COMMONWEALTH OF PENNSYLVANIA
HOUSE OF REPRESENTATIVES
HOUSE TRANSPORTATION COMMITTEE

ROOM 60
EAST WING
HARRISBURG, PENNSYLVANIA

THURSDAY, FEBRUARY 5, 2009
9:00 A.M.

FEDERAL ECONOMIC STIMULUS PROPOSAL

BEFORE:

HONORABLE JOSEPH F. MARKOSEK, CHAIRMAN
HONORABLE MIKE CARROLL
HONORABLE PAUL COSTA
HONORABLE MARK GERBER
HONORABLE GARY HALUSKA
HONORABLE RON MILLER
HONORABLE TONY PAYTON
HONORABLE TINA PICKETT
HONORABLE JOHN SIPTROTH
HONORABLE THOMAS J. SOLOBAY
HONORABLE CHELSA WAGNER

BRENDA S. HAMILTON REPORTING
P.O. BOX 165
ELM, PENNSYLVANIA 17521
717.627.1368 FAX 717.627.0319

(CONT'D)

ALSO PRESENT:

STACIA RITTER, EXECUTIVE DIRECTOR (D)
ERIC BUGAILE, EXECUTIVE DIRECTOR (R)
AMANDA WOLFE, LEGISLATIVE ASSISTANT

BRENDA S. HAMILTON, RPR
REPORTER - NOTARY PUBLIC

INDEX

P R O C E E D I N G S

- - -

CHAIRMAN MARKOSEK: Okay. Good morning. Good morning, everybody. We've got some folks, I'm sure, that will be kind of dropping in and out. There's other -- other committee meetings today.

I'd like to get started by recognizing a former colleague, Representative Bob Flick. He and I were in the same class, 1982. He's a little smarter than I am. He figured how to get on with something else in his life.

MR. FLICK: Moving on.

CHAIRMAN MARKOSEK: I'd like to recognize his presence. I'd like him to lead us all in the pledge of allegiance.

(Pledge of allegiance.)

MR. FLICK: Thank you, Mr. Chairman

CHAIRMAN MARKOSEK: Thank you, Bob.

I'm told that Chairman Geist will not be here this morning; and we do, of course, have some members here. The secretary, rather than calling the roll, will indicate -- will take formal roll and mark down everybody that is here today and as they come in as we move forward.

So with that, there's no votes today anyway. It's an informational hearing and we're happy that everybody could attend.

First person, I see he's ready to go, bright eyed and bushy tailed on a cold morning, is our friend, Jim Ritzman, who is the Deputy Secretary for Planning for PennDOT.

Jim, welcome and you may proceed.

DEPUTY SECRETARY RITZMAN: Okay. Thank you. Is that okay?

Good morning. Thank you so much for the opportunity just to speak about Pennsylvania's economic recovery preparations. This has been an area of focus, oh boy, at least very rigorously for the last three or four months, and as far back as last January when we were first responding to a couple of the AASHTO surveys that really led us to believe, to really start seriously thinking about how to best be prepared for whatever economic stimulus package could eventually come through Congress.

A number of things that I'd want to point out, first of all, with regards to just transportation planning and transportation finance. First of all, we work extensively with our MPO and RPO partners across the state. That is the way projects get approved and included on a transportation improvement program.

That relationship is key to us being successful. So we, again, try to communicate with that work group of where -- what our thoughts are and our intents are, and then it's the public forum in which all our business is taken care of and through.

The one thing I'd want to point out as well is when you hear economic stimulus in the hundreds of billions of dollars, you just think that so much is going to be taken care of. Especially, you watch TV and you see some of the -- the conversation about $900 billion.

Ultimately, what the numbers are with regards to highways and bridges, which is the focus of -- of my testimony today, is just talking about a range of 27, $30 billion, again, a huge number, but a small portion of -- of what the American Recovery and Reinvestment Act is really about.

The other point that I'd want to make is when you look back and see the discussions or the uncertainties on the federal side, as well as the state revenue side, there are some huge implications for long range planning.

Essentially what -- I guess what I'd like to talk about a little bit is just the Transportation Funding and Reform Commission. The bottom line number that was recommended at that point was $1.7 billion of additional funds.

And I always like to characterize that as a huge, huge number; but when you really think about what it can accomplish, it's very minimized.

And I'll just characterize it this way, the way I typically do. What that $1.7 billion allowed us to do was get our structurally deficient bridges to a national average in 17 years.

And I always comment that I have a daughter in 10th grade and I can imagine her coming home from school saying, dad, I didn't do so good in this test, but don't worry. I have a corrective action plan that in 17 years I'll be average.

And when you realize how crazy that is, and how not -- unacceptable that is, you really get the feel of how much resources is really necessary in order to move so many roads and so many bridges and keep them in an acceptable fashion.

Again, the main point of that is the Stimulus and Recovery Act. Even though it's a huge number, when you ultimately see what its impact is, while it's extremely helpful, it is not a long-term solution. It is a -- a shot in the arm. It's a one-year booster.

In essence, what we have anticipated for this current calendar year of 2009 is about a $1.8 billion construction program, and depending on what ultimately happens by way of economic stimulus it could be increased from a range of about 850 million to a 1.2 billion with the -- with what the current numbers are.

And now I'll just roll in and just

talk about uncertainty. And, again, when we talk about the recovery bill, that's what I would say at this point.

We don't know what's going to happen. Anywhere from the size, how much money there will be for highways and bridges, how much of it ultimately will come to Pennsylvania, what are the extra rules that are going to be applied for Pennsylvania?

And I know further testimony this morning is going to get into some of those particulars. So I'm going to try to avoid doing this at this point.

But when you look at the House side, I'll just throw these out as -- as examples and -- and thought process in how we approach this situation or this opportunity.

On the House side, 55 percent of it goes through one distribution, which is a very flexible distribution. The balance, or 45 percent of it, would go through a STP, a specific allocation or distribution, and that gets parsed out in four different areas. And one of those is the traditional transportation enhancement program.

So right away you're -- you're splitting how much money comes, it comes into different rules and different requirements on how it could be eligible and -- so 10 percent of 45 percent would be transportation enhancement related.

So, again, the whole purpose there is just to say there are a ton of rules and depending on what ultimately gets agreed upon by both the House and the Senate could have a dramatic impact on what types of -- or which specific projects would advance.

The other key point that I'd want to point out about the House of Representatives' bill is that there is a use-it-or-lose-it provision that requires 50 percent of the funds to be obligated within 90 days.

And I'll -- I'll come back to that point as well a little bit later as I talk about just the specific impact.

On the Senate side, again, it has a similar use-it-or-lose-it provision, but that 50 percent would be required to be obligated within 180 days.

So that's a little bit longer time.

But it has different rules or different requirements. The first 50 percent of the money pretty much goes to the state to decide. The second 50 percent, 80 percent of that would go to locals and an overall 10 percent would go for congestion mitigation, air quality type projects.

So, again, there's a separate set of rules in each of the bills, and ultimately, as that goes to conference committee and gets resolved, we'll be very anxious to see what ultimately comes out because that's ultimately going to be dependent on the types of projects that can be advanced.

Again, we're still hearing that congressional leaders are hopeful that that can get resolved and into the White House by President's Day. So a very aggressive schedule.

The main focus of what I wanted to talk about this morning is just Pennsylvania's approach to the economic recovery plan.

What we did, as I indicated previously, is we responded to a couple AASHTO surveys. Each time that we did that we answered specific questions that were posed to us. But what we really wanted to do is say, okay, if -- whatever range of resources would come to Pennsylvania, we would want to be in a position to take advantage of that.

Key things that we did know were that whatever it would be it would be relatively quick so we needed to be able to respond quickly.

The first look that we did was to look at our existing transportation improvement program, our existing TIP, we wanted to make sure that those projects that had already gone through the rigorous prioritization process and could be advanced from the second and the third and the fourth years were the first ones that we were looking at, because they were already regional priorities.

What we also did was say -- we picked a couple different scenarios at 500 million, a billion and a billion-and-a-half just to make sure we were covering the range of potential that could come to Pennsylvania and we -- we used the existing distribution of funds.

So we said if a particular MPO or an RPO gets a certain percentage of the pie with the last TIP update that would be their appropriate share in this stimulus package. Again, for planning purposes.

So what we did was came up with, again, those projects that could be advanced from the TIP, already regionally prioritized, and if that fell short of the dollar value target -- target that we had looked at again regionally, we looked at other projects knowing, once again, that the intent of the economic recovery is to get people to work quickly.

So what we did was identify those projects that could be advanced very quickly, which means there are not right-of-way acquisition requirements, utility conflicts, permitting issues. They would have to be things that could be turned around extremely quickly.

Also during these conversations what we did was had several meetings with APC, ACEC, constant contact with Federal Highway Administration, Pennsylvania Division, again, just trying to share information on best insight of the people of thought and to make sure our approach made sense.

Again, just to give some sense of scale of what that $1.5 billion could be, by the way, you know, again, our House number is about 890 -- or Senate number is about 890 million potentially coming to Pennsylvania. The House side is about 1.25 billion.

So our -- that 1.5 number of just PennDOT-generated projects is greater than the -- the scale that we're currently talking about presently.

But just to get a sense of what that scale would be, the candidate list that we did identify would be able to repair 428 bridges, 125 of which are structurally deficient. The other ones would be some level of preservation that would be --that we would extend their life and then also repaving about 870 miles of roadway across the state.

Again, when you look at the scale of need, right now we're just under 6,000 structurally deficient bridges in Pennsylvania. Being able to address 125 of them is very, very helpful, but it certain doesn't resolve the problem.

The one other point that I'd want to bring up at this point, too, was, as we put that list together, we sat down with the House and Senate transportation staff to go over our approach and our -- our selection process -- and, again, what -- selection process is a bad term because it's really just a candidate list to say Pennsylvania's prepared for whatever may come and fall on our lap. We'll not only take advantage of those resources but also be in a position to take what other states may or may not be able to grasp.

Again, leaving you with a couple of key points. We are continuing to monitor the legislation. We want to be in a position to understand and communicate that with our -- our regional partners, the MPO's and RPO's. That's how we see this process working.

We know that there is interest for local projects in addition to the ones that we've raised. Those are certainly on the table. Those are certainly to be discussed at the MPO and the RPO level.

The key provisions that we'll need to meet are, one, to make sure they're federally aid eligible and, two, that they're projects that can be delivered very quickly. Because that, again, is our understanding of what the intent of the legislation is.

So there will be that vetting and prioritization process. What we wanted to do, again, was make sure the people were aware that we've been working hard to be prepared for whatever potentially could come Pennsylvania's way.

And, yeah, two last thoughts are, we got to see the rules, under those rules, and then we're committed to engage primarily through our MPO and RPO process to make good choices for using those funds.

