



**American Road and Transportation Builders
Association**

Testimony Before the

**Subcommittee on Investigations and Oversight
Committee on Small Business
U.S. House of Representatives**

**Hearing on the Upcoming Highway Bill and Ensuring it
Meets the Needs of Small Businesses**

July 16, 2009

**American Road and Transportation Builders Association
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Chairman Altmire and members of the Subcommittee, I am very pleased to be here to testify on behalf of the American Road and Transportation Builders Association (ARTBA), the consensus voice of the transportation construction industry. I am Michael Filipczak, president of Midasco, LLC—a specialty infrastructure contractor based in Elkridge, Maryland.

ARTBA, which celebrated its 100th anniversary in 2002, has over 5,000 member firms and member public agencies from across the nation. They belong to ARTBA because they support strong federal investment in transportation improvement programs to meet the needs and demands of the American public and business community. The industry we represent generates more than \$200 billion annually in U.S. economic activity and sustains 2.5 million American jobs.

Thank you for the opportunity to appear before this hearing of the Subcommittee on Investigations and Oversight of the Small Business Committee to discuss “The Upcoming Highway Bill and Ensuring it Meets the Needs of Small Businesses.”

I represent the transportation construction industry, the industry that builds and preserves the nation’s roads, bridges, transit systems, airports, railroads and water ports. Each year, more than 10 percent of all the construction work put in place in the United States is on transportation and transportation-related projects.

According to the latest economic census conducted by the U.S. Bureau of the Census, there are just over 11,000 business establishments that are involved in transportation construction. Most are small businesses. More than 90 percent have less than 100 employees, and the average is less than 40.

But it is a very capital intensive industry. The average establishment buys or leases almost \$500 thousand dollars of heavy equipment each year, versus \$20 thousand for the average residential construction company. As a result, long-term predictability of federal, state and local highway investment is very important to businesses in the transportation construction industry.

While my industry is basically an industry of small businesses and the federal highway program is of critical interest to us, it is important to recognize the importance of federal highway investment to a broad range of small businesses in our economy.

In virtually every industry, small businesses depend on the nation's transportation network to move people and products around town and around the country. Retailers need reliable transportation to get seasonal products from ports to their stores. Service providers need reliable roads to get service trucks and workers to customers. Virtually every manufacturer depends on the just in time delivery system as a way to control inventory costs.

Highway congestion has become a major drain on the energy and vitality of American small businesses. It negatively affects small businesses in three significant ways:

When employees are paid by the hour, time lost waiting in traffic or waiting for a delivery means higher costs.

When businesses are paid by the job, by the trip or by the call, traffic congestion that reduces the number per day means lower incomes.

Most important, when the day is spent dealing with the fall-out of highway congestion—scheduling, routing, late deliveries, missed appointments, unhappy customers—this takes time away from planning and growing the business. Attached to this testimony is a 2004 ARTBA report that highlights the impact of transportation inadequacies on small businesses.

Just last week, the Texas Transportation Institute released its 2009 Urban Mobility Report, which tracks highway congestion around the country. Their latest finding, that traffic congestion costs the nation \$87 billion per year, is only the tip of the iceberg because it only includes the cost of time spent in traffic and wasted fuel. It doesn't include the lost income to businesses that can't service their customers, it doesn't include the lost productivity when businesses have to wait for deliveries or services, and it doesn't include the cost to the economy when small business owners have to deal with congestion issues rather than strengthening and growing their businesses.

In the crush of distractions that small business owner must deal with every day, most are probably not focusing on reauthorization of the federal highway and public transportation programs. But it is probably one of the most important issues for small businesses that Congress will deal with this congressional session.

SAFETEA-LU expires on September 30. The House Committee on Transportation and Infrastructure has proposed a new six-year authorization of the federal highway and public transportation programs that would be funded at \$450 billion over the six-year period. This amount represents the minimum federal investment needed just to maintain current conditions on the nation's highway and transit systems. ARTBA strongly supports enactment of a full six-year bill funded at a level that meets the nation's surface transportation investment needs.

The Obama administration and members of the Senate have proposed an 18-month extension of the current law that would be funded at a level significantly less than needed just to maintain current conditions. For small businesses, this path would just compound the transportation problems they already face.

