding transportation, because -- I am glad Governor Graves is here today. We are missing governors that stand up nowadays. Because I am going to ask him a question afterwards about devolution because there is a movement, as you know, afoot to move all of these responsibilities -- graduated, of course -- to the states.

Now, when we look at the states and their trust funds, it is also very interesting. In fact, there are three states -- Montana, Tennessee, and Arkansas -- who just delayed projects this summer due to federal uncertainty. Well, if they come and listen to this discussion today, they would say, "No kidding. No kidding."

So, I see a lot of familiar faces here today, great faces, good people among the guests. Advocates for -- from the construction industry, from engineers, Chambers of Commerce, transportation advocates, our highway users like Governor Graves. The truckers, our transit users, engineers, and our highly-skilled construction labor force. Of course, we are talking about jobs here. And this is not make-work. This has got to be done.

So this -- they bring their members into our offices time and time again. They track us down the hallways. They tell us how our roads are crumbling, our bridges - you know, we travel these roads, we go over these bridges ourselves. Instead of heeding the call, we are lurching from crisis to crisis. It is almost as if the folks holding up our infrastructure investments must have watched too many episodes -- and we mentioned this before -- The Jetsons. We wouldn't need roads, because we would be traveling in flying cars.

However, due to neglect, our roads and bridges are something that Fred Flintstone would be more familiar with. It is our job to find solutions. So, ensuring the solvency and the sustainability of our Highway Trust Fund is a key component. And we have done this in the past.

Up until 2010, we were always able, as a Congress -- and even our Presidents, it didn't matter which side of the aisle that we were on, it didn't matter whether they were awake or asleep, we were always able to come to a conclusion and resolution of this. So, I

wouldn't look at that very lightly. We have passed a dozen extensions since SAFETEA expired. Make eight infusions of general fund dollars. Dangerous. Dangerous, as you have pointed out.

My colleague, Jim Renacci, and I have presented a bipartisan plan to fund the federal Highway Trust Fund in a sustainable way, from the Chambers of Commerce to the unions, collective bargaining, they have all agreed that this is the way to go. Two things: a short-term solution indexing the gas tax for inflation, which would probably mean about half-a-cent per gallon. Let's talk -- why are we afraid to touch the live wire here? Why are we afraid to do this, when it must be done, or come up with another solution?

So, for the long term, Mr. Renacci and I have suggested we put a bicameral, bipartisan commission together to work for 16 months on a plan or plans that would come before the Congress, and we would have a long-term plan.

Now that, indexing the gas tax, gets us about \$27.5 billion over 10 years. And we would have at least the beginning -- at least we have done something tangible instead of talking the damn thing to death. Once that funding runs out, Congress has a choice. We could either adopt the commission's plans to fund the highway bill, or come up with our own plan.

Now, I got to ask you one question. I only got a few seconds left. Let it hang in the air. What do you think about devolution, Mr. Graves?

*Mr. Graves. I think devolution is a huge mistake, and I don't think the states are ready for it, couldn't accept it anyway.

*Chairman Ryan. Thank you.

*Mr. Pascrell. You know there is legislation --

*Chairman Ryan. The time for the gentleman is expired.

Mr. Marchant?

*Mr. Pascrell. Thank you, Mr. Chairman.

*Chairman Ryan. Thank you.

*Mr. Marchant. Thank you, Mr. Chairman. In Texas we use private activity bonds on -- mainly on our very largest projects. So, in talking to our highway commissioners, their question is what is the future of private activity bonds, what is the prospect of raising the amount, and is it going to be a long-term part of our solution, or is this just something that was used to stimulate some temporary growth? I will let --

*Mr. Poole. There is certainly a lot of support among the P3 community, the road-building community for example, for a big increase in the current \$15 billion cap on private activity bonds and, essentially, making it a permanent part of the overall program, because it has proven to be very effective in helping put the financing packages together for these P3 -- large-scale P3 projects.

*Mr. Marchant. Governor Graves?

*Mr. Graves. I agree, yes, absolutely. And they were a big part of our efforts in our state during the program that we put together. I think they are one of those critical elements. And I want to use this opportunity to say, whether it is tolling, whether it is P3s, the private activity bonds, there are -- there is a place in what we need in the way of infrastructure for all these items. It is just that the underlying basis, in my opinion, still has to rely on the fuel tax.

*Mr. Marchant. Does Kansas use -- or anyone on the panel aware of the use of revenue anticipation bonds? Are revenue anticipation bonds a key part of -- was it a key part of your road program in Kansas, Governor?

*Mr. Graves. I believe it was, yes. We had some certainty at the time of what the federal funding stream was going to be, and I believe that was what underscored our effort to raise the state fuel tax in order to have the money to meet those -- the -- match up with the federal money. And the anticipation bonding is a big part of our program.

*Mr. Marchant. So you would contractually set aside your federal funds that were coming in?

*Mr. Graves. Yes.

*Mr. Marchant. They couldn't be touched to plan for. So states generally don't have a problem with that concept, do they?

*Mr. Graves. Not that I am aware of.

*Mr. Marchant. So if you were trying to stimulate long-term capital growth, not repairing potholes, not repairing, but going in and putting in relatively new, long-term systems, if you raised the gas tax and then required that the raised amount of that gas tax -- say a penny or two pennies -- had to be dedicated to only revenue anticipation bonds, where you would get an immediate flush of new bonding and new activity, that would make, I think, a significant district across -- difference across the country.

Have you ever given any thought to what -- how your state would have responded to that?

*Mr. Graves. Well, I think that, in terms of the attractiveness of the bond program, that is clearly something that the -- you know, would make people more inclined to want

to make that investment. And I think, again, if you are -- you know, we try to pay for things as we go, if you will, or at least make commitments that we will pay for them as we go. So it makes perfect sense.

*Mr. Marchant. Thank you.

Thank you, Mr. Chairman.

*Chairman Ryan. Thank you.

Mr. Pascrell, is there a motion you want to make?

*Mr. Pascrell. Yes, Mr. Chairman. I motion -- seek a unanimous consent to introduce a report by the American Road and Transportation Builders Association on the looming Highway Trust Fund crisis.