And, again, thank you for the opportunity to talk about PennDOT's approach and Pennsylvania's preparedness.

CHAIRMAN MARKOSEK: Okay. Thank you, Jim. And right off the bat you made a point that I've been stressing as well to our -- our members as well as anybody else that's willing to listen, that the stimulus is really -- I don't want to use the word mandate, but it doesn't solve our long-term transportation problems.

Whatever we get or don't get from the stimulus, we still have a lot of tough decisions to make for long-term transportation funding in Pennsylvania.

But I -- I had a couple of specific questions. Just very briefly, when you mention about your outreach, have you talked -- has there been any discussion with other agencies within the Commonwealth -- interagencies, you know, are we going to, you know, pick a road to -- to rebuild, for example, and then find out that, you know, DEP is going -- or somebody is going to tear it up a year from now to put a water line in? You know, have we made those kinds of things -- are we looking at those kinds of things?

And the other thing, too, when you mentioned the outreach to the various groups, some of which are here, I think also part of your outreach should be with the legislator as well.

And I think that's -- that's

something that, you know, you need to be cognizant of. I know through SPC technically, you know, the legislature is represented, but I think there needs to be a lot more discussions, you know, with the legislature as well.

DEPUTY SECRETARY RITZMAN: Can I --

CHAIRMAN MARKOSEK: Sure.

DEPUTY SECRETARY RITZMAN: -- comment? The first one, with the interagency, the hard part about this is each of the agencies are doing the same thing that we are, trying to figure out what the rules are going to be, how much money there is. Ken Klothen from DCED is the primary contact back and forth for the coordination.

So we -- we will be doing more of that, but I would say it's more, once we know what we're -- what we think we can do rather than at this point where we're just -- I was going to say blowing in the wind, but that's the wrong answer. As we're -- as we're being -- trying to be prepared for whatever may come our way.

But right now it is very divergent.

It's very, very broad-based. So that's definitely something that we need to do. And then also with the outreach, you know, I definitely agree with that.

One of the things I will say though is a lot of legislators are involved at the MPO and RPO level, so even though we may not have had direct ties that way, they are still being involved in those kind of conversations about specific projects and local projects.

Good news.

CHAIRMAN MARKOSEK: Okay.

Representative John Siptroth.

REPRESENTATIVE SIPTROTH: Thank you. Thank you, Mr. Chairman. And I apologize for being late.

Secretary, will the federal stimulus money require a match from the state?

DEPUTY SECRETARY RITZMAN: Right -- right now we believe not. They're set up to be a hundred percent federal. But ultimately we'll still wait and see. Right now that's the plan --

REPRESENTATIVE SIPTROTH: Okay.

DEPUTY SECRETARY RITZMAN: -- and the

approach that we've been taking.

REPRESENTATIVE SIPTROTH: Any preliminary guidelines they're putting out there?

DEPUTY SECRETARY RITZMAN: Yes. Yes. Correct.

REPRESENTATIVE SIPTROTH: Thank you.

Thank you, Mr. Chairman.

CHAIRMAN MARKOSEK: Representative Payton.

REPRESENTATIVE PAYTON: Thank you, Mr. Chairman. Thank you, Mr. Chairman.

Thank you for your testimony. I have a question about the use-it-or-lose-it provisions --

DEPUTY SECRETARY RITZMAN: Okay.

REPRESENTATIVE PAYTON: And the 50 percent that has to be obligated in 90 days. What does the obligated mean?

DEPUTY SECRETARY RITZMAN: Yeah. Good question. Typically what we do, that would be -- we would have to request from Federal Highways to use money for a particular project. And what's required for a construction stage -- stage would be the plans and specifications and estimate.

So that would mean it would have to be ready to advertise to contractors to bid on. So it would be at that stage where, in order to obligate, we need to have a -- have a package that's ready to be bid and advertised.

REPRESENTATIVE PAYTON: Got you. And other monies in the previous years that we received from the feds, have they always contained a use-it-or-lose-it provision or is this something new?

DEPUTY SECRETARY RITZMAN: They do in that you have a given federal fiscal year that runs from October 1st through September 30th, that if you don't use it by the end of September you'll lose it. But this would be something that would say right out of the chute whether it's --

REPRESENTATIVE PAYTON: This is a relatively short time frame then.

DEPUTY SECRETARY RITZMAN: Correct. Correct. Yeah. Ninety days.

The hard part, from a planning perspective, we'd love to say here's our portfolio of projects, here's how the -- the money is going to come, and here's how we can best match that. We like to look at it in a multi-year because we know projects do take time to deliver. So when you get one -- I'll say a hiccup for additional revenue, it does take quite a bit of coordination to make sure you get to use those funds.

REPRESENTATIVE PAYTON: Excellent. Thank you very much, Mr. Chairman.

CHAIRMAN MARKOSEK: Representative Pickett, Tina Pickett.

REPRESENTATIVE PICKETT: Thank you, Mr. Chairman.

Is there a specific list, intended list of projects? I understand one was presented and pulled back.

DEPUTY SECRETARY RITZMAN: Yeah.

REPRESENTATIVE PICKETT: Is there one at this point?

DEPUTY SECRETARY RITZMAN: Yeah. What I would say is we have a candidate list that we've worked really hard to round out, balance it across the state, and it was at a -- a value of $1.5 billion.

So, yes, there is a specific list of projects that we've said we can deliver within six months.

But the concern would be it is a candidate list and we know there are other projects. So it's not an exclusive list.

CHAIRMAN MARKOSEK: Okay?

Representative Chelsa Wagner.

REPRESENTATIVE WAGNER: Thank you, Mr. Chairman.

I have a question that is somewhat of a follow-up to Chairman Markosek's point on, I guess, involving the legislature or involving the committee and just I ask it generally. What do you see the role of either the House Transportation Committee or the Senate Transportation Committee in this process, if any?

DEPUTY SECRETARY RITZMAN: Good question. We very much value your input. If there are particular projects that you know of, again, that our primary concern is -- is the quick delivery and that are federally eligible, please let us know. We -- we certainly think that's extremely valuable.

Again, our concern was we wanted to make sure that everyone knew that Pennsylvania was ready for whatever happens. We, through federal requirements, as well as good practice, work very closely with our MPO's and RPO's to make those transportation planning and program decisions. We continue to value that.

A lot of legislators are -- are really tied that way into those committees locally about projects and, again, that's a great way for -- for projects to surface for consideration, for discussion, for vetting, for prioritization. If --

REPRESENTATIVE WAGNER: And then just as a comment, part of the reason that I asked the question is I'm from Allegheny County and involved with some groups in Pittsburgh that are, I guess, city kind of based --

DEPUTY SECRETARY RITZMAN: Yeah.

REPRESENTATIVE WAGNER: -- and have been talking about the stimulus package and, among other thing, are certainly concerned about the transportation aspects but have had a lot of trouble in finding information and a lot of different planners, even including city planning involved in this group, and it's not in an official capacity, but have been concerned that whatever list that was forwarded by our MPO, SPC, was not necessarily reflective of, I guess, some of the larger concerns --

DEPUTY SECRETARY RITZMAN: Sure.

REPRESENTATIVE WAGNER: -- or did not necessarily have so much foresight --

DEPUTY SECRETARY RITZMAN: Right.

REPRESENTATIVE WAGNER: -- so as in years past we're looking at projects that may not have the same kind of long-term economic impact that might be sought.

DEPUTY SECRETARY RITZMAN: Right. And -- and I will agree, a -- a quick turnaround requires you to make different choices.

My other little, I guess, illustration is I always say if somebody gave me a thousand dollars and said I had 15 minutes to spend it or 24 hours to spend it, I'd make different choices.

So those kinds of things really do

impact the kinds of decisions you can make. Because we need to make sure that -- because it's economic stimulus -- that we get projects out very quickly.

So that leads to different choices than if you're just looking for an ultimate economic impact which may take years to get -- to get developed.

We are -- I know SPC also sent a note out to all the counties ask -- soliciting projects for consideration.

So there's a number of efforts going on to do that kind of thing. But, you know, if -- if there are particular projects you'd like us to look at, I'd be happy to do that.

REPRESENTATIVE WAGNER: Thank you.

CHAIRMAN MARKOSEK: Representative Ron Miller.

REPRESENTATIVE MILLER: Thank you, Mr. Chairman.

Mr. Ritzman, your statement, economic stimulus, release projects quickly, and then we know the -- on the federal side of it that the House said 90 days, the Senate said 180.

DEPUTY SECRETARY RITZMAN: Right.

REPRESENTATIVE MILLER: What's your interpretation of this? Is that a passage that is signed into law or is that a promulgation of regulations?

DEPUTY SECRETARY RITZMAN: No. That would be a -- from the time the money hits the books. So they're expecting that within a week's time, after passage, that there will be money that we could tap into.

So that would be the start of the clock for the 90 days. So I would say 90 days, plus a week, or 180 days, plus a week, is what I would anticipate.

REPRESENTATIVE MILLER: So you're telling us that they are going to commit this money without promulgation of regulation?

DEPUTY SECRETARY RITZMAN: Yeah. What they're trying --

REPRESENTATIVE MILLER: Just legislative intent?

DEPUTY SECRETARY RITZMAN: Yes. What we're trying to do is utilize the existing distribution channels that are already in place --

REPRESENTATIVE MILLER: Okay.

DEPUTY SECRETARY RITZMAN: -- for other transportation funding so that they can put a chunk of money from the general fund through that same distribution and get it out quickly to be tapped into.

REPRESENTATIVE MILLER: Boy, we should do the same thing here.

Thank you, Mr. Chairman.

CHAIRMAN MARKOSEK: Okay. Thank you.

Representative Siptroth, a follow-up.

REPRESENTATIVE SIPTROTH: Thank you. Just a couple of follow-up questions, Mr. -- Secretary Ritzman.

Regarding the 428 bridges and 870 miles of road, just want to ensure, again, in my mind, that those projects are meeting the criteria established by the federal government for the 90- or --

DEPUTY SECRETARY RITZMAN: Absolutely.

REPRESENTATIVE SIPTROTH: -- 180-day scenario?

DEPUTY SECRETARY RITZMAN: What

our -- when our target was done -- and actually this -- our work was done prior to us seeing any of the House or Senate bills.

What we did was said -- we set our own target of saying we know it's going to have to be something quick. We're going to say 180 days to let and that's what that 1.5 billion list was driven from, that premise of what can we have ready 180 days to let.

REPRESENTATIVE SIPTROTH: One other question. Is there anything set aside to offer aviation?

DEPUTY SECRETARY RITZMAN: Yes.

REPRESENTATIVE SIPTROTH: Is that part of the mass transit, too?