Before I explain why Congress must enact a six-year surface transportation authorization bill before the end of this year, rather than an 18-month extension of existing law, I want to explain how our industry has been affected by the current recession and how the American Recovery and Reinvestment Act (ARRA) is working.

Our industry has not been hit as hard as homebuilding, but our people are hurting. This is a seasonal industry where employment peaks during the summer months and then declines as the construction season comes to a close in northern states. The number of people on our payrolls got smaller and smaller throughout 2008 when compared to the same month in 2007, and we are now down about 40,000 jobs. The same pattern is true for our subcontractors.

The Recovery Act provided \$48 billion for infrastructure improvements, including \$27.5 billion for highway projects. According to the Federal Highway Administration, state and local transportation agencies have obligated more than \$16.6 billion or 62 percent of the total for projects in just four months. More than 1,700 projects are under construction already and more are getting underway every day. By the end of June, almost \$265 million had been paid out to contractors for construction work performed and that figure will also increase rapidly as projects get underway. This has clearly been one of the most successful elements of the Recovery Act.

But Congress must take important steps in the next few weeks to sustain the progress initiated by the Recovery Act.

First, a \$5-7 billion injection of new revenues into the Highway Account of the Highway Trust Fund is needed to prevent current highway construction projects from shutting down. Under the federal highway program, contractors are reimbursed for construction work. We don't get paid up front. If the Highway Trust Fund cannot pay its bills, many of us will not have the funds to pay our employees and suppliers. We will have no choice but to stop construction and lay off employees until the Trust Fund can meet its obligations. If Congress does not replenish the Trust Fund, more than 240,000 jobs throughout the economy could be at risk according to calculations by ARTBA's economics staff.

If Congress deals with this issue, and I trust it will, we then come to the most critical legislation for this industry, reauthorization of the federal surface transportation programs. The Transportation and Infrastructure Committee has recently marked up a new transportation bill that would invest a total of \$450 billion in highways, highway safety and public transportation during the next six fiscal years.

There are a number of reasons why it is important for Congress to enact this legislation rather than a short-term extension of existing law.

The most important reason by far is that physical conditions and performance on our nation's highway and transit systems are deteriorating because of inadequate investment. This is undermining our economic competitiveness, impairing freight movements within the United States and imposing billions of dollars in unnecessary traffic congestion costs.

Every two years, the U.S. Department of Transportation issues a report on the Conditions and Performance of the Nation's Highways, Bridges and Transit, in which it calculates the annual investment required by all levels of government both to maintain current conditions on U.S. highways as well as to improve conditions. These calculations are not a wish list of all the projects we would like to do if we had the money. They are instead based on an economic comparison of costs and benefits of potential improvements to a sample of more than 100,000 highway segments in the U.S. and are about as objective as possible given current data sources and computational techniques.

The latest report, which was issued in January 2007, provides data on the average annual investment that would be needed between 2004 and 2023 to maintain conditions and improve conditions. When combined with information on recent increases in highway construction costs and the traditional federal share of highway investment, the report shows that funding for the federal highway program in the next surface transportation authorization bill should be in the range of \$62 to \$69 billion per year just to maintain current highway and bridge conditions. The annual federal investment needed to improve conditions would be even higher.

By contrast, federal highway investment in fiscal year 2009 is \$40.7 billion, a shortfall of more than \$20 billion.

Looking forward, the gap between resources and needs is daunting. As Chart 1 shows, projected Highway Trust Fund revenues between FY 2010 and FY 2015 are far less than needed to support the current level of federal highway investment, let alone support a program that meets the nation's highway investment requirements.

