Testimony of the Honorable Edward G. Rendell Governor of the Commonwealth of Pennsylvania Co-Chair, Building America's Future

United States Senate Banking, Housing, and Urban Affairs Committee

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Introduction

Good morning and thank you Chairman Dodd and Senator Shelby for welcoming me to the Senate Banking, Housing and Urban Affairs Committee. Given the President's recent infrastructure investment announcements, and the interest from people across America, I am very grateful to be here to testify about the need to create a National Infrastructure Bank to help finance critical investments in our nation's crumbling infrastructure.

Building America's Future

I am here both in my capacity as the Governor of Pennsylvania and as Co-Chair of Building America's Future, which I am honored to lead along with Governor Arnold Schwarzenegger of California and Mayor Mike Bloomberg of New York City. Building America's Future is a growing, bipartisan, non-profit organization of state and local elected officials from across the United States who believe that we must reform how we pay for infrastructure and that additional resources must be invested more wisely.

Our members include 18 sitting governors, 44 mayors of major cities, and 47 other state and local elected officials. They are republicans, democrats, and independents each working in their own communities to figure out how to repair and rebuild our crumbling infrastructure. Given the economic downturn, the decreased budgets in states and cities, and the rising unemployment rate, many of us are searching for responsible ways to invest more while spurring additional job growth.

The Need for Additional Investments in our Infrastructure

I am struck by what happens every time there is another infrastructure catastrophe in this country. For 24, 48, or 72 hours there is a barrage of news videos and articles about those catastrophes but when the cameras leave our collective attention is turned to other issues while the victims and local leaders are left to contend with the aftermath of the disaster.

Take the recent gas pipeline explosion in San Bruno, California that killed at least four people, injured about 50, and destroyed or damaged more than 80 homes. Media reports indicate that the

pipeline was first installed in 1956. As of now, we do not know the cause of that horrible explosion since the National Transportation Safety Board and the Pipeline and Hazardous Materials Safety Administration continue investigating. But we do know that many of our pipelines and underground systems, such as our drinking water and waste water systems, are old and could fail at any moment.

The question for all of us here today is whether or not we will act in the aftermath of this recent crisis in California or must we wait for another catastrophic event to occur before we realize the need to move now and make investments to repair and rebuild infrastructure that was installed during the Eisenhower Administration?

I do not want to sound alarmist but I know firsthand that an accident of this magnitude – or worse - could happen in many other communities whether it is another gas pipeline, a structurally deficient bridge, aging dams, or leaking water pipes. Part of the reason many people do not think a problem exists is because these assets are hidden or underground. It is only after a disaster occurs do we pay attention to that infrastructure but by then it is too late.

Many of you may recall back in March of 2008 when I had to shut down I-95 in both directions just north of the Philadelphia central business district. An inspector from the Pennsylvania Department of Transportation just happened to be in the area during lunch and discovered a major crack in one of the main concrete support pillars of I-95. We had to shut down the highway for fear that if that concrete pillar collapsed several hundred people could have been hurt or killed because 190,000 vehicles per day travel over that section of I-95. Thank goodness that inspector happened to discover that crack or the consequences could have been devastating.

In the past few years we have seen the I-35W bridge collapse in Minneapolis, dams fail in Cedar Rapids, widespread power outages in the Northeast and parts of the Midwest, and the levees fail in New Orleans. The cost of the search and rescue and clean-up efforts is in the billions where had we made the necessary investments we may have been able to avoid the costs in dollars and human lives lost. The aftermath of Hurricanes Katrina and Rita have already totaled over \$15 billion in Federal Emergency Management Agency assistance alone according to the Department of Homeland Security. Had we invested more in those levees perhaps we could have avoided the painful aftermath.

We should not wait for another disaster to take action and that is part of the reason why I am here today to discuss how a National Infrastructure Bank can help our nation.

Building America's Future has been fighting for additional investments in our nation's roads, bridges, transit systems, dams, levees, ports, drinking water and waste water facilities, broadband and electricity systems and other infrastructure. We believe that we must not only invest more but we must do so more wisely and with a longer-term vision. We must do more if the United States is to remain competitive in a global economy. A first class infrastructure system is one way to ensure our success in that effort.