DEPUTY SECRETARY RITZMAN: Yeah. There -- the other kind of numbers here -- on the House side, there's 3 billion for airports and I believe on the Senate side it's 1.3 billion.

REPRESENTATIVE SIPTROTH: That's expected in the state of Pennsylvania?

DEPUTY SECRETARY RITZMAN: No. That would be total.

REPRESENTATIVE SIPTROTH: That's the

package.

DEPUTY SECRETARY RITZMAN: I'm not familiar with the distribution of how that would work and I don't think we had a good sense either.

REPRESENTATIVE SIPTROTH: Okay. Thank you very much.

Thank you, Mr. Chairman.

CHAIRMAN MARKOSEK: Representative Miller, you have a follow-up?

REPRESENTATIVE MILLER: Thank you, Mr. Chairman.

CHAIRMAN MARKOSEK: A quick follow-up.

REPRESENTATIVE MILLER: A quick follow-up to that question if I may. If you use 180 days and the House language prevails with 90 days, what would be the dollar value of projects that you -- we would have ready to go?

DEPUTY SECRETARY RITZMAN: I don't think I could answer that today.

REPRESENTATIVE MILLER: Okay.

DEPUTY SECRETARY RITZMAN: We do -- I'll get back to you on that because we -- we have done the analysis. I just didn't bring that kind of information here.

REPRESENTATIVE MILLER: Okay. I was just wondering if maybe 85 percent of them --

DEPUTY SECRETARY RITZMAN: Yeah. It --

REPRESENTATIVE MILLER: -- would fall off the radar scene because 90 days is --

DEPUTY SECRETARY RITZMAN: It --

REPRESENTATIVE MILLER: -- such a short period.

DEPUTY SECRETARY RITZMAN: It -- it is very difficult and that is a big difference between 90 days and 180 days. Just because you need to know that you have money and it makes sense to get started on some projects.

That's one of the advantages to again utilize those projects that are on the TIP.

The issue with the use-it-or-lose-it provision is that 50 percent needs to be. So that it's not that the entire list would have to be but just the first 50 percent would be.

REPRESENTATIVE MILLER: Okay. Thank you.

Thank you, Mr. Chairman

CHAIRMAN MARKOSEK: Okay. If you could respond, Secretary, to the committee, we'll distribute that information.

DEPUTY SECRETARY RITZMAN: Okay.

CHAIRMAN MARKOSEK: Chelsa Wagner had a follow-up.

REPRESENTATIVE WAGNER: Sure. Just a follow-up on the -- either the 90 or 180 days, do you anticipate or have any reason to believe that there could be phasing within that? So say you have a project -- how are you defining project?

DEPUTY SECRETARY RITZMAN: Right.

REPRESENTATIVE WAGNER: So it may not be a project that would be fully ready but phase one of it could be.

DEPUTY SECRETARY RITZMAN: I don't think so. I think the real issue there would be you have a package that a contractor can -- can bid on. So if that construction package could be broken out and bid separately, that certainly would be an option to -- to phase it out.

But I would think that would be a whole project and then the 90 days or 180 days just depends on what ultimately happens in a conference committee for the time frame.

CHAIRMAN MARKOSEK: Okay? All right. Executive Director Eric Bugaile.

EXECUTIVE DIRECTOR BUGAILE: I had two questions actually. One was on the candidates for transit, how were they arrived at? And rail -- and was rail freight involved with the rail passenger? How did they break out?

And the second question was about the -- early in this administration we downsized a number of projects. Route 202 is a good example of how it became a parkway, a two-lane parkway from a four-lane limited access.

Have we considered looking at -- revisiting those now that there would be this shot in the arm from Washington? Why -- why haven't we looked at that to perhaps put these projects back to where they should be as -- as larger projects then?

DEPUTY SECRETARY RITZMAN: Okay. I'll answer the -- the second question first, I think.

First of all, that really wasn't a consideration because of the quick time frame for delivery. Most of those big projects have a multi-year delivery, project development process, requiring permits, oftentimes the utilities, especially right-of-way acquisition. Again, the nature of those types of work just draw out the project development process.

So for a quick stimulus, that's not feasible to think that you could get a project like that delivered quickly.

EXECUTIVE DIRECTOR BUGAILE: Couldn't we put that money though, put -- bring ahead stuff that's already on the TIP and use that extra money then that's on the TIP --

DEPUTY SECRETARY RITZMAN: Right.

EXECUTIVE DIRECTOR BUGAILE: -- then for those projects?

DEPUTY SECRETARY RITZMAN: Right. And that's -- that's certainly what's in the mix now. About -- just under half of those -- that $1.5 billion number were projects that were in year 2010, '11 and '12 that can be advanced.

So what that -- what we have not done yet is figure out what the backfill is to that. So that could be a consideration for how an MPO and RPO round out an updated TIP.

But the -- the first focus was getting -- which projects could be advanced quickly.

And then on to the candidates for transit, we did have a transit list and what that was was essentially a culmination of lists that transit -- transit agencies had provided to us that could be quick hits.

Again, it would be a candidate list of -- of things that could be delivered quickly.

EXECUTIVE DIRECTOR BUGAILE: And rail?

DEPUTY SECRETARY RITZMAN: I don't believe there was a rail component in the House side and that's when --

EXECUTIVE DIRECTOR BUGAILE: There's passenger rail though and then freight rail which is --

DEPUTY SECRETARY RITZMAN: Correct. The freight rail will --

EXECUTIVE DIRECTOR BUGAILE: One doesn't -- you couldn't have one and then the other?

DEPUTY SECRETARY RITZMAN: Correct. The freight rail was not included in the House, and I think there was a -- there was 1.1 billion for Amtrak and intercity passenger rail.

EXECUTIVE DIRECTOR BUGAILE: Are we ready -- there is a freight rail component, though, with the list?

DEPUTY SECRETARY RITZMAN: I'll -- I'll have to get back to you on that. I know Eric has certainly been working on things but I don't have a list of that.

I would say we're always optimistic and hopeful and like to be in a position that we can have our share and be ready to take care of -- other states that aren't quite as prepared.

CHAIRMAN MARKOSEK: Okay. For the record, Secretary Ritzman is referring to Eric --

DEPUTY SECRETARY RITZMAN: Oh, sorry.

CHAIRMAN MARKOSEK: Madden who is

Deputy Secretary for --

DEPUTY SECRETARY RITZMAN: Thank you.

CHAIRMAN MARKOSEK: For rail -- rail and airports over at PennDOT.

Okay. Secretary, thank you --

DEPUTY SECRETARY RITZMAN: Thank you again.

CHAIRMAN MARKOSEK: -- very much. We appreciate that and I'm sure you'll be hearing a lot more from us and vice-versa.

DEPUTY SECRETARY RITZMAN: Sounds great.

CHAIRMAN MARKOSEK: So we look forward to working with you. Thank you.

DEPUTY SECRETARY RITZMAN: Thank you.

CHAIRMAN MARKOSEK: Okay. William Buechner.

DR. BUECHNER: Yes, sir.

CHAIRMAN MARKOSEK: Thank you. Welcome, chief economist and vice president of economics -- economics and research for the American Road and Transportation Builders Association, ARTBA.

DR. BUECHNER: ARTBA.

CHAIRMAN MARKOSEK: Better known as ARTBA.

DR. BUECHNER: Yes, sir.

CHAIRMAN MARKOSEK: Dr. Buechner, thank you for traveling here to Pennsylvania and the Capitol and you may proceed, sir, when you're ready.

DR. BUECHNER: Okay. Well, thank you very much.

Chairman Markosek and members of the committee, I want to thank you all very much for inviting ARTBA to be here this morning to testify on the highway and transportation components of the economic stimulus bill.

And also I want to talk about SAFETEA-LU reauthorization because I think that's -- another very important issue that -- that we have to keep right on the forefront of the radar screen.

I brought -- instead of written testimony, I brought a PowerPoint presentation, which I think everybody has, and I'll be referring to various slides on that as we -- as I go through what I want to talk about.

Just for your information, ARTBA represents the transportation construction industry in Washington. We have about 5,000 members. We spend a lot of time dealing with Congress and federal agencies on transportation issues.

I've been the chief economist for the association since 1996. And I've testified before Congress. I do a lot of studies and things like that. So I'm very pleased to be here to help you with your deliberations.

I'll probably do much more of a national perspective whereas Secretary Ritzman gave you a much -- an excellent local perspective. I was very impressed by what PennDOT seems to be doing to get ready for this.

The Associated Pennsylvania Constructors is one of our largest and closest state affiliates and its executive vice president, Bob Latham, whom you all know, I'm sure, is here this morning, and I'm sure he's happy to assist you in any way that he can on anything that you're working on in this.

Let me go to -- let's start with this -- I'll start at this slide now.

And let me say I provided a handout that you all have. It's in the -- the packet that gives the details, what's in the House bill and the bill working its way through the Senate.

And Jim gave you an excellent kind of summary of what's going on. I think the main things, first, is that both the bills will provide about $30 billion for highways.

This represents -- and I think to put it into perspective -- this represents about three-quarters of a year of annual funding under the Federal Highway Program.

For fiscal year '09 the Federal Highway Program is funded at $41.2 billion. So $30 billion is a big chunk of money to try to deal with it in as quick a time as this bill requires.

About two-thirds of the money as you work through it -- Jim gave you, again, a lot of details -- goes to the state and about a third goes to the MPO's.

And I think the important point about

all this is that about half of the total, about 15 billion nationwide -- I think, as Jim pointed out, the Pennsylvania share would be somewhere in the range of a billion dollars. I think the -- the annual funding share this year will be about 1.4 billion. So, again, it's a big -- a big chunk of additional money.

This has -- this 15 billion has to be obligated under the House bill within 90 days, the Senate bill within 180 days. The final legislation will probably be somewhere in between there.

That's the way, you know, the conference committees generally work, is to look at the numbers and split the difference. But -- and the purpose of this is, of course, to get the money out there as fast as possible.

Because you have to remember this isn't a highway bill. It's a stimulus bill. It's a jobs bill. It's a job creation bill. And the highway -- the highway spending is part of it.

But the purpose isn't to deal with

highways. It's to deal with jobs. So they want to get as much of this money out as fast as possible.

To facilitate getting the money moving, both the House and Senate bill, hundred percent federal share, there's no state match. The distribution formula will be along the lines of the current highway bill, so that there's no -- nothing holding us up in the way of -- of, you know, food fight between the states.

The funds can be used pretty much for anything since the -- they're eligible for STP-eligible project -- projects. As Jim pointed out, there is some set-asides here that will make this a little bit more complicated, because nothing in this bill, there's nothing actually that reduces any of the federal requirements either. The -- the projects still have to be -- you know, have the environmental approvals. Davis-Bacon still applies. There's no waiver of any of the requirements.