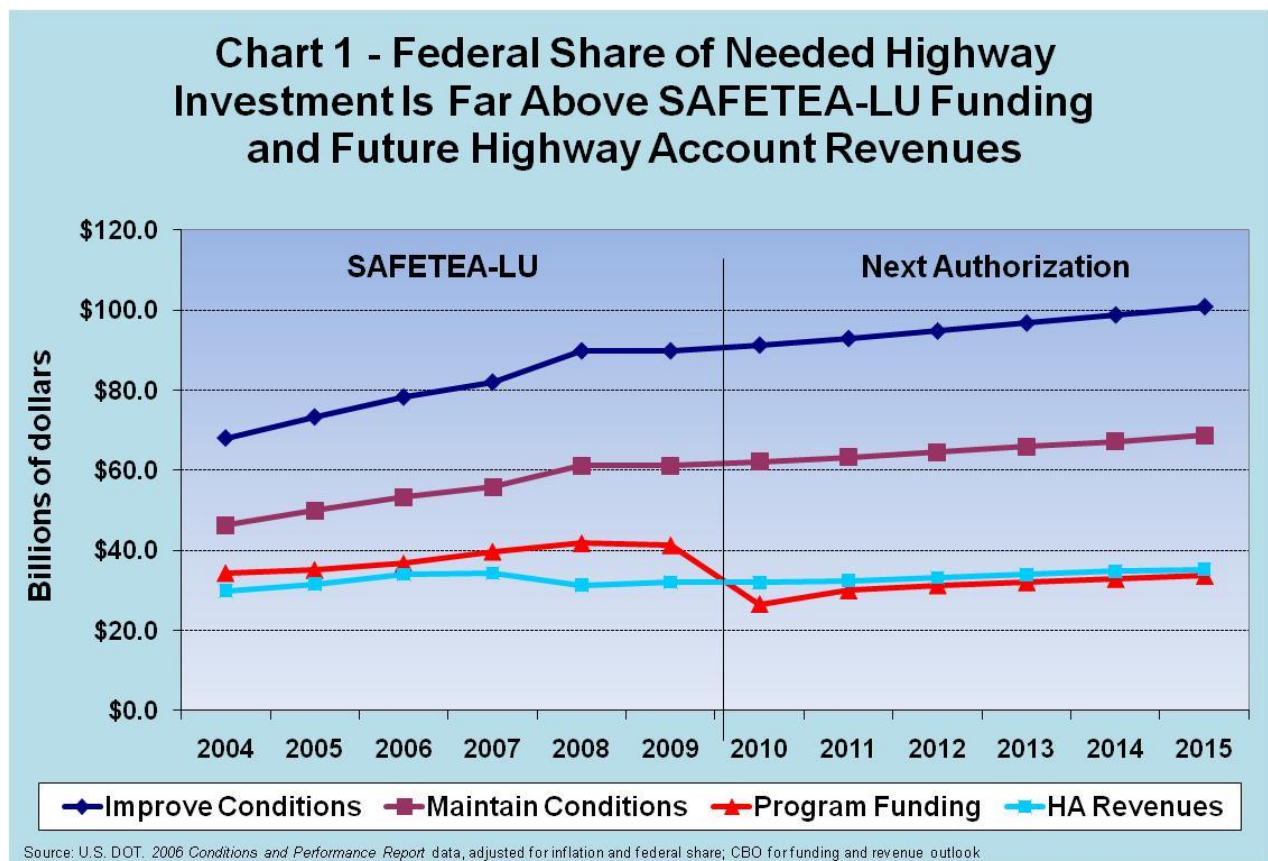


Chart 1 also illustrates the fact that projected Highway Trust Fund revenues are grossly inadequate to meet the nation's highway investment needs. The gap between projected revenues and the annual federal investment required just to maintain current conditions and performance on the nation's highways is just over \$31 billion per year between FY 2010 and 2015.

The report also includes data on the cost to maintain and improve the nation's mass transit systems, including both bus and rail-based transit. When combined with data on recent cost increases and traditional federal share, the report indicates that a federal transit program of \$12 to \$13 billion annually between FY 2010 and 2015 would maintain conditions while \$16 to \$18 billion would be needed to improve conditions. In FY 2009, total funding for the public transportation program was just over \$10 billion. For FY 2010 through 2015, transit account revenues are projected to be just over \$5 billion per year, less than half the amount that would be needed just to preserve existing conditions.

The massive gap between federal highway investment and needs is shown on a state by state basis in Table 1. For example, the table shows that Pennsylvania would need an annual federal investment of just over \$2.7 billion to provide the federal share of the cost to maintain conditions and performance on the state's highways and bridges¹. In FY 2009, it received about one-half of that amount. The table also shows that the one-time highway stimulus funds in the American Recovery and Reinvestment Act, while helpful, come nowhere near filling the gap. Most other states are in a similar situation.

