

**William R. Buechner**

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Dr. William R. Buechner is Vice President for Economics and Research for the American Road and Transportation Builders Association. He is responsible for managing the association's program of research and analyses on industry trends, the economic impact of industry operations and current and pending legislation and regulations. He also manages special industry surveys and studies in response to ARTBA's member needs and overall mission.

Prior to joining ARTBA in July 1996, Dr. Buechner was a senior economist for 21 years on the staff of the Congressional Joint Economic Committee, where he worked with members of Congress on a broad range of economic policy issues, including budget issues, Federal Reserve interest rate policies, Federal infrastructure policies, labor force and job training issues, and government regulation. He wrote numerous studies and reports for the Committee, helped Committee members prepare and manage legislation, managed over 300 Committee hearings, and developed computerized databases of economic information for use by Committee members and staff. He also served on the staff of the Senate Select Committee on Small Business.

Dr. Buechner is a Phi Beta Kappa graduate of Amherst College in Amherst, Massachusetts and received a Ph.D. in economics from Harvard University. Prior to joining the staff of the Joint Economic Committee, he was a member of the Department of Economics at Smith College in Northampton, Massachusetts. He has served on the faculty of the Boston University Washington Intern Program and has also been an adjunct faculty member at the George Washington University, American University and George Mason University, where he taught evening courses in economics and economic policy.

He and his wife Judith live in Falls Church and Maurertown, Virginia. They have four children and eight grandchildren.

# ***Economic Stimulus Legislation & SAFETEA-LU Reauthorization***

By William Buechner, Ph.D.  
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American Road and Transportation Builders  
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February 5, 2009

# *Economic Recovery Legislation - Highways*

- House - \$30 billion
  - \$20.4 billion to states, \$7.4 billion to MPOs
  - half obligated within 90 days, rest by end of FY 2010
- Senate – \$27 billion
  - \$15.8 b to states, most oblig in 180 days
  - \$10.5 b to MPOs, obligate in one year
  - \$5.5 billion for large discretionary grants



## *Provisions*

- 100% federal
- Distributed by existing highway/STP formulas – PA share = \$1 billion +
- Can be used for STP activities
- General-fund financed – no impact on Highway Trust Fund



## ***Senate Amendments***

- Murray-Feinstein – to add \$25 billion for highways, defeated 58-39 (needed 60)
- Boxer-Inhofe – up to \$50 billion transfer to highways from other programs if unused in one year
- Baucus – cancel \$8.75 billion highway CA rescission in SAFTEA-LU



## *Other Provisions*

- House - \$12 billion for transit, inc. \$2.5 billion for construction; Senate - \$8.2 billion, all bus
- Airport Improvements - \$3 billion in House bill, \$1.1 billion in Senate
- \$1+ billion for Amtrak, passenger rail, \$2 billion for high speed rail (Senate)

# ***Issue - Can Highway Investment Create Jobs Quickly?***

- Last experience – 1982 recession
- Congress/Reagan raised gas tax 5 cents, increased core highway program
- Slow spendout – most jobs were created after economy recovered
- Today – quick obligation, shovel-ready projects, should spend much faster





***Issue – Can State DOTs, MPOs Obligate  
50% of Funds in 90 Days?***

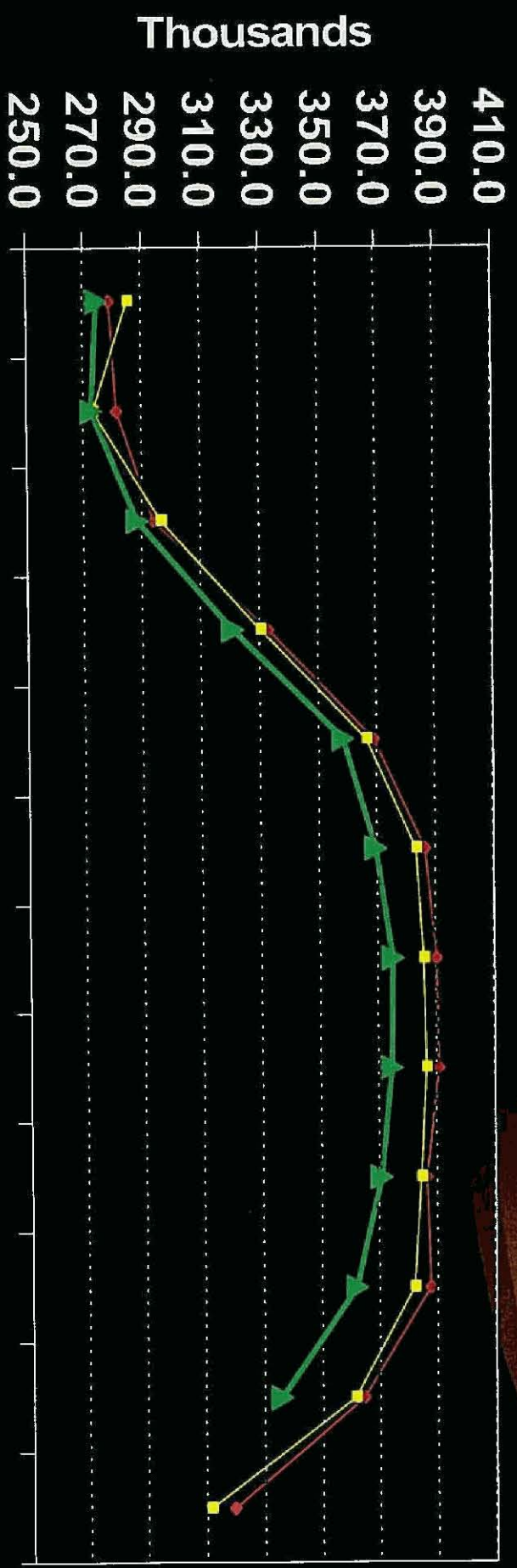
- ?
- Must obligate \$15 billion in 90 days, plus obligate core highway program funds
- Much they can and should be doing to get ready
- FHWA ready to help



# ***Issue – Can Contractors Do the Work?***

- No question – Yes!