But there's nothing that's new or additional here other than to get the money out as fast as possible.

And I think one thing that -- to focus on here is that this will not affect the Highway Trust Fund. That the -- it's all coming out of the general fund.

I think another thing to remember is that when the states have to obligate -- you know, that there's a requirement to obligate half of this money within 90 day, I mean that doesn't remove any of the requirement to obligate your regular federal money, which, you know, the state has to keep processing on.

So we're looking here at a big additional burden on the state DOT to get this money out while it still has to get the regular -- its regular money obligated by the end of September.

So the Senate is still working on their version of the bill. Most of what is in the bill, you know, in the core bill, will probably not be affected.

There are a couple of amendments. One that was -- that went down to defeat because it couldn't get a 60 vote majority to add money.

There is a bill, an amendment coming up from Senator Boxer and Senator Inhofe that would -- very complex kind of situation but would make available up to $50 billion for highway projects in addition to the 30 billion that will be in the -- the bill if the state recipients of other money in the -- in the stimulus bill can't use it within a certain time period, that the state government is going to be asked to put together a list of projects that -- in addition to the 30 billion, that could be started pretty quickly if there's some of this money that comes back.

Then there is a -- but, you know, what I'm also concerned about -- and this is something we have to watch -- is that this bill is going to need some Republican votes to pass and the Republican members of the Senate are very concerned about the spending side of the bill, that it's not -- that they're spending here, it's not going to be actual stimulus spending.

And so I'm a little bit concerned

that when all is said and done here, this -- the highway money may be in some jeopardy as well, and we have to keep watching that.

So I think that's -- that's something to -- to -- to be very concerned about as this bill works through the Senate, that there will be some efforts to cut some of the spending.

And, of course, our association will fight that tooth and nail, but we think everybody else should be looking at that as well.

Then there's an amendment from Senator Baucus which while not affecting the stimulus spending itself is still very important.

There's a provision in SAFETEA-LU that rescinds $8.75 billion of contract authority on September 30th, which means every state DOT will have to go into its contract authority and erase some of that.

And what our concern is, first, that this will -- you know, there may be some areas here where the states will actually lose their ability to spend some money, but, more important, when SAFETEA-LU expires it's unlikely that we'll have a new authorization in place.

So, you know, of course, there will be short-term extensions or maybe some kind of extension if the bill isn't -- you know, if a new authorization isn't in place on September 30th. But if it turns out that the appropriations bill is the only thing that we have and they can't -- you know, they're not supposed to create contract authority, that this money may be the only money that's available.

So our view is that it doesn't make sense to rescind 8.75 billion of contract authority if that might be necessary to provide funds in the interim between when SAFETEA-LU expires and there's a new bill in place.

It's no -- there's no cost to the Baucus amendment, so it's a good insurance policy.

There's also money in the bill for transit and airports and passenger rail, and that's in our -- our detail side by side.

Let me go on to the three charts here

that look at issues that have been raised about the -- about the stimulus.

First, very legitimate question, is can highway investment create jobs quickly? Now we know they can create jobs.

The Federal Highway Administration periodically does a study of job creation from highway investment, and they just released one last year in which they estimate for a billion dollars of actual highway construction that you generate or support about 28,000 jobs.

Now, a little bit less than those -- a little bit less than 10,000 of those jobs would be actually on-site construction jobs. Another 4 to 5,000 would be jobs in materials and equipment suppliers. And then the rest of the jobs are jobs that are supported or created as those construction workers and those manufacturing employment -- employees go out and spend their money at the Wal-Mart or the Food Lion or the Target and that generates demand for other products throughout the economy.

So you get -- certainly you do get some job creation, and it's very important.

The question is whether it can be done quickly. And, frankly, we don't have any real experience with a bill like the one that's working through the House and Senate.

The last time highway investment was used as a kind of counter cyclical measure was back in the 1982 recession when the unemployment rate got up above 10 percent. At that time Congress and President Reagan raised the gas tax five cents and increased highway investment under the core highway program.

Well, the core highway program allowed -- you know, is -- is the program that addresses big projects, whether it's planning time, designing, environmental reviews, and things like that.

So what happened was a lot of construction work didn't occur till '84 and '85 when the economy had already come out of the recession.

So we've learned from that experience, and this bill addresses the quick start aspect of this by requiring that the money be obligated very quickly, you know, within 90 days in the House bill, 180 days in the Senate bill. Hopefully for shovel-ready projects.

And so it should spend out much faster. And our hope is that this -- this bill will -- or at least the highway component of this bill will support the goal of the -- of the -- of the legislation to get projects moving and jobs created very fast.

Second issue, can state DOT's and MPO's actually handle this money? Can they get $15 billion obligated within 90 days while they're still trying to do their regular highway program obligations?

And -- and I guess the question -- I put a question mark there because we don't know that. PennDOT seems to be way -- way along the curve, and that's a very hopeful sign. I hope the other DOT's are paying attention the same way.

There's a lot -- a lot of things they can and should be doing to -- to facilitate this. And I think when it comes to this question, can they do it, I don't think that there is a -- I mean I don't think we can let the answer be no.

And the reason for that is that this bill is kind of going to be agress -- a dress rehearsal for reauthorization.

Now, we're looking for a big increase in federal funding in the next six-year authorization. SAFETEA-LU topped out at 41 billion.

To just maintain our current system would require a federal expenditure up in the 60 billion, the $70 billion range. And if the state DOT's can't get this $15 billion out in 90 days or 180 days and some of this money gets turned back, I mean how are we going to be able to go up to Congress and say we can handle a increase from 40 to $60 billion in the -- in the core federal program?

So I mean I think the answer to that is that we can't let this slip, that this has to be done.

And then finally there's a question which I think you all are going to address in a hearing next week which is can the contractors handle this? And there I think, you know, Bob and, you know, some of the people that you'll be talking to, I suspect --

you have a hearing on this next week -- will tell you that the answer to this is not an equivocal yes.

And I have some charts here to show what's been going on at the contractor level that makes it, you know, kind of imperative that we get some of this money going out.

First, we have this chart showing employment by highway construction contractors on a month-by-month basis for the last three years. And as you can see highway construction contractors have been laying off people this year. In November we had 26,000 fewer people on their payrolls than November a year ago.

So there's a big pool of trained workers out there who are ready to go back to work. And, of course, a lot of highway construction work gets subcontracted. We -- we can't trace the subcontractors because that gets pooled in with subcontractors and all kinds of other projects, but clearly if the contract -- the highway -- the general contractors are laying off workers so are the subcontractors.

And if you look at the next -- the bar chart, you see that there is one-and-a-half, almost one-and-a-half million highway construction workers -- or not highway, but construction workers who are unemployed. Now, not all of these are trained on highway construction. But there's a lot of overlap here. So we do have a big pool. And this is twice as many construction workers are -- as are normally unemployed at this time of year.

And for the past few quarters ARTBA's contractor members in our quarterly survey have been telling us that they've been doing less work than the same quarter a year before.

We have a chart here which shows the -- you know, the -- when we're asking them how much work they're doing that we're now way down on the negative side of that whereas a few years ago they were saying they were doing more work.

And then we have a question on our quarterly survey, you know, what percentage of your capacity are you actually using right now? And in the fourth quarter survey, 44 percent of our members say that they were operating at 75 percent or less of their capacity, which is a record number, as you can see, from this -- this chart.

A few quarters ago we asked them, you know, what percent -- a few quarters ago about 35 to 40 percent of our members said that they were operating at full capacity. In the fourth quarter of '08 two percent said they were operating at full capacity.

So the industry has capacity to take on this significant amount of new work. And because of the importance of this, both to the economy and to our industry, for this highway stimulus to work in creating jobs, I mean we are going to be tracking a number of measures to judge the impact.

Of course, one thing is what projects are being obligated and how much is getting obligated, et cetera, and the -- the legislation is probably going to require periodic reports from the state DOT's and the FHWA divisions of what's actually being done with the job.

But the real issue then is, is creating jobs, not is just the money getting obligated, is it getting the contractor or those projects started, is it creating jobs?

And we're going to be tracking that monthly employment number, the monthly employment by highway contractors. Our quarterly survey, we ought to be seeing contractors saying, yes, we're doing more work now than we did a few quarters ago because of this stimulus.

And also we have a way of contracting [sic] the new contracts awarded. Because you can see in the -- in the next chart, which is the bar chart, in '08 state and local DOT's put out about 52-and-a-half billion dollars' worth of new contracts for highway and bridge construction projects.

And if this stimulus is working, we ought to see the number going up substantially in '09. Well above 52 billion. And we can track this on a state-by-state basis as well.

So that's, you know, our -- our real hope here is that this money will be getting out there and will be generating jobs and generating projects.

Now, one thing that can enhance the impact of the highway stimulus money is that the inflation in construction material prices that has plagued the DOT's for the last five years seems to be coming to an end. And I think that's excellent news because it now means any money that we're putting out is going to be buying more -- more construction work.

Since 20 -- 2003 the cost of highway construction projects has risen nationwide about 40 percent. Every state is different. But I know PennDOT has been having a problem like this as well as everybody else.

It's been driven by a 60 percent increase in the cost of construction materials, which has eroded the purchasing power of the federal program, it's eroded the purchasing power of state funds. It's been a big problem.

As you can see from this -- this line graph, the green line shows the producer price index for highway and street construction materials and that's been skyrocketing for five years.

And 2008, as this bar chart shows, 2008 was the worst. We had thought at the end of 2007 that this was going to kind of quiet down. But it didn't. The -- the increase in -- in oil prices in 2008 shot up the cost of asphalt and so the cost of materials overall rose about 14 percent in 2008.

Which as the next chart shows has really eroded the -- the -- the volume of construction work that we've been able to buy both at the state and with federal -- with federal and state money.

The real construction activity in 2008 was down about 10 percent from 2005 because of this.

But as the next chart, the line chart with its red line shows, since last summer, the prices of -- of -- of construction materials have been falling.

The recession, which has reduced the demand for construction materials, particularly the collapse of home building, and the freefall in oil prices, have all contributed to this.

And even -- now, I think this line is going to keep going down for a little bit but even if it -- if it levels out, where it is now, it means the average cost of highway projects in 2009 would be about six-and-a-half percent less than 2008.

And it's likely that that number is actually going to be a bigger gap. You know, 10 percent, 15 percent less.

So it's a good reason to get the stimulus money moving while construction costs are low.

But to finish up, I want to emphasize that the stimulus bill is not a solution for the nation's need for more investment in highways and other transportation modes.