The T&I Committee's \$450 billion surface transportation authorization bill would substantially meet the nation's highway and transit investment needs during the next six years. An extension of the current law would put the nation further behind in addressing its highway and transit needs.

Another very good reason for enacting the Committee's bill rather than an 18-month extension is that it would create thousands of new jobs in the construction industry and its suppliers and reinforce the highway stimulus in the Recovery Act. According to ARTBA's analysis, the \$337 billion for highway improvements in the Committee's bill would generate almost 150,000 new jobs in 2010. About half these jobs would be in the highway construction industry or the industries that supply materials and services used in highway construction, and the rest would be spread throughout the rest of the economy.

Over the six-year period covered by the legislation, the increased highway funding would support an annual average of almost 540,000 more jobs in the U.S. economy than we would have under the current funding level.

Table 2 of my testimony shows the job-creation potential of the Committee's bill by state. In Pennsylvania, the bill would generate almost 6,600 new jobs throughout the state's economy next year and would, over the full six years, support an average of 23,700 more jobs each year than the current level of highway program funding. Other states would see comparable results.

¹ State investment needs are based on Federal Highway Administration data on the number of highway miles in poor or mediocre condition in each state, the total deck area of deficient bridges in each state, and a measure of highway congestion.

Table 1 - Federal Highway Program Funding versus Federal Share of Highway Investment Needs

(Millions of dollars)				
State	Highway Program Formula Funding	Federal Share of Annual State Highway Investment Needs, FY 2010 /1		ARRA Highway Stimulus Funds /2
	FY 2009	Maintain Conditions	Improve Conditions	FY 2009-10
Alabama	\$664.2	\$840.7	\$1,222.5	\$513.7
Alaska	\$290.7	\$166.8	\$236.6	\$175.5
Arizona	\$672.4	\$734.4	\$1,126.3	\$522.0
Arkansas	\$410.8	\$1,294.0	\$1,824.0	\$351.5
California	\$3,002.8	\$8,217.3	\$12,141.4	\$2,569.6
Colorado	\$451.1	\$836.3	\$1,266.7	\$403.9
Connecticut	\$422.8	\$627.6	\$952.2	\$302.1
Delaware	\$129.9	\$140.8	\$214.3	\$121.8
Dist. of Col.	\$126.8	\$165.4	\$240.6	\$123.5
Florida	\$1,690.1	\$1,955.8	\$3,133.1	\$1,346.7
Georgia	\$1,143.8	\$1,266.9	\$1,957.4	\$931.6
Hawaii	\$136.0	\$176.5	\$251.0	\$125.7
Idaho	\$244.8	\$697.2	\$968.5	\$181.9
Illinois	\$1,121.7	\$2,208.5	\$3,240.0	\$935.6
Indiana	\$852.5	\$1,152.7	\$1,725.1	\$658.0
Iowa	\$384.4	\$875.1	\$1,196.3	\$358.2
Kansas	\$327.6	\$1,672.7	\$2,297.2	\$347.8
Kentucky	\$568.1	\$609.8	\$940.3	\$421.1
Louisiana	\$555.6	\$1,408.8	\$2,005.2	\$429.9
Maine	\$141.8	\$270.8	\$365.8	\$130.8
Maryland	\$518.5	\$973.5	\$1,437.5	\$431.0
Massachusetts	\$531.9	\$1,047.7	\$1,598.8	\$437.9
Michigan	\$927.0	\$2,010.1	\$2,899.6	\$847.2
Minnesota	\$523.4	\$1,656.5	\$2,449.1	\$502.3
Mississippi	\$389.2	\$966.9	\$1,366.6	\$356.3
Missouri	\$762.0	\$2,039.9	\$2,906.2	\$637.5
Montana	\$315.8	\$176.1	\$238.1	\$211.8
Nebraska	\$244.6	\$406.4	\$568.5	\$235.6
Nevada	\$256.1	\$385.7	\$603.9	\$201.4
New Hampshire	\$146.2	\$280.3	\$421.5	\$129.4
New Jersey	\$859.7	\$2,127.0	\$3,193.0	\$651.8
New Mexico	\$310.2	\$778.8	\$1,103.8	\$252.6
New York	\$1,450.2	\$3,282.3	\$4,887.6	\$1,120.7
North Carolina	\$930.6	\$2,062.3	\$3,262.1	\$735.5
North Dakota	\$207.3	\$247.0	\$338.3	\$170.1
Ohio	\$1,147.4	\$1,254.0	\$1,876.3	\$935.7
Oklahoma	\$504.8	\$1,849.5	\$2,493.4	\$464.7
Oregon	\$372.6	\$647.9	\$974.6	\$333.9
Pennsylvania	\$1,443.9	\$2,722.6	\$3,958.7	\$1,026.4
Rhode Island	\$163.8	\$187.7	\$269.4	\$137.1
South Carolina	\$549.0	\$589.6	\$780.9	\$465.1
South Dakota	\$217.4	\$407.4	\$543.1	\$183.0
Tennessee	\$704.2	\$1,087.8	\$1,688.8	\$572.7
Texas	\$2,868.6	\$4,664.0	\$6,986.8	\$2,250.0
Utah	\$259.4	\$460.0	\$730.7	\$215.5
Vermont	\$134.1	\$216.8	\$300.0	\$125.8
Virginia	\$859.5	\$850.1	\$1,258.7	\$694.5
Washington	\$556.5	\$1,092.3	\$1,604.9	\$492.2
West Virginia	\$350.1	\$871.3	\$1,260.2	\$210.9
Wisconsin	\$642.7	\$874.9	\$1,164.7	\$529.1
Wyoming	\$215.5	\$166.3	\$235.8	\$157.6
Total	\$32,700.1	\$61,701.0	\$90,706.2	\$26,666.1