[No response.]

*Chairman Ryan. Without objection.

[The information follows: [The Honorable Bill Pascrell](#)]

*Mr. Pascrell. Thank you very much.

*Chairman Ryan. Mr. Reed?

*Mr. Reed. Thank you, Mr. Chairman. Thank you to our witnesses today on this important topic. I am very much interested in this, as a former mayor of a small city up in Western New York. I can tell you we look at this issue very closely.

And not to echo everything that has already been said, I want to kind of move away from that and maybe get into a more creative way of looking at this, because one of the things, coming to Washington, that I have tried to commit myself to is not maintaining the status quo, but disrupting this place, and seeing if there are new ways to skin the cat, so to speak. I understand, and I have concluded, that this is going to be a multitude of solutions type of process that we are going to have to put together here. One solution is not going to be the panacea for the issue before us.

So, Mr. Poole, you spent a tremendous amount of time -- from the testimony I see you have been at this issue for quite some time. I have been looking at some international models as alternative sources. For example, looking at the Hong Kong model, in particular, for mass transit. And I believe they have utilized their under-utilized development rights above their mass transit facilities to fund their mass transit structures.

That is intriguing to me, because that seems to be a creative way to try to look at this in a way that -- look at our federal assets, potentially, that are under-utilized, and

maximize them with new revenue lines that could come in. Do you agree that the Hong Kong model could be an issue, could be a way to address the mass transit issue, in particular?

*Mr. Poole. Well, the Hong Kong mass transit railway is just about the only urban rail system that is financially self-supporting. It is a government corporation that runs as a business. And a key to that is exactly what you mentioned, is the real estate ownership that that system has. And it is a good model, if you are starting from scratch.

The problem is, in places like Washington, D.C. or New York City or Chicago, the mass transit system doesn't own the real estate surrounding its stations. So you have to try to come up with imposing, after the fact, some kind of value-captured tax on the real estate that is privately owned adjacent to those facilities. And that is a lot harder to do than if you are starting with a clean sheet of paper and building a system from scratch with the transit agency owning a lot of that real estate.

*Mr. Reed. So, again, being that this is going to be a piecemeal type of solution that we patch together, potentially long term, would not the expansion of mass transit be a possibility, the expansion of the system --

*Mr. Poole. Yes, yes. I mean -- and the Washington Metro did a little bit of that with -- I think it is the New York Avenue Station, the Gallaudet University. They have some degree of value capture in that new station that was added to the system. So that is a place where the idea could be used.

*Mr. Reed. Okay.

*Mr. Poole. Yes.

*Mr. Reed. So, going further, do you have any other examples of creative new lines of financing that we should take a hard look at? And, if not, do you know of anybody who is really taking a leadership role, nationally or internationally, looking at America's infrastructure needs on this issue that you could direct me to?

*Mr. Poole. Well, I would suggest reading some work that Professor David Levinson at University of Minnesota has done on rethinking how we organize and pay for urban transit system. David is a very respected academic who --

*Mr. Reed. Any ideas that he could offer that you could give me?

*Mr. Poole. Well, I mean, one of his ideas was increased reliance on value capture. Another was on -- that transit systems should be charging something closer to market-level fares, except for low-income people who would get --

*Mr. Reed. How about things like -- even thinking outside the box and kind of spitballing here a little bit -- things like looking at our international -- our national

right-of-ways in regards to advertising space, advertising royalty payments, those types of things. You see any legitimacy there to explore further?

*Mr. Poole. It is worth looking at any and all of those ideas --

*Mr. Reed. How about, like, looking at the technologies of tomorrow as we get into driverless cars, and things like that? Obviously, there is going to be some spectrum space that is going to have to be necessary in order to operate those vehicles. Do you see any value in that under-utilized or untapped resource today?

*Mr. Poole. Well, the Federal Government owns a huge amount of spectrum that is not very efficiently used. The DoD, the DoT for the FAA radars that are big spectrum hogs. Newer technology could free up a lot of that spectrum, and could be, then, used to more productive uses in other infrastructure and other parts of the --

*Mr. Reed. Again, those are long-term potential ideas that need to be -- get ready for prime time, as Chairman Ryan indicates, or -- a lot of these proposals are.

The other one that is interesting to me is looking at the different alternative. And I got the AASHTO report here. The oil, gas, and minerals receipts for the Federal Government. There is a score here, I think, of \$14.2 billion from 2015 to 2020. Any of you familiar with that revenue line, as a potential source? And I want to know if that resource, Mr. Chair -- to the witnesses, if that score --

*Chairman Ryan. Thank you.

*Mr. Reed. -- is based on present analysis of our oil and gas reserves that are located in America, or old reserves.

*Chairman Ryan. Thank you.

*Mr. Reed. Thank you. I yield back.

*Chairman Ryan. If anybody has a quick answer. CBO?

*Mr. Shirley. I am sorry, that one in particular is not one I am particularly familiar with. But I will certainly have somebody get back to you.

*Chairman Ryan. All right, thank you.

Mr. Young?

*Mr. Young. Thank you, Mr. Chairman. I thank all our witnesses for your time here today. A really important hearing, pursuant to what is a broader competitiveness agenda. I really feel like the United States -- it has been discussed here -- is falling behind with respect to infrastructure financing, development, and so forth.

I think part of the answer is, indeed, P3s, public-private partnerships. For the uninitiated, that is essentially allowing, say, local governments to contract longer term with private entities for the financing, for the design, building, operating, ultimately maintaining of pieces of infrastructure. Indiana, my home state, has been a leader in this area, along with Texas and some other states. But the United States more generally, we lag the world.

And, Mr. Poole, you spoke to this. Let me put some numbers to the extent to which we lag the world. Between 1985 and 2011, there were nearly 2000 projects funded worldwide. But the U.S. accounted for only 377. Now, there are a variety of reasons for this, including certain states not having authorizing legislation for P3s, but that is changing, increasingly. And there are now 33 states that have legislation for such projects; 39 have some form of P3 legislation.