It's far more important to get a good reauthorization bill, and we got to be focusing on that. And for that, there is a very serious problem looming that makes this so very important to get this done and get it done in a timely way, which is that highway account revenues for the next -- for the foreseeable future are well short of the amounts that are needed just to maintain the funding in the federal program under SAFETEA-LU and it's way below what we need to meet our investment needs.

In the next chart, the blue, red and yellow line chart, the blue line shows projected highway account revenues based on the Treasury's midyear forecast.

They have not given us a new January forecast because the new budget for 2010 has not yet come out, but that number, when it comes out, will probably be a bit lower, which will make this problem even worse.

The red line shows the funding level that was appropriated under SAFETEA-LU. Now, there was a big gap there and that gap was filled because there was a balance in the highway account of about 12 or $13 billion that could be drawn down to pay for some of the projects that weren't being funded under ongoing revenues.

But that balance is gone now, and there's no balance when we come to the next bill.

And then there's the second problem, which is that the revenues are far less than the minimum needed just to maintain current conditions. As you can see from the yellow line, we ought to, at the federal level, be spending about $60 billion a year now, and that would be enough to give us -- to maintain conditions, address some of our structural problems on bridges, and also create enough new capacity to maintain -- to keep congestion around the metropolitan areas from getting worse than it is now.

But we're not doing that, and that's why congestion keeps getting worse and worse every year, why we keep having these bridge -- bridge quality problems and things like that.

So we're going to need a big increase in revenues. And -- and there's a particularly troubling problem looming for 2010 that has to be dealt with pretty much right away, that has to be dealt with before we get to 2010, which is that most of the $34 billion of revenues that are projected into the highway account in 2010 are tied up, already committed to pay the ongoing costs of projects that got underway in '08 and '09.

The federal program is a

reimbursement problem -- program. As the contractors do the work, they get paid out of the Highway Trust Fund. And so a lot of projects that got started in '08 and '09 and will be continuing into 2010, a lot of that money is going to be needed just to pay the contractors for the work they're doing on those projects.

So there's only going to be 5 or $6 billion of revenues coming into the trust fund in 2010 that can be used to finance new projects.

And the way the spend out formula works, that puts a cap of about $22 billion on the new funding that will be potential -- possible in 2010 without new revenues.

So after 2010, the revenue situation could support a highway program of about 33 to $35 billion. Again, by comparison '09, 41 billion.

So we are looking at a six-year period here where we'll -- we'll not get back even to any levels that would be possible under -- that we -- you know, that we had under SAFETEA-LU unless there's new revenues.

And let me just end up by saying that there's some options here. Number one, Congress, of course, could simply let the program fall to 22 billion in 2010 and then 33, 35 billion, in which case the theory would be that this is a state -- the highways are a state and local issue. Highway -- state and local governments have to come up with the money for that. Public-private ventures can take up some of the slack by building new roads with tolls, et cetera.

But our view at ARTBA is that would be a disaster. It would be a diaster for the nation. We don't think that these other possible -- you know, that there's a potential out there to take up that kind of slack and particularly not to get up to the investment levels that we need to maintain conditions, let alone start doing some improvements.

ARTBA, the financing commissions -- there are two financing commissions created under SAFETEA-LU that have now made reports -- most of the other stakeholders all believe that we need to maintain a strong federal presence; that we need to have new revenues, more revenues coming into the Highway Trust Fund; user fee increases, like an increase in the federal gas tax, is one option; and both of the financing commissions have called for increases in the gas tax of at least ten percent to get up to the level that we need to to maintain conditions which would require even a more -- even larger, but there's other things that could be used as revenues as well. Certainly we could use general funds. We haven't done that in over 50 years. And it's not what we'd like to see, but it's a possibility.

Issuing bonds. A proposal has been made to bond some of the federal money, in which case we would have to pay it back over time.

But that's not an unreasonable approach because a lot of these, you know, particularly new highways are used over a 30-year period and you have to ask why we -- why we should up-front pay for those when we could spread the cost over the -- the years that they're being used.

But we can't think that the stimulus bill will solve our investment needs. The stimulus bill is important, but the real focus of every legislator in this country should be on the reauthorization legislation. And that's what we're focusing on at ARTBA once we get past the stimulus bill.

So I hope that was helpful and I'm happy to answer any questions.

CHAIRMAN MARKOSEK: Thank you very much. That was very helpful. I'd also point out to members that there's a chart at the end of your handout as well, besides the slides, that spells out some of this.

DR. BUECHNER: Yes. Yes.

CHAIRMAN MARKOSEK: Very handy.

I think Representative Siptroth, yes.

REPRESENTATIVE SIPTROTH: Thank you, Mr. Chairman.

Mr. Buechner, thank you for the presentation. I appreciate that.

I know -- and I'm going from the end of your presentation, you know, back to the beginning for my questions. But I know a number of states, including Pennsylvania, at one time actually had significant debt service related to bonds they floated for highway funding.

DR. BUECHNER: Yes.

REPRESENTATIVE SIPTROTH: I know California substantially has high debt service related to that.

DR. BUECHNER: Yes.

REPRESENTATIVE SIPTROTH: My only problem with that is it severely distracts from utilization of funds for upcoming and current highway -- highway transportation needs. So I don't know if that's the real way to go or not.

But what are your feelings on Act 44 in Pennsylvania?

DR. BUECHNER: I'm sorry. What was the last?

REPRESENTATIVE SIPTROTH: The Act 44 which is the tolling of Interstate 80.

DR. BUECHNER: Oh, tolling. That's a good -- that's a good question, and I don't think our association has a -- a position on that.

I mean I -- I -- certainly it would be a source of revenues and a -- definitely a user fee source of revenue. I think our -- we have a very active public/private ventures division that has -- that has held a big conference in Washington every 20 years -- or for the last 20 years, and we're very supportive of using, you know, public/private kind of ventures for -- for new construction.

I think our -- our position on this is that if you were to do something like tolling of -- of I-80 that -- that the money ought to be used for highway improvements, not going into general fund revenues or into other things that -- that -- I mean this would be an issue for the state, although I guess the Federal Highway Administration would have some say about that as well.

But our -- our basic position on this is that when things like that are done that the money ought to be used for highway improvements. Not like some -- you know, like, I think, with the Chicago Skyway where they lease that and then they use some of that money for other things.

We wouldn't be supportive of that. But we would be supportive, if you did that, of using the revenues for highway improvements.

REPRESENTATIVE SIPTROTH: I think -- I think our -- our particular bill that was passed has been delayed by the permitting process of the Federal Highway Administration. It was well drafted, and in fact, it was the funds that were going to be derived from that tolling would have been used for highway construction.

DR. BUECHNER: Uh-huh.

REPRESENTATIVE SIPTROTH: So that specifically was stated. So I think that was well drafted.

And I just wanted -- and, again, unfortunately we don't have a law in Pennsylvania that would allow significant monies to be placed from the private sector into a public/private partnership. We tried that -- that last session. Hopefully, that will come back out in this session.

DR. BUECHNER: Well, as I said, we've been holding these conferences for 20 years and it's still an infant industry. So there's -- there's still a lot of learning that needs to take place on how these things work and what kind of benefits and costs there are.

So, you know, at some point -- you know, a number of states have been doing this and, you know, at some point as the information develops and the experience around the country develops, you know, maybe states like Pennsylvania will move to these -- to make it easier to do that. I'm --

REPRESENTATIVE SIPTROTH: And I very -- very well affirm that I think we have the construction industry's ability to move forward with the stimulus package for the coming years.

DR. BUECHNER: And, of course, Bob can tell you much better about what -- what the contractors here in Pennsylvania are -- are ready to do.

REPRESENTATIVE SIPTROTH: Thank you very much.

Thank you, Mr. Chairman.

CHAIRMAN MARKOSEK: Representative

Chelsa Wagner.

REPRESENTATIVE WAGNER: Thank you.

DR. BUECHNER: Yes, ma'am.

REPRESENTATIVE WAGNER: If I could ask the same questions that I asked Deputy Secretary --

DR. BUECHNER: All right.

REPRESENTATIVE WAGNER: -- Ritzman in regards to the federal stimulus bill. You noted that -- I guess this is the House version -- that 20.4 billion would be going directly to the states with 7.4 going to the MPO's.

The question I asked him, and I wonder if that would have any implications for a possible answer, is what would be the role of this committee, if any, in that process?

DR. BUECHNER: Well, I -- I don't -- you know, I don't know what kind of role you all play in relationship with project selection and things like that with PennDOT.

But I think, given the nature of this legislation, which is to get projects going quickly and to get jobs created as quickly as possible, that whatever kind of role you have with PennDOT, it should be to get the projects that we can get going as -- quickest, be the ones that they -- that they focus on.

I know at the federal level members of Congress like to earmark money for specific projects. I don't know how you do it here in -- in Pennsylvania.

What tends to happen when a member -- when members of Congress earmark for specific projects is that somehow or another that money doesn't get spent.

We have -- in SAFETEA-LU there was $20 billion worth of earmarks. At the end of fiscal year '08 12 billion of earmarked money had not even been obligated.

So -- and so if you really want to get this money going as fast as possible, you need to support PennDOT's getting its list together and its projects advertised as quickly as possible and put up as little, you know, impediments to that as possible.

But, once again, I don't know what your regular relationship is with PennDOT on that.

So, again, our goal as a national

association is to see this money get out there as fast as possible and get projects going and people to work as fast as possible.

CHAIRMAN MARKOSEK: Okay. Thank you.

Any other? Representative Ron Miller.

REPRESENTATIVE MILLER: Thank you, Mr. Chairman.

It's always been my opinion that, no matter what they're worth, things like Davis-Bacon -- and I think that cannot be waived in this; it still is in effect and stuff -- adds costs to projects. So if this is a job stimulus bill --

DR. BUECHNER: Yeah.

REPRESENTATIVE MILLER: -- why is Congress, in your opinion, not looking at waiving that and funding more projects with the money available?

And a follow-up to that would be, are they pushing for the -- to be able to expedite things like the environmental reviews and things so all states will be able to participate if they have projects that haven't gone through -- quite through all those reviews?

DR. BUECHNER: Number one, I think Davis-Bacon, environmental review, those are all very controversial things. And I think part of what they wanted to do was get this bill enacted as fast as possible so there's as few controversial things as possible in it.

And then again, you know, in reality, Democrats are in control of the House and the Senate. Now, they're not going to waive Davis-Bacon even if it -- you know, no matter what. Environmental reviews, they're not going to waive that.

But if you go to the Federal Highway Administration's website, the Federal Highway Administration has already set up an information -- information resource for state DOT's on the website that explain what -- what the Federal Highway Administration is going to be doing to expedite things like getting projects on the STIP which aren't on the STIP now.

