



Statement of

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&

Vice Chair, Economic Development and Commerce
Committee, National Governors Association

Before the

Senate Environment and Public Works Committee

On

“The Importance of MAP-21 Reauthorization:
Federal and State Perspectives”

January 28, 2015

Chairman Inhofe, Ranking Member Boxer and members of the Senate Environment and Public Works Committee, thank you for inviting me to testify today on behalf of the National Governors Association (NGA) and the people of Alabama. As Vice Chair of NGA's Economic Development and Commerce Committee, let me assure you that there is bipartisan support among governors to work jointly with our federal partners to build a foundation for surface transportation reauthorization.

Let me begin with several main points:

- Our nation's multi-modal transportation and related-infrastructure systems support and enhance the economic growth of states and the nation. Together, surface transportation and infrastructure help sustain quality of life, enhance public safety, and enable the flow of interstate and international commerce that underpins our nation's competitive position in the global economy.
- Over the years, previous surface transportation reauthorizations and short-term legislative extensions created uncertainty at the national level. This triggered necessary and pragmatic actions at the state level to maintain and develop our vital infrastructure, but governors agree that successful state action does not justify federal disengagement or devolution.
- Governors agree that a well-functioning surface transportation system requires both a long-term vision and funding stability to provide for our nation's diverse mobility needs. The process for maintaining our nation's transportation infrastructure also requires an intergovernmental partnership.
- Accordingly, we have traveled to Washington, D.C., today to highlight the important transportation projects we are working on in our states and to ask Congress to pass a surface transportation bill that provides states with the *certainty* needed to budget and plan for future projects. We also ask that Congress provide states with the *flexibility* needed to determine how to use the federal transportation dollars we receive.

Surface Transportation's Effects on National and State Economies

Our nation's infrastructure system provides the skeletal structure that promotes the flow of commerce in our nearly \$18 trillion economy,¹ sustains quality of life, and enhances the economic growth of states and the nation.

Thanks to the investment in roads, rails, airports and waterways, Alabama is globally competitive. Alabama's emphasis on infrastructure is one of the reasons we have added 63,000 new and future jobs since I took office in 2011. With more than 74,000 miles of

¹ U.S. Bureau of Economic Analysis, National Income and Product Accounts, BEA 14-65 (Dec. 23, 2014).

public roadways, including six major interstate highways, our state is ideally located and structured for any company's logistical needs.

From automotive and aerospace to metals and medical, we've used our foundation and success in multiple industries to establish Alabama as one of the top five business climates in the country. This is a result of Alabama's good transportation infrastructure.

In Alabama, each of our 67 counties has been given the opportunity to recruit more jobs, thanks to the largest road and bridge improvement program ever conducted in the state. Alabama industries are not only deeply rooted, but also widespread from years of tremendous growth and development. The Alabama Transportation Rehabilitation and Improvement Program, known as ATRIP, is making more than \$1 billion available to counties and cities and allowing much-needed road and bridge projects to move forward. It has a companion program, the Rural Assistance Match Program (RAMP), which uses state funds to assist 21 counties with the local match requirement of 20 percent of the project construction cost. Today more than 1,100 road and bridge improvement projects are underway or soon will be because of ATRIP and RAMP.

ATRIP is an example of an innovative state program that leverages federal funds to enhance roads and bridges in every county of our state. In addition to all 67 counties in Alabama benefiting from ATRIP, 118 cities are acting as sponsors. Local sponsors are responsible for any cost that exceeds ATRIP participation.

Funding for ATRIP comes through the use of Grant Anticipation Revenue Vehicle, or GARVEE, bonds. Through the use of GARVEE bonds, Alabama can pay for projects. These bonds are repaid with future federal dollars. Last year, I proposed legislation to allow the state to back our GARVEE bonds with revenue from our state's gas tax. By doing this, we were able to get a lower interest rate and will save potentially more than \$35 million over the lifetime of the bonds.

Alabama is able to access future federal dollars now to pay for road and bridge projects that are needed immediately. With interest rates on municipal bonds at historic lows, the use of GARVEE bonds makes strong financial sense as the low cost of borrowing is generally lower than the rising cost of inflation in construction projects.

Last year, Standard & Poor's Ratings Services assigned Alabama its 'AAA' rating for \$508.5 million in state highway bonds. The 'AAA' rating for the transportation bond is the highest rating the state has ever received, and is the highest rating assigned by the ratings service. In fact, Alabama's bonds now enjoy a higher rating than the federal government's bonds.