# Employment by Highway Contractors is Down 26,000 in Two Years

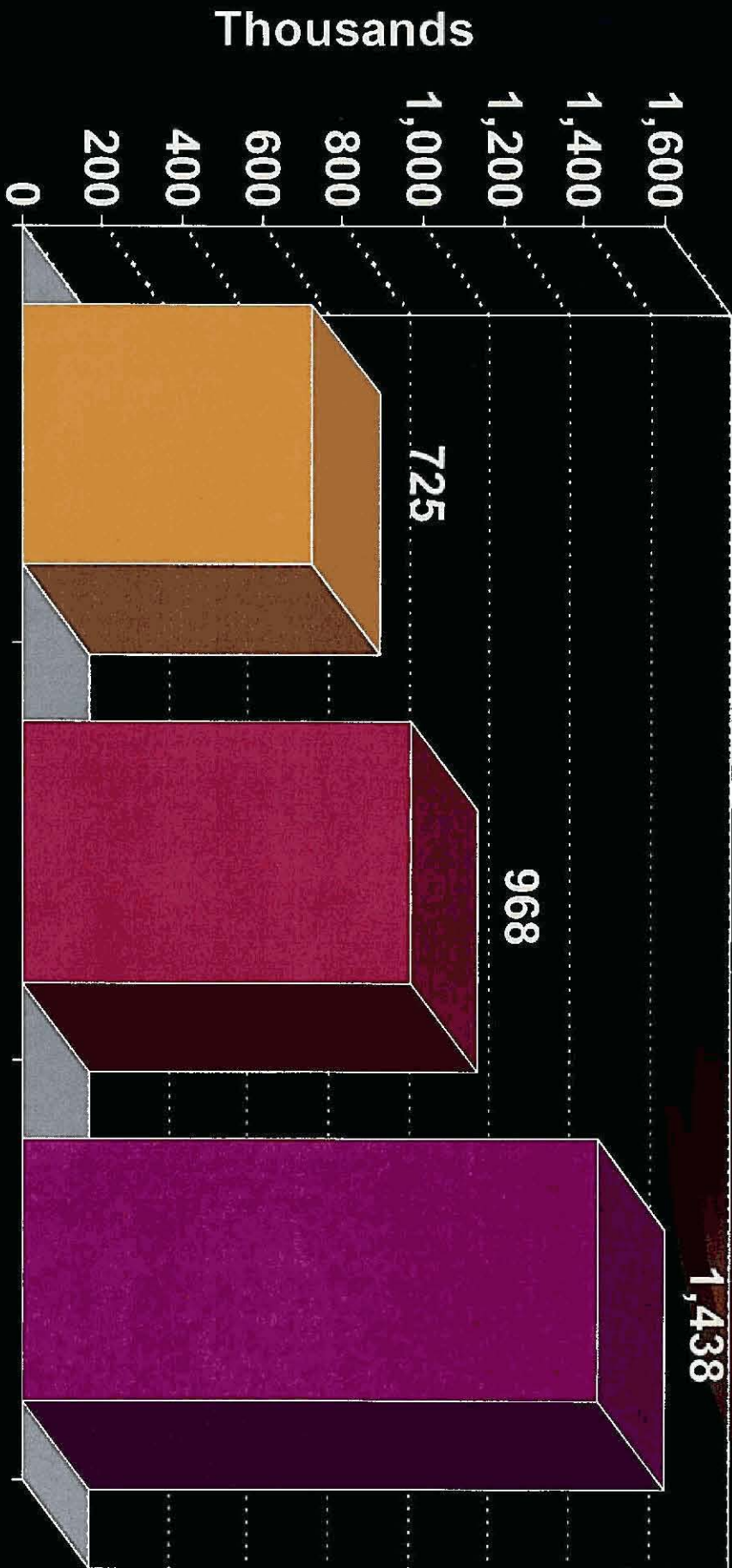


◆ 2006   
 ■ 2007   
 ▲ 2008

Source: Bureau of Labor Statistics, Current Employment Situation



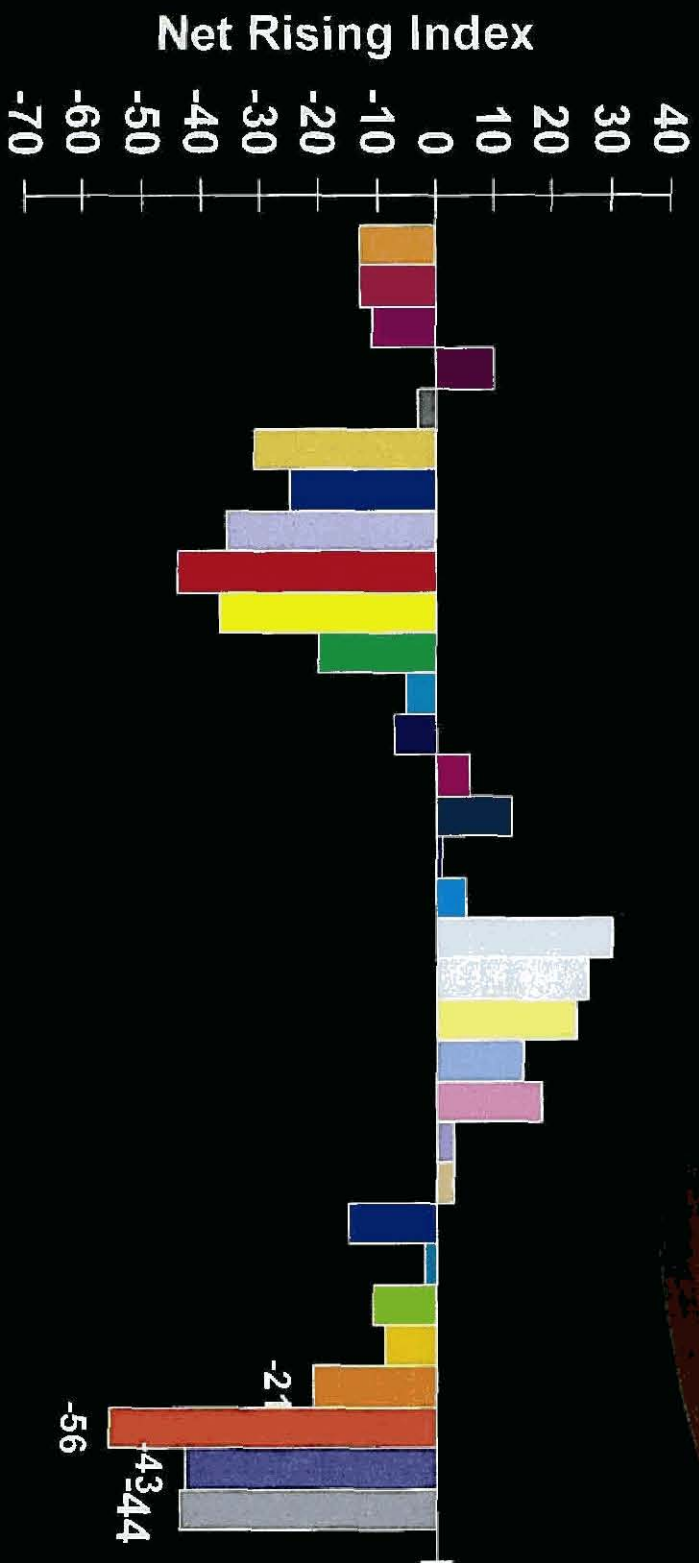
# Number of Unemployed Construction Workers



