

Statement of

**The Honorable John Peyton
Mayor of Jacksonville, Florida**

**Before the Committee on Banking, Housing and Urban Affairs
United States Senate**

**Hearing on
“Condition of our Nation’s Infrastructure: Local Perspectives from Mayors”**

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Mr. Chairman, Ranking Member, and Members of the Committee, thank you for inviting me to testify today about the critical infrastructure challenges faced by America’s major metropolitan areas and related financing issues.

I am honored to serve as Mayor of Jacksonville, Florida the most populous City in the State of Florida and the 13th largest City in the United States, with a population of approximately 850,000. Jacksonville also is a consolidated city-county and the largest local government by land area in the continental U.S., both of which create great challenges and opportunities.

Jacksonville is a high-growth City at the center of a high-growth metropolitan area. Our convenient location, mild climate, reasonable cost of living, and high quality of life make Jacksonville a prime location for business expansion. In fact, Jacksonville is consistently ranked among the “Top Ten Places to Live” by Money magazine, as well as one of the “Hottest Cities in America” for business expansion and relocation by Expansion Management magazine and among the “Best Cities for Doing Business” by Inc. magazine.

But with this growth come needs, starting with the major capital investments of new roads and sewers that must be built while still paying for all the older, existing infrastructure in our urban core.

As I will discuss in detail, Jacksonville’s infrastructure needs are significant and essential to the continued economic prosperity of our region, our State, and the nation. In Jacksonville, that especially means transportation and water infrastructure projects with impacts far beyond our City boundaries. These needs extend well beyond the capacity of local government. And their regional and national significance demands a greater and more strategic federal partnership.

Our nation’s vital economic centers are metropolitan areas like Jacksonville, where basic infrastructure is in disrepair or altogether lacking. Like the interstate highway system, the physical assets of these major metropolitan areas yield national benefits. However, the financial burden is increasingly being assigned to local and state governments. While I recognize that infrastructure needs exceed available funding at all levels – federal, state, and local – there must

be a more realistic balance and a prioritization for federal investment, and creativity in finding more public-private funding solutions.

Local Fiscal Status

Jacksonville has a long history of fiscal responsibility and self-help. Since the City was consolidated with Duval County in 1968, officials have consistently kept taxes and fees low for residents, instead relying primarily on property tax revenue to meet public needs.

Because Jacksonville officials have long-recognized the importance of infrastructure to the overall economic development and security of our region, we have allocated considerable local resources to large-scale projects with regional and/or national significance. The lack of sufficient non-local investment in those areas has forced us to divert funds away from other projects that are truly a primary local responsibility, such as public safety.

However, that record of financial discipline and self-reliance now is undermined by circumstances beyond our control. In 2007, the Florida State Legislature imposed a mandatory property tax rollback that resulted in a \$65 million shortfall in the City's budget. Earlier this year, Florida Amendment One passed, which will further decrease property tax revenue and subsequently reduce the City's budget by an additional \$50 million. In response, we cut \$38.5 million from our budget and, for the first time, imposed fees for several City services to diversify our revenue stream.

Now we are struggling to sustain delivery of fundamental City services on a daily basis, let alone find local or state resources to address our compelling longer-term infrastructure needs. For example, in 2006, I organized a Growth Management Task Force to analyze the projected development and transportation needs in Jacksonville. The Task Force predicted a \$2.6 billion shortfall in transportation funding through 2030. Moreover, the Florida Department of Transportation (FDOT) has had to reduce transportation commitments in their work program by nearly \$2 billion and in its past session, the Florida Legislature reduced FDOT funding by an additional \$315 million.

I would like to highlight two specific examples of Jacksonville's most critical infrastructure needs that illustrate how appropriate and integral a federal partnership is to the completion of projects that have tremendous regional and national impact: (1) build-out of the transportation network surrounding our expanding marine port terminal, and (2) expansion of our sewer system and septic tank phase-out initiative.

Transportation Infrastructure

In many ways, our transportation assets are the backbone of the Jacksonville economy. Jacksonville is a leading transit and distribution center, with millions of tons of raw materials and manufactured goods transitioned through the City each year. We are at the confluence of three interstate highways which serve as primary trucking routes to destinations across the U.S. We have major rail and air cargo facilities, and an ever expanding deepwater port that also is the westernmost port on the East Coast. From that port, goods reach 45 million consumers within

eight hours, including residents of Montgomery, Charlotte, and Atlanta, and 60% of the U.S. population within 24 hours. This transportation network in Jacksonville is not only vital to our local economy, it serves as an economic driver for the nation.

Jacksonville is the fastest-growing port on the eastern seaboard, and it already is the second-largest vehicle-handling port in the U.S. We are in the process of completing a \$220 million container facility for a Japanese shipping line, and in the final stages of negotiating a similar arrangement with a Korean company. The port also serves as a berth for Carnival Cruise Lines and operates the St. Johns Ferry which links Mayport Village and Fort George Island.

Our port currently consists of three public marine terminals and one passenger cruise terminal. The new Dames Point Marine Terminal services bulk cargoes. In addition to the terminal, JAXPORT and Mitsui O.S.K. Lines, Ltd., (MOL), a Tokyo-based logistics and ocean transportation company, are funding construction of a 158-acre container-handling facility, which will include two 1,200-foot berths, six Post-Panamax container cranes, and other infrastructure necessary to accommodate MOL's operations. Further phases of the project likely will expand MOL's container facility to more than 200 acres, all on port-owned property.