1/ The "Needs" column shows investment required in FY 2010. The amounts would grow each year with inflation.

2/ ARRA is one-time funding only during FY 2009-10 and thus not available to meet needs in future years.

Table 2 - Job Impact of House T&I Committee Highway Program Funding		
(Includes effect of 20 percent state match)		
State	New Jobs that Would be Created in 2010 by T&I Committee Bill	Average Increase in Jobs During 2010-2015 Supported by T&I Committee Bill
Alabama	3,038	10,926
Alaska	1,330	4,782
Arizona	3,075	11,061
Arkansas	1,879	6,758
California	13,733	49,396
Colorado	2,063	7,420
Connecticut	1,934	6,956
Delaware	594	2,137
Dist. of Col.	580	2,085
Florida	7,729	27,802
Georgia	5,231	18,816
Hawaii	622	2,237
Idaho	1,120	4,028
Illinois	5,130	18,452
Indiana	3,899	14,024
Iowa	1,758	6,324
Kansas	1,498	5,389
Kentucky	2,598	9,345
Louisiana	2,541	9,139
Maine	649	2,333
Maryland	2,371	8,530
Massachusetts	2,433	8,750
Michigan	4,239	15,249
Minnesota	2,394	8,611
Mississippi	1,780	6,403
Missouri	3,485	12,535
Montana	1,444	5,195
Nebraska	1,119	4,023
Nevada	1,171	4,213
New Hampshire	668	2,404
New Jersey	3,932	14,143
New Mexico	1,419	5,103
New York	6,632	23,855
North Carolina	4,256	15,309
North Dakota	948	3,411
Ohio	5,247	18,874
Oklahoma	2,309	8,304
Oregon	1,704	6,129
Pennsylvania	6,604	23,752
Rhode Island	749	2,695
South Carolina	2,511	9,031
South Dakota	994	3,576
Tennessee	3,221	11,584
Texas	13,119	47,188
Utah	1,186	4,268
Vermont	613	2,206
Virginia	3,931	14,139
Washington	2,545	9,154
West Virginia	1,601	5,759
Wisconsin	2,939	10,572
Wyoming	986	3,545
SUBTOTAL	149,550	537,915

Almost every industry in the United States would add jobs as a direct or indirect result of this Committee's bill, according to the latest detailed input-output data for the U.S. economy from the Department of Commerce. Table 3 shows just some of the industries that will add new jobs as a result of the Committee's bill. For example, employment in the aggregates industry would grow by almost 3,000 jobs in 2010, and the average increase in employment during the full six years would exceed 10,500 jobs.