Source: Bureau of Labor Statistics, Current Employment Situation



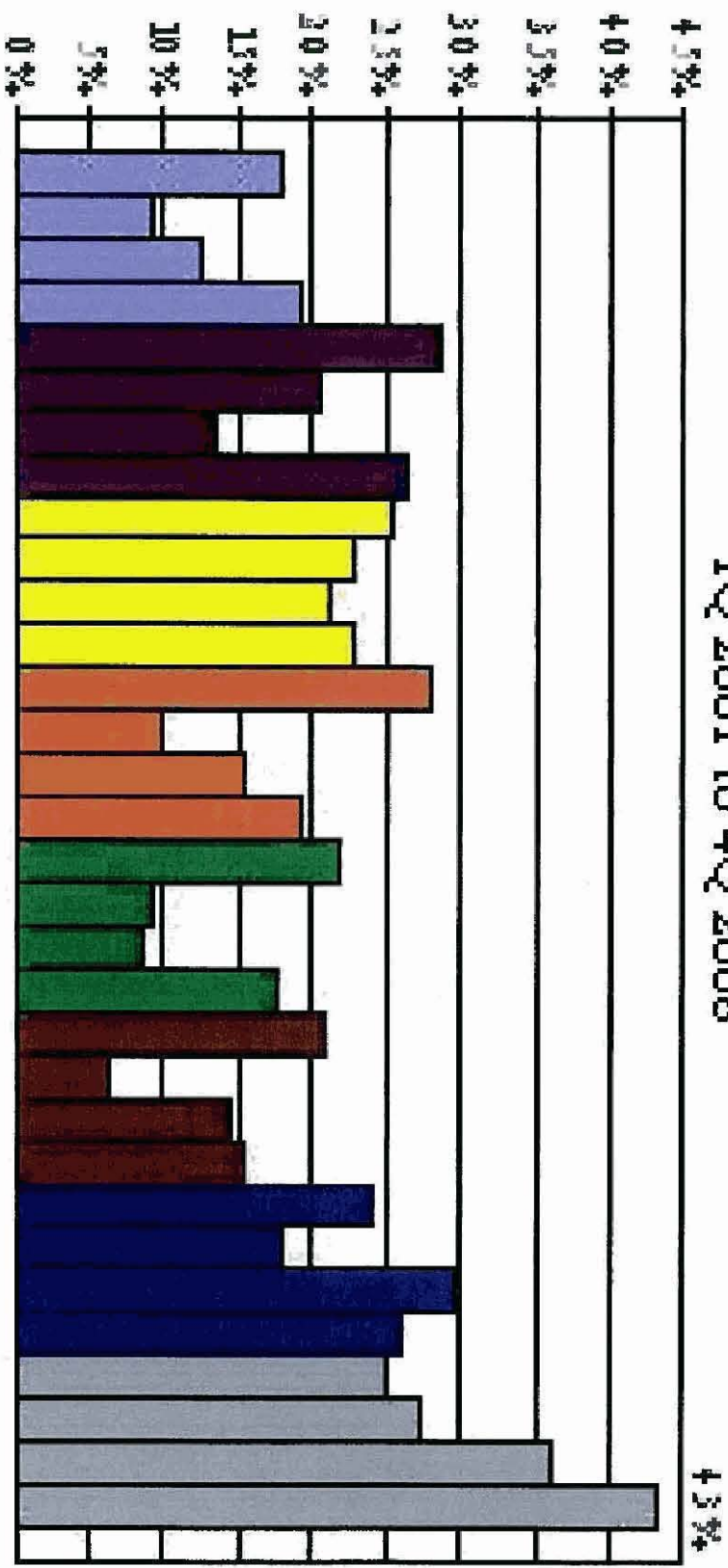
# ARTBA Quarterly Contractor Survey - Construction Work Performed