The Dames Point terminal alone is anticipated to increase the number of trucks traveling to and from the port by 250,000 in just its first year of operation. This is forecasted to increase by 50,000 each year until full capacity of 500,000 trucks per year is reached in three to five years.

Moreover, the port plans to open another marine terminal in 2011.

Our current local transportation infrastructure simply cannot handle this tremendous influx of truck traffic. A major transportation infrastructure overhaul will be necessary to divert port traffic away from our local neighborhoods and roadways directly to the interstate system. We are working on a technical and financial feasibility plan to be completed in September, but based on preliminary estimates, we anticipate the necessary highway improvements to total at least \$326 million.

We also are looking at rail as an alternate means of transporting the cargo containers. Up to 30% of the containers that come in to the port are able to be transported by rail. Unfortunately, our rail yard is not located in close proximity to the port and the containers must still be transported by truck to the rail yard. Constructing a rail yard closer to the port will alleviate a significant amount of truck traffic. However, this also requires a significant amount of investment.

While this type of investment in publicly-owned rail and goods movement infrastructure, is not currently identified as an activity for the proposed National Infrastructure Bank, I respectfully encourage the Committee to consider other means of transit which would offset the cost of roadway infrastructure and alleviate congestion.

The growth of the seaport is a huge asset for the economic development of our region. Currently, the terminals generate \$3 billion in economic activity, which will increase to \$5 billion once the two terminals in development are fully operational. Of equal importance, the port system will employ more than 100,000 people within the next ten years.

Water Infrastructure

Jacksonville's culture, economy, history, and future are closely tied to our environmental quality, particularly the St. Johns River, designated by the federal government as one of 14 American Heritage Rivers. The lower basin of the River encompasses 2,750 square miles with two million residents. In Jacksonville, the river supports more than 19,000 jobs with an annual economic business impact of \$2.2 billion. Property along the river accounts for more than \$1.3 billion of the county's tax rolls.

Unfortunately, the river faces significant environment problems. In recent years we witnessed a harmful algal bloom that choked segments of the river, endangering the wildlife population of the river and rendering the river unhealthy for humans. More than 51 of the River's tributaries consistently have bacteria levels so high that they are deemed unsafe for fishing and swimming.

The water quality of the River is gravely threatened, in notable part, by our failed septic systems that requires major investment to replace with sewers. There are approximately 85,000 septic tanks in Jacksonville, and our Health Department and Environmental Resource Management Department have thus far declared 22 failure areas around in neighborhoods around the City. Approximately 21,000 septic tanks in these areas remain unaddressed, and up to 17 additional failure areas could be identified in the coming months.

In 2003, I established the Water and Sewer Expansion Authority (WSEA) as an independent authority of the City to help finance water and/or sewer infrastructure in neighborhoods. The cost of connecting to a central sewer system is at least \$15,000 per home. The City already has provided \$80 million, and the State has granted \$12 million for this purpose.

Nevertheless, it will cost up to \$400 million to address the remainder of currently declared septic tank failure areas, and a total of \$800 million if the additional failure areas are designated. Additionally, nearly \$200 million in wastewater treatment plant improvements are required along the St. Johns River.

There is no local or state funding source that can address a need of this magnitude. Florida's Clean Water State Revolving Loan Fund is insufficient to fund projects at this scale. In FY2007, the total State CWRP allocation was approximately \$36 million. In fact, the potential \$800 million total cost of the septic tank project nearly equals the total amount of Florida's Clean Water State Revolving Loan Fund from FY1989 through FY2006.

Federal Financing and the National Infrastructure Bank

I agree with the perspective that most current federal grant formulas do not adequately target resources to infrastructure projects of regional and national significance. Rather, our systems tend to promote "equity" distributions among states, and then within states between urban and rural areas. We spread these funds so thin and without national strategic direction that there is little impact on the most meaningful needs.

As both a businessman and an elected official, I believe that it is more cost effective to utilize an approach that targets our limited resources for investment in projects based on merit, and projects that will generate the greatest return.

The principles that underlie the proposed National Infrastructure Bank follow this framework – generating and dedicating sufficient funding for large-scale projects with true regional or national significance, while allowing the formula-based funds to be allocated more appropriately to fund smaller, localized projects.

I also appreciate efforts to tap more private sector capital investment, while still recognizing that many of these assets truly are public goods.

Thus, I believe that financing models like the National Infrastructure Bank would help major metropolitan areas such as Jacksonville address the critical challenges facing our nation's aging infrastructure by leveraging resources in a more efficient and effective manner, and enabling more local resources to be allocated to local responsibilities.

For our nation's continued economic vitality, we cannot afford to let our priority infrastructure needs continue to be underfunded because of grant systems designed to achieve other objectives. We must implement a national approach to investment that assures the quality of our infrastructure meets or exceeds those of the major metropolitan regions and countries that we are competing with around the world.

Thank you again for the opportunity to speak with you about the critical infrastructure challenges facing Jacksonville and the nation. I look forward to working with you and your colleagues on legislation that will implement a national financing strategy that truly prioritizes large-scale infrastructure activities that yield a high return on investment. I commend you for your leadership on this issue.