But one thing I hear again and again from industry and local government -- and this relates to the Federal Government -- is that P3s are difficult to get approved locally, because of competition with tax-exempt municipal bonds. That is why I agree with testimony today, again, offered by you, Mr. Poole. We need to raise the cap on private activity bonds for highways, and we are working on legislation to make that happen, along with some of our colleagues. We need to allow a very limited amount of P3s, I think, in the public building space to utilize tax-exempt financing.

And I also think we should remove restrictions to allow more of what is known as infrastructure recycling. And without getting into the details of that, I would just offer into the record an article from the Wall Street Journal that explains this concept. I ask for unanimous consent.

[No response.]

*Chairman Ryan. Without objection.

[The information follows: [The Honorable Todd Young](#)]

*Mr. Young. Now, I understand, as does everyone here, that P3s aren't a panacea. They are not going to take care of all of our infrastructure financing needs. And, ultimately, those bonds need to be paid off, whether that is a prescriptive model driven from Washington, D.C. or, instead, left up to the states, or some combination thereof.

But with all of that laid out there, and with two minutes remaining, I want to ask Mr. Poole that I often hear from some of my colleagues that PABs, or public activity bonds, are suboptimal, because they allow the creation of infrastructure that doesn't serve a public purpose.

Now, it is my understanding that there have been some special programs in response to, say, natural disasters, where the impetus was to get money out the door. But beyond

those sorts of in extremis situations, are you aware of any instances where infrastructure has been created under PABs that don't serve a public purpose in recent years?

*Mr. Poole. Not that I am aware of, certainly, in the PABs that were authorized for surface transportation projects. Those have to meet a strict criteria, and they are all -- can only be authorized for a state to issue them on behalf of P3 project if the USDOT's credit council approves them as meeting the requirements of the statute that says that for serving the public interest -- I think 90 percent of the users has to be benefitting members of the public. And they are all doing that, as far as I can tell.

*Mr. Young. Thank you. Beyond that misunderstanding -- which I sense it is also a misunderstanding -- do you agree with concerns that I have heard from numerous local governments in Indiana and even some folks outside my own state, that one of the main inhibitors to the use of P3 models, delivering often times below cost, ahead of projected schedule, and delivering important services with private capital at a time of constrained resources, is one of the main concerns competition with munis, which don't allow private sector engagement?

*Mr. Poole. Well, there has been some tension in a few states between government toll authorities and private sector, whereas the government toll authorities believe -- this is true particularly in Texas -- they should have first pick of projects, and not let the private sector come in and take them. That is the only kind of problem of that sort that I have noticed. And that -- it has only been, really, in Texas that that has been a problem. In Florida and Virginia it has not come up.

*Mr. Young. But this dynamic is a real one.

*Mr. Poole. It is a real one.

*Mr. Young. Munis, and then -- which don't allow private-sector --

*Chairman Ryan. Thank you.

*Mr. Young. -- engagements. Thank you, sir.

*Chairman Ryan. Thank you. Mr. Kelly?

*Mr. Kelly. Thank you, Chairman, and thank you to all our witnesses.

Now, I know we talk about this, we don't want to make it political. But, as everything in this town is, everything is political. Just to set the record straight and not to get into any type of an argument, it is interesting that when the Minority was in the Majority, they actually extended this, I think, in that short time period -- when you were in the Majority, the short-term extensions, I think, eight times. And so, when it comes to -- what, do you want to use the term "kicking the can down the road," or putting something off until a better time? I just don't want to make it too disingenuous about what is going on.

And I agree with what you say, Governor, it takes a really strong government to raise gas taxes. Our former Governor Corbett in Pennsylvania did that. He is no longer governor. Pennsylvania has the highest state tax when it comes to gas. And back when I am home, there is nobody I talk to that says, "I want better roads, I want better bridges, I want better railroads, I want better waterways, I want everything to be much better," and I say, "That is fine, who do you think should pay for it," and they say, "The government." And I say, "Fine. You know where the government gets its money," and they will say, "They got all kinds of it." I say, "Yes, but they get it from you."

So then it becomes a matter of -- Mr. Poole, I really liked your analysis, talking about how we would get to that. And I think your term is "users" and "beneficiaries." But the truth of the matter is payers and users -- the end game for all of this is the consumer. I don't care what it is, I don't care what we talk about in this town. When it comes to who is going to pay for everything, make no mistake. Whether it is a good or a service, it is the final consumer who pays for it. And that is where the money comes from.

I liked your idea on the -- I think Mr. Neal had talked about on the bonds, because I think you get more of the private sector engaging in something where there is a positive ROI, and it is an upscale. Everybody wins under that situation.

Listen. I don't think there is any lack of recognition of where we are on this. But it really is -- as much as we would like to say it shouldn't be partisan and it shouldn't be political, it is totally partisan, it is totally political, and it is totally the end to your career here. If you choose to raise taxes, though well intended, and use for the general public's welfare, the interpretation will be that you are a tax-and-spend guy or girl who just wants to keep raising taxes so the government can keep paying for it.

I know in my home state of Pennsylvania, as -- I am going to repeat it -- I mean everybody wants better roads, better river -- bridges, rivers, everything else.

[Laughter.]

*Mr. Kelly. Not only the Highway Trust Fund, but the Harbor Maintenance Trust Fund. Everybody who puts into that says, "You know what? I don't mind putting in more, if the funds would stay dedicated to the reason I put it in." And I think, until we learn to do that here, it is going to be very difficult.

You know, we have college education -- we set money aside for our kids for college, and then we have a hot summer and we decide to put a pool in, and we get the money from the kids' college education fund. Then, when it is time for them to go to school, we say, "Gosh darn it, you know, I hope you had fun in the pool, because you are not going to school."

Mr. Poole, what else could we do? And break it down for me, because you said -- and if I understood you correctly, and I read your testimony -- in the Highway Trust Funds

we use funds out of that for a lot of other programs, to fund them, that -- this is the only fund that does that. Is that correct?

*Mr. Poole. I have not studied the other transportation trust funds to a significant degree. But I think the diversion to not building highways and bridges and transit systems of half of the trust fund money strikes me as extreme, and I don't see that happening with the aviation trust fund that I do know a lot about.