Construction Work Performed 1Q 2001 - 4Q 2008

# Percent of Contractors Operating Less Than 75% of Capacity Is at Record Level

Companies at Capacity - Below 75% of Capacity  
1Q 2001 to 4Q 2008



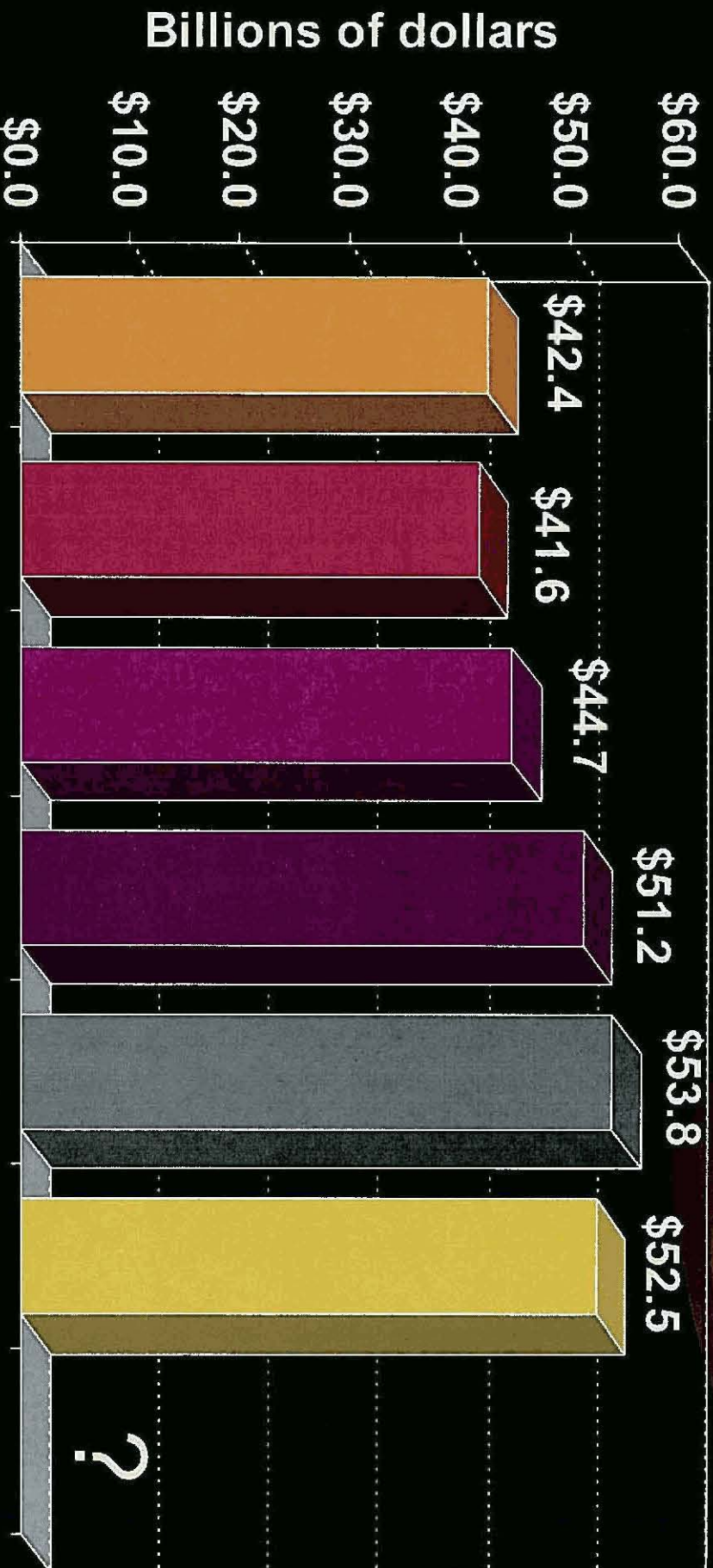


## ***How to Track Impact***

- Reports to FHWA
- Employment by highway contractors
- ARTBA survey
- ARTBA new contract award data



# Value of New Contracts Awarded for Highway and Bridge Construction



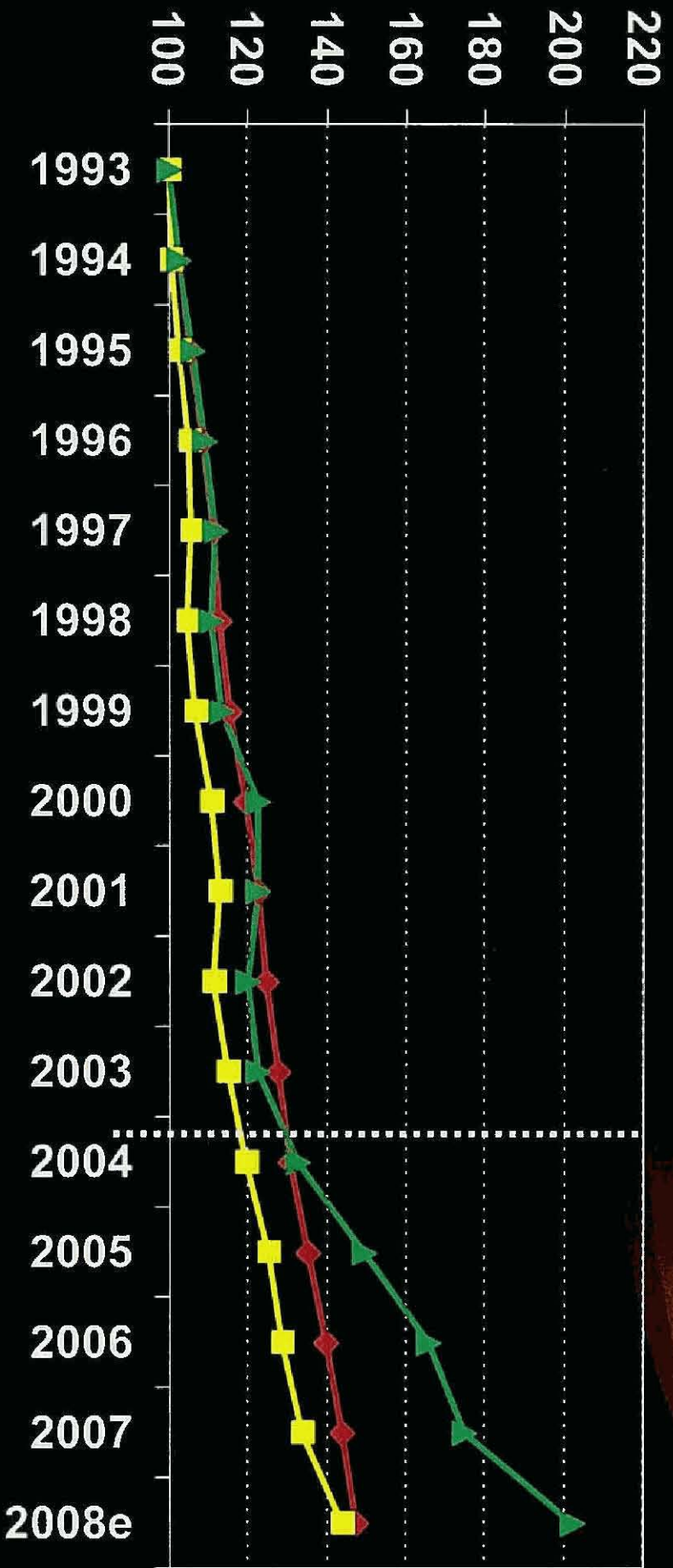
Source: McGraw Hill Construction Economics Data

# ***Cost of Highway Construction Materials Is Coming Down***

- Skyrocketing prices of highway construction materials since 2003 has eroded PennDOT budgets
- Construction costs up 40%, driven by 60% increase in materials
- But prices are falling
- Could boost purchasing power of highway dollars by 6.5% + in 09



