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CONDITION OF OUR NATION'S INFRASTRUCTURE: LOCAL PERSPECTIVES FROM MAYORS

HEARING

BEFORE THE

COMMITTEE ON BANKING, HOUSING, AND URBAN AFFAIRS UNITED STATES SENATE

ONE HUNDRED TENTH CONGRESS

SECOND SESSION

ON

THE CONDITION OF OUR NATION'S INFRASTRUCTURE FROM THE LOCAL PERSPECTIVE OF MAYORS

THURSDAY, JUNE 12, 2008

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C O N T E N T S

THURSDAY, JUNE 12, 2008

	Page
Opening statement of Chairman Dodd	1
Opening statements, comments, or prepared statements of:	
Senator Shelby	3
Senator Hagel	6
Prepared statement	37
Senator Reed	17
Senator Dole	17
Senator Carper	18
Senator Martinez	20
Senator Menendez	21
Senator Corker	22

WITNESSES

Saxby Chambliss, U.S. Senator from the State of Georgia	3
Johnny Isakson, U.S. Senator from the State of Georgia	4
Bill Nelson, U.S. Senator from the State of Florida	5
Mel Martinez, U.S. Senator from the State of Florida	6
Michael R. Bloomberg, Mayor, New York, New York	8
Prepared statement	39
Shirley Franklin, Mayor, Atlanta, Georgia	10
Prepared statement	43
John Peyton, Mayor, Jacksonville, Florida	12
Prepared statement	54
Mark Funkhouser, Mayor, Kansas City, Missouri	14
Prepared statement	59

CONDITION OF OUR NATION'S INFRASTRUCTURE: LOCAL PERSPECTIVES FROM MAYORS

THURSDAY, JUNE 12, 2008

U.S. SENATE,
COMMITTEE ON BANKING, HOUSING, AND URBAN AFFAIRS,
Washington, DC.

The Committee met at 10:15 a.m., in room SD–538, Dirksen Senate Office Building, Senator Christopher J. Dodd (Chairman of the Committee) presiding.

OPENING STATEMENT OF CHAIRMAN CHRISTOPHER J. DODD

Chairman DODD. The Committee will come to order.

I appreciate all who are here this morning. I want to particularly thank our mayors who are joining us for this hearing on the issue of our infrastructure problems in the country. We gather this morning to examine once again the condition of our Nation's physical infrastructure and proposals that are needed to make improvements in it.

When the Committee last gathered to examine this critical issue, we considered the perspectives from individuals who held expertise in public and private financing, civil engineering, labor and business. They were unanimous in voicing compelling support for increased investment in our Nation's infrastructure and for the need to develop and implement alternative ways to finance this critically important investment in our Nation's future.

Today we consider the local perspective on our Nation's infrastructure, and we will hear from individuals who are most qualified to offer that critical perspective—our Nation's mayors. We are fortunate to have before us a distinguished panel of leaders who represent cities from different regions of our Nation, who hold different political affiliations, and who face different challenges in their communities. But what they share in common is far more important than what differentiates them. These mayors, like their colleagues across the Nation, bear the lion's share of responsibility for maintaining the roads, bridges, mass transit systems, drinking water systems, waste water removal systems, and other vital components of our national structures.

The Federal Highway Administration reports that out of the 4 million miles of roads in our Nation, over 3 million miles are owned by counties, cities, and towns. Local governments maintain almost 60 percent of our Nation's 54,000 drinking water systems and 98 percent of the 16,000 waste water systems in the country. Our

counties and cities and towns also have a front-line perspective on what happens when the needs of our infrastructures go unmet.

I have just a couple of photographs to illustrate the point here. Obviously, we all remember last summer, in August in Minneapolis, the collapse that afternoon of the bridge, the loss of lives, and the national attention it drew to the condition of our highway systems. And then the second photograph—Mayor Bloomberg, you will be familiar with this one—is the New York City steam pipe explosion that caused great disruption in the city, again, a further example of what is happening.

When the bridge collapsed in Minneapolis, Mayor Rybak was among the first to respond. When the steam pipe exploded in New York City, Mayor Bloomberg was among the first to respond. And when the Mianus River bridge collapsed in my home State of Connecticut in 1983, I know that several mayors in Fairfield County joined State officials in responding to that tragedy.

Here in Washington, we may cite alarming statistics like the 14,000 Americans who die each year at least in part because of crumbling roads and bridges; the over 5,500 Americans who are sickened each year from some of the 850 billion gallons of storm water and raw sewage left untreated by obsolete waste water systems; or the average American who wastes 1.5 hours a year, if you will, in traffic congestion—excuse me, 51.5 hours a year in traffic congestion.

However, our mayors see these alarming statistics as more than just numbers on a piece of paper. They witness how these statistics play out each and every day in their communities and the people who are affected by them. They personally console individuals and loved ones in road accidents caused by poorly engineered highways or collapsed bridges. They personally connect with individuals who are sickened by an overburdened drinking water system or waste water system. And they experience the devastating economic effects when jobs are lost because the infrastructure in their communities cannot provide for effective movement of people, goods, and information.

There is no question that the mayors are acutely aware of our Nation's enormous immediate and unmet infrastructure needs. In fact, this awareness has already translated into meaningful action. I want to commend recent and comprehensive efforts undertaken by State and local governments to raise the awareness of infrastructure needs nationwide. Efforts such as Building America's Future, which Mayor Bloomberg has undertaken with Governors Rendell and Schwarzenegger, are certainly well known to most Americans. The American Society of Engineers estimates that an investment of $1.6 trillion over 5 years is required just to bring our current infrastructure to an acceptable level. That translates into $320 billion a year just to upgrade existing structures to serve the needs of our Nation.

As we face the prospect of significant long-term budget deficits, a weakening economy, decreasing tax revenues, and increasing unemployment, it is clear that the current ways by which we invest in our Nation's infrastructure has become as obsolete as many of the infrastructure systems themselves. We must, I think, forge a strong partnership between Federal, State, and local governments

to explore other creative and fiscally responsible ideas that protect Americans to keep our economy as strong as possible.

We also cannot afford to delay. I believe the cost of meeting our infrastructure needs is great, but the cost of failing to meet them is even greater, and it will grow every day. That is why, along with my colleague from Nebraska, Senator Chuck Hagel, who is here with us this morning, and a variety of other people, we have proposed creating a national infrastructure bank to help us meet these challenges. The bank would mark the first Federal effort to prioritize infrastructure projects across different modes of transportation and water treatment. It will be the first Federal program to rate these different infrastructure projects on the basis of merit and to invest in projects based on their merit. And by focusing on projects of regional and national significance, the bank would help us meet some of the largest challenges that we are confronted with.

This proposal will not solve all of our problems, obviously, but we believe that it will go a long way to addressing many of the concerns that we have heard from our witnesses, as we will today, and those who appeared prior to today. And I will continue to work, obviously, with my colleague from Alabama, Senator Shelby, and other Members of this Committee to find that common ground that I hope we can, and we will be able to move this legislation forward, my hope would be even in this Congress. I do not know an exact timetable. As you know, we are very busy working on legislation to address the housing issues in our country. But I do hope that we can move a bill through this Committee possibly in a timely fashion.

I appreciate, obviously, the willingness of our witnesses to share their insights with the Committee today. We look forward to your testimony. I know that we have several other Members who are here to introduce some of our witnesses, and before doing that, let me turn to my colleague from Alabama, the Ranking Member of this Committee, for any opening comments he wants to make, and then we will turn to the introduction of witnesses and any comments of our colleagues here.

Senator Shelby.

STATEMENT OF SENATOR RICHARD C. SHELBY

Senator SHELBY. Thank you, Mr. Chairman. I will be brief. I just want to welcome our distinguished panel of witnesses and ask that my written statement be made part of the record.

Thank you.

Chairman DODD. That is it?

Senator SHELBY. It is a long statement.

Chairman DODD. Well, we have a couple of our colleagues here. Senator Chambliss and Senator Isakson are here to represent Mayor Franklin, a good friend, and why don't I invite both of you—where is Johnny? There you are right there. If the two of you want to step up and introduce the mayor of Atlanta.

STATEMENT OF SAXBY CHAMBLISS, U.S. SENATOR FROM THE STATE OF GEORGIA

Senator CHAMBLISS. Thank you, Chairman Dodd, Senator Shelby, and Members of the Committee, for the opportunity to intro-

duce what is, without question, one of the most outstanding mayors the city of Atlanta has ever had and one of the most outstanding mayors in America.

I know you are here to talk about infrastructure problems and the needs of cities across America, and there is no city that we can look at that has had more of an issue with respect to decaying infrastructure than has the city of Atlanta. The predecessors to Mayor Franklin frankly did not pay much attention to this. They decided they would rather pay big fines to the Federal Government than address the issue of decaying water and sewer systems in Atlanta and the surrounding areas.

Mayor Franklin came into office and did something very unique. As an elected official, she made a decision, No. 1, that we have got a serious problem that has got to be addressed, and she made the decision to address it in the right in which to fix it over a long period of time. And instead of looking to the Federal Government for funding solely from the standpoint of fixing it, instead of looking to the State government solely for the funding to fix it, she decided that the residents of the city of Atlanta needed to pay their fair share, and then let's work in coordination with the State and Federal Government to provide some additional assistance.

So what she did was to come in and raise user fees in the city of Atlanta by a significant amount, something that was normally not thought of as very popular. But thanks to her leadership, the citizens of the city Atlanta accepted it, and we now have a major project in excess of $3 billion that is underway under her leadership, and we are seeing real progress. The Federal Government has stepped up to lend a helping hand. The State government has stepped up to lend a helping hand. But, frankly, Mayor Franklin's leadership on this issue is what has caused it to happen.

In addition to that issue of infrastructure, under her leadership we have seen the infrastructure at Hartsfield-Jackson Airport, the busiest airport in the world, expand in great numbers, great measures. She has overseen a $6 billion-plus expansion at Hartsfield-Jackson. We have added a fifth runway. And, again, thanks to her leadership, we are seeing a much busier airport in Atlanta today, serving the needs of people all over the world, something that was not happening 10 years ago.

So I am very pleased to be here today to introduce her to this Committee and just to tell you that you could not have a better resource than Mayor Franklin to talk to when it comes to infrastructure needs and, most importantly, ways to fix those infrastructure needs.

So it is my privilege to share with my colleague Senator Isakson the honor of introducing Mayor Shirley Franklin.

Chairman DODD. Thank you very much, Senator.

Johnny, welcome to the Committee.

STATEMENT OF JOHNNY ISAKSON, U.S. SENATOR FROM THE STATE OF GEORGIA

Senator ISAKSON. Thank you, Chairman Dodd. I will not be redundant in what Saxby said, except to say that I came to the Atlanta business community, and for 33 years, 20 of which I ran a company, I worked with elected officials and mayors in Atlanta. We

had had benign neglect for a long time in our major infrastructure. We needed our fifth runway. We needed a new CSO. We needed to address homelessness. Shirley Franklin on each and every one of those counts had the vision, the intestinal fortitude, and the will to see to it that we did it in a public-private partnership with the city of Atlanta and its people being the first to step up to the table.

Just one example. While doing the airport runway, while addressing the CSO, a $3.2 billion problem, she also saw to it that homelessness in Atlanta was addressed through a project she put together, and we have 24/7 gateway centers that every day serve 500 homeless people, gives them food, gives them shelter, gives them direction, has helped the streets of Atlanta, but most important, the humanity of Atlanta. In the words of my grandson, Charlie, she is "a good old gal and a rock star," and we are mighty proud of her.

[Laughter.]

Chairman DODD. Cannot get a better endorsement than that, I think. Well, thank you very much, both Senators from Georgia. We appreciate it very much.

And our colleague from Florida, we obviously have Mel Martinez from Florida on the Committee, but Bill Nelson, my good friend, is also here. Why don't we start with you, Bill, and introduce the mayor of Jacksonville.

STATEMENT OF BILL NELSON, U.S. SENATOR FROM THE STATE OF FLORIDA

Senator NELSON. Well, Mr. Chairman, I wanted to come along with Mel and tell you about our mayor, the mayor of the bold new city of the South, the first coast of Florida, a city that was quite visionary some three decades ago when it decided to consolidate its government, and so, in essence, the city government is the county government. And there are a number of cities in Florida that are having now a recognition of that kind of charter form of government is the most efficient. And, of course, atop that structure sits the mayor of Jacksonville, an extremely powerful person and one who has great vision.

Now, it is great that Mayor Peyton is here to talk about infrastructure because Jacksonville has really been quite visionary in getting the infrastructure that we need. Our colleagues from Atlanta are talking about the infrastructure of the airport, and indeed that is, and yet the Jacksonville airport, as Jacksonville was host to the Super Bowl, who ever thought about a little city being host to a Super Bowl, and yet people realized it was not a little city, and the city the size it was handled that Super Bowl and all of its traffic with exceptional aplomb, discretion, and efficiency.

And so representing that here, as you all talk about the desperate need that we have in this country for infrastructure, if it had been this Senator's druthers, instead of that stimulus bill, sending out checks, this Senator's preference was that we would have put that money into infrastructure. And now you all are addressing that, and I commend you for it, and I am very happy that our mayor is here to address the specifics of that legislation.