So I think it is really time for Congress to take a hard look at that. And so, part of the answer -- I mean, obviously, we need to invest more in this country in transportation. But part of the answer is to spend wisely and spend it on the core priorities, and not try to be all things to all people.

The Federal Government -- federal fuel taxes are not very credible to people. They don't believe they are getting value, they would get value if they went up. Most of the states are able to -- state DoTs and governors are able to come up with a credible package and persuade the voters that they will really get something out of it.

*Mr. Kelly. But that is the key. I think the governors --

*Mr. Poole. That is really the key.

*Mr. Kelly. -- around his state proving to people this is a good investment --

*Mr. Poole. Absolutely.

*Mr. Kelly. -- great return on this investment. That is the gap that we face, really. I don't think there is a person on this panel or in this country that doesn't agree that we need to do it. It is how you get it to a point where people out there who are paying for it accept it, and also understand the fact that, you know, necessarily, prices are going to rise if we are going to continue to build our infrastructure. That is just the way it is.

So, I think what you did was marvelous, but it really does take a really strong will and ability to get out and get people to listen to what you are doing, with the end result being an uptick for the American people, and not just a drain down, because certainly their cost of living, especially for middle-income people and lower-income people, they are getting killed right across the board with this.

So I appreciate you all being here today, and this is something we are going to -- I guess we will continue to talk to, but there has to be a positive end. Thank you.

*Chairman Ryan. Thank you.

Mr. Renacci?

*Mr. Renacci. Thank you, Mr. Chairman, and again, thank the witnesses for being here. I really appreciate it.

Ten months ago I sat in this hearing room and said that I would never vote for another short-term solution. I said that to the chairman. But I did vote for that one. I told him I would vote one more time. So when you say no around here, you better have an answer. And I spent the last ten months trying to come up with an answer. And, sure enough, I have talked to think tanks, and I have talked to individuals.

But the most important people I talked to are my constituents. And my constituents, when they really realize that paying for something is important, user fees are important, they agree with it, and they are okay with it. They just want to make sure that what they are paying for they are getting.

And it is interesting, because the one thing we have never talked about -- I was a mayor also in my community -- we had a project back in 2002, it was \$18.1 million. It was an interstate project. I was a mayor, had to come up with \$1.8 million to put our 10 percent in. That money is now still sitting there, 12 years later. And that project, today, is over \$30 million. And that is the number we never talk about, the delay and the delay and the delay and the upward cost. And that is why these short-term fixes are not the answer.

We have to make sure that we look at what is going on in the real world. So I also talked to my constituents, brought it to my Tea Party people. And everybody is afraid of the Tea Party. I brought them all in. I said, "Well, I have a bill. That bill indexes the user fee. Are you for it or against it?" First they were against it too, and I explained it to them.

You know, then, what they said to me? "Quit going to the general fund. Quit going in there and taking dollars, because what you are doing is you are passing it on to our children and grandchildren. And what I would be willing to do is pay a user fee, as long as I get my roads and bridges fixed." Amazing.

One person said to me, "I just busted a rim. Cost me \$400. And it would only cost me a couple pennies a year so I don't bust my tire?" The average driver, costs them \$200-some per year in repairs. Truck drives, I am sure, it costs them. So we have to come up with a long-term solution. We can't continue to go down this path.

And when I hear people talk about, you know, electric cars, they only represent .71 percent. We have got to start -- when I hear people saying we have more miles per gallon, absolutely. We have more drivers, 23 percent more drivers since 1980. So if you start using statistics here, we have just got to come up with an answer. Because statistics, I have learned a long time, you can use them in your favor or against you.

Now, what I heard from all three of you -- and I hope you will answer this -- you all agree that user fees are the answer. Correct? Every one of you?

*Mr. Shirley. User fees provide, certainly, good incentives.

*Mr. Renacci. All right. In fact, Mr. --

*Mr. Shirley. Or economic --

*Mr. Renacci. -- Poole, you say using general fund and other non-transportation revenues to bail out the Highway Trust Fund undercuts integrity of the user-pay/user-benefit principle.

*Mr. Poole. Yes, and I firmly believe that. And I think there is -- in the written testimony there is a lot of amplification of the reasons why user-pays/user-benefit is the best approach. And I think we are probably all in agreement on that.

*Mr. Renacci. Right. And that is what I thought I heard.

And I also heard you all say -- and I agree with you -- that we don't -- we are not going to have an answer by July 1st, a user-fee answer. Correct? You would all agree with that? So, we have to come up with a long-term solution.

Now, Mr. Pascrell mentioned a bill that he and I have. And, quite frankly, it does give us 18 months by indexing the user fee. But a lot of people don't realize in that bill is that bipartisan bicameral committee can eliminate that index. If they think there is another answer, they can go and -- so it is not really an increase, it is a short-term solution.

Now, Mr. Poole, you also mentioned -- and I heard it in your oral testimony -- that we should stay with a user-based system, but we should modify it to get to what you believe is a vehicles miles-driven tax. Correct?

*Mr. Poole. That is correct, yes.

*Mr. Renacci. So some modification of the current user fee would get us there. Correct?

*Mr. Poole. Well, we need to get about 10 years before you could really have something at the federal level, a mileage-based user fee that would really be politically and economically feasible.

*Mr. Renacci. Well, I am glad you said that. Because the other thing I did the last six, ten months, is go around to my colleagues and ask them for answers. And I have had people say, "I am not voting for anything but a vehicle mileage tax," and I say to them, "That is ten years down the road."

*Mr. Poole. And you are right.

*Mr. Renacci. You just confirmed that.

*Mr. Poole. You are right.

*Mr. Renacci. But I think what I am hearing out of this -- and I really do appreciate the chairman willing to have this discussion -- is we need to have a user-fee-based program, and we need to do something long-term. And that is why, if you know the text of my bill, it gives us 18 months, it sets up a bipartisan, bicameral committee. Any thoughts on the bill from any of you that are aware of it?

*Mr. Graves. My only comment, Congressman, that, based on what I saw in the last day or two from CBO about the -- again, the challenges with debt, with the need for this Congress, this country, to wisely use its general fund revenues, I think the near-term solution is something that is user-based, and the long-term solution is, well, whatever the long-term solution might be.