# After Decade of Modest Inflation, Highway Construction Costs Have Skyrocketed Since 2003



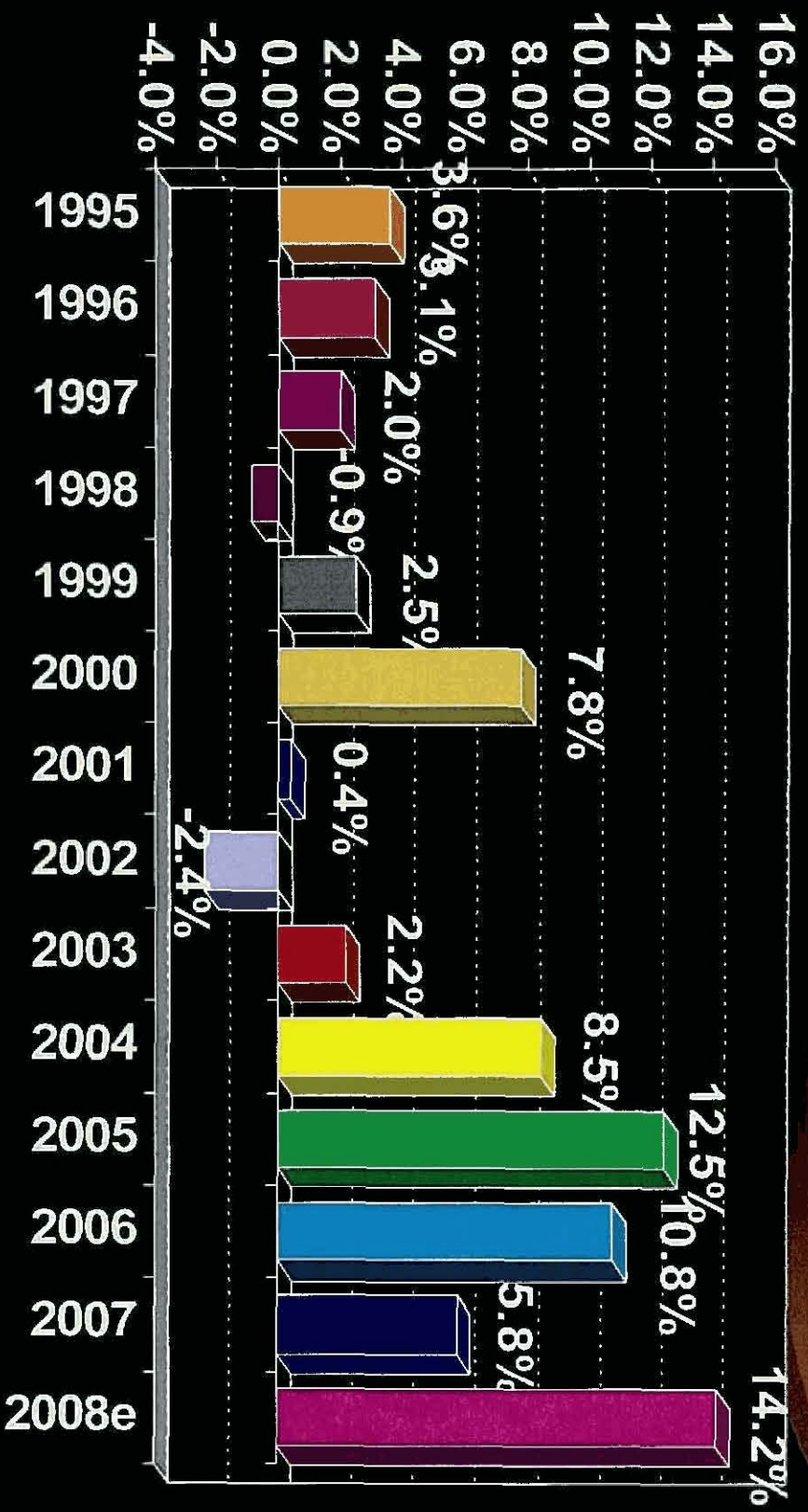
◆ CPI-U    
 ■ PPI, Finished Goods    
 ▲ PPI, Highways

Source: U.S. Bureau of Labor Statistics





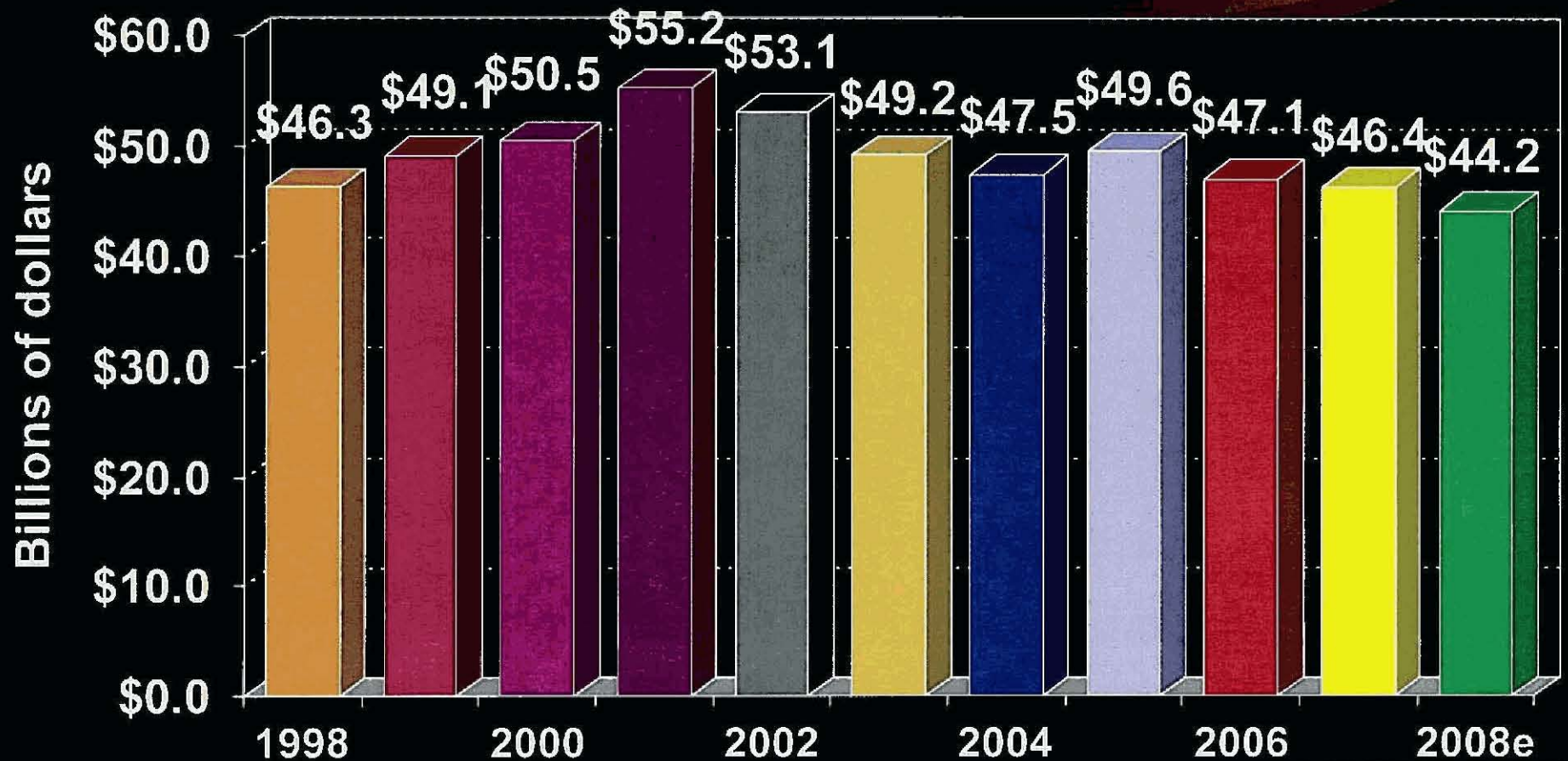
# 2008 Was A Record Year for Prices of Highway Construction Materials