I mean it has to -- you know, the requirement for -- for federal monies the project has to be on the STIP. But if -- if PennDOT has some projects they want to do or some of the state -- or some of your counties, some of your municipal governments have projects they want to do that aren't on the STIP, the Federal Highway Administration is going to expedite getting on -- getting on -- getting them on there and they -- they said they can do it in -- in 30 days.

Environmental reviews, I mean you still have to do that. Our hope is that, given the response that AASHTO got to its -- its survey earlier this year about the number and value of projects that are shovel ready, is that for this bill most of those projects will also -- already gone through the environmental review process.

Any project that has -- that still has to start the NEPA process or something like that simply isn't going to be ready to obligate these funds.

And -- and for a big issue like that, Davis-Bacon, environmental review, those are issues that are more appropriate to the reauthorization bill than to the stimulus bill.

REPRESENTATIVE MILLER: Just a quick follow-up, Mr. Chairman. So -- but you also stated that there is no requirement for a state match on a project.

DR. BUECHNER: That's right. This -- these will be a hundred percent.

REPRESENTATIVE MILLER: So we could or a state could opt to fund a certain project totally with federal dollars --

DR. BUECHNER: Yeah.

REPRESENTATIVE MILLER: -- meet all those requirements --

DR. BUECHNER: Yeah.

REPRESENTATIVE MILLER: -- and if it's a state that didn't have a prevailing wage scale of their own --

DR. BUECHNER: Yeah.

REPRESENTATIVE MILLER: -- they could stimulate the economy even further by being able to do other projects?

DR. BUECHNER: I don't think there's any federal requirements on -- on projects that use a hundred percent state money.

So, you know, it -- it might be that

some of the projects that are on the STIP that you had originally thought you'd use 80/20, if you do those with hundred percent state money and then take that 20 and put it on state projects, yeah, you're exactly right.

REPRESENTATIVE MILLER: So --

DR. BUECHNER: That you could use the state money on other projects that you could get, in a sense, more value.

REPRESENTATIVE MILLER: So we could increase the number of projects being released to be done by looking --

DR. BUECHNER: You'd have to work that out with PennDOT. I don't get down -- I mean I'm not --

REPRESENTATIVE MILLER: Understood.

DR. BUECHNER: But to me, it sounds like it's reasonable.

REPRESENTATIVE MILLER: You know, we'd have to suspend prevailing wage ourselves.

DR. BUECHNER: Yeah.

REPRESENTATIVE MILLER: But if we did that --

DR. BUECHNER: Yeah.

REPRESENTATIVE MILLER: -- we could increase the number of projects and put more people to work.

DR. BUECHNER: If you were to do that.

REPRESENTATIVE MILLER: Thank you.

DR. BUECHNER: But, again, that's not -- not something I would be able to comment on. I mean our --our association has agreed with the labor unions not to -- not to lobby on that particular issue.

REPRESENTATIVE MILLER: And I have not. So I appreciate that.

DR. BUECHNER: Yeah.

REPRESENTATIVE MILLER: Thank you, Mr. Chairman.

CHAIRMAN MARKOSEK: Okay. I have a couple of questions, too.

You had mentioned the funding for moving forward in Congress some of the studies that have been made and some of their recommendations relative to fuel taxes, those kind of things.

DR. BUECHNER: Yeah.

CHAIRMAN MARKOSEK: It's probably an

unfair question to you, but you have some Washington insight that perhaps we don't.

If you had to pick -- say a scale of one to ten, ten being the most likely, how would -- how would you think that the Congress may say this session deal with -- deal with and pass an increase in fuel tax?

DR. BUECHNER: There's -- there will be a lot of forces acting on that. One of the main forces will be that when they -- the SAFETEA-LU expires and it comes time to authorize a new highway bill, as I pointed out, the revenues under the existing tax rates will be insufficient even to continue funding the program at its current level. So there have to be some new revenues.

And to improve it, I mean I think Congressman Oberstar, who is the chairman of the House T and I Committee, wants a significant increase in the size of the surface transportation bill.

He's talking about a half a billion dollar bill versus 286 under the -- the current law.

Again, that would require new

revenues. So the pressure will be on Congress to come up with new revenues.

The easiest and most straightforward -- or should I say traditionally, the main source of revenues for the Highway Trust Fund has been the federal gas tax.

But -- and with, you know, the -- the last time we did a reauthorization, when -- in the 2003 to 2005 period, both the President and the leadership in the Congress was -- was, you know, kind of heels in their sand, you know, heels in the sand opposed to any kind of gas tax increase. So -- so there was no support from anywhere for a gas tax increase.

Certainly the current president has expressed very strong support for highway investment, and we know the leadership in the Congress, both houses, now is much more supportive of increasing highway investment.

But, nonetheless, it's still a long -- a long way from supporting investment to be willing to support a gas tax increase.

And both parties have been burdened by previous gas tax increases. If you'll remember when -- when president -- the first President Bush was president and his, you know, he -- he -- his mantra was no new taxes, there was a budget agreement that was hashed out between the Democrats in Congress and the Administration that -- as well as cutting spending, also increased the gas tax by two-and-a-half cents and then President Bush was beaten the next -- you know, in his re-election campaign.

And the same thing happened to the Democrats in 1993 when they increased the gas tax by another 4.3 cents and the number -- and then they lost control of the Congress.

So neither of these was probably the reason why they were beaten, but it's still in the institutional memory. So it's not going to be easy.

Hopefully, if they don't come up with a gas tax increase, they'll come up with some other revenue source.

CHAIRMAN MARKOSEK: Okay. That's a fair answer to that -- to that question.

Just a couple of other things. Relative to stimulus now, what you know about it -- and I know it's very much up in the air at this point in time.

Do you think there would be or do you know of any talk that would have a portion of a stimulus that would be available for private match?

This is sort of, you know, what Representative Siptroth was getting at, but we do not have in Pennsylvania right now a P3 law on the books.

DR. BUECHNER: Right.

CHAIRMAN MARKOSEK: So if that would be a part of the stimulus, do you foresee that being part of it, that it may affect us in that sense that we would perhaps not be -- have, you know, the availability of some of that money because we don't have that right now?

DR. BUECHNER: I don't think I've seen any provision -- certainly no provision in the House bill that would require that, and I don't think I've seen anything in the Senate bill.

There may be a provision in the Senate bill that would direct some of the money to the TIFEA program, but that's not a private -- that's not one that requires a private match.

I don't think you'll see that in the stimulus bill. Again, major policy changes like that are much more appropriate for the reauthorization bill which is where you might see it.

CHAIRMAN MARKOSEK: And just one other thing. You had mentioned in your slides the whole idea of inflation now has dropped --

DR. BUECHNER: Yes.

CHAIRMAN MARKOSEK: -- somewhat. Probably because of the economy and --

DR. BUECHNER: Yeah.

CHAIRMAN MARKOSEK: -- presumably when the economy picks up, you know, that could also --

DR. BUECHNER: Yeah.

CHAIRMAN MARKOSEK: -- go back up.

DR. BUECHNER: Yeah.

CHAIRMAN MARKOSEK: But do you see the stimulus causing inflationary problems of its own just with that much money, you know, too -- too many dollars chasing too few services, that kind of typical definition of inflation?

DR. BUECHNER: I don't see it from the highway -- the spending. I mean it's not a big enough chunk to do that.

However, to the extent that the stimulus bill does help turn the economy around, I mean as you point out, eventually we'll get back to a point where construction materials will once again be relatively scarce.

CHAIRMAN MARKOSEK: Okay. Any others? From the executive directors, any questions? Okay. Thank you.

DR. BUECHNER: You're welcome.

CHAIRMAN MARKOSEK: Very well, doctor. Thank you. Appreciate you being here today.

DR. BUECHNER: Thank you.

CHAIRMAN MARKOSEK: Very good testimony.

DR. BUECHNER: Thank you.

CHAIRMAN MARKOSEK: Very enlightening.

DR. BUECHNER: Thank you.

CHAIRMAN MARKOSEK: Okay. Maria Lehman is here, and she is the chair of the National Government Affairs Committee of the American Society of Civil Engineers.

Maria, thank you for attending here today.

MS. LEHMAN: Thank you for the invitation.

CHAIRMAN MARKOSEK: Traveling here to the Capitol, and we really appreciate your presence, and you may proceed when you are prepared.

MS. LEHMAN: Great. While -- while I start here, I'm actually passing out the report card, which came out last week, and hot off the presses, got it overnighted last night.

I'm here to tell you a little bit about ASCE's report card and what we've been doing and how that impacts the stimulus bill and how it impacts Pennsylvania.

First, a little bit of history about the report card. In 1988 a presidential commission was created to study and report on the state of America's infrastructure. And they gave a grade of C, and the title of their report was Fragile Foundations, A Report on America's Infrastructure.

It was basically a harbinger of things to come. Ten years later ASCE took -- took the role of taking that information and updating it and has been doing so on about a four-to-five year basis.

It is a very large undertaking. We get an awful lot of experts across the country involved to be able to do that.

But we feel it's our mission as a professional society to inform the American public and the nation's decision-makers about the condition of our roads, bridges, water systems and public works.

Part one of this year's release was actually moved up. We were going to do this in March; but because of the pressure with the stimulus bill, we actually broke it out into two parts.

On January 28th, our president, Wayne Klotz, and our executive, Pat Natale, was joined by Governor Rendell in Washington to launch the report card to talk about 15 different categories of infrastructure and a five-year investment need and what the numbers were.

We wanted to make sure that we got the information out in its draft format in the middle of the debate. We did a live webcast, which is available, and there's information that you can get actual specifics.

Part two is scheduled for March 25th when we will actually have full white papers on each individual area with specifics down to the state level.

Right now it's more of a global look across the country. It will be more specific by the end of March.

And that will coincide with the legislative fly-in where we will have professionals from all 50 states coming to the Capitol to talk about that.

For the second time in a row the country's GPA is a D. I'm a mother of three sons. If my sons came home with D's twice in a row, they wouldn't come home.

I think it's -- it's deplorable that we know we have an issue and we haven't taken it on. And I think now with what we see with the economy, it's high time that we pay attention to the infrastructure.

I truly believe that a healthy economy cannot be supported by a crumbling infrastructure.

You have the grades in front of you. I'm going to go quickly through all the categories.

But, first of all, the needs. It's $2.2 trillion. That's the total investment in the next five years to get us up to good condition. In 2005 that number was 1.6 trillion.

That -- right now, that includes what is currently being spent, but what currently -- currently is being spent is about 45 percent of that number.

We have downwardly used inflation at three percent for the projection for the next five years, assuming that, you know, some of the craziness that we saw in the marketplace that was talked about before will not be there for the next few years.

We have five key solutions. The

grades are low, but the problems are not insurmountable if you take them one at a time.