*Chairman Ryan. Thank you.

*Mr. Renacci. Thank you. I yield back.

*Chairman Ryan. Thank you.

Mr. Meehan?

*Mr. Meehan. Thank you, Mr. Chairman. And I thank you for holding this important hearing. I have a couple of questions that I would like to get some feelings on.

One -- and, Mr. Poole, you have identified a couple of times that there have been ideas of prioritizing and moving away from support of other kinds of transit. But I represent an area that is a suburban/urban area, 36.7 million trips last year that were taken on that. And, in fact, the regional rail, which has not been invested in other regions -- part of the problem in California, the lack of this regional rail -- that which exists has increased by 50 percent over the last ten years. And so, the utilization rates are up.

If they are left to not get the kind of support -- what does that do to create flow back into already crowded places where -- these kinds of federal investments in highways, it is increasingly expensive to do the kinds of construction in urban areas.

*Mr. Poole. Well, in my testimony I did not call for eliminating transit from the trust fund. Although, in principle, it is a local issue that eventually I think ought to become, again, a local responsibility, like it once was. But there are a lot of other things that could be done --

*Mr. Meehan. Can you do that, if you have got 36.7 million people? Can you make that a local --

*Mr. Poole. Well, I think so, if you look at more cost-effective approaches. And a combination of an improved design of a bus system, outsourcing competitively to bus

operators and a big push for bus rapid transit, which is a lot more cost-effective in most cases than passenger rail, could significantly reduce the cost, while increasing the service that --

*Mr. Meehan. If you take passenger rail and you are coming from -- you could get into town in 22 minutes. The same bus ride is an hour and 25 minutes.

*Mr. Poole. Well, there are ways -- if your freeways have express lanes, express bus service --

*Mr. Meehan. Where do you put an express lane? Have you driven in New York lately?

*Mr. Poole. I have not driven -- I try not to drive when I am in New York --

*Mr. Meehan. Let me ask a question, just one other thing. And I appreciate that. I have questions about vehicle miles traveled. And I think it is a fascinating concept. But I also bring a history in some other areas, working on matters associated with privacy and other kinds of issues, with cyber. How does this work?

And those of you who have spent time, will Americans buy into the idea of having the government track everywhere they are driving?

*Mr. Poole. No, they won't. And that is why that is not the solution. There -- Oregon, I think, is doing the most important pioneering work, and I give some examples in the written testimony. There is a whole array of options, including an all-you-can-drive option, where, when you pay your annual vehicle registration fee, you pay a fee that is your mileage charge for the year. Another simple one is you have your odometer read. If your state has an annual vehicle inspection or a smog check inspection, they read your odometer then, and you pay a fee, a per-mile fee, based on how many miles you have driven.

There are low-tech options that use cell phone towers to tell the general area where you are in if you are at a state border, where you need to know how many miles to go to New Jersey and how many to New York, a cell phone tower can -- without tracking exactly where you drive, but just which side of the border you are on.

So there are a lot of options, and that is why we need pilot programs, we need a lot more research to figure out how to do this in ways that are cost effective and privacy-protected. We are in a learning stage right now.

*Mr. Meehan. Governor, Mr. Shirley, my remaining minute, do you have any insights on --

*Mr. Graves. Well, I just -- on that point, I would refer back to my submitted testimony in that the -- you know, the estimates, however, are that we have got to figure

out how to collect from about 250 million moving vehicles, 250 million. And this will be a government program, for the most part. Maybe we can privatize it.

But my concern would be -- is that today we collect fuel tax from about 1,000 payers, and now we want to transition to 250 million. So let's just -- again, I agree with a 10-year assessment. It is not ready for prime time, and might not be for quite some time.

*Mr. Meehan. Thank you for your insights.

I yield back.

*Chairman Ryan. Thank you. Mr. Davis, you want to go? The gentleman is recognized.

*Mr. Davis. Thank you very much, Mr. Chairman. This has been a very interesting hearing. And I want to thank the witnesses for all of their testimony.

You know, we have heard a great deal, in terms of options, in terms of possibilities, alternatives, approaches that might be used. I noticed that many people are totally averse to the notion of taxation, that we try and avoid it as much as we possibly can. And when we get down to the bottom line, the ultimate is that the consumer, or the people, will always be the ones that pay, will always be the ones that pay.

I am thinking it was Justice Oliver Wendell Holmes who suggested that taxation is the price that we pay for a civilized society, meaning that there is no way around it. Another one of my favorite philosophers, a guy named Frederick Douglass, used to say that he understood one thing if he didn't understand anything else, and that is in this world we may not get everything that we pay for, but we most certainly will pay for everything that we get, and that if we didn't pay one way, we would pay another way. Another truism is that we go all the way back to the Bible, and the prophet Isaiah suggested that we had to come and reason together, otherwise we would ultimately be destroyed by the edge of the sword.

And so, as I think of all these philosophical -- Lyndon Johnson was fond of saying there is no gain without some pain, that there is just no way around it. I think that the general public is pretty reasonable when they understand. We are not talking about any kind of entitlements. We are not talking about any safety nets. We are not talking about any kind of giveaways. We are talking about how do we maintain, an absolute need, our infrastructure that we can't do without, that there is just no way to do without it.

Governor, I find you to be quite refreshing, in terms of your approach that is kind of direct, saying you got to bite the bullet, you got to do what you got to do in order to accomplish what it is that you want to accomplish. How do you feel that the general public might react? I mean we have seen gasoline prices fluctuate. We have seen them go way up, where you don't want to go to the service station. We have seen them come down. How do you think the general public might respond to a modest gasoline tax

increase like Mr. Renacci may have been talking about, or Mr. Pascrell may have been talking -- how do you think the general public, the guy who has got to pull up to the pump, might respond to that?

*Mr. Graves. Well, Congressman, I think it depends a lot on the program that you all would sell to the public. And you have to -- you know, again, you have to tell them, "This is what you are going to get in exchange for what we are asking from you."