Source: Bureau of Labor Statistics. PPI for Highway and Street Construction



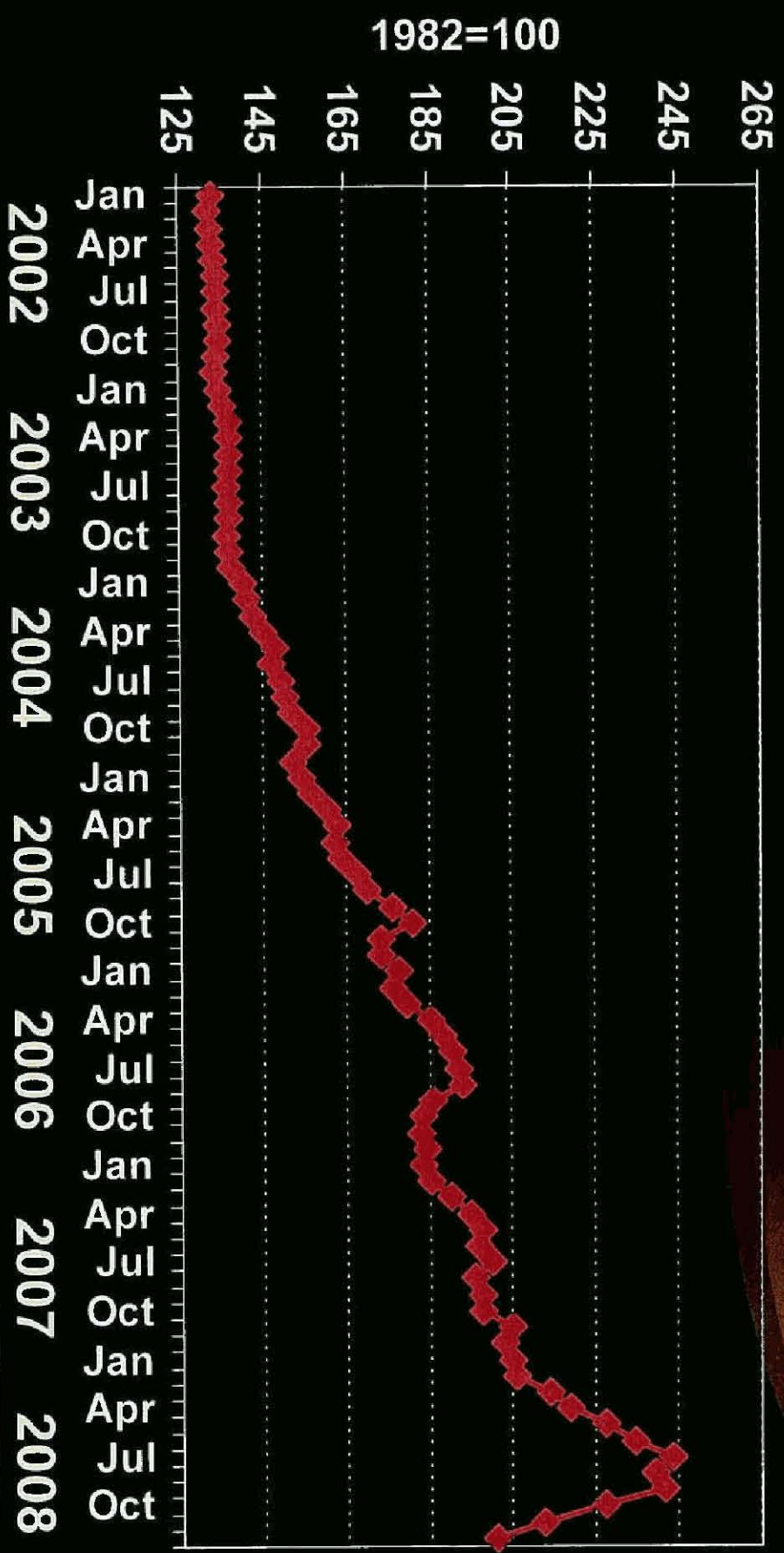
# *Real Value of Construction Work on Highway Pavements in 2007 Dollars*



Source: ARTBA, Value of Transportation Construction Put in Place, adj. w. composite index