Table 3 - Job Impact of House T&I Committee Highway Program Funding by Industry		
(Includes effect of 20 percent state match)		
State	New Jobs that Would be Created in 2010 by T&I Committee Bill	Average Increase in Jobs During 2010-2015 Supported by T&I Committee Bill
	(1)	(2)
Highway, bridge and tunnel construction	72,714	261,544
Stone, sand and gravel mining and quarrying	2,929	10,535
Asphalt paving mixtures and coatings	2,775	9,980
Cement and ready-mix concrete	3,281	11,800
Iron and steel industry	1,396	5,021
Petroleum refineries	3,854	13,861
Oil and gas extraction	2,878	10,352
Concrete product manufacturing	1,330	4,784
Structural metal fabrication industries	2,549	9,168
Truck transportation	3,146	11,317
Engineering services industry	3,957	14,234
Accounting and bookkeeping	422	1,516
Machinery & equipment rental industry	2,352	8,461
Real estate and insurance industries	2,783	10,011
Wholesale trade	3,733	13,429
Machinery & vehicle repair shops	2,485	8,939
Lighting fixtures manufacturing	363	1,306
Paint and coatings manufacturing	570	2,050
Plastic pipe and fixture manufacturing	1,428	5,137
Sign manufacturing	226	814
Waste management industry	219	789
Other industries	34,159	122,865
Total	149,550	537,915

Mr. Chairman, there is growing discussion of a second stimulus bill. Congress need look no further than the T&I Committee's surface transportation authorization bill if it wants to generate productive, well-paid jobs in the United States next year.

Another drawback of an 18-month extension of the current surface transportation law is that it will create uncertainty about federal highway funding and disrupt the ability of state and local DOTs to make long-term highway investment plans. And that is especially problematic at a time when state and local governments are struggling with serious financial problems related to the current economic recession.