I think my concern in this entire discussion is that, if we are worried about what it costs people, I am still one who believes that almost every option we have discussed has a price point that is greater than what the price point would be if we funded it through the fuel tax. And I -- you know, tolls, if we are worried about people's mobility, toll is an impediment for a lot of Americans to enjoy the mobility that they enjoy today. PPPs, as I said, there is an ROI expectation, that people are going to make money off of operating that system.

So, I am just -- you know, as you can tell, I am a fan of the system we have got, it is the one we know. But I am not averse to discussing what a future would look like that might be different than that.

*Mr. Davis. I thank our witnesses, Mr. Chairman, I thank you, and I yield back.

*Chairman Ryan. Thank you.

Mrs. Noem?

*Mrs. Noem. Thank you, Mr. Chairman. I come from a part of the country that a lot of folks refer to as flyover country. I call it home. And I love it there. But the fact is it is one of the areas where we need roads and bridges to move commerce and move people. No matter where you drive or where you go, it is a long ways to get there.

In fact, you know, families have to drive tens of miles to go to the doctor, to get groceries, to go to work, to go to school. Every morning at my house, four vehicles leave the yard, and by the time they come back they have traveled hundreds of miles. And that is just an everyday occurrence that happens in South Dakota.

And so, I am very concerned about transportation funding, because it is necessary to have good roads and bridges all the way across the country to move commerce, and for that to happen efficiently in America. But also, we need to make sure that we aren't disproportionately putting a burden upon people in rural America. We do not want to hollow out the center of this country by forcing high costs on people that can't afford it.

I had one woman I visited with in a grocery store one winter that came to me, crying, with her hands full of coupons, because she couldn't pay her electricity bills because they were so high because of the cold weather. She had ridden into town to go to work with a friend, but therefore had missed taking her son to the doctor, had missed her daughter's

basketball game, because she was waiting for her friend to get off of work so she could ride back home with her.

And that is the concerns that I have when we talk about a VMT tax or adding some kind of miles traveled tax. And I know, Mr. Poole, this is something you have put forward as a solution. But tell me. Is there some kind of an assessment that we are going to take into account the high burden that we will be putting on people in rural America with that kind of a system?

*Mr. Poole. The researchers that are working on this are very aware of that concern and that problem. And a couple things -- you know, this is longer than we have time for to discuss. But, number one, there is good statistical evidence that, on average, rural people drive fewer miles per year than urban people.

Now, that is going to vary in different cases, but that is important to keep in mind, to the extent that that is legitimate, and a verified fact. Number two is that a VMT system doesn't necessarily charge the same rate for every kind of road. It may end up charging higher rates for premium roads, like interstates, and lower rates for, you know, two-lane farm-to-market roads, and this kind of thing, because those roads actually, you know, do cost less to build and maintain.

*Mrs. Noem. Yes.

*Mr. Poole. So this is what I mean. We need more research on this. A lot of research is going on. We don't have all the answers yet to how a system like that would work.

*Mrs. Noem. Okay. Governor, could you speak to this issue, as well? Because you may have some experience. I know that one of the proposals being put forward by your association is to have an increase of the user fees. But while in your industry it can be passed on to customers, that is not available to people that maybe are incurring that increased burden themselves and upon their family budgets.

So I am concerned about that, and also in a part of the country where we just don't have public transportation as an option. There are no buses, there is no rail, there is no other way for them to get anywhere, except through their own vehicles that they have the cost of maintaining and running, but also paying the gas to fill them up every day. Could you speak to this issue, as well?

*Mr. Graves. Well, I think that, if I understand, you know, as I said earlier in my comments, we are not benevolent. We are going to figure out, as commercial operators, how to embed within our freight rate cost whatever it is, whether it is an increase in the fuel tax, whether it is toll, whether -- you know, whatever it might be.

And I just -- you know, I could be proven wrong here, and Bob probably will at some point, but I still believe that, at the end of the day, that the least expensive option of raising the money we need for infrastructure is the fuel tax. It is basically in the

neighborhood of one or two cents on every dollar raised, compared to anything else you might use.

*Mrs. Noem. Okay. Mr. Shirley, could you speak to CBO and how you look at geographical locations and take into account some of the challenges that we have been discussing, the variation between rural and urban areas of the country, and if that is accounted for in the analysis?

*Mr. Shirley. Certainly. That is something that, you know, that we see as being a difference out there between different geographical areas.

In terms of potential VMT tax system, you know, there would be trade-offs between sort of how perhaps complex this system would be to administer, and what the cost might be for that. A trade-off between that and the ability to allow for different fees or taxes to be charged in different areas. That would be one factor to take into consideration.

*Mrs. Noem. Well, I just want to, as we have the discussion, have a complete discussion, and talk about the challenges that we face in certain parts of our country. In urban areas we have seen investments by the Federal Government, and many more dollars poured in to provide other transportation options that simply doesn't happen in rural America. And so I think we do need to take into account that we are placing a higher burden on the individuals in certain parts of the country when we look at user fees, just because of their lifestyles and the area and the geographical location to where they are located.

*Chairman Ryan. Thank you. Thank you.

Mr. Larson?

*Mr. Larson. Thank you, Mr. Chairman. And thank you again for holding this hearing. And I think I want to thank the witnesses for their patience and persistency.

And I would also remark, Mr. Chairman, that the -- I saw the lines of people waiting to get in here. And the number of people who have stayed here to listen to Members of Congress and to listen to our key witnesses, I think that underscores the importance of this meeting.

I want to associate myself with the remarks of Mr. Pascrell and Mr. Renacci. I want to commend them for their legislation. And it is my sincere hope that we can take this up. I think that is an important step forward. And it is not kicking the can down the road. And I respect what my good friend, Mr. Kelly, had to say, but this is about us. This is about the Congress now, and our opportunity to do what we were elected to do: vote.

I would quickly ask all the panelists -- I am sure I know your answer to this -- do you think we should kick the can down the road beyond July the 31st? Yes or no.

*Mr. Graves. I prefer that you not.

*Mr. Larson. Prefer that we not? Prefer that we not?

*Mr. Poole. I prefer that you not, but I don't think you have any choice.

*Mr. Larson. You would prefer that we -- or you can't answer, Mr. Shirley, actually, probably.

*Mr. Shirley. CBO does not make policy recommendations.