# But Cost of Highway Construction Materials Seems to Be On the Way Down



Source: Bureau of Labor Statistics, PPI for Highways and Streets

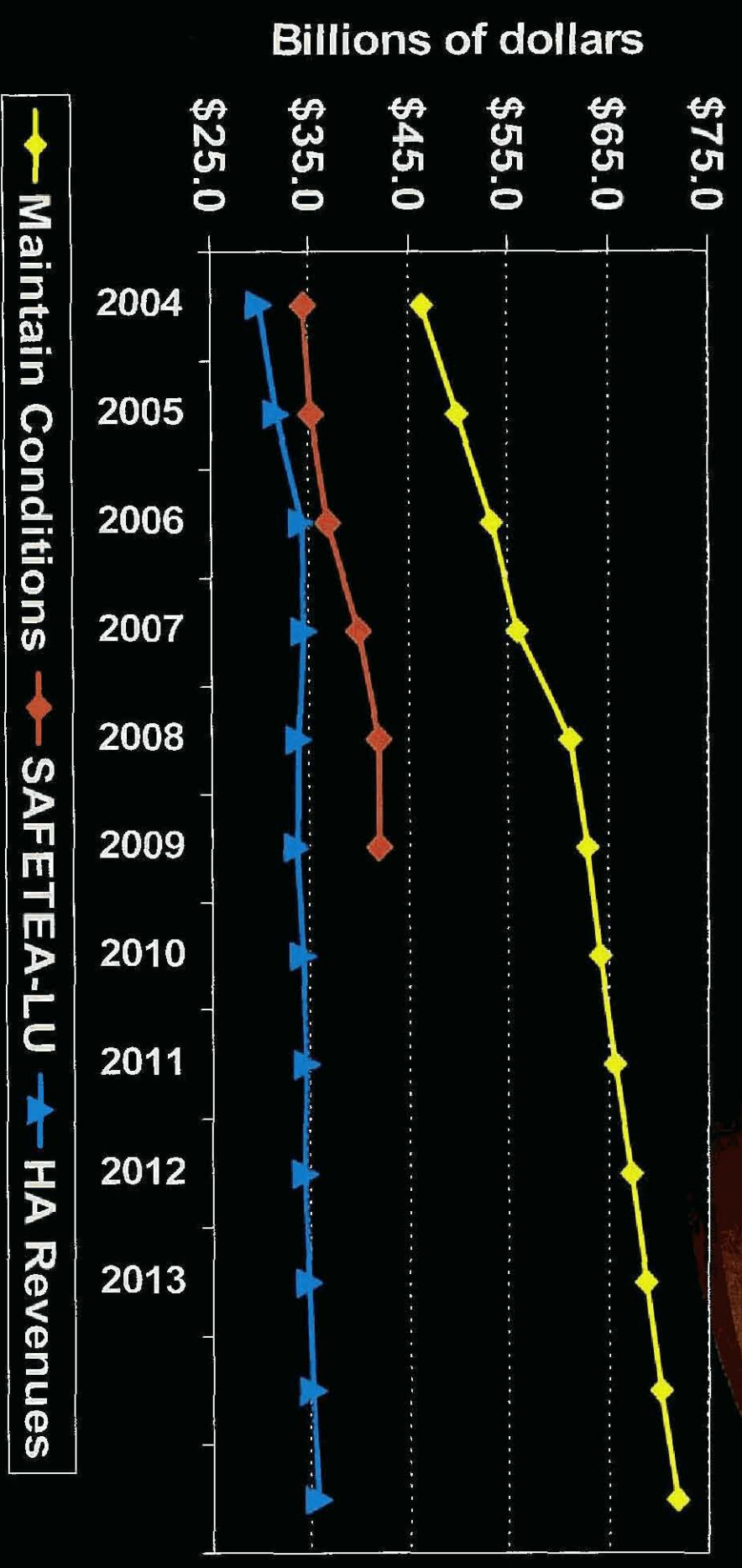




# ***SAFETEA-LU Reauthorization Critical for Longer-Term Outlook***

- Projected Highway Account revenues cannot support continuation of SAFETEA-LU funding
- Maximum possible regular highway program funding in 2010 = \$22 billion
- Would offset benefit of stimulus, create havoc with state construction programs

# Highway Account Revenues Far Short of Amount Needed to Maintain SAFETEA-LU Funding or Meet Investment Needs

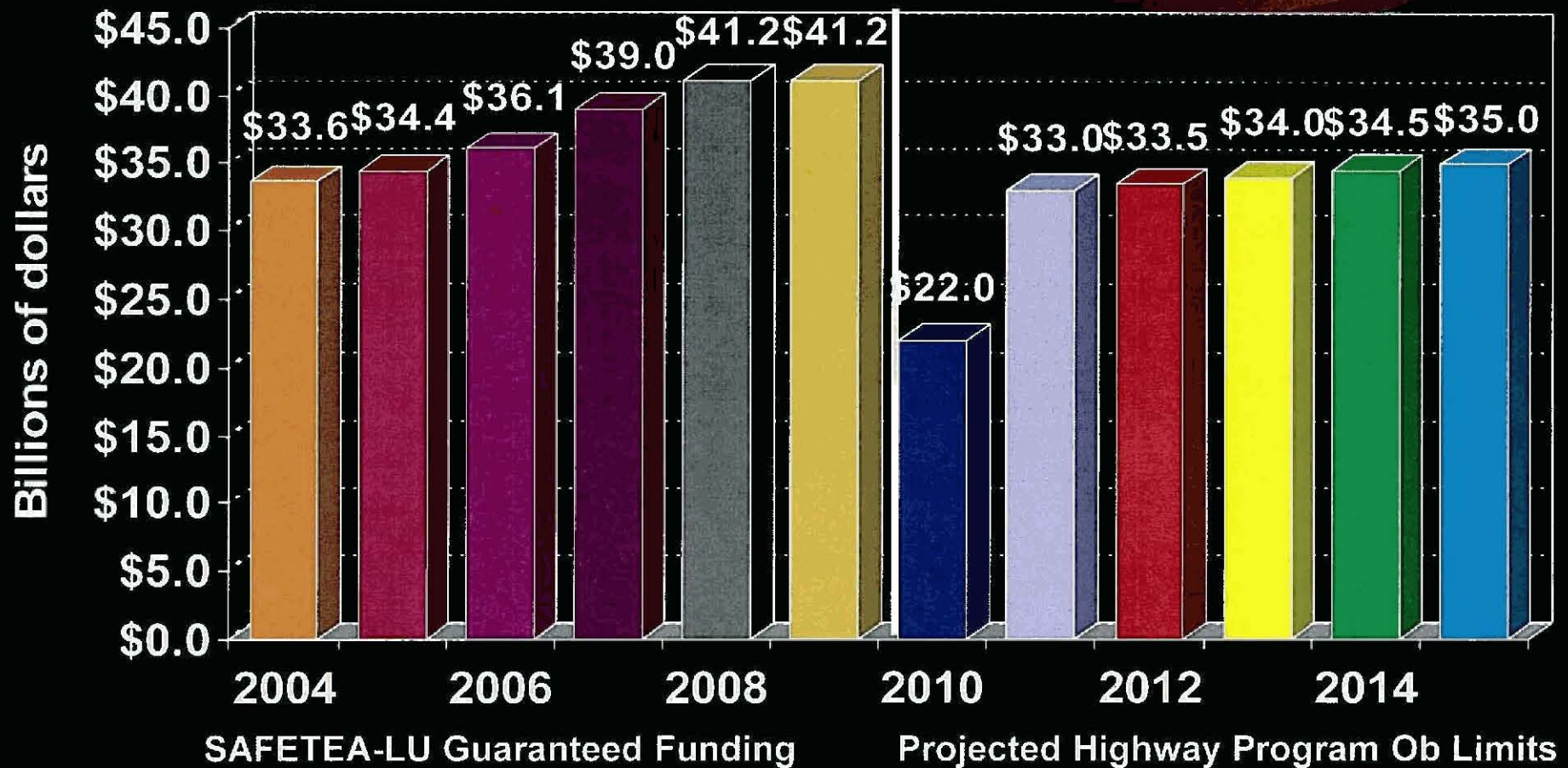


Source: U.S. Treasury Midsession Review of the U.S. Government Budget for FY 2009





# *Federal Highway Funding Will Fall Off the Cliff in FY 2010 Without New Revenues*



Source: ARTBA & AASHTO calculations from FHWA & Treasury data





## *Options*

- Cut federal highway investment, rely on state & local govts., PPPs, toll roads
- Increase revenues into HTF
  - Raise federal gas tax 10 cpg or more
  - Enact other user-fee type revenues, such as a fee on freight shipping (ARTBA's Critical Commerce Corridors proposal)
- Use general funds, issue bonds