Thank you.

Chairman DODD. Thank you very much.

Mel, do you want to say a word or two?

STATEMENT OF MEL MARTINEZ, U.S. SENATOR FROM THE STATE OF FLORIDA

Senator MARTINEZ. Thank you, Mr. Chairman. I will go ahead and join in. I have some opening comments on the whole subject, but I really appreciate John Peyton being here. He is a good friend and a good man and a good mayor. Again, as Senator Nelson indicated, hosting the Super Bowl was the pinnacle, I think, of his mayoralty. But he has worked on some other things, too, that are laudable. He has launched a nationally recognized early childhood literacy program for which I know, Mayor, you have received a lot of attention, and I think deservedly so.

The city of Jacksonville is one of our great cities. This mayor form of government, when I was mayor of Orlando, Orange County in Orlando, I quickly went to Jacksonville and met with his predecessor to see how this mega government was working. They have done a great job. I am proud to have you here. Welcome.

Chairman DODD. Well, thanks very much, and let me say to Mayor Funkhouser and to Mayor Bloomberg, Senator Schumer I know would like to get by. He still may. He is not here, but let me just say how pleased we are you are here, Mayor Bloomberg. It is a great honor to have you before the Committee, the 108th mayor of New York City. It is a remarkable city and a remarkable job with it, and I think most people are aware of your background in the private sector and then moving into the second stage of your life, the public sector, two times being elected by the people of that city. So we are honored to have you here.

Mayor Funkhouser, I know Claire McCaskill as well wanted to be by this morning to present you to the Committee, and she has another Committee assignment this morning that she is chairing, I believe. But it is important, I think, that everyone know here that the mayor of Kansas City is a former auditor. He was named National Public Official of the Year by Governing Magazine in 2003. He holds a doctorate in public administration and sociology from the University of Missouri, and is also in Washington the lead participant in the Brookings Institution Summit for American Prosperity, a remarkable career and a great career. And you are wonderful to be with us this morning and share some thoughts.

Let me turn, if I could just quickly, to Senator Hagel. He has been my co-author of this bill we have spent the last 3 years on, along with people I know that Mayor Bloomberg knows, Felix Rohatyn and Bernie Schwartz, not to mention the Center for Strategic International Studies, CSIS, and a lot of good people who have spent a lot of time helping us craft this idea that we have asked you to comment on this morning.

But, Chuck, do you want to make any opening comments?

STATEMENT OF SENATOR CHUCK HAGEL

Senator HAGEL. Mr. Chairman, thank you. I do have a statement that I would ask to be included in the record. Thank you. And thank you, Mr. Chairman, for holding another hearing on this issue, and, of course, to our distinguished witnesses who are on the

front line of governing in this country. Just a couple of comments, Mr. Chairman.

Many of you may have noted this week a column in the Washington Post by Fareed Zakaria on the world economy and America's competitive position in the world today. And I commend the article to you, and I want to just quote two lines from that piece. Fareed wrote, "U.S. spending on infrastructure as a percentage of GDP is the lowest in the industrialized world."

Earlier this year, many of you may have noted as well Morgan Stanley predicted that emerging economies, including countries throughout Africa, Asia, and the Middle East, will spend over $22 trillion on new infrastructure over the next 10 years. And that Morgan Stanley report goes on in some detail about the specific projects in the countries. No group of leaders in this country understands the need for infrastructure more, as we know, Mr. Chairman, than our mayors, and these four in particular who have, not unlike all bodies of government, been restricted by fiscal realities, and they are no different in some ways than we are here representing the Federal Government. But yet they have come up with creative, new, dynamic, 21st century ideas on how to do this. And that is as much the essence of this hearing as you and I have talked over the years, Mr. Chairman.

We must find 21st century ideas, programs, systems, processes, policies to address 21st century challenges. If we are not willing to do that, not only do we fail our country, the next generation of Americans, and the next generation after that, but we will find ourselves falling behind in a very competitive world. And we cannot afford to do that.

So I do not know of an issue that is more fundamental to our future, Mr. Chairman, and to our Nation's future than this infrastructure challenge. We are, I believe—this country—represented by the finest minds, most creative thinkers. Our balance sheet, we have some—at the witness table, some here around this table, who have been in business. Balance sheets are important. America's balance sheet is more significant than any nation's balance sheet. I wouldn't trade our balance sheet for China's, for India's, or any other country. But we will squander that balance sheet unless we provide some very, very insightful 21st century leadership. And those before us this morning, Mr. Chairman, have done that, are doing that in difficult times.

So I am very proud to join with you, Mr. Chairman, in this effort in this Committee, and I thank all who have been particularly involved. You mentioned some of them, and there are others, and to our distinguished witnesses, and look forward to their comments.

Thank you.

Chairman DODD. Thank you very, very much.

Mayor Bloomberg, we are honored that you are here this morning, and thank you for the work you have been doing on this with Governor Rendell and Governor Schwarzenegger. It is great to have the three of you involved in this, and we are honored you are here this morning. And we thank you for all the work you have been doing as well. The floor is yours.

STATEMENT OF MICHAEL R. BLOOMBERG, MAYOR, NEW YORK, NEW YORK

Mr. BLOOMBERG. Well, thank you, Mr. Chairman, Senator Shelby, Members of the Committee. Mel, I have to say, my mother is a big supporter of yours, Dickinson High School, 1925, who when I came in before this Committee, wanted to make sure I said hello, so I have said hello. But keep up the good work.

I am the mayor of New York City. I am also the co-chair, as Senator Dodd said, of Building America's Future, a coalition of State and local officials that we founded along with Governor Rendell and Governor Schwarzenegger this past January. And the reason that we came together is really very simple: We are facing an infrastructure crisis in this country that threatens our status as an economic superpower and threatens the health and the safety of the people that we serve.

As you know, infrastructure is not a sexy or glamorous topic, but it is one of the most pressing issues facing our country today. And that is why, in good economic times and in bad ones, we in New York have made infrastructure a top priority. Attached to my testimony today is a summary list of the projects that we are currently working on, but let me just point out a few.

We in the city of New York, with city taxpayer dollars, have invested $2 billion in a new subway extension to open up the Far West Side of Manhattan; $6 billion on our Water Tunnel so that we can have a critical back-up supply of water for our city; and $6 billion on upgrades to our sewage treatment plants. Nobody wants to spend money on infrastructure, particularly in difficult times when we do not have enough money to do everything else we have to do. But this is our future, this is our legacy, and we are not going to walk away from it.

Across the city, in addition to this, we are spending tens of billions of dollars on other things, improvements and expansions, but the truth of the matter is that is certainly not enough. New York City and the region needs something like $30 billion just in the next 5 years to continue to bring our mass transit system up to a state of good repair and to expand its capacity to meet growing demand. We need $23 billion to do the same for our drinking water and our sewerage system. And we are not unique in this regard. According to the American Society of Civil Engineers, the entire country needs to invest at least $1.6 trillion over the next 5 years to maintain and expand our roads and bridges, bring our rail networks up to a state of good repair, and construct critical water and waste water projects.

This $1.6 trillion is obviously a staggering amount of money. But it is also staggering how little the Federal Government is doing to help cities and States address these challenges. Senator, I think you pointed out, it is not always easy to do this, but during the Great Depression, you should remember that the New Deal did provide economic stimulus in the form of jobs to build infrastructure. La Guardia Airport—which I am sure a lot of you have flown in and out of—was a New Deal project, as was the electrification of the New York-Washington rail line. These projects created jobs, but they also created a lasting infrastructure that still serves our country.

And then, after World War II, Congress saw the need to tie the Nation together with a highway network and, together with President Eisenhower, they made that network a national priority and funded 90 percent of its total costs. Think about it this way. You had a Democratic and a Republican President instituting a stimulus package and a jobs creation program—yes, they did both—but most importantly for our country, they invested in our future, not short-term, politically popular giveaways with dubious economic impact. Decades of growth came from the institutions and the initiatives that they started 70 and 50 years ago. Lately, sadly, we have looked for ways to avoid short-term investments that give us long-term benefits.

In the 1960s and 1970s, in all fairness, the Federal Government did take the lead in funding transit projects around the Nation, including Washington's Metro system.

But the decades that followed did see less and less leadership from Washington, less and less willingness to open its purse strings.

Now, I am as happy as any other mayor to get Federal or State funding, but I will say New York City taxpayers have gotten tired of waiting for both. And so the five boroughs that I represent have reached into their own pockets and paid higher taxes to make the kind of investments that we have to so that we will be proud of what we leave our children and grandchildren.

In 1980, the Federal Government was spending 6 percent of its entire domestic budget on infrastructure. Today, that is less than 4 percent. And as a result, State and local governments are now responsible for three out of every four dollars spent on public infrastructure.

To remain the world's economic superpower, we must build the infrastructure to support strong and sustained growth. And that means, very simply, things have got to start changing in Washington, and I hope the year 2009 will be a watershed year.

The expiration of the current transportation bill will allow for a new debate on our infrastructure needs, and I would hope and expect that it will focus on two important issues: one, what should the role of the Federal Government be in our transportation system; and how we are going to pay for everything that we know we need.

There are a few principles that I believe should guide the discussion:

First, we need to set clear goals—both for the short term and long term—and clear metrics for measuring success. Right now, we have no coherent national transportation policy. It is just a grab bag of programs with no goals that correspond to national priorities, such as reducing our dependence on oil and cutting our greenhouse gas emissions. We also lack performance standards to ensure that we can meet our goals, which is just basic accountability. And we lack incentives that encourage cities and States to be more efficient, which is a basic tenet of market economics. These practices are straight from Management 101, and we need to put them to work when it comes to transportation.

Second, we need to dramatically increase funding. There are no two ways around it—no ways around it. Infrastructure costs

money. But polls show that people are willing to pay for it—if they know they will benefit. Voters really are smarter than we give them credit for. They know there is no free lunch. But they want to get infrastructure fixed. And there are lots of things on the table. We need Congress to step up.

Third, and finally, we need to fund projects based on merit, not on politics. We think one of the most promising concepts is the one introduced by Senators Dodd and Hagel: a national infrastructure bank. That bank would create an independent, nonpartisan entity that would fund the most vital needs and not the most parochial needs.

So the system is broken, but these three principles we think would help, and we are not sitting there just asking for money. We are doing what we can with our own money. It is just much too big a problem for any one city. The pain has to be spread around the country because the benefits are countrywide.

Thank you.

Chairman DODD. Mayor, that was excellent testimony. Thank you very, very much.

Mayor Franklin, thank you for being here. I have known Mayor Franklin for some time, we have great mutual friends, and as well it is an honor to have you with us this morning.

STATEMENT OF SHIRLEY FRANKLIN, MAYOR, ATLANTA, GEORGIA

Ms. FRANKLIN. Thank you very much. Thank you, Mr. Chairman and Members of the Committee, for inviting me to participate, and also thank you to Senators Chambliss and Isakson for joining us this morning and introducing me.

I am pleased to join my colleagues from cities across America to come forward and speak on this subject. In Atlanta, I have a self-proclaimed nickname. I am "The Sewer Mayor," and I chose that name because I wanted to raise the issue of infrastructure to the discussion level across the city. I named myself in 2003 before the press did. But I am pleased to be here to let you know how important it is that we address the issue that you have studied in previous hearings, but also to address the issues as described by my colleague Mayor Bloomberg.

When I took office as mayor of the city of Atlanta in January of 2002, it did not take me very long to realize that the city had severely neglected infrastructure that would require my immediate attention, particularly the rebuilding of our water and sewer infrastructure. We are a city of 500,000 people with a water and sewer system that serves over 1 million people each day. We recently passed the halfway mark in our $4 billion water program, the details are described in the written testimony that I have presented.

In Atlanta, there is a pressing need for a broader and more comprehensive approach to transportation planning and funding focused on a more pedestrian and public transit-oriented system. Last year, I was invited to testify before the National Surface Transportation Policy and Revenue Commission about the city of Atlanta's transportation vision and its relationships with transportation agencies and transit providers in the region. Our transportation infrastructure is critical to the economic well-being not just

of Atlanta and its residents, but especially our entire region, which is expected to grow by over 2 million people by the year 2030. For the city of Atlanta alone, we are expecting a 75-percent increase above our 2005 population in 2030.

We are certainly interested in this fund because, indeed, Atlanta has stepped up to fund water and sewer infrastructure ourselves. In my second year in office, I raised water and sewer rates nearly 50 percent. Rates are up almost 75 percent now, and I have pending before the City Council yet another rate increase to help pay for water and sewer infrastructure.

We believe that we cannot do this alone, not for too long. And, in fact, we need support from the Federal Government in terms of matching funds and Federal assistance. I announced a Clean Water Atlanta Program, a comprehensive long-term program, involving a complete overhaul of the city's over 100-year-old water and sewer infrastructure. The program includes court-ordered mandates to repair and replace sewer infrastructure and voluntary upgrades to our water system.