*Mr. Larson. I understand that, and so should the audience, you know, that that is not your position.

So let's -- so this is what we have here. I mean this is all going to be determined. And for people out there in the viewing audience, it pains me to say this, because I believe that we should step up and take our responsibility head on, and I believe that is what the American people expect out of us. And it especially pains us, because we know that the only jobs bill that is before the United States Congress is, in fact, this bill. This is the only opportunity people are going to have to vote on jobs, and we are going to kick that can down the road, which further destroys people's credibility in Congress.

I do think that there will be a solution. I do think, unfortunately, that solution will come by way of an omnibus bill.

Now, for those of you -- and many in this audience are familiar with omnibus bills -- but Congress either does a continuing resolution or an omnibus bill. We don't do anything in regular order, which means we don't take up good proposals like this. We wait until the last minute because we can't do the fundamental thing that we were sent here to do, which is to vote on difficult subjects.

If we did, irrespective of the outcome of the vote, we would be moving the agenda forward and the -- so that is really why these public hearings are important, that we need the opportunity to vote.

I think a number of you have mentioned, with respect to private activity bonds, that you all support them. Am I correct in saying that? And at least, Mr. Shirley, you acknowledge the benefits that they would provide, as well, in terms of the testimony that we have heard. We -- however, that has been eliminated. Private activity bonds have been eliminated in a draft of the tax reform bill put together by our colleagues. I think we have to revisit these things, as well. But, fundamentally, we have got to vote.

Mr. Tiberi, who is a dear friend of mine, said, "Look, you have got to" -- in some of his comments was talking about how he agreed, as I do, with what Mr. Neal had to say about private activity bonds and Buy America bonds, and what we have to do. And he said -- and then acknowledged, "Keep the pressure on us."

Well, we were elected to vote. And that is our fundamental responsibility. And it may be, as Mr. Poole suggested, we get to the 31st and you see no other alternative. Let us hope -- and our chairman is very resourceful -- let us hope, as they come up with a bridge, that it is not a bridge to nowhere, that, once again, everyone in America doesn't see us kicking this down the road again to come up with another piecemeal solution.

Mr. Renacci and Mr. Pascrell have put forward a bill that at least can provide us with that opportunity to do all the studies that we need. Personally, I would agree with Mr. Graves. I would be for whatever it takes. If it is a gas tax, it is a gas tax. If it is a carbon tax, it is a carbon tax. But, for God's sake, put America back to work. That is what Roosevelt would have done, that is what Eisenhower did. When are we going to step up to the plate, as Americans, not Democrats or Republicans, but as Americans, and do the right thing for the citizens we represent?

I yield back my time.

*Chairman Ryan. The gentleman is done with his question.

[Laughter.]

*Mr. Larson. Mr. --

*Mr. Larson. I did have a couple.

*Chairman Ryan. Mr. Dold?

*Mr. Dold. Thank you, Mr. Chairman. And I just want to say for my good friend, Mr. Larson, I don't disagree. I think, as we look at a long-term surface transportation bill, this is absolutely critical. This isn't a Republican or a Democrat issue. We all use the roads. And, frankly, as we look at how do we grow our economy, people are looking. When they are saying, "Where am I going to place my business," one of the things that they look at is they look at our infrastructure. "How am I going to get my raw materials in? How are we going to get our finished product out?" And, certainly in the Chicago terminal, my home area, how do we move people around?

I mean this is absolutely critical. In talking to stakeholders back in the Chicago area, they are looking for that long-term certainty. How do we buy rail cars? Do we buy them one at a time, or do we buy them ten at a time? I can get a much better price if I am buying them ten at a time. Same thing is true if we are looking at how we are going to be able to fund our roadways.

And so, frankly, this is an issue that has been kicked down the road. The can has been kicked multiple different Administrations. We need a long-term surface transportation bill, and that is one of the things that I do believe unites us. And, frankly, we need to look at creative ways on how we are going to be able to fund this, because we have been

operating, obviously, at a deficit for a period of time, roughly about \$13 billion on an annual basis is kind of what the shortfall is. That is some pretty real dollars.

And so, you know, when I look at certainly the Chicago terminal, and I look at Chicago and mass transit and highways -- because, again, there are some that want to just talk about just the roads, and I want to make sure that people understand that mass transit -- and I know some of you on the panel aren't necessarily as big fans of mass transit -- but when we look at congestion -- Governor, can you talk to me for a second about how congestion impacts trucking and impacts just overall productivity?

*Mr. Graves. Well, again, I think the submitted testimony reflects the Texas Transportation Institute's assessment of the billions of dollars that directly impacts our industry, just sitting idle. And, obviously, we have the hours of service issue, where, you know, a worker might be out trying to move a load, and if they somehow get caught in congestion, and then the hours run out, then you can't finish the delivery, which disrupts the supply chain.

And, of course, to Americans in totality, I believe the number is well over \$100 billion of -- \$120 billion -- of impact on our economy each year.

*Mr. Dold. That is a lot of money. I know UPS did a study that said for every five minutes of idling time it cost the company about \$100 million. Now, when you expand that off -- that is enormous.

But I want to highlight just another issue that is -- okay, that is a business perspective, but I am talking about a real-life perspective. So we have got switches, you know, that date back generations in the Chicago terminal. And, frankly, that could add as much as 15 minutes a day to somebody's commute on a train, 15 minutes each way. That is 10-and-a-half hours a month, if you are a regular commuter. That is time that you could spend with your family. That is time that you could be -- spent doing a lot of other things. That is a quality of life issue.

And so, as we look at these types of things, Mr. Shirley, can you elaborate on the connection between the highway account and the mass transit account within the Highway Trust Fund? Specifically, do drivers on the roads and highways benefit from robust mass transit network?

*Mr. Shirley. So, drivers may face congested urban areas. Mass transit may make some contributions to reducing some of that congestion.

*Mr. Dold. It is a "may." You think it may reduce? Could you definitely say it absolutely does?

*Mr. Shirley. Yes, mass transit systems --

*Mr. Dold. Absolutely do? I can tell you that in -- certainly in the Chicago area, if we got rid of our mass transit system, we would see an increased congestion of 50 percent on our roadways. Talking to some of the folks over at Metra, they tell me we need an additional 29 lanes of traffic. So, I mean, again, that is a lot of traffic.