By using GARVEE bonds, we are able to make much-needed improvements without raising taxes. In addition, this program will create construction jobs across the state as projects move forward, and by making areas more attractive to prospective employers,

the ATRIP program will help with the long-term recruitment of even more jobs in the future.

We need certainty at the federal level so that states can plan for and make infrastructure improvements. A long-term federal transportation reauthorization will provide certainty.

A continued federal investment is necessary to leverage our efforts to improve infrastructure systems and create a cohesive transportation network across the nation. However, the burden of maintaining the nation's entire transportation network cannot be left only to the states. All levels of government must partner to invest in quality infrastructure and meet our nation's transportation needs.

Federal transportation programs and funding should provide maximum flexibility to the states for implementation and innovation because of our diversity of geography, population, and priorities. When states receive federal funds that are earmarked for specific projects, it diminishes core program funding and restricts the ability of governors to maintain critical infrastructures within their states.

I also recognize that there are some select Projects of National and Regional Significance that must come from a specific funding source. For example, this year we have submitted a grant requesting \$500 million to make needed improvements to the Mobile River Bridge, also known as the I-10 Bridge. The total cost to improve this bridge is nearly one billion dollars. The upgrades would increase the capacity of I-10, which runs from Florida to California, to meet existing and predicted future traffic volumes and to provide a more direct route for vehicles transporting hazardous materials, while minimizing impacts to Mobile's maritime industry.

We are witnessing firsthand the successful partnership of job creation and improvements to roads and bridges.

During my 2014 State of the State address, I mentioned that the poorest county in America is Wilcox County, Alabama. The first week of my first term in office, I met with Golden Dragon Copper Tubing, and recruited that company to an area that included Pine Hill in Wilcox County. In May 2014, Golden Dragon held their grand opening. This new facility, at full capacity, will employ 300 people.

This facility means more than just jobs. For the 150 people currently employed, they are noticing what the rest of the community is noticing – improved roads and bridges. Through the Industrial Access Road and Bridge Corporation, the state constructed a new three-lane road. This three-quarter mile road runs from State Highway Five into the entrance of Golden Dragon. A new 350-foot bridge was also constructed to go over an existing railway and additional improvements were made to State Highway Five to

improve access to Golden Dragon. The state allocated a total of \$7 million on these projects, but the company's total capital investment is \$100 million.

This is one key example of how improvements to our infrastructure have a direct correlation to long-term job creation.

Governors across our country are championing infrastructure, and investing in infrastructure continues to be a central theme in many State of the State addresses. What are governors saying? Let me offer some examples:

➤ *“A recently completed Battelle study demonstrates the need for us to take a hard look at adequate road funding. The study shows that without action, funding available for road and bridge maintenance will fall short of what is needed to remain competitive and, more importantly, safe. Without action, Iowa’s roads and bridges face an uncertain future. Our farmers will find it more difficult in delivering commodities to market. Business and industry will look elsewhere when considering where to invest and grow. As the study found, sound infrastructure remains a prerequisite for economic development. This is our opportunity to pave the road toward Iowa’s strong future”.* Iowa Gov. Terry Branstad, January 13, 2015.²

➤ *“Unleashing the potential of our economy also demands world-class infrastructure. The ability to move goods and services efficiently, connect to cutting-edge information technology infrastructure, and access cleaner, cheaper and more reliable energy is essential to every industry in our state.”* Delaware Gov. Jack Markell, January 23, 2014.³

➤ *“Yet another way to improve the economy is to put people to work building and maintaining our infrastructure [...] In our current budget, we invest \$6.4 billion into the state transportation system. This is welcome news for all those who work so hard to build and maintain our roads and bridges [...] Good roads and bridges and freight rail and ports and transit and airports are important to more than just construction workers, they are vital to a thriving economy.”* Wisconsin Gov. Scott Walker, January 22, 2014.⁴

➤ *“Without action, there will be a 52 percent cut in the maintenance budget, and 71 bridges will become structurally deficient or functionally obsolete. Without action, commute times will continue to rise, robbing us of time with our families. Without action, our ability to move goods efficiently will be diminished.”* Washington State Gov. Jay Inslee, January 13, 2015.⁵

² Gov. Branstad Delivers 2015 Condition of the State: “Together We Can”. Web. 24 Jan. 2015.

<<https://governor.iowa.gov/2015/01/gov-branstad-delivers-2015-condition-of-the-state-together-we-can/>>.