As part of this program, we have drastically reduced sanitary and combined sewer overflows; separated the sewers; built more than 120 miles of new water mains; inspected more than 1,000 miles of sewers; and rehabbed about 250 miles of sewers. As a result of these efforts, one of our primary waterways—the Chattahoochee River—is cleaner than it was 10 years ago.

Although we have secured $500 million in low-interest State loans and approximately $6 million in grants from the EPA, we have undertaken this initiative largely on the backs of the city's residents, some 25 percent of whom live at or below the poverty level. Atlanta's customers are already paying some of the highest water and sewer rates, and, unfortunately, we will have to continue to raise rates to fund this program.

The condition of our infrastructure has a profound impact not just on the city, but on the entire metropolitan region, and I believe on the State of Georgia and the Southeast region. My testimony contains more detail on the national scope of water and sewer problems, but suffice it to say Atlanta's situation is not unique.

Local governments are the primary investor in water and waste water infrastructure in the United States, and there have been numerous studies by the U.S. Conference of Mayors that the local share, as has been noted by Mayor Bloomberg, surpasses the Federal share and the State share.

So I would like to move quickly to transportation. This area is one—Atlanta is originally a railroad crossing town, so infrastructure for transportation is very dear to our hearts. In the metropolitan Atlanta region, we have discovered that the elevated environmental and social-economic impact of congestion has a tremendous impact on our future for economic prosperity. We believe that if we are not able to address this core problem, Atlanta will not be able to continue to be one of the key hubs of economic activity in the United States.

The Federal Government was very good at matching us for the building of our transit system, MARTA, Metropolitan Atlanta transit system, and we are looking forward to continuing that relationship as we look into the future.

Mr. Chairman, it is a matter of record that the Federal Government has reduced its overall commitment to infrastructure, and we are pleased to come today to testify on behalf of this bill that we might be able to apply for Federal funds to assist us with transportation, with water and sewer infrastructure, and, additionally, with other types of infrastructure, whether it is roads and bridges, in the city of Atlanta and in American cities.

Thank you very much.

Chairman DODD. Mayor, thank you very, very much. We appreciate your testimony.

Mayor Peyton, we are delighted to have you with us and look forward to your testimony.

By the way, any supporting documents and materials you think the Committee would benefit from, please know that it will be included in the record. And I am going to turn, when we complete hearing from our witnesses, to my colleagues for any opening statements they may have. I know time is difficult for some people, so I want to give you a chance to make some opening comments, and then we will get to some questions if we can, just to give you some idea of how we are going to proceed.

Mayor, welcome.

STATEMENT OF JOHN PEYTON, MAYOR, JACKSONVILLE, FLORIDA

Mr. PEYTON. Mr. Chairman, thank you for having me, and Ranking Member, and Members of the Committee. I want thank Senator Nelson and Senator Martinez for their kind introduction. I appreciate their great representation of our State. I am honored to be here with this distinguished group of mayors to talk a critical issue certainly facing our cities and, of course, our country.

I serve as mayor of Jacksonville, Florida, which is the most populous city in Florida and the 13th largest city in America, which is a really unknown fact by most. We have a population of about 850,000, and as Senator Nelson said, we are a consolidated city-county, which certainly changes our numbers.

Jacksonville is a high-growth city and is really at the center of a high-growth metropolitan area. But with the growth comes needs, and primarily major capital investment needs. New roads, new sewers must be built while still maintaining older existing infrastructure in the urban core.

For example, my Growth Management Task Force I appointed a few years ago analyzed the development and transportation needs in our city, Jacksonville, and predicted that about $2.6 billion is the shortfall in transportation funding alone.

Our Nation's vital economic centers are metropolitan areas like Jacksonville, Florida, where basic infrastructure is in disrepair or altogether lacking.

Like the Interstate Highway System, the physical assets of these major metropolitan areas yield huge national benefits. Meeting these needs extends well beyond our capacity typically in local government, and others of regional and national significance demand a greater and more strategic Federal partnership to really move the ball.

Jacksonville, fortunately, has a really long history of being good stewards and strong physical management and self-help. We have dedicated numerous local resources like they are doing in Atlanta to really invest in infrastructure with local projects, with large-scale projects that also have a national influence. We recently passed a half-cent sales tax in Duval County in the year 2000 called the Better Jacksonville Plan, which basically was a $2.2 billion infrastructure investment in our community. And most recently I passed a fee for storm water, which is a dedicated funding source, first of its kind in Jacksonville for public infrastructure and primarily water improvement for the St. John's River.

However, State action over the past year to reduce local property taxes has resulted in a loss of about $100 million to our local revenue. Now we are struggling to sustain delivery of fundamental city services on a daily basis, let alone find the resources to address compelling, longer-term infrastructure needs.

In my written testimony, I highlighted two specific examples of infrastructure needs that illustrate how appropriate and integral the Federal Government partnership is to completing these projects: build-out of the transportation network surrounding our expanding marine port terminal, and expansion of our sewer system and septic tank phase-out initiative.

Jacksonville is the fastest-growing deepwater port on the East Coast of the United States, and as you know, the Panama Canal is widening, scheduled to open 2015. And as that widens, we are now able to receive Asian carriers that otherwise could not economically deliver to the East Coast. Jacksonville has become the port of choice primarily because of our three major Federal interstate systems—I–75, I–10, and I–95—and, of course, three rail hubs. We are proud of our port expansion, but quite frankly, the growth of the seaport as a tremendous economic booster really is not designed from an infrastructure standpoint to handle this kind of growth.

The port generates about $3 billion in economic activity, which will increase to $5 billion when the two terminals that we have currently under construction will be operational. The port system will employ about 100,000 people within the next 10 years. But one terminal expansion will increase the number of trucks on local roads by 250,000 within its first year of operation and 500,000 within 3 to 5 years of operation.

Our existing local transportation infrastructure simply cannot handle this type of shift in trade from the West Coast to the East Coast as it is today. We will need new roads and rail to divert port traffic away from our local neighborhoods and directly onto our interstate network. The necessary highway improvements will total at least $326 million, and potential rail yards have a construction estimate of $100 million.

Now, in Jacksonville, the St. John's River, which is hosting all of this port expansion, supports more than 19,000 jobs in our community with an annual economic impact of about $2.2 billion. Property along our river accounts for more than $1.3 billion in the county tax rolls. This river is a tremendous asset, and that is why we think it is important to invest in it.

But the river faces significant problems, in notable part due to failing septic tanks, not unlike what they are facing in Atlanta, and, of course, it requires major investment to replace sewers. The city already has provided $80 million, and the State has granted about $12 million toward this cause. But it will cost between $408 million to finish the job. There is no local or State funding source that can, quite frankly, address this need at this magnitude. Florida's clean water revolving loan Fund is insufficient, and, of course, in 2007 the Federal allocation of State funds was only $36 million.

But most Federal grant formulas do not adequately target resources to infrastructure projects on a regional or national level. These systems tend to promote equity distribution among States and then within States between urban and rural areas. We spread these funds so thin that, without national strategic direction, there is little impact to the most significant needs.

As both a businessman and an elected official, I believe that a more cost-effective approach, like what Mayor Bloomberg is proposing, targets our limited resources around strategies and investments in projects based on merit and projects that will generate the greatest return.

The principles that underlie the proposed national infrastructure bank follow, I believe, this framework—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 smaller, localized projects.

For our Nation's continued economic vitality and for us, it is all about the economy. We need a national funding strategy for activity that yields the highest ROI, return on investment, the term I used when I was in the private sector. We must assure that the quality of our infrastructure meets or exceeds those of the major metropolitan regions and countries that we are competing with around the world.

I appreciate this opportunity and certainly would be welcome to answer any questions at any point.

Chairman DODD. Well, Mayor, thank you very much. Very eloquent testimony, and I commend you for the job you have done as well. It is very exciting, what you are doing in Jacksonville. Those are exciting numbers—except the 500,000 trucks on the road. That is not an exciting number if you are living near 95 around New York and Connecticut. I see Mayor Bloomberg and I rolling our eyes a little bit, along with Bob Menendez in New Jersey.

Mayor Funkhouser, thank you very much for being here.

STATEMENT OF MARK FUNKHOUSER, MAYOR, KANSAS CITY, MISSOURI

Mr. FUNKHOUSER. Chairman Dodd, Ranking Member Shelby, and Members of the Committee, good morning, and thank you for inviting me to testify today on behalf of the city of Kansas City, Missouri. It is an honor and a pleasure to join Mayor Bloomberg, Mayor Franklin, and Mayor Peyton on this panel to offer a local perspective on the condition of our Nation's infrastructure.

I come before you today as the elected representative of the citizens of Kansas City, the largest city in Missouri, with more than 445,000 residents. Given today's topic, however, I would like to ex-

pand my jurisdiction, at least for a moment, to encompass the entire Kansas City region. As you are likely aware, this wider region spans two States, six counties, and more than 100 municipalities, and is home to nearly 2 million Americans. In the context of today's hearing, I speak in these broader terms because together we form one economy, and we share much of the infrastructure that is vital to our communities' shared health and prosperity.

Just the same, however, the health and prosperity of our Nation's metro communities are vital to that of the Nation. In today's world, metropolitan areas drive the American economy. Consider the following: 83 percent of Americans live and work in metropolitan areas; 65 percent live and work in the Nation's 100 largest metro areas; 74 percent of the country's most educated citizens call metro areas home; 84 percent of our most recent immigrants do as well; and, metro areas offer 76 percent of our knowledge economy jobs.

As these figures clearly demonstrate, our Nation's metropolitan communities are the incubators of the 21st century American economy and will continue to serve as the arena for American innovation and competitiveness globally. In order to provide meaningful support to the national economy, then, we must sustain and improve the quality of life in our metro communities and provide a sound foundation upon which to continue to produce and innovate. It is a simple fact that cities grow when people want to live in them. And solid, dependable infrastructure is the most fundamental component of cities where folks want to live.

Kansas City, in particular, continues its historical role as a vital hub within the Nation's commercial and commuter transportation infrastructure. As many of you are certainly aware, the city initiated the Nation's first interstate and has long served as the home to the Kansas City Southern Rail Network and a primary junction between three major commercial rail systems.

Prior to becoming mayor, I was the city auditor, and my office conducted an annual survey of citizens' satisfaction with city services. Year after year, people in Kansas City tell us that they are most concerned with the condition of the streets, sidewalks, bridges, sewers, and storm water drains. Further, when we surveyed business owners in Kansas City, we were told the same thing: infrastructure is paramount. I continue to hear this as mayor at regular town hall meetings throughout the city. Every time I hear a complaint about city services, it is grounded in, it has to do with infrastructure.

Yet, as municipalities, we are simply unable to meet the infrastructure needs of the region on our own. This is something I have devoted a great deal of time studying as auditor and now I spend a lot more time working on as mayor. Despite ongoing efforts to leverage existing resources, the scale and cost of a regional highway and road system, public transit, water and waste water systems are more than we can shoulder on an already constrained budget. Even if we pool our resources with the other municipalities of our region, as we are trying to do, we will not be able to tackle the daunting challenges we face. The expense is too large, the challenges too far-reaching to be adequately addressed by local and mu-

nicipal governments alone. Only the Federal Government has resources to match the scale of the problems.

In Kansas City, for example, we have a $6 billion backlog of deferred maintenance, and our citizens are paying. We are a high-tax-effort city. Kansas City residents pay as a portion of their income much more than their suburban counterparts and much more than most big cities in taxes, and yet these problems continue to grow. Despite the best efforts of local officials, these and other infrastructure problems will demand a more robust and assertive Federal commitment.

Much the same, our city's outdated sewer system allows over 6 billion gallons of sewage overflow every year into our rivers, streams, and urban lakes. These circumstances mean that we are under the gun from the Federal Government and others locally to improve existing facilities. But the price tag for this little repair job is $2.3 billion. That is a hefty chunk of change for a city with an annual budget of only $1.3 billion, a median household income of $37,000, and 23,000 households with annual incomes of $10,000 a year or less. Their sewer rates could quadruple over the next decade, and the cost of construction on these projects is increasing at a rate much faster than our revenues are increasing.

This is reason enough to support the National Infrastructure Bank Act of 2007, but I want to also express my support for the Federal partnership that that act represents. The proposed legislation presents a good concept for how to provide long-term funding for large, regionally significant infrastructure projects. In general, the bill represents a commitment on behalf of the Federal Government to assist metropolitan areas meet their infrastructure needs and ensure the continued economic vitality and growth of the American economy. On a deeper level, it allows the Federal Government to make a more realistic assessment of its economy and begin to act strategically to ensure prosperity and global competitiveness far into the future.

With this proposed legislation, the Federal Government can begin to address infrastructure not as a budgetary cost, but as an investment—because it is an investment. Productivity is the result of capital applied to labor. In other words, a man with a spade cannot be as productive as a man with a backhoe. In the same way, our cities cannot be as productive if we do not have infrastructure adequate to meet the demands of a rapidly diversifying and expanding global economy. So long as we fail to invest in these capital resources, we will fall behind other nations in this global economy, nations that do understand the value of quality infrastructure and that are making the necessary investments to ensure their competitiveness.