And so, again, I just want to make sure that, as we look at our surface transportation, as we look at this issue, it is going to be enormously important for us to work in a bipartisan fashion to come up with solutions. And, frankly, we have got to start thinking outside of the box, because this is something that is not going away. And if we want to grow our economy, if we want to make sure that we are making people productive, this is one of the ways that we can do it.

Governor, can you talk to me just a little bit about the importance of freight in the Chicago area?

*Mr. Graves. Well, there is -- as I said, as our economy grows, and the number of people in this country grow, we have a ever-increasing demand for freight movement. And the supply chain has become very, very precise, in terms of what their expectations are.

The combination of the congestion, the road conditions, has made it very difficult for us to continue to meet some of those expectations, and it is having a very real impact on, you know, the economic competitiveness of this country, vis a vis the rest of the world. No doubt about it.

*Mr. Dold. Governor, thank you.

Mr. Chairman, my time has expired.

*Chairman Ryan. Thank you.

Mrs. Black?

*Mrs. Black. Thank you, Mr. Chairman. And I am going to wrap this up. I think I am the last one to ask a question today. The discussion has been excellent. This has been a great hearing. I appreciate all the panelists' written materials that you have given to us. I am going to keep them and reread them, because there is so much good material here.

I really appreciated, Mr. Poole, that you gave us a little bit of history there in the -- 1919 is when the gas tax was originally put in by states. And then in 1959 is when the Highway Trust Fund was begun by the Federal Government. Those are two little facts that I was not aware of.

But as we look at all of the challenges that have been talked about by my colleagues here, we know that regulations are increasing costs. I think we have got to make sure

that, as we talk about this, it is not a panacea to say the only solution here is to raise a tax. Because some of the folks in my community will say to me, "Well, if you just raise that tax on fuel, then it will take care of the problem."

But we know regulations are a part of increasing the costs in building a road when it takes -- when I originally got into the public sector some 14 years ago, it took about three to five years in our community to build a road. Now it takes anywhere from seven to ten. And the cost of those regulations are continuing to increase, the money that comes out of our trust fund. Robbing the trust fund for other kinds of things. Certainly I like walking paths, and I like those kinds of things, but that doesn't take care of a pothole that is in the road, nor build another road to decrease the congestion.

The cost of building materials is certainly going up. The cost of steel and concrete. So to just have that panacea, to say, "Oh, all we have to do is just raise the gas tax" certainly is not the answer to this. There are a whole lot of other things that we need to look at.

So I want to go to the user pays, the user benefits. And that is certainly how we ought to think about anything that we do, is that when I use something I have to pay for that. I know that the VMT has got some promise to it.

I know, Mr. Poole, you talk about it is going to take a while before we can actually get there. Can you give me an idea of any state that has been using -- doing a pilot project where you have seen things that have come out of there that we could maybe start with now, rather than waiting for 10 years to initiate?

*Mr. Poole. Well, I think everybody agrees that Oregon is ahead of most of the other states. They have a 5,000-person pilot program that is going to get underway July 1st. They are using private-sector vendors to be the interface for people so that it is a private sector company that is going to be getting the mileage totals and arranging with the state to get the rebates for the fuel taxes that people are paying, their per-mile charge, instead of the fuel tax.

They are also giving people a set of choices of how they want to pay. And that is a little more detailed in my written remarks. But that is -- I think they have learned a couple things. One is that it is really important that there be choices. Number two, we need a lot more trying out of different methods to see which ones people like and which ones don't, which ones cost too much and which ones are economical.

There is also going to be -- to go to Governor Graves's comments about the cost of collecting, on very large-scale volumes, at the scale of Oregon, they are looking at maybe three to four percent of the revenue needing to be cost of collection once it were rolled out to the entire state population. Now, that is more than the one or one-and-a-half percent fuel tax. But it is not like the old tolling that was 20 to 30 percent of the revenue that was needed for manual cash toll collection.

So, there is potential there for this thing -- these things to be economically doable. But we really don't know enough yet to do anything at -- certainly at the federal level in the next year or two, for sure. Maybe sooner than ten years, but that depends on how much is learned on pilot projects in the next maybe three or four years.

*Mrs. Black. What is the length of their pilot projects when they expect to be able to get some good information that could be shared --

*Mr. Poole. You know, I am not absolutely sure. It is at least a year in Oregon. And California is designing theirs, probably going to be a model on the Oregon one. But it will be at least a year, possibly two.

*Mrs. Black. And I know my time is running out, but I think there is also some discussion that could be had on more toll roads. When you consider the amount of congestion that takes place on the roads that, obviously, are very busy roads, that -- there has got to be an alternative. Because sitting there for that amount of time I know --

*Mr. Poole. Right.

*Mrs. Black. -- Mr. Graves, you talked about how that costs the trucker that sits in that traffic. If there were an alternative, would that cost of that alternative be better than them sitting for that amount of time, and not delivering their product, interrupting the supply chain, and then also the cost of the driver sitting there, when he could be on the clock, actually delivering the product?

Thank you, Mr. Chairman. This was a great hearing.

*Chairman Ryan. Thank you. Thank you, the gentlelady.

The gentleman from Connecticut, did you have -- I see you wanted to make --

*Mr. Blumenauer. Yes. Thank you, Mr. Chairman. Thank you for the opportunity to -- for unanimous consent.

I would like the witnesses -- I am sure you are probably familiar with the Hamilton Project, and a number of the recommendations that they have put forward. I would like to submit their summary to you and ask if you could respond to that. I know we don't have the time today. If you could respond with your -- to their various notions that they have put forward. Thank you so much.

*Chairman Ryan. Yes, thank you. This concludes the hearing. I want to thank the three of you, known experts in your field. This is very informative. You can tell that Members on both sides of the aisle have a lot of passion for this issue. We are in search of solutions.

I want to thank you for spending such a good amount of your time with us today. This concludes our hearing.

[Whereupon, at 12:45 p.m., the committee was adjourned.]

Questions for the Record

Public Submissions for the Record