³ “2014 Governors' State of the State Speeches.” *2014 Governors' State of the State Speeches*. Web. 24 Jan. 2015. <<http://www.multistate.com/site.nsf/sosaddress2014?OpenPage>>.

⁴ Ibid.

⁵ Inslee, Jay. “2015 State of the State.” *2015 State of the State*. Web. 24 Jan. 2015.

<<http://www.governor.wa.gov/news/speeches/2015StateOfTheState.aspx>>.

MAP-21 Reauthorization: NGA Policy Priorities

The seeds of a renewed national commitment to surface transportation infrastructure were planted more than two years ago when Congress passed the Moving Ahead for Progress in the 21st Century Act (MAP-21), which authorized federal law for highways and transit for 27 months. In advance of MAP-21, governors worked through NGA to inform congressional action. NGA also led an effort among national organizations representing state and local elected officials to develop guiding principles for transportation policy (*See Attachment 1 for NGA's Transportation and Infrastructure Policy*).

Governors appreciate that MAP-21 reflected many of NGA's policy priorities. In particular, governors supported the preservation of innovative financing tools such as public-private partnerships and expanding the capacity of the Transportation Infrastructure Finance and Innovation Act (TIFIA) credit assistance program. Alone, these financing tools cannot substitute for reliable and sustainable funding sources, but they are an important complement. The development of new infrastructure projects will need innovative project financing options, stable funding sources, intergovernmental partnerships and multi-state coordination.

As Congress begins to work on MAP-21 reauthorization, NGA's principles remain relevant. Governors, as the "CEOs" of states, understand the importance of transportation infrastructure to economic competitiveness and job growth. To move our economy forward and be able to plan and execute long-term, multi-year projects, states need predictable federal funding and the flexibility to use existing and new financing mechanisms when public funding falls short.

We are all aware that a range of funding options has been suggested because existing revenue sources cannot sufficiently support the various federal trust funds that help finance transportation and infrastructure.⁶ I believe we would also agree that if there were one viable "silver bullet option," Congress would have already passed it into law.

Governors will leave it to the experts to advise Congress on those options, recognizing that a combination of both short-term and long-term options may be required to safeguard the Highway Trust Fund. However, for the reasons described previously, NGA maintains that continuing to use general fund transfers to fill Highway Trust Fund shortfalls and operating federal highway and transit programs through a patchwork of short-term extensions are not viable long-term options.

⁶ See *Matrix of Illustrative Surface Transportation Revenue Options*, American Association of State Highway and Transportation Officials (2014). (Options suggested include standards such as the motor fuels tax; indexing; a shift to a sales tax on fuel purchases vehicle-miles-traveled fee; and customs and imported oil duties.)

Infrastructure and Federal Tax Reform

In addition to the conversation surrounding MAP-21 reauthorization, NGA is engaging in other federal policy conversations—such as the one surrounding federal tax reform—that could impact states' ability to fund or finance infrastructure. *Funding* infrastructure through taxes, tolls, and other mechanisms is different from *financing* infrastructure through debt and equity investments.

Practically every state and Puerto Rico issues general obligation or revenue bonds.⁷ For nearly 200 years, the \$3.6 trillion tax-exempt municipal bond market has helped states, cities, and counties finance infrastructure needs including roads, bridges, transit systems and other vital projects serving the public good.⁸

Since its inception in the early 20th century, the federal tax code has excluded interest earned on municipal bonds from income. NGA cautions that ending or capping this federal exclusion could increase the cost of financing infrastructure projects, slow down or terminate projects, trigger higher taxes on citizens, or some combination. Consequently, NGA advocates that federal laws and regulations, either directly or indirectly, should not increase the costs states incur to issue municipal bonds or decrease investor appetite to purchase them.

Conclusion

The current surface transportation law expires at the end of May 2015. If we truly believe that a strong national transportation system is essential to creating jobs and maintaining a strong national economy, we need a law that reflects that belief.

The short-term surface transportation reauthorizations and extensions patched together over the years created uncertainty at the national level and triggered action at the state level. I have described how we are improving infrastructure in Alabama, and you will soon hear about the work my colleagues are doing in their states.

Governors are leading the way, but let me be clear: While state and local governments can do a lot, we cannot do it all.

Action at the state level must not be interpreted as an invitation for Congress to completely transfer the federal transportation program to state and local governments. Rather, to succeed, leaders across all levels of government must work together.

⁷ Transportation Governance and Finance: A 50-State Review of State Legislatures and Departments of Transportation, Joint Project of NCSL and AASHTO (May 2011). See page 33, n54.