I want to close with this thought: Recently Jack Schenendorf, Vice Chair of the National Surface Transportation and Revenue Study Commission, spoke in Kansas City about the need for progressive funding. He said this: "If we don't step up to the plate and come up with a solution, our children and our grandchildren will have a lesser standard of life than they have today."

Thank you.

Chairman DODD. Mayor, thank you very, very much, and thank you for your tremendous work in this area. I know you have spent

a great deal of time thinking about it, in addition to the management of your own city's issues. So we appreciate immensely your thought process and your contribution to this bill effort as well as it has been of tremendous assistance to us.

I would just like to give my colleagues a chance maybe to share a few thoughts on this, knowing time constraints and so forth, and then we will get to some very direct questions. Jack, do you have anything you would like to raise.

STATEMENT OF SENATOR JACK REED

Senator REED. Mr. Chairman, I just want to welcome the mayors and thank them for their extraordinary leadership. You are truly on the front lines, and we appreciate what you do to deliver services to our constituents.

Thank you.

Chairman DODD. Senator Dole.

STATEMENT OF SENATOR ELIZABETH DOLE

Senator DOLE. Thank you, Mr. Chairman. I do have some comments that I would like to make and to raise this morning, and I want to thank you and Ranking Member Shelby for bringing us together to focus on this important topic. And certainly my great thanks to our outstanding mayors for your witness this morning, for sharing your experience and your expertise with us.

There is no question, of course, that our Nation's infrastructure is in dire need of maintenance and repair. Deteriorating infrastructure diminishes highway safety and puts a strain on our economy. According to the National Surface Transportation Policy and Revenue Study Commission's Report, which was released in January, the Texas Transportation Institute estimates that congestion cost the American economy $78 billion in 2005. The same report estimates that the average driver consumed an additional 26 gallons of fuel during rush hour commuting.

As we continue to explore ways to stimulate the economy, funding for transportation infrastructure should be right at the top of the list. We need to take a serious look at how the Federal Government allocates money for transportation projects before it is time to reauthorize the next highway bill.

In North Carolina, there are many high-priority projects that are in need of immediate funding. One of these projects, the Interstate 85 bridges over the Yadkin River, is located near my home town of Salisbury. This project's cost is $400 million, and the North Carolina Department of Transportation is exploring funding options. If any Federal funds are directed for the bridges under current Federal law, the project becomes a Federal priority, and the State must finance the balance of the cost. Due to North Carolina's method of distributing transportation dollars and the expense of the new bridges, this action would wipe out the funding slated for other transportation projects in that area of the State. I understand the rationale of packaging Federal dollars with a Federal priority. We should, however, consider methods that provide States more flexibility.

Another very important project is the proposed North Carolina International Terminal in Brunswick County. This new port would

not only be valuable to North Carolina, but also to the Nation as a whole. As we have already heard this morning, our West Coast ports continue to operate at close to maximum capacity. Vessels are increasingly being rerouted to access ports along the eastern seaboard. North Carolina's proposed deepwater port could give shippers another valuable alternative as projected volumes of international trade double over the next 20 years, not to mention the host of new U.S. jobs that would support this facility.

Now, this is incredible to me, what I am about to tell you. To date, the North Carolina Port Authority has received considerable interest from various private investors for the proposed terminal. The Port Authority is ready to move forward with a $200,000 reconnaissance study. They have been ready. It has the resources necessary to fund this federally required study. Unfortunately, these funds cannot be utilized. Under current law, only Federal dollars can be utilized for the Army Corps of Engineers to perform a study. I am all too aware of this situation because over the past couple of years, I have made this project a top priority in the appropriations process. But due to continuing resolutions and budget restraints, this project has remained unfunded.

In May, I personally met with John Paul Woodley, the Assistant Secretary of the Army for Civil Works to see what the Army Corps of Engineers could do to resolve this situation. Unfortunately, Mr. Woodley told me that without a Federal funding commitment specifically designated for this reconnaissance study of $200,000, the Corps is not in a position to move forward on its own.

To my utter amazement, what we have here is a potentially multi-billion-dollar project of regional and national importance that is being held hostage at the moment by an appropriations process for a relatively small amount of money.

In summary, Mr. Chairman, our goal should be to have the best transportation infrastructure in the world. To reach that goal, we must remove the unnecessary hurdles currently in place that prevent projects from being completed in an acceptable length of time.

I thank you very much for the opportunity to make these comments. This has been a very frustrating situation for me, and I think we should add this to our consideration of these important topics.

Thank you very much.

Chairman DODD. Thank you.

Senator Carper.

STATEMENT OF SENATOR THOMAS R. CARPER

Senator CARPER. Thanks, Mr. Chairman. To all our witnesses, welcome. It is good to see each of you. Thanks for coming. Thank you for your stewardship and the examples you set not just for other mayors, but one of you is from a city that has as many people as my State of Delaware, so setting some good examples for States and I think for those of us in the Federal Government, too.

I have a statement for the record, Mr. Chairman, but I would just like to speak off of that statement.

I think I was intrigued by—the idea of the infrastructure bank I think is one that I heard you talk about during the Presidential campaign. I am not sure. But I——

Chairman DODD. I talked about a lot of things during that campaign.

Senator CARPER. Yes, but a lot of good ideas, I think this might have been one of them. But Senator George Voinovich of Ohio and I introduced legislation calling for the—well, let me just back up before I say that.

A number of years ago, about 4 years ago, we passed a major—every 5 or 6 years we pass a major transportation bill, as you may recall. We included in that measure 4 or 5 years ago the creation of a commission that said let's look at transportation infrastructure in this country. Let's look at our roads, highways, bridges, and so forth, and see what our needs are. And we asked for a commission of very good people to come back and report to us what is the scope of the need, give us some sense of what the priorities should be, and tell us how you think we should pay for it. And they did that. They looked across the country. They tried to figure out what our needs are in different modes of transportation, and they came back to us within the last 6 months and said this is it and this is how we think you ought to pay for it.

You have heard the term "dead on arrival"? Unfortunately, their recommendations were dead on arrival. They called for actually making us pay for stuff that we wanted to have, not just borrow money, not just issue debt but actually have to pay for things—pay for it out of the—when we go pull up to the gas station. They called for an extra nickel a gallon for gas taxes, for motor fuel taxes over the next 10 years or so. They called for looking at other ways to raise fees that we would have to pay for the services that we want to—the infrastructure we wanted to build and the services we wanted to use.

So that happened about over the last 4 or 5 years, and the results came to us. I am sorry to say that not much has happened from their efforts, and it is too bad.

Last year, the month or so before the bridge—we saw the bridge in Minneapolis that collapsed. About a month or so before that, Senator George Voinovich and I introduced legislation that called for creating a different kind of infrastructure commission. We are pretty good about creating commissions around here. Maybe you are, too, in your cities. But we had a little different idea here. What we wanted to do was to create an infrastructure commission not just looking at transportation, not just looking at roads, highways, and bridges, but also to look at rail, to look at water, waste water treatment, to consider dams and levees, to look across the country to see what the needs are, to come back to us to try to quantify those needs, and to say these will be our priorities, and this is how we would suggest that you pay for those—not just the transportation fees but the broader pieces.

Well, the week that the bridge collapsed in Minnesota, the bill passed the Senate just like that. The bill went over to the House, was introduced in the House that same week, and it still is awaiting action over in the House.

What we suggested was a commission, eight people in all—two appointed by the Majority Leader here, one by the Minority Leader here in the Senate; two appointed by the Speaker, one by the Republican Leader in the House; and two by the President. You would

have an eight-member commission, and the eight of them would decide who the Chairman would be. They were tasked with spending about the next year and a half to come back and give the new President and the new Congress a road map, if you will, for moving forward on infrastructure.

That is not the same idea as Senator Dodd's proposal, but I think much like that SAFETEA–LU commission, it was a good idea, and I think this is not—what our Chairman has come up with and what Senator Hagel has come up with is also a good idea.

At the end, though, we have got to figure out how to pay for this stuff. Nobody wants to. And in my State, as a former Governor, I know you have to—in Delaware, we had a balanced budget requirement. If we wanted to do things, we had to pay for it. And obviously in your cities the same is the case. We have got to figure out how to pay for these things, and that is the toughest part of all.

Chairman DODD. Thank you, Senator, very much.

Senator Martinez, any quick comments?

STATEMENT OF SENATOR MEL MARTINEZ

Senator MARTINEZ. Yes, sir, just real quickly. You know, we in the State of Florida, a high-growth State, and, Mayor, your eloquent comments. As a high-growth State, we also are a donor State when it comes to the Highway Trust Fund. You know, we do not—we send more money to the Federal Government than we get back. And that is a continuing problem for our State as we have increasing infrastructure needs.

But I want to mention in addition to our transportation needs, we are very obvious and clear. We also have a need in Florida for mass transit. We are making small attempts at that. But with the price of gas what it is today, Floridians really have very few alternatives to just getting in an automobile and driving. We need to look at mass transit as a future mode, and obviously our airports continue to grow and expand. And that is a continuing area of concern.

One area where I think we really are going to be facing a tremendous challenge in the future is the issue of water. Florida is going to have serious water problems, and, of course, the wonderful St. John's River, which flows right through Jacksonville, is going to increasingly become a source that we are going to turn to for water. Surface water is much more expensive to treat, and the whole processing of that is going to take Floridians much more to pay for water that they would consume.

So these are all serious problems, and, Mr. Chairman, I want to tell you, and Senator Hagel, that I am very intrigued by your proposal. I think we need to be looking at creative ways. I think private financing also for infrastructure and public-private partnerships, which has been tried in some places, I think has a lot of merit, particularly in the transportation arena. And I hope that as we look to your proposal that perhaps facilitating public-private partnerships might be part of the issue that we address as well.

Thank you very much.

Chairman DODD. Thank you very much.

Senator Menendez.

STATEMENT OF SENATOR ROBERT MENENDEZ

Senator MENENDEZ. Thank you, Mr. Chairman, and let me welcome all the mayors, and I thank them not only for their testimony and their service. Having been a mayor, I think it is the toughest job in America and the one where you are on the front lines and everybody—maybe not in some of the bigger cities, but everybody knows how to get a hold of the mayor. Everybody knows who the mayor is, and everybody thinks the mayor can do everything. So having been there for 6 years, I think it is an incredibly challenging job.

On the specific issue, Mr. Chairman, you know, we have studies that say we need $1.5 trillion over the next 5 years just to deal with bringing existing infrastructure up to some of the most significant and important standards we have. That is not about creating new infrastructure. And so it gives you a dimension of the challenge, and certainly municipalities, both large and small, do not have the wherewithal to do a lot of that.

Second, at a time of $4 a gallon gas, you know, this mass transit that Senator Martinez just talked about, and others, is incredibly important. In my home State of New Jersey, we have seen a 5-percent increase in the first 3 months, and we already have a pretty robust mass transit operation. But it is not just places like that. In North Carolina, in Charlotte, they have a 34-percent increase in ridership in what is a new rail line.

So this is pretty geographically diverse, and as people are consistently challenged with the choices between a gallon in their tank and a gallon of milk, they are going to be looking to mass transit. But that has got to be effective, efficient, and affordable at the end of the day, as well as it has positive environmental consequences for us as well.

And, finally, the reason that I have joined with you, Mr. Chairman, in supporting your legislation, you know, I look at this in multi-dimensions. You know, the infrastructure investments are that—investments. And that is why I appreciate the way the legislation is structured that you and Senator Hagel put together, because it looks at it in the context of investments and makes investment decisions wisely.

The reality is that, you know, a report in the Atlantic talked about congestion of our roadways, of our railways, of our ports and airports costing our economy $78 billion in 2005. That is the last time we had that study.

Now, imagine if we unlock the potential of that investment in a way that has a great return on the dollar. Half of those costs were in the Nation's ten largest metropolitan areas, including the area around my home State of New Jersey. You know, we share with New York the port of New York and New Jersey, the mega port of the East Coast, 225,000 jobs, $25 billion of economic activity, but at a time in which we have closed military water ports on the East and West Coasts, those ports now are also about forward deployment of military equipment for our men and women abroad. So it has a security dimension.

And the last point I want to make is that at the same time that we look at this in terms of economy, creating jobs, as well as quality of our environment, I would point out that in a post-September

11th world, infrastructure investment in transportation is also about security. On that fateful day on September 11th, the reality is that when the bridges and tunnels were largely closed for that period of time, a large number of New Yorkers and New Jerseyans got out of downtown Manhattan by an alternative method of ferries, which is a relatively new—you know, a decade or so that has started back in the New York-New Jersey area, and we see in many parts of the country. Inter-city travel on that day was only available through Amtrak.

And so the reality is that in a post-September 11th world, we have to look at infrastructure investments, yes, about the economy, yes, about creating jobs, yes, about improving our collective environment, but I would urge that we look at it also in the context of having the security necessary to create alternative means of transportation, alternative access, and a whole new dimension that we did not think of before. All of these come to roost, and that is why I appreciate the legislation and the testimony of the mayors, and hopefully in the next Congress we can have a Congress that understands that these are investments that the longer we put off, the more it costs, and the more consequential it is to us in all of these specters.