First of all, we are thrilled that the infrastructure is receiving attention from the president, from congressional leaders, from governors. There's a lot of people that are talking about it, and that has not been the case in the past. It's been one of those things that it's just not been talked about.

For strong infrastructure we need strong leadership. These are not easy decisions and they're expensive decisions.

We have to take into account sustainability and resilience. Infrastructure has to be built in a way that protects or improves the natural environment while meeting the needs of both current and future users. These are facilities that will be with us for 30 or 50 years into the future.

We need national and regional and state plans that are designed to meet clear goals, including environmental restoration, congestion relief and hazards reduction. Resources need to be shared across jurisdictions. That's always very difficult.

We need to look at life-cycle costs and ongoing maintenance when we're looking at planning. Those costs should be performed for all infrastructure systems to account for not only the initial design and construction but the operation, maintenance, environmental safety, and other costs that can reasonably be anticipated.

Most of the time we look at front-cycle costs, right, to be up-front, and a little bit more money spent up-front can save us a lot over the long term of an asset.

All levels of government, owners and users, need to review their commitment to infrastructure investment in all categories.

All available financing options have to be explored and debated. Federal investment has to be a part of the formula. It has to encourage and leverage investment from the state, local government as well as from the private sector.

And users of the infrastructure need to be willing to pay the appropriate price for its use.

A little bit on our methodology. We looked at the condition, capacity, operations and maintenance, funding, future needs, public safety, and resilience.

And not all criteria got the same weight in each category because of how different the infrastructure was that we looked at.

Advisory councils, there was separate advisory councils for every -- of the 15 items and then an oversight council, and this included people from both the public/private sector, academia, construction, as well as design individuals.

Let's start with aviation. It went from a D+ in 2005 to a D. Right now travelers are faced with increasing delays and inadequate conditions, and a lot of them are a result of long overdue modernization of an outdated traffic control system.

We also have not been able to enact a federal aviation program.

Despite surging prices in oil and volatile credit markets, the Federal Aviation Administration still predicts a three percent annual growth in air travel.

Bridges stayed at a C. Twenty-six percent of the nation's bridges are structurally deficient or functionally obsolete.

Pennsylvania leads that list unfortunately as far as Pennsylvania's bridges are concerned. We have made some progress in rural areas, and now the bridges in urban areas are starting to slip because those urban bridges are very large and very expensive.

Seventeen billion dollars of annual investment needs to be made on bridges in the United States to get them up to par.

Dams stayed at a D. Dams age, downstream development increases, and the number of deficient dams has risen to more than 4,000, including 1,819 high hazard potential dams.

There are more than 85,000 dams in the U.S. and the average age is 51 years old. Going through a mid-life crisis and getting into an old-age crisis.

Over the past six years for every deficient, high hazard potential dam that's repaired, two more are declared deficient.

There is a story that was actually highlighted in 2005 at the Maumee Dam at Fort Wayne, Indiana. We had a campaign then that was called Postcards From the Edge. It had a pothole with an individual's head in it. A real big pothole. It had a horrific bridge and it had this picture of the Maumee Dam as kind of the highlight of some of the things that need to happen.

We did this as part of a photo contest from our members, and we got enough attention at least on this dam that it has been replaced. Four years later the same person that took this picture took another one and that's part of our report card release. We will be using examples from across the country at the end of March when we do our phase two outreach.

Drinking water, D-. The drinking water system has an annual shortfall of at least $11 billion to replace aging facilities that are near the end of their useful life and to comply with existing and future water regulations.

This doesn't even account for the growing demand for drinking water in large parts of the country.

Energy, the only grade that went up from a D to a D+. Public and government opposition and difficulty in the permitting process is restricting much needed modernization.

We saw a little bit of that with the blackout a couple years ago. Stay tuned. There's more of that to come if there's not a lot of investment in that area.

Hazardous waste stayed at a D. Federal funding for Superfund clean-up for the worst toxic waste sites has declined steadily, dropping to 1.08 billion in 2008, the lowest level since 1986.

The EPA estimates it will take $200 billion invested over the next 30 years to clean up the nation's most contaminated sites.

The redevelopment of Brownfield sites over the past five years has generated 191,338 new jobs and $408 million annually in extra revenue for localities. In 2008 there were

188 U.S. cities with Brownfield sites waiting for clean-up and redevelopment.

And, again, that's a great economic stimulus potential moving forward.

Inland waterways, D-. Moving trucks on a waterway saves energy and reduces road construction by taking trucks off the road.

The average age of federally owned or operated locks is 60 years. Well past their planned design life of 50 years. The cost to replace the present system of locks is estimated at more than a $125 billion.

Levies, D-. Levies was not a category in 2005 because in 2005 we were prior to the Katrina disaster and we didn't understand about how vulnerable we really were.

Eighty-five percent of the nation's estimated a hundred thousand miles of levies are locally owned and maintained. The reliability of these levies is mostly unknown.

They're more than 50 years old and were basically built to protect crops from flooding. With the increase in development behind most of these levies, the risk to public health and safety is -- is getting to be a very large risk.

The estimates on these levies is roughly a hundred billion dollars.

Parks and recreations stayed at a C-. Parks, beaches, and recreational facilities contribute $730 billion a year to the U.S. economy, supporting six-and-a-half million jobs, contribute to cleaner air, water, and higher property values.

While there's been significant investments to the National Park Service for its upcoming centennial, the agency's facilities are -- still face a $7 billion maintenance backlog. And that's --this was based just on the federal data because the state data is not consistent across the states.

Rail, C-. A freight train is three times as fuel efficient as a truck and traveling by passenger rail uses 20 percent less energy per mile than traveling by a car.

Freight and rail generally share this same network and significant potential increase in passenger rail demand will add to freight rail capacity issues.

There's a lot of discussion about the double decking across Pennsylvania that CSX is looking at. Those are very real possibilities we have to look at moving forward.

Roads, the core of what we're talking about today, D- from a D. Americans spend $4.2 billion a year stuck in traffic at a cost of -- to the economy of $78.2 billion or $710 per motorist.

Added to that, poor conditions cost motorists $67 billion a year in repairs and operating costs. That's about $630 per motorist.

I'm an engineer. I -- I do math for a living. That's $1340 dollars a year per motorist.

ASCE's policy for the new bill, for the new transportation and surface reauthorization, is looking at a 20 cent per gallon gas tax increase along with a whole lot of other things.

But just looking at that piece, if you look at an average 30 miles per gallon and average 12,000 miles a vehicle per year, 20 cents a gallon is $800 that would have cost a motorist over the year.

If you look at that 1340 that they spend on car repairs because of bad conditions, that's a $540 savings once those improvements are made.

ASCE is looking at a balanced approach, talking about increased funding and the gas tax, increasing use of public/private partnerships, infrastructure banks, working toward the technology to use vehicle miles traveled in the future, but the technology is not ready at this point for wide scale deployment, and using more user fee approaches and toll -- tollways.

Schools stayed a D. Spending on the nation's schools grew from 17 billion in 1998 to a peak of 29 billion in 2004. By 2007 spending -- spending fell to 20.28 billion.

There's no comprehensive authoritative data on the condition currently of America's school buildings because it hasn't been collected in more than a decade.

Solid waste stays at a C+. In 2007

the U.S. produced 254 billion tons of solid waste. More than a third of that was recycled or recovered representing a seven percent increase over 2000.

Despite that success, the increasing volume of electronic waste and the lack of uniform regulations for disposal creates the potential for very high levels of hazardous materials and heavy metals in the nation's landfills, posing a new public health and safety threat.

Transit, D, and it was a D+. Transit increased 25 percent between 1995 and 2005. Faster than any other mode of transportation.

Half of America's households do not have access to bus or rail transit, and only 25 percent have what they consider to be a good option. The Federal Transit Administration estimated 15.8 billion is needed annually to maintain current conditions and 21.6 to improve to good conditions,

Wastewater, D-, from a D-. Aging systems discharge billions of gallons of untreated wastewater into U.S. surface waters.

The EPA estimates that the nation must invest more than $390 billion over the next 20 years to update or replace existing sewers, to build new ones, and to meet new demands.

On the stimulus bill, the American Recovery and Reinvestment Act, the House bill passed the 28th and I know both previous speakers talked a little about that. The Senate as we speak is debating the bill, and I have information that's probably an hour old of what's going on on the floor.

I think the President's plan to create millions of dollars of jobs over the next two years is at the heart of the recovery plan with infrastructure, but what it is is a good start. It's not the end game.

The benefits of investing in infrastructure are both short term and long. It creates an immediate job to construct the infrastructure and to serve those workers and contributes to long-term growth to improve -- improve flow of commerce and travel, redevelopment and public safety.

We have numbers listed as they are in

the -- in the two bills. On Tuesday there was a Murray-Feinstein amendment that was $25 billion to actually increase the money for roads, bridges, and transit. That was basically defeated on a procedural vote. That will come back on the floor in another amendment today.

There is a Boxer-Inhofe amendment today for 50 billion in stimulus funds that are not used in the first year for transportation and -- $50 billion of the overall package that's not used in the first year, to take that money and reinvest it in roads, bridges, and water.

There is an amendment for 4.5 billion to increase Army Corps and levy improvements. There's an amendment to strike some of the set-asides on the innovative projects, to have them go back to formula of what the states are getting.

And there's also an amendment to shorten time frames under NEPA that's being debated today to get projects out on the street and so that they don't sit on a regulator's desk.

We have testified in front of committees and working with partners such as ARTBA in Washington, and we feel we have principles for investment relative to the infrastructure we're hoping will -- will work their way in project selection.

It's criteria for decision-makers when you're selecting those projects, we want not just the immediate need and benefit of creating jobs, but there's got to be secondary benefits.

We need ways to ensure lasting success, focus first on ongoing maintenance issues, promote health and safety and environmental benefits.

There's an important inclusion, accountability. ASCE recommends implementing an oversight panel that ensures the intended goals of the program are being met.

On February 3rd, President Obama announced a creation of www.recovery.gov, that -- a new website that will track progress on those projects.

We have a grassroots program that we're looking at to get our members involved and actively involved in -- in pushing both for the stimulus and for solutions moving forward.

That's it for my prepared remarks. I was kind of listening to some of the questions beforehand and so I thought I'd chime in on my perspective on some of that and let -- then let it open to questions.

First of all, some of the discussion on public/private partnerships. At the height of the meltdown last year there was a lot of question about what the future of those would be, and there was a period of time there that there was a whole lot of collective breathholding on what that meant.

Since that time there has been -- Midway Airport has gone through in Chicago as a public/private partnership, and the percentage of private equity is much higher than it was anticipated. There is a lot less bank notes and bonds involved than typically are.