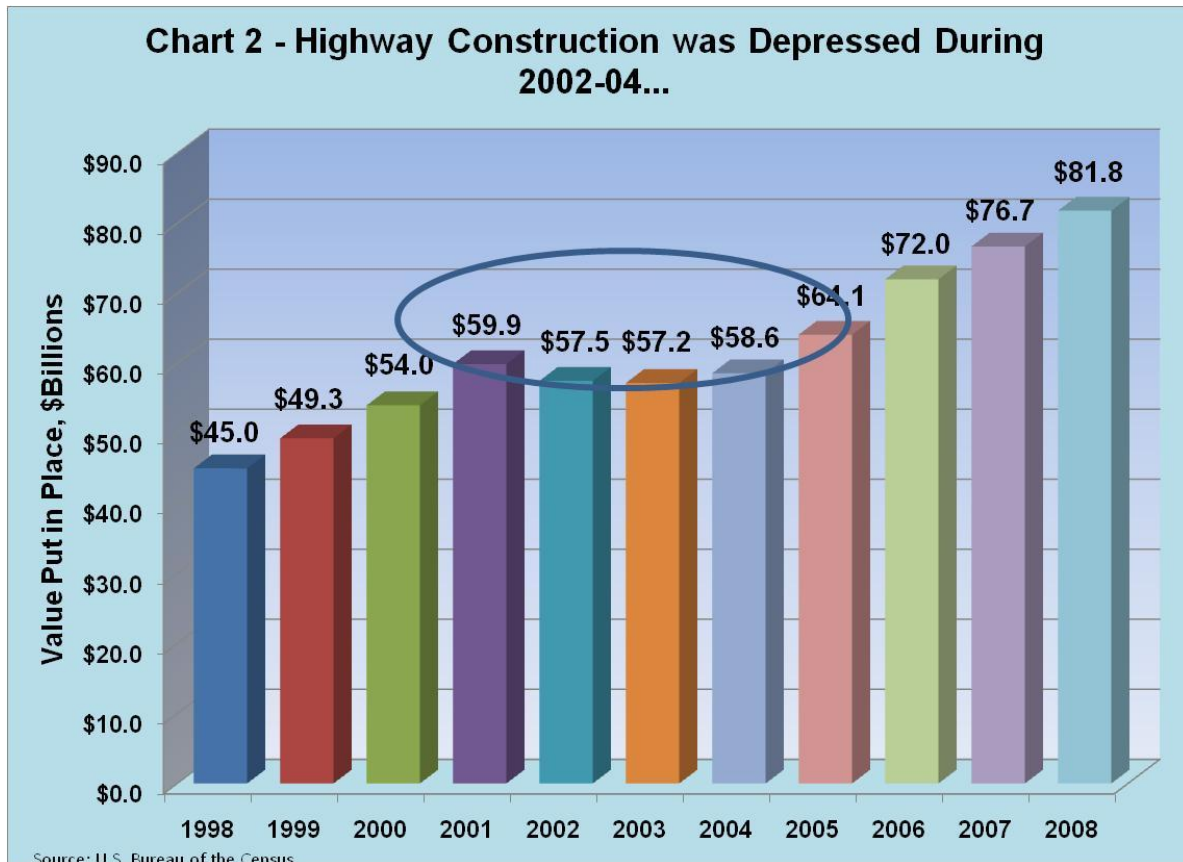
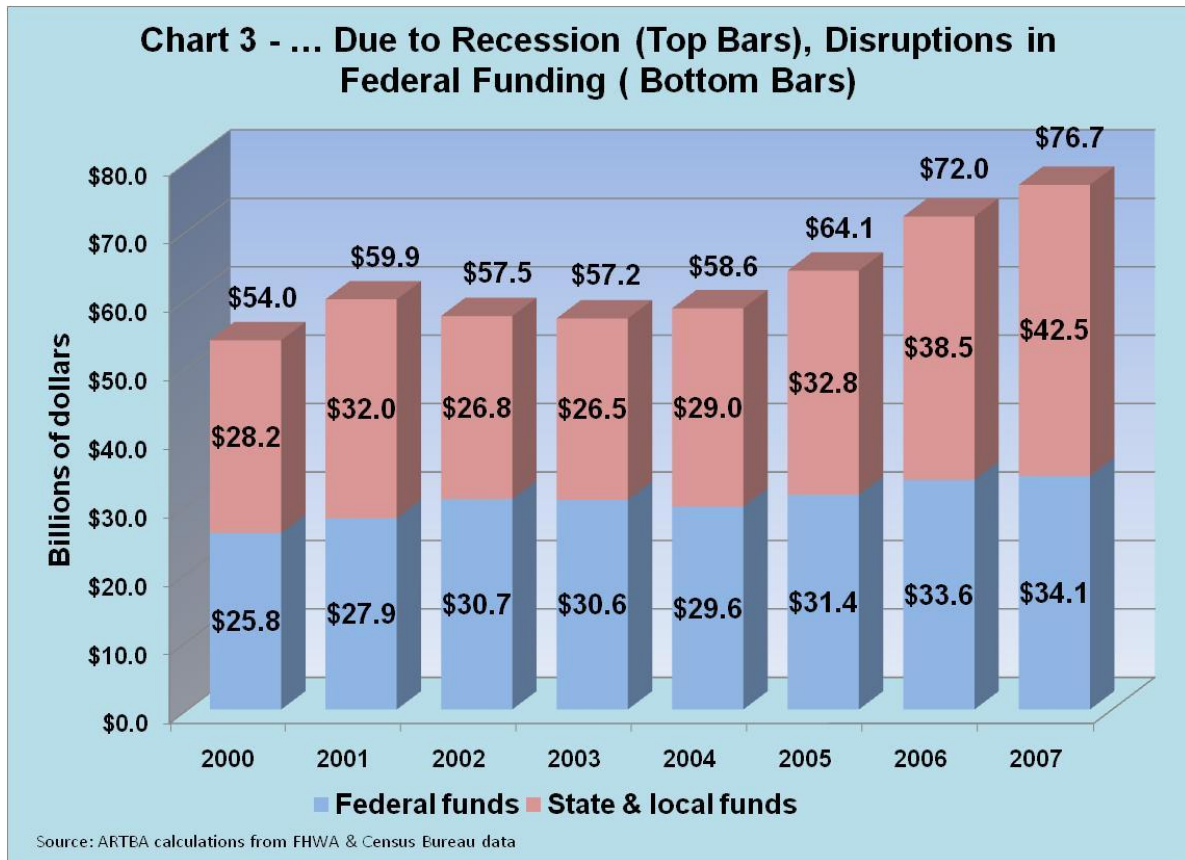