So thank you, Mr. Chairman.

Chairman DODD. Thank you, Senator, very much. And having the perspective of a number of our colleagues who have been mayors I think helps a great deal, and the last of our colleagues is the newest on this Committee——

Senator MENENDEZ. And, Mr. Chairman, very briefly, I just want to say to Mayor Bloomberg, we welcome your mom to come back any time to have a visit at Dickinson and to the State.

[Laughter.]

Chairman DODD. That warmth between New York and New Jersey just is flowing here.

Senator Corker, former mayor of Chattanooga.

STATEMENT OF SENATOR BOB CORKER

Senator CORKER. Yes, sir. Mr. Chairman, thank you, and I just want to say to the witnesses, it is rare that I make opening comments out of respect for the witnesses. I typically want to hear more from you. The opening this time has taken so long, I am afraid I am going to miss the questioning portion, so let me just say very briefly I really respect what all of you have done, and I know that each of you are term-limited and will be moving on to other things. And I sincerely hope, even though we are of various differing parties, that each of you ends up continuing in the public arena in some form or fashion because I think you have provided exemplary service, and I really thank you for that.

No. 2, I hope that Mayor Bloomberg at some point laced into answers to other Senators if I am not here the comment about spreading the pain. If you could maybe educate us as to which types of infrastructure projects in your opinion ought to be those where pain is spread and the others where just local citizens ought to participate, I think that would be quite edifying. And then to Mayor Franklin, who is my friend, and I think I was the first public official to visit her when she was first sworn in, we have had

a really low-level discussion between our States that has almost been beneath the dignity of our citizens regarding a water issue. And I know that Mayor Franklin has done extraordinary work in building infrastructure and doing those things that are not glamorous to build the city into the future.

The State is building $100 billion worth of roadways, the State that she is a part of, and yet there is a no-brainer, easy solution to the water issues that face Atlanta and face the State, and it is the desalination plant down at Savannah running up I–16 that would benefit the State.

I say that—and, fortunately, Mayor Franklin has not dignified some of this low-level discussion that has taken place, but I hope in your comments someplace, if I am not here, you will address specifically that issue, but also just the issue of the role that States need to play. We are having a Federal discussion. There are some planning issues that mayors and States—there is a piece there that we are not discussing today that is so important, especially around big urban areas where the State is so affected.

So those are somewhat questions and not opening comments. Mr. Chairman, thank you for indulging. I hope I am here when it comes time, but thank you for having this hearing. And I want to say that Senator Martinez and I were mentioning earlier that we are squandering so many opportunities right now as a country. We are presiding over a period of time, I think, when we are going to be remembered during this period of time for not doing those things we should have done that generations before us did. And whether this bank is the appropriate focus on infrastructure or whether some other solution, I do thank you for having these distinguished witnesses, and for you and Chuck Hagel bringing forward this subject in this manner.

Chairman DODD. Well, thank you, Senator, very, very much. And I appreciate the patience of our witnesses as well, but my colleagues care deeply about the issue, and obviously hear from their own mayors across the country. And I appreciated very much the comments about the proposal that Senator Hagel and I have put forward. There is nothing etched in marble or concrete about that. They are just ideas on how you finance and how your prioritize in an intelligent way the major national and regional needs of our country and financing. I was looking at the number of China the other day. They will invest on a yearly basis close to $1 trillion in infrastructure every year. That is their plan, $920 billion a year. I listened to Chuck last year, earlier last year, talking about just what they have done as a major economic competitor in the 21st century on roads and mass transit systems, harbors and the like. So aside from what we obviously need to do, the realities are of the 21st century you do not grow economically without making these investments, one way or the other. And draining it out of an appropriate process is not going to work. All of us know that. We are going to go from $2 to $3 trillion in sovereign wealth funds to maybe $12 to $14 trillion in the next 6 or 7 years. Sovereign wealth funds become, I think, a tremendous opportunity for us to invest some of those dollars, or attract them in some of these areas.

So, Mayor Bloomberg, why don't you start and pick up on Senator Corker's very good question. The one specific question I had

is you made some wonderful suggestions encouraging cities about providing incentives to manage infrastructure issues that I thought were rather worthwhile, and maybe you would pick up on his questions and the one on the incentive idea as well and tell us how you think we can contribute to that.

Mr. BLOOMBERG. Well, Senator, I think that if things go between States, clearly Federal issue—it does not have to be only Federal money, but the Federal Government can justify doing that. If it is to bring commerce to this country, all the major airports, those particularly that deal with tourism and business people from around the world, they are bringing the lifeblood that we need, the economics and the additions to our culture. If you take a look at energy independence, this country is going in the other direction, so, clearly, Federal money spent on promoting alternative energy sources and the kind of jobs we need for the future.

Where I do not think it is appropriate is to protect jobs from industries that the marketplace is saying are not going to be around, holding the waves from coming in, the tides from coming in is just not doable, and it is certainly not good economics. I do not think a lot of the small pork barrel things—which we are as guilty as anybody. We ask for money for things that are totally local, and why the Federal Government does it, I don't know. They shouldn't be doing it, although we will continue to ask as long as they are giving it out. You know, our Senators have the obligation to bring home the bacon, like everybody else does. But the Federal Government, it seems to me, the Senate should get together and say together we are not going to do it anymore. We will all swear and the leadership will enforce a focus on sitting back, saying what national priorities are, and then saying, Does this particular item fit in?

There is the political reality that everybody has got to get something, and I understand that. On the other hand, there are certain projects that have a nationwide impact. And if you take a look, at what Senator Dodd said, at what is being done overseas, we really are falling behind. Companies are failing to locate here, partially because of our immigration policies which are keeping them from bringing their employees in and out.

I can just tell you, my company, we are having more and more of our international meetings outside the United States because our employees just don't want to go through Customs and Immigration here. They just don't want to do it. You should go to Vancouver and see how Silicon Valley companies are all opening offices there for the best and the brightest from around the world that can get working papers in Canada, cannot get working papers here. That is—I have described it as a case of national suicide, and I think that is understating the damage that we are doing to ourselves.

In terms of Chris' question, there is never any accountability. There is never any you said you were going to do it for this price, then you have got to deliver it. And you have got to assure us if you don't deliver on schedule and on budget, then you are not going to get any other monies. If you tied the next grant to performance on the last grant, you would get a much different focus on deliverables. And in the private sector, you have to do that. The

stockholders or the marketplace makes you do that, and if you don't, there is a very big penalty, including going out of business.

Chairman DODD. One last question before I turn to Senator Shelby. On the rail issues, we talk about mass transit moving people, obviously. There has been an advertisement on television recently, and I will just tell you what it says. And no one has contradicted it, but you move one ton of goods 500 miles on rail for the cost of one gallon of gasoline.

Mr. BLOOMBERG. Very efficient.

Chairman DODD. Or something like that, in that range. Let's assume for a second it is true. How are we prepared—I mean, Mayor Peyton, you were talking about this. Obviously, Atlanta is a hub rail. Kansas City has been, of course, historically. And, of course, we know about New York. To what extent do we have the capacity either to expand or to acquire, if you will, rights of way and so forth to begin to start—first of all, just forget the congestion issues. I mean, that number of 500,000 additional trucks on the highway. But the idea of just reducing the kind of congestion and cost. If you can move—if it is close to that number, then it seems to me it is in our Internet to try and expand the opportunity more of utilizing that mode of transportation. Can we do this, or is it totally unrealistic? Have we gone beyond the point, the tipping point, when you can actually take advantage of rights of way and the like to expand the opportunity of rail—not for necessarily mass transit purposes but for moving commercial goods?

Mr. PEYTON. I will start, and, of course, I will let others finish. But as we look at the emergence of our port, we are looking at hosting between 8,000 to 10,000 containers a day, and trying to get those containers on the interstate system is a big challenge. We think that the rail solution obviously is not only cheaper from infrastructure investment and wear and tear on the road system, particularly the Federal road system, but from an energy perspective as well.

So the biggest barrier is capital dollars. We as a city do not have the hundreds of millions of dollars necessary to build the kind of intermodal facility that allows these containers to move to the rail system in an expeditious way. Probably our most hopeful remedy on rail is to divert about 20 percent of the containers onto rail. And I think the more successful ports probably can boast about a 20-percent diversion. Without that capital investment of the rail yards near the terminal, it is hard to overcome.

So then we have to rely—we fall back on the interstate system, and now the question is with the three major interstate systems that we benefit from, can they handle it? Today they don't have the capacity to handle it, not to mention the road systems around the interstates that allow us to feed into the Federal system really are not designed to handle it in addition. So I think the challenge is the capital, the huge capital investment.

And let me just piggyback on what Mayor Bloomberg said. I think the challenge is that we see a lot of piecemeal work being done.

Chairman DODD. Yes.

Mr. PEYTON. Of course, our congressional leaders are very proud to bring home something to our community. But in the absence of

a bigger plan, with measurables, with a matrix, I don't think we are making a difference. There are certainly a lot of projects that we are glad to see, but I would rather see a national strategic focus on what is going to move this economy and what is to our strategic advantage, and it really needs to be all about the economy.

And so that focus, I think, is really what is desperately needed.

Chairman DODD. Well, that is what we are trying to do with this bill, and, again, there is no pride of authorship or the funding schemes, but as I say, we are never going to do this out of the normal just, you know, finding a project and getting some funding out of the Appropriations Committee and going through the process. It has got to be a far more creative and expansive idea of attracting capital, private and otherwise, to come into this, where you can offer people some decent rates of return on that investment as a way of generating the kind of resources necessary. And then, of course, as you pointed out, and all of you have, this idea of stepping back with a bigger idea here and understanding there needs to be a strategic plan and thinking where you are talking about national projects. None of us have to be informed about how we have grown over the years, whether it was the point Mayor Bloomberg made with the Federal Highway System in the 1950s, going back to the 19th century, the canal system, the Erie Canal system, the Panama Canal, the electrification of rural America during the Depression. A lot of these things just made huge differences not only at the moment but, of course, in terms of economic expansion.

I wonder if either—Shirley, do you want to comment on this?

Ms. FRANKLIN. I would just add on the rail that for a city like Atlanta, an intermodal approach is important, both for the movement of passenger as well as cargo. Our airport does both cargo and passenger. We talk mostly about passenger, but a good bit of the growth has been international cargo and the relationship of the airport to the Savannah port and the ports along the eastern seaboard.

So while we have capacity today, as that area continues to grow, we have got to maintain that system, and not only expand it, but maintain the rail system. And for me, the significance of this bill, in addition to getting funds, is the flexibility that seems to be built into it that allows for a multiple modal approach.

Chairman DODD. Right.

Ms. FRANKLIN. And not just transportation but water as related to transportation, storm water as related to transportation, et cetera, et cetera.

Chairman DODD. And the human side of this, the air traffic control idea. That is not necessarily building of physical plant, but the idea of capacity through the human infrastructure investment needs that you have to do in order to accommodate growth as well.

Mayor, any quick comments? Obviously, the mid-part of the country, and rail is a critical issue.

Mr. FUNKHOUSER. Well, for us we have two major multimodal facilities under construction right now, and we are positioned, I think, to deal well with that. We are taking advantage because we are on I–35 north-south. We have this North American Trade Corridor, and we are actually taking advantage through Kansas City

Southern of ports on the coast of Mexico and bringing trains up through.

So for us, the rail thing is something we are pretty much, I would say, on top of. But there are other comments that I wanted to—you know, when we look at the bridge collapse in Minnesota, several of you have sort of touched on this, but what we are witnessing is, in addition to that big obvious collapse, we are having a quiet collapse of prosperity. You know, Mayor Bloomberg's words, "national suicide," you know, when Senator Menendez talked about security, there isn't any greater threat to the security of my children and my grandchildren than the decline in productivity that comes from being—what did Senator Hagel say?—last in industrial nations in investment in infrastructure. This is bizarre.

The main thing—obviously, we need a lot more money, but the beauty of the bill that you have is that we also clearly, obviously, again, as these mayors and you have said, we need a different strategy for investing. We need a different system. We do not have—the Federal Government is like the only government I am aware of that does not have a capital budget. It does not have a capital budgeting process. It treats everything as if it were an operating expense. That does not make any sense, and that is what has contributed to the situation that we find ourselves in.

So your bill does, you know, the trick of trying to come up with a better way of funding, allocating. I mean, you make reference in the bill to the FDIC. What I kept thinking of was the Federal Reserve Bank. You know, it is the same kind of a non-politicized system for managing our money economy. We need a non-politicized system for managing our infrastructure.

Chairman DODD. Thanks very, very much.

Senator Shelby.

Senator SHELBY. Thank you, Senator Dodd.

What kind of infrastructure investments are you currently making? I will ask the panel this. And how are you paying for these projects? And how heavily do you rely on Federal resources and State sources, or perhaps private sources? Is it a combination? What are you doing, Mayor?