They used to be about a 50/50 split or 30/40 private equity -- 30/40 percent private equity and the rest was a whole bunch of complicated mechanisms. It's now pushing toward 70 to 80 percent private equity and the -- the smaller amount being in -- in bank notes and bonds.

The I-595 concession that FDOT put out was signed by the concessionaire last week, which is a connection near the Miami Airport, and that is waiting for FDOT signature as we speak. So that is moving forward.

A comment on the MPO funding. I -- I was a commissioner of public works for Erie County in western New York for five years, and I'm a big proponent for having some local money as well, because I believe that the locals can get work out and they have an awful lot of issues themselves.

I think the -- the MPO provision means that you have all your local partners at the table. Those MPO's bring all the local partners together, and they have to come to a consensus on which projects to fund. So as long as that table feels it's an important project, it's probably a really locally important project.

So I think that that project selection staying with -- whether it be PennDOT and the expertise you have in the department or with the MPO's where you're getting local collaboration, in both cases I think they're going to give you their biggest bang for the buck.

A comment on the earmarking. My personal observation on -- on some of the projects I've tracked over the last three or four bills in earmarking.

Earmarking tends to put an estimate on the back of an envelope to be able to put a project in the system, and a lot of that money is being not obligated because those projects are underfunded and some money has to come out of some other project to be able to fully fund that project as it lists in the bill.

So that's been an ongoing issue. And it creates all kinds of reprogramming issues for DOTs across the country because there may be -- you know, there's some project that it's maybe 50 or 60 or 70 percent of what you really need in today's dollars and yet you can't change it because the description is exactly what it is in the legislation as far as where it starts, where it ends, location, what you're doing.

So I think that's problematic. And I think that -- that I think there's going to be pressure to do a lot less of that in the future simply because you can't put it out the door.

Other questions?

CHAIRMAN MARKOSEK: Okay. Thank you very much.

Well, first of all, let me point out, having -- while you were making your testimony, I was looking at your graphics here, it's just -- your folks need to be congratulated. I really thought this was very visual --

MS. LEHMAN: Thank you.

CHAIRMAN MARKOSEK: -- your handout here, your pamphlet. It was very -- it was a very good way to do this.

And it's a very sobering pamphlet in a lot of ways and, of course, we'd point out that the cost is 2.2 trillion over time.

The one page, the five key solutions,

reading through them, I was sort of trying to interpret perhaps some of the things here. Like, for example, with the increase it says federal leadership and infrastructure -- increase federal leadership and infrastructure. Is that a euphemism for something else? Does that mean if the Feds could pass a gas tax or a --

MS. LEHMAN: It's get -- we know we have a problem. Now we need money.

CHAIRMAN MARKOSEK: Correct.

MS. LEHMAN: We need to put the money where our mouth is. That's been the problem over the last, probably, 30 years, is that it's just not been funded at the level that it needs to be from all levels.

CHAIRMAN MARKOSEK: Does ACE -- ASCE have specifics on these because these solutions are somewhat general?

MS. LEHMAN: Yes. There are specifics that are coming on the website, like I said, as we speak. The website is in here.

We do have a policy on transportation reauthorization which I -- which I alluded to. One of the specifics is a 20 per -- cents a gallon gas tax.

CHAIRMAN MARKOSEK: Okay.

MS. LEHMAN: It's expanding P3s. It's using more toll roads. It's the whole -- we need every solution that is out there because the numbers are huge.

CHAIRMAN MARKOSEK: The -- when you mentioned the toll roads, what's your sense if you even -- you don't even have to really speculate, but relative -- this would be more not so much for the stimulus but for the reauthorization, if we get to that. The feds may look at allowing more tolling on interstates as opposed to the current pilot situation that's there now.

MS. LEHMAN: I believe that's being discussed at a much higher level than it has been in the past.

You know, again, I think we're looking at sobering numbers, and you have to be able to use every tool in the toolbox to solve the problem. The more you narrow the scope, the more something else has to go up.

So if you continue on pilots for the next five years, the gas tax is going to have to be higher to get to where you need to be. And so you've got to look at every tool in the toolbox.

CHAIRMAN MARKOSEK: Maybe I'll ask you the same question as the previous gentleman. Just -- you know, again, you know, I don't want to put you on the spot, but just asking not necessarily for your opinion but your feeling as to what would happen or what you think may happen relative to an increase in the gas tax in Washington.

Is there -- is there better than a 50/50 shot? Is it something that no way that's ever going to happen again, for you know, for political reasons?

MS. LEHMAN: I think there's political reasons, but I think if you look -- as -- as -- when I was an appointed official, as my boss used to tell me, a crisis is a terrible thing to waste.

We're in a situation right now that we have to make some choices; and how we move forward, you know, a lot of what we saw as far as the roaring of the economy in decades previous was based on an infrastructure that was sound.

It's hard to tell what happens, but, you know, realistically if you'd have asked me a year ago could we do a trillion dollar stimulus package, I would have said there is no way that it would even be brought to a vote. You know, it would never come out of a committee.

So I think we are at a point that people are looking for some solutions, and the solution -- the -- our ability not to do something is starting to outweigh the -- the price of not doing anything is getting to be so large that I almost think that we're at a point that we might be able to do something this year.

CHAIRMAN MARKOSEK: And this is the only other question I had. The grades for the specific issues, do you have that broken down per states?

MS. LEHMAN: It will be by the end of March. Originally -- I mean we started this committee about a year and a half ago, and, you know, researching through mountains of material and, again, there was a decision made in the beginning of January when there was really some impetus on the stimulus that we needed to get the overall information. This will be broken down by state.

There is actually some historical information for 2005 broken down by state on the website relative to specific issues. And we want to have specific pictures and projects and, you know, state by state so people -- it feels local. That's how we're going to sell this, if it feels local.

CHAIRMAN MARKOSEK: All right.

Representative Siptroth.

REPRESENTATIVE SIPTROTH: Thank you, Mr. Chairman.

Thank you, Ms. Lehman. I have one question.

When you had stated on Page 1 of your handout, the slide in the right-hand corner at the bottom, that $2.2 trillion was needed in the next five years to bring us to the level of good, what is good? A? B? C? D? E? What is good?

MS. LEHMAN: I don't know that it's going to be numerical. What good is based on is whatever good is considered in the rating system.

So it's -- it's a function of a bridge being in a state of good repair which -- which is a different grade per se than a roadway, because roadways are based on a scale of ten and bridges are based on a scale of seven, based on how they're graded. Levies have a different grading system.

So it's basically not improving, not adding more capacity, but basically putting them so that they are at a point that they still have a functional, useful life of 20 to 30 to 50 years in front of them, which is what the design life is at the beginning or a full rehab of an asset.

So it's different. That's the problem. All the different infrastructures are -- are graded differently based on how they come up through.

REPRESENTATIVE SIPTROTH: In that scenario, if a bridge is graded deficient and the change is to better it to take it off of the deficiency list --

MS. LEHMAN: Right.

REPRESENTATIVE SIPTROTH: -- then it would be good?

MS. LEHMAN: Yes.

REPRESENTATIVE SIPTROTH: Okay. I understand. Thank you.

MS. LEHMAN: And, again, I think there's a lot of those details that are going to be coming out on the website because there's a lot of specific questions people want answers on and it is very complicated. It's complicated for the professionals in the business.

REPRESENTATIVE SIPTROTH: Thank you.

CHAIRMAN MARKOSEK: Executive Director Bugaile.

EXECUTIVE DIRECTOR BUGAILE: I just wanted to ask. Really this is a great reporting and we appreciate the -- what you've gone through to put it together. I mean it really certainly is dramatic.

But what you know of the stimulus that's being debated now, do you fear that what you might get out of it is not some real long-term improvements that would actually get to the root of these things, problems? All you're going to get perhaps is for maybe an election year special pavings, where you get these little -- so they could get as much projects out the door as quick as possible, they go and do these things that perhaps is just Band-aiding over the difficult thing and not really get to the root of what maybe we did have.

MS. LEHMAN: That's obviously a very large concern of ours. You know, again, if you see a large -- if you see a large investment of federal money in roads and bridges, does that take the pressure off for authorizing a federal bill this year?

Does that delay that process? Does that delay making another hard decision?

That's -- that's something we're very concerned about, and -- and that's why, you know, the tag line is it's a good start. But it's not the end-all.

And if you look at our gross domestic product, before the slide, because I have no idea what the percentage is now that we have had this -- this volatility in the last six months, the U.S. has been spending about 1.5

percent of our gross domestic product on infrastructure over the last probably decade or two.

Europe spends six to seven percent. China and India spend eight to nine percent of their gross domestic product.

There's a correlation, and even more so now that we don't have warehouse things. Everything is just in time, and it needs to get to where it needs to go, and we're not paying attention to that.

So it's definitely a concern. So we're not going to give up.

EXECUTIVE DIRECTOR BUGAILE: Part of our problem here in this state is, and I'm sure it is nationwide, is project delivery. You know, it takes so long to get a project done and then you tend to want to just patch something instead of trying to do the whole --

MS. LEHMAN: Do the right thing.

EXECUTIVE DIRECTOR BUGAILE: -- project and really get to the root of the problem.

MS. LEHMAN: And I think that's one of the reasons why we're looking at some of the innovative methodologies. You know, things like design/build, public/private partnerships, doing advance construction, doing programmatics as far as doing a whole series of small bridges.

When I was at county, I had about 1200 centerline miles under my jurisdiction, about 700 culverts. We put out a $50 million program in one year to replace a lot of culverts. We pre-sized them, bought them off the shelf, and, you know, basically if it doesn't fit here, I got another place I can put it.

So basically streamlined a lot of the process to be able to get a lot done in a short period of time. If there's a will, there's a way.

CHAIRMAN MARKOSEK: Okay. Thank you. I -- just one last comment.

I'm happy to see you had inland waterways here. We have a -- a serious lock problem --

MS. LEHMAN: Yes.

CHAIRMAN MARKOSEK: -- in Pittsburgh, in the Pittsburgh area.

MS. LEHMAN: Uh-huh.

CHAIRMAN MARKOSEK: And just like everything else, you know, it takes a lot of money. Those are big projects. It's very important in our climate, too, so I'm glad to see you mention that.

MS. LEHMAN: Great.

CHAIRMAN MARKOSEK: I want to thank you, again, for being here, all the folks that testified here. The members and I appreciate it. We have learned a lot. And the meeting is adjourned.

MS. LEHMAN: Thank you for having me.

(The hearing was adjourned at 11:03 a.m.)

I hereby certify that the proceedings and evidence are contained fully and accurately in the notes taken by me on the within proceedings and that this is a correct transcript of the same.

____
Brenda S. Hamilton, RPR
Reporter - Notary Public