**Questions?**

**E-mail to**

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**Or 202-289-4434**

## Comparison of House and Senate Economic Recovery Bills

House Recovery Bill	Senate Recovery Bill
<p><b>Highways (\$30 billion total)</b></p> <ul style="list-style-type: none"> <li>• \$800 million for set-asides</li> <li>• \$16 billion (55 %) directly to state DOTs               <ul style="list-style-type: none"> <li>○ \$8 billion obligated in 90 days or redistributed</li> <li>○ \$8 billion obligated by August 2010 or redistributed</li> </ul> </li> <li>• \$13 billion (45 %) treated as STP funds               <ul style="list-style-type: none"> <li>○ \$1.3 billion for Transportation Enhancements</li> <li>○ \$7.4 billion (62.5 %) to MPOs                   <ul style="list-style-type: none"> <li>• \$3.7 billion obligated in 75 days or sent to state DOT, which must obligate funds in 15 days or redistributed</li> <li>• \$3.7 billion obligated by July 2010 or sent to state, which must obligate funds in 30 days or redistributed</li> </ul> </li> <li>○ \$4.4 billion (37.5 %) to state DOTs                   <ul style="list-style-type: none"> <li>• \$2.2 billion obligated in 90 days or redistributed</li> <li>• \$2.2 billion obligated by August 2010</li> </ul> </li> </ul> </li> <li>• Funds distributed by existing highway formula</li> <li>• All projects 100 percent federal</li> <li>• All funds are for STP eligible activities (basically everything)</li> </ul>	<p><b>Highways (\$27.06 billion total)</b></p> <ul style="list-style-type: none"> <li>• \$700 million for set asides</li> <li>• \$15.8 billion (60 %) directly to state DOTs               <ul style="list-style-type: none"> <li>○ \$13.18 billion obligated in 180 days or redistributed</li> <li>○ \$2.62 billion obligated in one year or transferred to “discretionary surface transportation grants” (details below)</li> </ul> </li> <li>• \$10.5 billion (40 %) directly to MPOs               <ul style="list-style-type: none"> <li>○ All funds must be obligated in one year or transferred to “discretionary surface transportation grants”</li> </ul> </li> <li>• Funds distributed by existing Surface Transportation Program (STP) formula and are for STP eligible activities (basically everything)</li> <li>• All projects up to 100 percent federal, state share at the discretion of recipient</li> <li>• States must spend five percent of formula funds on Congestion Mitigation and Air Quality Improvement Program activities</li> <li>• Funds <b>may</b> be used for storm water runoff, passenger and freight rail, and port infrastructure</li> </ul> <p><b>Discretionary Grants For A National Surface Transportation System</b></p> <ul style="list-style-type: none"> <li>• \$5.5 billion for surface transportation discretionary grants (no comparable House provision)               <ul style="list-style-type: none"> <li>○ Secretary of Transportation awards competitive grants for projects impacting nation or region</li> <li>○ Project size \$20 million to \$500 million</li> </ul> </li> </ul>



### **Public Transportation**

- \$7.5 billion for bus and equipment purchases
- \$2 billion for fixed guideway modernization grants
- \$2.5 billion for capital investment grants (commuter rail and light rail)
- For all categories, half of funds must be obligated in 90 days and the remaining half must be obligated by September 30, 2010
- Funds are 100 percent federal

### **Airport Infrastructure**

- \$3 billion for the Airport Improvement Program (AIP)
- Half of funds must be obligated in 90 days and the remaining half must be obligated by September 30, 2010
- Funds are 100 percent federal

### **Rail**

- \$800 million for Amtrak
- \$300 million for grants to states to develop passenger rail infrastructure
- Half of funds preferred to be obligated in 90 days and the remaining half must be obligated by September 30, 2010
- Funds are 100 percent federal

- All modes eligible (including passenger and freight rail and port infrastructure)
- Applications for the \$5.5 billion must be received in 180 days and projects awarded in one year
- Second round of applications in one year for funds transferred from unobligated highway and transit formula funds
- Secretary may use \$200 million of the \$5.5 billion for TIFIA Program.

### **Public Transportation**

- \$8.2 billion for bus and equipment purchases
- \$200 million for set-asides
- No funds for fixed guideway modernization or capital investment grants
- Half of the formula funds must be obligated in 180 days or redistributed
- The remaining half of formula funds must be obligated in one year or transferred to “discretionary surface transportation grants”
- All projects up to 100 percent federal, state share at the discretion of recipient

### **Aviation System**

- \$1.1 billion for Airport Improvement Program
- \$200 million for facilities and equipment
- No stated “use it or lose it” requirement
- Funds are 100 percent federal

### **Rail**

- \$850 million for Amtrak
- \$250 million for grants to states to develop passenger rail infrastructure
- \$2 billion for high speed rail
- Funds are 100 percent federal
- No stated “use it or lose it” requirement



# ARTBA

# Washington Update

American Road & Transportation Builders Association

Dave Bauer, Editor

No. 09-08—February 3, 2009

## Senate Republicans Block Amendment to Boost Stimulus Transportation Funds

The U.S. Senate came two votes short of overcoming a procedural objection Republicans raised against an amendment to the chamber's economic recovery package that would have added \$25 billion to the measure's infrastructure investments. The amendment by Senate Transportation Appropriations Subcommittee Chairman Patty Murray (D-Wash.) and Interior Appropriations Subcommittee Chairman Dianne Feinstein (D-Calif.) would have increased the recovery bill's highway and bridge funding from \$27 billion to \$40 billion, raised transit investment by \$5 billion to \$13.4 billion, and provided \$7 billion for water and sewer infrastructure activities.

Senate Environment and Public Works (EPW) Committee Ranking Republican James Inhofe (R-Okla.) raised a point of order against the Murray-Feinstein Amendment because it would have increased the overall cost of the bill by \$25 billion. Senators voted 58 to 39 to overcome the Inhofe objection, but waiving a point of order requires 60 votes. The only Republicans to vote for the Murray-Feinstein Amendment were Senators Kit Bond (R-Mo.) and Arlen Specter (R-Pa.). Senator Mary Landrieu (D-La.) was the lone Democratic vote against the amendment and Senators Judd Gregg (R-N.H.) and Ted Kennedy (D-Mass.) did not vote.

It should be noted that a number of Republican senators who voted to block the Murray-Feinstein Amendment, rejected similar procedural maneuvers to deny increased highway and transit investment in 2004 and 2005 as part of the debate over SAFETEA-LU. The stimulus package debate has become very partisan. Senate Republican leaders are expected to offer a substitute amendment that will consist of tax cuts and mortgage assistance.

While the defeat of the Murray-Feinstein Amendment is a setback for our efforts to increase the recovery bill's transportation investments, there will be other opportunities to boost transportation funding as the Senate continues to debate the package, including:

- Senate EPW Committee Chairman Barbara Boxer (D-Calif.) and Senator Inhofe will offer an amendment that could increase the bill's highway and bridge investment by up to \$50 billion. The amendment would transfer funds provided in the bill for other programs that are not committed within one year to highway and bridge improvements;
- Senator Charles Schumer (D-N.Y.) is expected to offer an amendment to increase the package's transit investment; and
- Senate Finance Committee Chairman Max Baucus (D-Mont.) will propose an amendment that would cancel the \$8.75 billion rescission in highway contract authority scheduled for implementation on September 30.

The Senate is expected to spend the remainder of this week on the economic recovery bill. We will keep you posted on further developments. If you have not already done so, **please contact your senators through the toll-free ARTBA Action Hotline (1-888-448-2782) to urge them to support efforts to increase transportation investment in the economic recovery bill.**