Mr. BLOOMBERG. In New York, because the city is so big, the Federal monies tend to be a relatively small percentage, and we export dollars to the State. I think the Senator from Florida talked about how they are exporting dollars to the Federal Government, and we complain about that as well. But New York is the economic engine of New York State, and so we pay for a vast preponderance of our projects ourselves. We do tend to go to the capital markets. I have argued we should pay as you go, but the reality is if you are going to build a school that is going to last 30 or 40 years, it is not a bad fiscal policy to finance that over 30 or 40 years. In fact, it probably is going to last longer than the debt is outstanding.

The danger is that we rush to build things that we really do not need because they are politically popular. We have exactly the same pressures in local government that you have at the Federal level, and we are not unmindful of that. The difference, I think, is that these three mayors—and I hope I do as well—stand up and say no, we are not going to do that because we are not going to

have the money to pay the interest down the road, the debt service, or it is a project that is not as important as other things.

The great infrastructure investments that we have to do is our school system. Great infrastructure investments we have to do is water and transportation. Great infrastructure things we have to do is to make sure that we can keep our streets clean and safe and our cultural institutions growing. And I thought Mayor Funkhouser said it very well. There are enormous risks in the world, but we always want to go and worry about those rather than the risk that is facing us every day and that is destroying us. This country is throwing away its heritage by not making investments, by not opening its borders, by not address the issues of how we are going to pay for medical care and who is going to get it.

I understand the political lift. I would suggest if any of you want to close fire houses, put a smoking ban in, and raise property taxes, and then do a parade on Staten Island, you can join me. But today, all of those things are popular, so what do I know?

Senator SHELBY. We are talking about long-term investments, is what we are really talking about.

Ms. FRANKLIN. Yes.

Senator SHELBY. Mayor Franklin.

Ms. FRANKLIN. At the airport, Senator, there are significant Federal funds. There are passenger fees for example. The biggest single resource is actually parking fees at our airport. So it is a combination. Concession fees; an enterprise fund, and a variety of sources——

Senator SHELBY. So a great deal of your infrastructure is financed privately, isn't it?

Ms. FRANKLIN. At the airport that is true. Water and sewer maintenance and replacement costs are different. This was a problem that the city basically ignored for several decades. We have a sales tax, a 1-cent sales tax.

Senator SHELBY. You ignore at your peril, though, don't you, if you——

Ms. FRANKLIN. Well, you do. You do ignore it at your peril. And in addition, you pay a lot more for it when you wait 40 years to do it. That is the point that we are all making about the investment. But in that case, 95 percent of the money is local money, ratepayers and a sales tax; $6 million of $2.5 billion came from the Federal Government. So most of our money is local ratepayers for water and sewer. For bridges, some of that money comes from the Federal Government. Very little of it comes from the city of Atlanta. But, indeed, in the case of bridges, unlike roads, where we fund a lot more of it.

So it is a combination depending on the type of infrastructure. But the bottom line is the cost is greater than our city can bear long term. And we fool ourselves to think that we can just do water and sewer now. In our case, CSOs, combined sewer overflows, sewer separation, and drinking water upgrades, we have not even started on storm water. That is down the road in 2012, 2014, which is one of the reasons I was so anxious to testify. We need the Federal assistance because our rates will be too high to raise then.

Senator SHELBY. Mayor Peyton, similar——

Mr. PEYTON. Yes, well, you know, I think outside of the interstate system and enhancements at our port, you see very little Federal money. And I think what we have—we have come to the realization that if we want to see improvement in infrastructure, we have to do it locally, and that means passing a half-cent sales tax, which we did in 2000; passing a storm water fee, which is public infrastructure, primarily for leaking and failing septic tanks, that was done last year. We have kind of come to the conclusion that if we are going to improve our city and invest in it, we cannot depend on a reliable source with Federal grants or even State grants. The $2.2 billion we raised with our half-cent sales tax went primarily to State and Federal roads. Our congestion was so bad, those were the major arteries that were clogged. We could not wait any longer because our quality of life and economy was starting to suffer.

So local initiatives are funding the bills. I think really there should be more Federal or State.

Senator SHELBY. Mayor, quickly.

Mr. FUNKHOUSER. The first thing I would say is that, you know, we have not as a city—while we are spending a lot of money relative to our residents' income, we have not spent it as wisely as we should have. We have spent it on operating funds more than capital investment. And one of the things that I ran on as mayor—I have only been in office about a year—is I was very clear to folks we are going to push money from the operating budget to the capital budget, and I am going to be real popular when I do some of the things that Mayor Bloomberg was talking about. You know, I have already had the protests at City Hall and so forth about, you know, what I want to do.

Looking at where we have spent money, we spent a ton of money on our airport recently, and as you point out, a lot of that is private. And we did get a lot of Federal assistance there. We spent a lot of our own money in property taxes primarily, upgrading our schools. We are spending a lot of our money on these intermodal facilities. We spend a lot of money on our streets. We are just starting to build a new bridge, the Kit Bond Bridge across the Missouri River. That is a huge project. We are getting a lot of help on that.

Senator SHELBY. I bet you got a lot of help from Senator Bond, didn't you?

Mr. FUNKHOUSER. Yes, sir.

[Laughter.]

Senator SHELBY. He is good at that.

Chairman DODD. Is that the same Kit Bond——

Mr. FUNKHOUSER. We are very happy—we are very proud of Senator Bond. Senator Bond is an icon for us, and we are glad to have him.

Senator SHELBY. He is good.

Mr. FUNKHOUSER. But overall, our investment in infrastructure, a relatively small amount of it is Federal money. Like Mayor Franklin, I am about to embark on a major sewer project, and I am hoping for Federal help. But we have no idea what it might be.

And then, finally, on transit, we are going to do a major transit thing, and we are assuming we are going to get about a 50-percent Federal match on that.

Senator SHELBY. Quickly, what is the single biggest impediment to the establishment of a public-private partnership for the financing of major infrastructure investments? The single largest impediment.

Ms. FRANKLIN. Well, I mean, I can tell you water and sewer, the biggest—the single impediment was the size of the need and the lack of revenue. In other words, we had to create the revenue by raising the rates and then passing a sales tax. We could probably get a private sector partner——

Senator SHELBY. Create the funding stream to——

Ms. FRANKLIN. We had to create the funding stream. So creating the funding stream was the single biggest hurdle.

My predecessor, in fact, signed the agreements and had much of the planning done for the program. The problem was there was no funding mechanism. So I spent about 2 years putting together a funding formula, and I would say today, 5 years later, that it is the single hardest thing I have done politically. Yesterday, the day before, 3 weeks ago, when I am in community meetings, people complain to me about the cost of the infrastructure improvements.

Someone mentioned that we are term-limited, and in some ways, that is a good thing, because it gives me an opportunity to step way out on a limb to do something that is so unpopular. But if I had a Federal partner, the second biggest question I guess behind why are the rates so high is why doesn't the Federal Government help us more.

Senator SHELBY. Mayor.

Mr. BLOOMBERG. The funding source is a particular thorn in our side. We came up with one called "congestion pricing," and in all fairness to the Federal Government, they did offer us $354 million to pay for all of the equipment, install it, get it going. It would have also generated half a billion dollars in revenue every year. And the legislature walked away from it. So nothing is easy, but I think down the road that kind of thing, whether it is congestion pricing or tolling bridges or something, we are going to have to have a dedicated funding source that is not authorized by a legislature every year because without that, nobody is going to lend you money long term. You have got to obligate the future taxpayers and future governments to be able to do that. And then you have got to be able to allow the private investors to operate it as a business. If your strategy is going to be we have to protect special interest groups, whether it is people that work there or something else, nobody is going to make those kinds of investments. They want to be able to deal with the marketplace. It is tough enough doing that if you are constrained by the fact that you cannot reduce your size of your workforce or you cannot pay them competitively with how you can get other employees. You may decide you want to do that for a societal point of view, but you just are not going to get private money to do it.

Senator SHELBY. Thank you very much.

Chairman DODD. Thank you, Senator Shelby, very much.

I know Mayor Bloomberg has a plane he has to catch back to the city. We appreciate very much the time you spent, almost 2 hours with us this morning, so we are very grateful to you.

Mr. BLOOMBERG. Thank you.

Chairman DODD. Thank you, and work will be continuing on this, and we thank you very much for being here.

Senator Carper.

Senator CARPER. Mayor Bloomberg, as you leave, why did your legislature come out against the congestion pricing approach?

Mr. BLOOMBERG. I am going to have to deal with them tomorrow, I guess, so let me phrase it this way.

[Laughter.]

Senator CARPER. Maybe I should ask this question for the record and you can respond in 2 days.

Mr. BLOOMBERG. One house of the legislature refused to—they set a procedure to look at and craft the legislation, which the agreement we had was if we went through it, they would bring it to a vote, and we assumed it would pass. We complied with every single thing they asked for, and then I cannot answer your question because they never brought it to a vote.

Senator CARPER. Thank you. Well, one of the—go ahead. Thank you. Thank you so much for joining us.

Chairman DODD. Thank you, Mayor Bloomberg.

Senator CARPER. As the mayor leaves, I have got to share with people what I think is a wonderful story. There is maybe a little bit of humor here.

Eli Broad is a fellow who has been very much involved in this country in education reform. Some of you know him. He is from California. And he hosted, really sponsored an evaluation, sort of a competition, if you will, among large urban school districts. And among the urban school districts that competed was New York City. And within the last 16 months or so, here in Washington a number of the top urban school districts were invited in, and one of them was recognized for being the best urban school district in the country. And it is, ironically, probably the toughest urban school district in the country, is New York City. And they were honored as the best by the Broad Foundation. I will never forget, Mayor Bloomberg spoke and was receiving the award on behalf of New York City. He talked about how smart the kids were in our schools today, and he recalled his job in school. He said, "My job in school was to make it possible for other kids to be in the top half of the class." I just thought that was one of the most self-deprecating, funny things I had heard a mayor or somebody of that stature say. I have quoted him many, many times. It was refreshing to hear him then, and today, and to hear all of you. I describe myself sometimes as a recovering Governor, and I yearn for the days when I actually get stuff done, and I just applaud each of you for having the courage to work hard and to take on some tough jobs and to get things done.

I want to go back to SAFETEA–LU, the major transportation bill we passed about 4 years ago. And I said earlier that we created an infrastructure commission, and we said to them to go out and look at our transportation needs across the country and figure out what we ought to do and how we ought to pay for it. And one of the things they came back with was a nickel increase in the gas tax over about 9, 10 years, so it would be about a half a dollar over that period of time.

They also suggested that we consider privatizing some of our roadways, allowing private companies to come in and buy them, and presumably toll those roads and improve them accordingly. They called for additional tolling of roads. They called for congestion—charging people more money for greater congestion.

Of those ideas, do any of those register with you? I do not want to put you on record as favoring a nickel increase in the gas tax——

Ms. FRANKLIN. Well, I will go on record. Georgia has one of the lowest gas taxes, and really to tie this to an earlier question, which is how do you—one of the problems that we have in Atlanta in the metro area is that we, too, had a gas tax—a transportation tax that couldn't make it out of our General Assembly.

If, in fact, this were an incentive, this bank had incentive funds, we might have been able to get the three votes that we missed in getting that out, because there would have been some incentive from the Federal Government. So, I mean, there is no question that a gas tax—our Governor recently waived the State gas tax during the summer, which, in my opinion, is going in the opposite direction.

Senator CARPER. I concur.

Ms. FRANKLIN. So we do have a whole series of problems in relating to our General Assembly around these very issues of funding infrastructure. The gas tax is one we certainly—I would certainly support in Georgia.

Senator CARPER. All right. Thank you. Any other thoughts on transportation needs?

Mr. PEYTON. You know, tolling I think can be a viable source. We are working on an outer beltway in our county that will be supported primarily by tolls. And I think it is probably the ideal user fee.

The notion of a gas tax in this environment, I think, would be a very, very tough sell. I would not want to advocate it. But certainly, if we can find ways to capture costs of those that are using the roads primarily, it is viable.

It is interesting, the technology, I think, has made tolling a lot more attractive. One of the biggest barriers to it was the congestion it would create. But now you see, around Orlando and others that have really done a lot of tolling, they can drive through nearly at the speed limit and be registered.

So I would think that is a viable alternative.

Senator CARPER. Yes.

Mayor Funkhouser, let me just say, Mayor, before you answer, I love your name. I can just imagine a big billboard in Kansas City saying "Funkhouser, Mayor." What a great name.

It reminds me of a 1970s funk group or something, Parliament or whatever. It is great.

Mr. FUNKHOUSER. We have capitalized a lot on it.

Senator CARPER. I bet you have.

Mr. FUNKHOUSER. I never thought my name would be an asset, or my size, or the way I look. But all of it was, in the campaign.

Senator CARPER. Any campaign slogans you want to share with us, as an aside here?

Mr. FUNKHOUSER. Google it sometime. You will find more than enough.

With regard to the proposals that you mentioned, we obviously need to do all of those things. I mean, we obviously need to do significant gas tax increases. And the folks who think that that is not very smart, just wait 2 weeks and you get the equivalent at the pump that you are paying anyhow. But it is going to some foreign company, some foreign government, or to one of the major companies here.