I would also like to include a letter for the record that is signed by many of our fellow Building America's Future governors, mayors, and other local elected officials. Whether it is Los

Angeles' "30/10" transit initiative, the construction of high speed rail in Florida or California, the public-private Crescent Corridor rail project connecting the South and the Northeast, or the need to address our crumbling bridges, dams and levees in other parts of the country we know that the needs for more investment already exists.

It is my opinion that you can help address that need by passing legislation before this Congress adjourns to establish a National Infrastructure Bank.

President Obama's Announcement

That is why I was extremely encouraged with President Obama's recent announcement that he is asking Congress to create a National Infrastructure Bank, provide an additional \$50 billion on top of existing funding levels for transportation infrastructure, and that he seeks a reformed, robust transportation bill as quickly as possible. By doing these three things we can ensure that America's infrastructure - our transit systems, highways, bridges, runways, pipelines, water and energy systems, and high speed rail network – is of the highest caliber for its owners, the American people. We will create millions of jobs and boost our economy.

As I understood the President's announcement he seeks an additional \$50 billion on top of existing surface transportation funding levels and some of that money would go toward capitalizing a National Infrastructure Bank for projects of regional and national significance. What I think is important about this proposal is that the cost of such projects will not be shouldered by the federal government alone but rather the Bank would seek to establish partnerships with federal, state, and local governments as well as more robust private sector involvement. If we do this quickly and properly we can make great progress toward repairing and rebuilding our nation's crumbling infrastructure.

The idea of a National Infrastructure Bank is not new. It is a concept that has been around for many years and versions of it have been implemented successfully in several states like California and South Carolina. And across the pond the European Investment Bank has been financing infrastructure projects since 1958.

The Need for a National Infrastructure Bank in the United States

What is missing at the federal level is a long-term vision about budgeting and planning for large-scale infrastructure projects. We do not have a federal capital budget and because of that investments are typically made on an annual basis. We must change that investment strategy so that we invest the taxpayers' dollars in the most meritorious projects that have the most economic impact.

Building America's Future believes that the United States must create a National Infrastructure Bank so that we can have a single entity, staffed by experts, who can work to attract and leverage dollars from state and local governments as well as the private sector. The Bank will focus on projects of regional and national significance, will remove politics from the process, subject all requests to a benefit-cost analysis, and set the standard for accountability and transparency.

I recently hosted a forum in Pennsylvania to discuss the future of the transportation bill and other infrastructure needs. I was pleased that former Governor Jon Corzine, with whom many of you served here in the Senate, came to talk about the billions of dollars in private investment funds that are waiting to be invested in the United States. These investment funds represent a significant opportunity to be creative in how we go about repairing and rebuilding our infrastructure because they will allow us to leverage the federal dollars that are used to capitalize the bank. If we can marshal this private capital then I believe we can make a significant dent in the \$2.2 trillion funding shortfall that the American Society of Civil Engineers says exists in the United States just to bring our systems into a state of good repair.

Many are rightly concerned about our growing federal deficit but I believe more people are concerned about the growth of our economy. We must invest where it makes sense and that means more resources for our transit systems, the creation of high speed rail, and removing bottlenecks in and around our ports and cities so that people and goods move more quickly, use less gas, and keep costs down.

If we do this through the National Infrastructure Bank we will create millions of more jobs not only on the construction sites but back in the factories that produce the concrete, asphalt, aggregate, steel, wood, and other materials that go into these projects. We are used to building things in this country and we can do so again by standing up the National Infrastructure Bank now.

One other point I would like to make. Many detractors of a National Infrastructure Bank say that we cannot afford to do this. I say we cannot afford <u>not</u> to do it. I would like to know what successful company in the United States has grown itself without investing money back into its business. Some say that there should be no more spending, no more borrowing, and no more investing. If that argument wins the day then I think we will look back upon these times of 9.7% unemployment with envy because it will mean not only significantly more unemployment but a complete degradation of our infrastructure. Companies will leave our shores and we will import more than we export. That cannot be the way of our future. That is not the America we know and love.

National Infrastructure Bank Structure

We believe that a National Infrastructure Bank should be created with the following basic concepts:

- Establish the Bank as an independent entity with the greatest flexibility to finance and fund only projects of regional and national significance.
- Allow the Bank to fund projects beyond just transportation such as ports, drinking and waste water, electrical grid, broadband and others that make sense.
- Enable merit-based selection of projects by experts so that the most critical and feasible projects proceed by employing benefit-cost analysis methods.
- Ensure federal assistance at a significant enough scale to make these major projects financially viable.