Chart 2 illustrates the potential impact of this combination on the outlook for highway construction and, by implication, the number of jobs supported by highway construction. At the start of this decade, the “perfect storm” of recession plus uncertainty caused by disruptions to federal highway funding caused a three year recession in highway construction, as shown in the chart. Let me review the chronology of events:

- The problem began with a relatively mild recession from March through November 2001, which nonetheless caused serious fiscal difficulties for state governments during their fiscal years 2002, 2003 and 2004. A number of states raided their highway funds to balance their budgets. The current recession is much worse and likely to have an even bigger impact.
- Then, in February 2002, the administration’s budget for FY 2003 included an \$8 billion negative RBA adjustment slashing federal highway funding from \$32 billion in FY 2002 to \$24 billion in FY 2003, a 25 percent cut that was completely unanticipated. That issue was not fully resolved until half way through FY 2003, when Congress enacted appropriations legislation maintaining highway funding at its FY 2002 level. Nonetheless, for more than 12 months, state DOTs did not know how much federal highway aid to expect.
- That was followed by the expiration of TEA-21 at the end of September 2003 without any prospects for timely enactment of a multi-year surface transportation authorization

bill. Instead, Congress extended TEA-21 thirteen different times, some extensions as short as one month. Between September 2003 and August 2005, when Congress finally enacted SAFETEA-LU, state and local transportation agencies were essentially in the dark about how and when they would receive federal highway funds.

The impact of these two concurrent calamities is made clear in Chart 3. This chart shows the value of construction work performed on highways and bridges each year and how the cost of that work was divided between the federal highway program and state and local funds. The bottom or blue part of each bar shows the actual payment of federal highway funds to state and local government each year. The top or pink part of each bar shows outlays of their own funds by state and local governments.



- Looking at the top bars, state and local spending plunged from \$32 billion in 2001 to \$26.8 billion in 2002 as a result of the recession and its impact on state and local revenues. Their highway investment did not recover until the economy started to grow again in 2004 and 2005. We are already seeing the same kind of impact of the current recession, as I mentioned earlier in my testimony.
- The story told by the bottom bars is that outlays of federal highway funds also went down at the same time, for the reasons explained above. The uncertainty caused by short-term extensions of TEA-21 led state and local governments to spend fewer federal highway

funds in 2003 and 2004 than in 2002, and the number in 2005 would have also been down except for emergency highway spending to repair damages caused by hurricanes in 2004 and 2005.

And here we are in the middle of 2009, facing exactly the same set of circumstances – a serious recession combined with a proposal to once again extend the highway program for a short period of time rather than enact a robust well-funded six year authorization.

Mr. Chairman, we have known for years that state and local transportation agencies need long-term funding certainty to plan and implement highway and bridge construction projects. That is why Congress moved from annual authorizations during the 1950s and 1960s to the current practice of enacting six-year authorization. Short-term authorizations are simply too disruptive. It is virtually impossible for a state or local transportation agency to develop an effective highway investment program without a long-term funding horizon.

The lesson learned during the first half of this decade is that a series of very short-term extensions does not work. We need a full six-year surface transportation authorization bill.

Mr. Chairman, I have heard enough political hand-wringing about why now is not the right time to act on a surface transportation bill to make you wonder how some people decide to get out of bed in the morning.

While most of this is nothing more than justifying the urge to procrastinate, I do hear of people in and out of government who want a reauthorization delay to better advance their policy agenda. Narrow constituencies attempting to manipulate this legislation to gain political leverage when over 37,000 workers in the transportation construction industry lost jobs in the last year is incredibly offensive and exactly why so many Americans are soured on this process.

In closing, I would like to share a quote from an editorial by President Obama in last Sunday's Washington Post.

“There are some who say we must wait to meet our greatest challenges. They favor an incremental approach or believe that doing nothing is somehow an answer. But that is exactly the thinking that led us to this predicament. Ignoring big challenges and deferring tough decisions is what Washington has done for decades, and it's exactly what I sought to change by running for president.”

Admittedly, this statement is in a broad context, but I think we would all agree its sentiments are equally applicable to the surface transportation bill. I only hope we are allowed to take on these tough decisions.

Thank you for allowing me to appear before you today and I would be happy to respond to any questions.