Senator CARPER. Let me just interrupt you just for a second. This commission, the SAFETEA–LU Commission recommended a nickel increase in the gas tax over 9 or 10 years, 50 cents in all I think. And the price of gasoline has gone up that much, I think, this year.

Mr. FUNKHOUSER. Oh, easily. I read most of that report that they put out.

Senator CARPER. Did you?

Mr. FUNKHOUSER. I thought it is, again, the question is what is politically practical? I do not know. I am not a very good politician.

Senator CARPER. You must be pretty good. You picked the right name.

Mr. FUNKHOUSER. No, rational thought, rational action. We have to do what makes—and most citizens cannot—you can sit down and explain this. I talk to citizens at these town hall meetings once or twice a month and just stand there and take questions and talk to them about this sort of stuff. And they get it. They understand it is an investment and it is pay me now or pay me later.

I mean, we are trying to get a one-half cent sales tax increase as a region to support transit. And if you do the math, for one of the families in our wealthier communities that would cost them about $250 a year. If they reduced—if they have got two or three cars and they take one of those cars and they drive it 10 percent less, they save more than that $250. So if you are a family with a husband, a wife, and a couple of teenagers and one of the teenagers can take the bus or the train to school instead of driving, you have saved more than you are going to pay in the tax.

The math works and citizens get it.

Senator CARPER. We have got one son who goes to school up in Boston and he does not use a car. He used to use the transit, uses transit going back and forth, the train and so forth.

Mr. Chairman, you asked earlier, you said I think it is—I am not sure on these numbers, but you said I think I have heard that moving a ton of freight by rail is about $500. We had a hearing before the Commerce Committee this week and a guy was there from the American Association of Railroads. In his testimony he said it is 436.

Chairman DODD. 436 miles, I apologize.

Senator CARPER. No, no, no, no, it is close enough. But if you actually think about it, that is basically moving a ton of freight by rail from Washington, D.C. to Washington on one gallon of diesel fuel.

Chairman DODD. The cost of one gallon of gas.

Senator CARPER. I have been riding the train this week, not just between Wilmington and D.C., but also from Wilmington to Philadelphia, Philadelphia to New York, and New York back to Wil-

mington. I noticed, even in midday trains, the trains were full. In a couple of cases like standing room only.

The House yesterday passed their Amtrak reauthorization bill, which calls for creating—similar to what Frank Lautenberg and Trent Lott and others and I have proposed here and has passed the Senate. But they have proposed that we use the Federal Government as a little bit of a different partner in intercity rail support and try to do it in a way that involves the States—invites the States to participate and freight rail owners.

You know, when you are out of the Northeast corridor, the folks—it is not Amtrak's track anymore. They are on the freight railroad tracks.

When I was Governor, we wanted to do a highway project, it was 80/20, 80 percent Federal/20 percent local. If it was a transit project, it was 50 percent local/50 percent Federal. But if I wanted to do an intercity rail project in my State that made more sense than either of those, it was 100 percent local/zero Federal.

What we propose to do is to change that in our legislation. And that is, I think, something that kind of works with what you and Senator Hagel are working on, too.

Chairman DODD. Thank you very much.

Senator CARPER. And again, our thanks to all of you for being here, for your jobs.

Chairman DODD. I just have a couple of quick questions for you. One, I want to pick up the point, Mayor Funkhouser, you talked about. I read David McCullough's biography of Harry Truman. Was he State auditor? He was State——

Mr. FUNKHOUSER. He was the county judge, which is basically the chief executive of the county.

Chairman DODD. Was that when he went back—I loved the chapter when he goes out because there were a lot of dirt roads in his day. And he went out and sold the idea of paving the roads. But he went out from community to community, day after day, day after day, making the case to people in clear, rational terms about why it would benefit the community for doing that. And they, of course, bought into it.

But he made the point it is labor intensive work, this stuff. You have got to just put the time and effort in. So it was a wonderful example of Missouri politics. It is exactly what you are——

Mr. FUNKHOUSER. Plain speaking.

Chairman DODD. Plain speaking.

I wanted to pick up—I have got a number of members here that come from rural states and I think there is a danger that people see this as an urban issue. And obviously, there is a lot of attention on the urban issues that we can talk about. But Jon Tester from Montana, for instance.

I was curious. I wonder if you might comment, if you could, I know you have given it some thought, in terms of how this benefit—it is not just the areas we are talking about, we are talking about national projects and regional projects—and for the record, what this could mean to a broader constituency beyond those immediately affected by this.

Mr. FUNKHOUSER. You know, goods are going to—rural folks buy goods the same as everybody else. And a lot of those goods are

going to come from overseas. And they are going to come through these ports and they are going to come on the trucks and they are going to come on the railways. And they are going to cost more, they are going to take longer, they are going to be more difficult to get in. And that is going to cost rural folks, just like everybody else.

At the same time, rural folks, many of them are farmers or miners. And their goods, timber, what supports their economy has to be shipped out. And they are going to have difficulty doing that.

There is not any question that we are all interconnected. Everybody is dependent on everybody else in the United States. All of this stuff vitally affects all of us.

Chairman DODD. Mayor Peyton, any comment on that?

Mr. PEYTON. Yes, I will just give you the example that we have. Our port is growing because there is a major shift in goods from the West Coast to the East Coast, due primarily to congestion on the West Coast and a perception that there is a labor unfriendly environment.

So with the widening of the Panama Canal, these goods are coming to Jacksonville because we have three interstates to reach these exact areas that we are describing, I–75, I–95, I–10. We are actually west—the most western city on the East Coast, so we are easier to get to the Midwest through the interstate network.

So I would say this shift is an economics shift that is allowing a lower cost providing company to bring goods to these areas more efficiently, more effectively.

Chairman DODD. Shirley, any thought on that? Georgia, a lot of rural areas in Georgia.

Ms. FRANKLIN. Well, agriculture is a big industry in Georgia. So the movement of goods, I think, is an important one. Certainly the movement of—as has been described—from foreign ports or other ports into and out of our airport and our port.

But I would also say that the issues of climate and climate change affect everyone. So to the extent that you have heavier concentrations of carbon emissions in a city like Atlanta, that is not on the coast, where we do not get the winds that my colleague might get, the bottom line is that pollution goes out beyond the city of Atlanta. And it affects—so if we are creating more and more air pollution, that is a problem. If we are creating water pollution, our river, the river that serves Atlanta for drinking water purposes and that we use for wastewater purposes, as well, flows up and down the State of Georgia on the Alabama border.

So what we do, what happens in the river really affects Alabama, Georgia, rural and urban. So that would be two examples.

Chairman DODD. Very, very good. Listen, you have been great, and your patience here in all of this.

I am going to leave the record open here for a few days because members may have some additional questions.

I was speaking with Senator Hagel as he was leaving and I obviously talked with Senator Shelby about this. But my intention would be to try to mark this bill up in July. We have got housing issues to move along and I cannot predict what is going to happen. Obviously, we have got only a few weeks left around here.

But I think the fact we have had a diversity of political opinion at this table, as we have when we have had other hearings. And I think you have heard, just around the table here, this is an issue that transcends any of that.

And I have got the benefit of having a number of colleagues on this committee who have been mayors. There is no greater advantage, since you come at the end of the food chain, as we all know, in the game of national politics.

So my intention would be to try and move this bill along. I know there are a number of similar proposals. My former chief of staff, Congresswoman Rosa DeLauro, the Congresswoman from New Haven, has got a very good proposal in the House on infrastructure, as do several other members. Jim Oberstar, the Chairman of the Transportation Committee over there, has some decent ideas, as well.

So we are going to try and incorporate some of these. But we need, as you pointed out, strategic national thinking on this question. This is not a time for small bore politics here, where the continuation of an existing system where we fund the little projects around the country—some of which I do not underestimate—are important. But in terms of having a national strategy to get us back on our feed again, it is never going to happen unless we do this.

Education, and this, energy policy, and health care are the four issues that I identify as a way you can start to get this country moving in the right direction. And we can start by doing it quickly, in my view.

So I thank you immensely. I cannot begin to tell you how valuable it is to have you here. It is wonderful to have the technical people. We had a great hearing with technical people who came. And they are invaluable in giving us their data and assessment about how this works. But to have mayors who deal with this every single day and wrestle with these tough political choices just adds tremendously to the quality of the debate and discussion.

So I am deeply appreciative of the time that you have taken to be here, to share your thoughts. And we will stay in touch with you. And additional thoughts and ideas we welcome to this committee.

So I thank you all very, very much.

The Committee will stand adjourned.

[Whereupon, at 12:03 p.m., the hearing was adjourned.]

[Prepared statements supplied for the record follow:]

PREPARED STATEMENT OF SENATOR CHUCK HAGEL

Chairman Dodd, thank you for holding this important hearing on our nation's infrastructure. Thanks also to our distinguished witnesses: Mayor John Peyton of Jacksonville, Mayor Mike Bloomberg of New York, Mayor Shirley Franklin of Atlanta, and Mayor Mark Funkhouser of Kansas City. There are few people in the country who have a better understanding of the importance of infrastructure investments than our local leaders – our mayors.

Last year, Mayor Bloomberg announced 'Plan NYC' to modernize and improve New York City. He said: "Long-term investments don't usually make for great politics, which is why they aren't usually made. But they do make cities great and they have made our city the best in the world." The same could be said about our nation as a whole. America faces a long-term challenge of making the necessary investments to sustain our quality of life and our competitive position in the world. On Monday, Fareed Zakaria wrote in the Washington Post that "U.S. spending on infrastructure as a percentage of GDP is the lowest in the industrialized world."

Our nation's infrastructure is a critical element of our nation's capability to compete in the global marketplace. No one understands this more than our nation's local leaders: they have to create a competitive business climate to compete for investment from companies that can choose to locate anywhere in the world.

Earlier this year, Morgan Stanley predicted that emerging economies – including countries throughout Africa, Asia, and the Middle East – will spend twenty two trillion dollars on infrastructure over the next ten years. China alone was projected to invest over nine trillion dollars in its infrastructure over this period of time.

Today, China is building a new port facility at Yangshan, south of Shanghai. It is served by the world's second longest bridge, and when completed, it will have more than thirty berths for the world's largest container ships, and its capacity will be seventy eight percent larger than the capacity of the Port of Los Angeles, our nation's busiest port for container shipments. In 2004, France opened the tallest bridge in the world. This five hundred twenty three million dollar bridge in central France has connected Paris with the south of France. Dubai recently announced a one hundred sixty eight million dollar project to build three new drinking water reservoirs – which will be the largest in the world.

Our nation's local and state leaders are facing many of the same fiscal constraints that we face at the federal level. Nevertheless, each of the mayors testifying today have proposed major infrastructure improvements in their cities: a new light rail system in Kansas City; a congestion pricing plan, a new Subway line, and improved drinking water access in New York; a "downtown master plan" and a wastewater clean-up program in Jacksonville; a draft 'Comprehensive Transportation Plan' in Atlanta. These leaders are making these investments – under tight budget pressures – because they understand that investing in our infrastructure is an investment in our future economic well-being.

We must work to find new ways of financing our future infrastructure projects. Legislation which Senator Dodd and I have proposed would create an 'Infrastructure Bank' within the Federal government that would have the authority to raise capital by issuing up to sixty billion dollars in tax credit bonds. These bonds could be leveraged by the Bank into even greater levels of funding. The Bank would give loans, grants, or loan guarantees to states and local governments for major infrastructure improvements.

We are in need of new and creative 21st Century ideas, programs, policies, and systems that will address the challenges of our time – including American infrastructure. We have a responsibility to the American people and future generations to ensure that America stays competitive in the 21st Century. We can do it, but we cannot afford to continue to defer the tough decisions any longer.

I look forward to hearing our witnesses testimony, and appreciate their willingness to share their thoughts with us today. Thank you Mr. Chairman.

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TESTIMONY

BEFORE THE UNITED STATES SENATE COMMITTEE ON BANKING, HOUSING, AND URBAN AFFAIRS

"CONDITION OF OUR NATION'S INFRASTRUCTURE: LOCAL PERSPECTIVES FROM MAYORS"

BY

MICHAEL R. BLOOMBERG

MAYOR OF NEW YORK CITY

Thursday, June 12, 2008

Good morning, Chairman Dodd, Senator Shelby, and members of the Committee, and thank you for inviting me here. My name is Michael Bloomberg and I am the mayor of New York City. I am also the co-chair of Building America's Future, a coalition of state and local officials that I founded along with Pennsylvania Governor Ed Rendell and California Governor Arnold Schwarzenegger in January of this year. The reason is very simple: We are facing an infrastructure crisis in this country that threatens our status as an economic superpower – and threatens the health and safety of the people we serve.

As you know, infrastructure is not a sexy or glamorous topic – but it is one of the most pressing issues facing our country. That is why, in good economic times and bad, I have made infrastructure a top priority. Attached to my testimony is a summary list of projects we are currently working on, but let me just point out that we are investing:

- $2 billion to build a subway extension to the Far West Side of Manhattan;
- $6 billion on our Water Tunnel #3, which will provide a critical back-up supply of water; and
- $6 billion on upgrades to our sewage treatment plants.