- Ensure that the Bank has the authority to employ a range of finance and funding tools including, but not limited to: grants, credit assistance, low interest loans, tax incentives, Build America Bonds, Private Activity Bonds, enhanced TIFIA authority, and others to be determined.
- Create a method for leveraging public investments with private capital.
- Establish clear performance measurement standards such as completing projects on time and within budget, reducing traffic delays for passengers and goods movement, reducing carbon emissions, and improving safety.
- Provide project expediting capability by eliminating redundancies to speed completion of projects while still ensuring the environment remains protected.

President Obama's fiscal year 2010 budget proposed \$5 billion per year for five years for a total initial capitalization of \$25 billion for the National Infrastructure Bank. In fiscal year 2011 that proposal was modified to be an infrastructure fund administered by the Department of Transportation. However, Congress has not appropriated these dollars primarily because the Bank has not been authorized. I give the President credit for supporting this concept with real dollars as it is a sign of his commitment to the long-term vision of rebuilding this country through smart, targeted investments.

It is incumbent upon this Congress to pass a National Infrastructure Bank authorization bill this year so that it can be stood up properly next year. And I believe that the Obama Administration must engage with the House and Senate in the details of this legislation in the coming days.

We have heard some concerns about whether or not a National Infrastructure Bank means rural states will be ignored to the benefit of urban areas. I do not think that is true at all. The Bank will look at projects on a regional and national basis. That may mean investments in areas that expand beyond any major city because of the long-term vision. For example, we need to expand our exports and by investing in our ports now we can ensure that agriculture products that come from our rural areas can get to those foreign markets more efficiently and quickly. This would mean a benefit not only to the port in the city in which it is located but to the farmers and ranchers who depend upon proper delivery to earn their wages.

One other way that rural areas will benefit is if existing grant programs that fund large-scale projects would concentrate on smaller projects. For example, the Highway Trust Fund has recently been under threat of depletion and insolvency. Transfers of funds from the general fund into the Highway Trust Fund have kept the program alive. I believe that if the National Infrastructure Bank stands up it could ease the current strain on the Highway Trust Fund by funding the larger-scale projects through the Bank. Therefore, allowing more Highway Trust Fund dollars to remain available for smaller projects in rural areas. I think that is a benefit that must be studied and explored.

Ultimately this is about what we are going to do for the American people. The average American loses 60 hours a year stuck in traffic. That is time that people can never get back and it is time that they cannot spend with their families and friends. And it's costing us \$87.2 billion in lost productivity and 2.8 billion gallons in wasted fuel each year.

We must stop this cycle.

We can do this. This is not rocket science. But we must do so on a good-faith, bipartisan basis and with the goal of assuring the Bank's success. If the Bank is successful then our cities, states, and regions will be more successful.

Conclusion

Our hope is that if the National Infrastructure Bank is capitalized at the right level the Bank will make significant progress towards addressing some of the larger projects and outstanding needs in the country while Congress moves forward with significant reforms of existing funding silos, policy decisions, and the creation of a national vision.

We believe that Congress must also pass a robust, reformed transportation bill that will address our surface transportation needs for the next several years. This program needs reforms and I was extremely encouraged that the President recognized that fact and intends to offer a proposal in the coming weeks.

I know that many of you are hearing from people in your states as I have in the Commonwealth of Pennsylvania about the economy and unemployment. People are hurting. The construction industry is at 20% unemployment and future job creation is uncertain at best. As Governor of the sixth largest state in the nation I have done what I can to make smart investments and I can tell you investments in infrastructure have created and saved thousands of jobs. What that means is that a worker can make the car and mortgage payments, put food on his or her family's table, and contribute to the tax base. It means less people on unemployment and more people being productive as part of our workforce.

That is the fabric of America.

Is a National Infrastructure Bank going to be the single solution to our unemployment or crumbling infrastructure problems? No, it is not. There are no silver bullets. But we must fight this battle with as many bullets and weapons as possible to defeat it.

Thank you and I look forward to answer any of your questions.