⁸ Lambert, Lisa. "U.S. Municipal Bond Market Shrinks to Smallest in Five Years: Fed." *Reuters*. Thomson Reuters, 11 Dec. 2014. Web. 23 Jan. 2015.

This spring, Congress has the opportunity to set a new vision for infrastructure investment in America. Governors urge Congress to pass a long-term surface transportation bill that provides the certainty needed to plan for future projects and the flexibility needed to tailor those projects to the unique challenges that each state faces.

If we are serious about our economy, then together we must be serious about our nation's infrastructure. The nation's governors look forward to working with Congress and the Administration to reauthorize MAP-21 and to demonstrate our shared commitment to an effective, well-functioning transportation system.

Thank you for the opportunity to testify. I would be happy to answer questions.

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ATTACHMENT 1



ECONOMIC DEVELOPMENT AND COMMERCE COMMITTEE

Policy 0-2 -- Transportation and Infrastructure

2.1 Preamble

Our nation's multi-modal transportation and related-infrastructure systems support and enhance the economic growth of states and the nation. Infrastructure provides the skeletal structure that connects the nation. Together, transportation and infrastructure help sustain quality of life and enable the flow of interstate and international commerce that underpins the United States' competitive position in the global economy.

Governors affirm the following guiding principles in federal laws, regulations, and practices:

2.2 Guiding Principles

2.2.1 National Vision

- To provide for our nation's diverse mobility needs, transportation and infrastructure policies require long-term vision and funding stability.
- The focus of federal transportation laws, regulations, and programs, regardless of mode, should include efficiency of delivery, reliability, capacity, system preservation, cost effectiveness, safety and security, innovative solutions, and partnerships.

2.2.2 Intergovernmental Partnership

- A strong federal-state partnership is critical for our nation's transportation and infrastructure systems because all levels of government have a role in transportation, which must be coordinated if we are to improve mobility and safety, protect the environment, and ensure the security of vital transportation and infrastructure assets.

2.2.3 Infrastructure

- A national commitment to bring existing infrastructure into a state-of-good-repair, and in targeted and strategic places construct new infrastructure, advances the ability of the United States to meet basic mobility and service delivery needs. Infrastructure provides rural access and connectivity, strengthens economic competitiveness, helps reduce congestion, improves safety, supports environmental sustainability, and boosts quality of life.

2.2.4 Funding and Finance

- All options must be on the table for ongoing evaluation because existing revenue sources are no longer adequate to support the various federal trust funds that help finance transportation and infrastructure.
- Facilitating investment in infrastructure projects through existing and new self-sustaining financing mechanisms can help mitigate public funding shortfalls. Successful mechanisms leverage capital markets and require borrowers to use revenues from projects to repay the financing, making capital available to lend for new projects. If federal funds help capitalize and sustain infrastructure-financing mechanisms, then those funds must be separate from trust fund revenues dedicated to core transportation programs.

2.2.5 Certainty and Stability

- The design of federal funding mechanisms must maintain reliable, long-term funding certainty. The ability of state and local governments to plan and execute long-term, multi-year projects hinges on predictable federal funding.

2.2.6 Program Reforms

- Reforming and restructuring federal transportation programs may improve them provided restructuring preserves core federal programs, limits federal requirements that preempt state spending flexibility, and prohibits earmarks that diminish core program funding.
- Federal transportation programs and funding should provide maximum flexibility to the states for implementation and innovation because of our diversity of geography, population, and priorities.

2.2.7 Project Delivery

- Streamlined project delivery that reduces approval and completion times and improves efficiencies, while achieving the intent that underlies critical environmental, planning and design, and procurement reviews, requires a federal commitment.

2.2.8 Public Transportation

- An ongoing, strong federal role is critical to help fund and deliver diverse public transportation solutions for metropolitan and non-metropolitan areas across the country.

2.2.9 System Performance

- Federal incentives that reward positive outcomes in matters such as congestion mitigation and safety are better than prescriptive federal penalties focused on preemption and unfunded mandates.
- Outcome-oriented performance measures developed by states and national goals set by Congress should be clear, measurable, attainable, and fair.

2.2.10 Safety and Security

- All levels of government must cooperate to improve the safety and mobility of our nation's transportation systems, reduce fatalities and injuries, protect the environment, and ensure the security of infrastructure assets throughout the country.

Time limited (effective Winter Meeting 2013 – Winter Meeting 2015).

Adopted Winter Meeting 2013.