We are making tens of billions of dollars in improvements and expansions to our infrastructure, but even that is nowhere near enough. The New York City region needs $29.5 billion just in the next five years to continue to bring our mass transit system up to a state of good repair and to expand capacity to meet expected demand. And we need $23 billion to do the same for our drinking water and wastewater systems.

Nor are we unique in this regard. According to the American Society of Civil Engineers, the entire country needs to invest at least $1.6 trillion over the next five years to maintain and expand our roads and bridges, bring our rail networks up to a state of good repair, and construct critical water and wastewater projects.

$1.6 trillion is a staggering amount. But it's also staggering how little the federal government is doing to help cities and states address these challenges. As you well know, it wasn't always that way. During the Great Depression, the New Deal provided economic stimulus in the form of jobs to build infrastructure. La Guardia Airport – which I would imagine many of you have flown in and out of – was a New Deal project, as was the electrification of the New York-Washington rail line. These projects created jobs, and they also created a lasting infrastructure that still serves our country.

After World War II, Congress saw the need to tie the nation together with a highway network and, together with President Eisenhower, made that network a national priority and funded 90 percent of its total costs. In the 1960s and 1970s, the federal government took the lead in funding transit projects around the nation, including Washington's metro system.

But the decades that followed saw less and less leadership from Washington – and less willingness to open its purse strings. In 1980, the federal government was spending six percent of its entire domestic budget on infrastructure. Today, that figure is less than four percent. As a result, state and local governments are now responsible for three out of every four dollars spent on public infrastructure.

To remain the world's economic superpower, we must build the infrastructure to support strong and sustained growth. And that means, very simply, things have got to start changing in Washington.

I hope 2009 will be a watershed year. The expiration of the current transportation bill will allow for a new debate on our infrastructure needs. I would hope and expect that it will focus on two issues: first, what should be the role of the federal government in our transportation system; and second, how we are going to pay for everything we know we need. And there are a few principles that I believe should guide the discussion:

First, we need to set clear goals – both for the short-term and long-term – and clear metrics for measuring success. Right now, we have no coherent national transportation policy. It's just a grab bag of programs with no goals that correspond to national priorities, such as reducing our dependence on oil and cutting our greenhouse gas emissions. We also lack performance standards to ensure we can meet our goals, which is just basic accountability. And we lack incentives that encourage cities and states to be more efficient, which is a basic idea of market economics. These practices are straight from Management 101, and we need to put them to work when it comes to transportation.

Second, we need to dramatically increase funding to help achieve our goals. Infrastructure costs money. But polls show that people are willing to pay for it – if they know they will benefit from it. Voters are smarter than politicians give them credit for being. They know there's no free lunch. But if they're paying for sirloin, they don't want to get served a bunch of baloney. To create the new funding we need, all options should be on the table, including general revenue, user fees, gas taxes, and public-private partnerships.

Third, we need to fund projects based on merit, not politics. One of the most promising concepts is the one introduced by Senators Dodd and Hagel: a national infrastructure bank. The bank would create an independent and nonpartisan entity that would fund the most vital needs – not the most parochial pork-barrel projects. The bank's nonpartisan structure would also help us achieve the first principle I mentioned: instilling clear performance standards and accountability measures into projects.

These three principles are not Democratic or Republican. They are simply basic ideas that anyone serious about addressing our national infrastructure crisis should be able to support.

Thank you, again, and I would be happy to answer any questions you may have.

STATEMENT OF

THE HONORABLE SHIRLEY FRANKLIN
MAYOR
CITY OF ATLANTA, GEORGIA

"CONDITION OF OUR NATION'S INFRASTRUCTURE: LOCAL PERSPECTIVES FROM MAYORS"

BEFORE THE

UNITED STATES SENATE
COMMITTEE ON BANKING, HOUSING, AND URBAN AFFAIRS

JUNE 12, 2008

Good Morning, Chairman Dodd, Ranking Member Shelby and Members of the Committee. I appreciate the opportunity to testify before the Committee on the condition of the infrastructure in the City of Atlanta. As I am sure you are aware, the infrastructure of most, if not all, American cities is in a declining state. We mayors are on the front lines, coping daily with frequent shortfalls in our aging infrastructure while we struggle to address the staggering costs of repairs, and more often than not are unable to even consider the expense of replacement of these critical systems.

When I took office as Mayor of the City of Atlanta in January 2002, it did not take long for me to realize that the City's severely neglected infrastructure would require my immediate attention, particularly the rebuilding of our water and sewer infrastructure. We recently passed the halfway mark in our $4 billion Clean Water Atlanta Initiative, the details of which I will share with you momentarily.

In Atlanta, there is also a pressing need for a broader and more comprehensive approach to transportation planning and funding focused on a more pedestrian and public transit-oriented system. Last year, I testified before the National Surface Transportation Policy and Revenue Commission about the City of Atlanta's transportation vision and its relationships with transportation agencies and transit providers in the Region. Our transportation infrastructure is critical to the economic well-being of Atlanta and its residents, especially given that U.S. Census figures estimate the City's population will increase to 850,000 residents by the year 2030 – a 75 percent increase above our 2005 population of 483,000. Probably nowhere is our population growth and increasing congestion more visible than on our urban streets and regional freeways.

Mr. Chairman and Members of the Committee, Atlanta's water and sewer system and transportation infrastructure system are the areas on which I will focus my testimony.

Water and Sewer Infrastructure

Clean drinking water and wastewater are local, regional and national issues. Cities must continue to do their part to address the challenges facing our water and sewer infrastructure systems. However, we cannot do it alone. We need state support and support from Washington. We need a partner in the federal government. Let me tell you about what we're doing in Atlanta.

Clean Water Atlanta Initiative

In the Fall of 2002, I announced the launch of the Clean Water Atlanta Program, a comprehensive long-term program involving a complete overhaul of the City's water and sewer infrastructure. The program includes a $4 billion, court-ordered mandate to repair and replace the City's water and sewer infrastructure, which will ensure that our residents and businesses have clean drinking water and that our downstream neighbors have safe water supplies.

As part of the Clean Water Program, we have drastically reduced sanitary and combined sewer overflows; separated the sewers, leaving only the downtown area with combined sewers; built more than 120 miles of new water mains; inspected more than 1,000 miles of sewers; and rehabbed about 250 miles of sewers. As a result of these efforts, one of our primary waterways – the Chattahoochee River – is cleaner than it was 10 years ago.

Although we have secured $500 million in low-interest state loans and approximately $6 million in grants from the EPA, we have undertaken this major project largely on the backs of the City's residents, some 25 percent of whom live at or below the poverty line. Atlanta's customers are already paying some of the country's highest water and sewer rates. When you add the challenges associated with our drought to these infrastructure costs, the problem becomes even larger.

The condition of Atlanta's water and sewer infrastructure has a profound effect not just on the City, but on the entire Metropolitan region. Atlanta is the economic engine of the State of Georgia and the City's continuing prosperity has impacts well beyond its geographical boundaries throughout the entire Southeast. Atlanta cannot grow in an economically sound and sustainable way without reliable water and sewer systems. And if Atlanta's growth stalls, Georgia and the Southeast will suffer.

National Scope of Water and Sewer Problems

Atlanta's situation is not unique. Most American cities either are now or will soon be facing the problems Atlanta is facing. The American Society of Civil Engineers estimates that there is a $534 billion funding gap between what is available and what the needs are nationwide for water projects. The nation's 54,000 drinking water systems face staggering public investment needs over the next 20 years. Although America spends billions on infrastructure each year, drinking water faces 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 federal water regulations. The shortfall does not account for any growth in the demand for drinking water over the next 20 years.

The drinking water lost from leaking pipes can range from 5 to 40 percent in some cities, which is a tremendous cost in terms of water loss. This is occurring at a time when 35 percent of cities will face water shortages by 2025, according to the U.S. Conference of Mayors' 2005 survey of cities.

According to a 2004 estimate, the Environmental Protection Agency says the nation's sewers are in such woeful shape that we are discharging 850 billion gallons of combined sewer

overflows a year into our streams and rivers, and another 10 billion gallons of sanitary sewer overflows.

Local governments are the primary investor in water and wastewater infrastructure in the U.S. According to the U.S. Conference of Mayors, the local government share of spending on sewer infrastructure and services is more than 95 percent, with the state share being less than 5 percent. For water systems infrastructure and services, the local government share is more than 99 percent. The trend is for greater spending on water and sewer infrastructure and services due to a variety of factors including population growth and land use, an aging water infrastructure requiring ongoing maintenance and rehabilitation, and the impacts of climate change.

Attached to my statement is a chart compiled by the U.S. Conference of Mayors, which reflects these trends. As you will see, local governments shoulder a significant portion of these growing infrastructure costs, at the same time that Congressional funding for water infrastructure and services remains nearly the same as funding levels from 10 to 20 years ago.

Completely overhauling the country's aging infrastructure cannot be a prospect left solely to the cities, many of which struggle daily to provide the services an aging population demands. The cities are not looking for a handout. But at some point the federal government has to make a commitment to the health of the nation's cities, and that is going to require money. Cities need a direct partner in the federal government because the country's prosperity depends on the health of its cities.

Transportation Infrastructure

For much of the 20th century, paradigms of transportation planning assumed that building new (primarily road) infrastructure was the key to fostering economic growth. The working premise was that congestion created by new land use development could be remedied

with added capacity. This pattern has indeed encouraged rapid growth in the Atlanta region. However, continuing to build such infrastructure in an effort to feed access to cheap outlying land is simply not going to be a feasible spatial or financial option moving forward. In fact, local public agencies responsible for road construction have experienced significant cost increases in recent years, causing projects to be postponed, reduced in scope or canceled altogether. In addition to the capital costs associated with highway construction funding, the growing legacy of road-building leads to higher and higher annual maintenance costs to keep the additional infrastructure safe and operational.

Challenges Facing Atlanta and the Region

Urban population growth is fueling inner-city revitalization, not only in Atlanta, but across the country. Such growth can form the basis for more environmentally-sustainable living patterns. Living and working within close proximity has many benefits. For example, by shortening distances that people travel to work and play, we can reduce our dependence on oil and combat air pollution and other adverse environmental changes that threaten our quality of life.

Unfortunately, in the last decade, we in the Metropolitan Atlanta Region have discovered that the elevated environmental and socio-economic costs of congestion threaten to limit future growth. In Atlanta, congestion is getting worse – supporting the trend of residents moving closer to the City center. This infill movement is increasing the density of the urban core, but is also placing new demands on the transportation infrastructure within the City. Five-mile trips do not require highways; they require streets, sidewalks, transit and bicycle opportunities. Our failure over the past decade to adequately expand the Metro Atlanta Rapid Transit Authority system

(MARTA), along with other transportation options leaves us unprepared to accommodate future growth within the urban core.

To address our urban core congestion, the City of Atlanta has undertaken a comprehensive transit project that is part of a wide-ranging economic development initiative, which includes rails, parks, bike routes and walking trails. When completed, the Atlanta BeltLine project will improve connectivity of our existing MARTA rail system, and will ultimately connect forty-five in-town Atlanta neighborhoods. This is an exciting and innovative project that has gained wide recognition and awards as an example of creative planning and commitment to the City's transit needs.

The bottom line is that growth outside the urban core is reaching the limits of expansion by means of sprawl, and growth inside the urban core is threatened by insufficient investment in transit infrastructure. It is incumbent upon public officials at the local, state and federal levels to focus immediately on this problem.

A vibrant, livable urban core is the necessary cornerstone of any great metropolitan region. For the State of Georgia to thrive, the Metropolitan Atlanta Region must thrive, and for this Region to thrive, the City of Atlanta must thrive. Thus, it is critical that the federal government refocus its policies and priorities to achieve better, more integrated and environmentally sensitive transportation options to better link transportation services among residential, employment and recreational destinations. The federal government must encourage states to recognize that urban areas that grew up in the age of the automobile, now must change their focus to one that embraces and pursues a broad range of transportation options, particularly in the realm of urban mobility and public transit.

Transportation as an Investment

The role of transportation as an economic investment should also be important to each of us. Even in 1998, before the daily rise in fuel prices that we are witnessing today, the average American household spent 18 percent of its income on transportation-related expenses, an amount equal to the combined total amount spent on health care and food. The current "gas crisis" is placing an intolerable financial burden on individuals and families.

Just as we invest our money individually for financial gain, we should invest our resources nationally in public infrastructure with the intent of maximizing public benefit. If we invested differently, could we create greater tax revenue returns from development? Could we create less air pollution and more opportunities for physical activity, thus reducing healthcare costs? Could we lower our dependence on foreign oil and reduce the costs associated with our need for this resource?

Infrastructure Solutions

Mr. Chairman, it is a matter of record that the federal government has reduced its overall commitment to infrastructure investment over the last couple of decades, as measured by the share of GNP allocated to these purposes, among other measures. Importantly, though, the effects of this retrenchment on states and local governments have not been uniform, with local governments bearing a disproportionate share of these reductions. For example, federal investment in wastewater infrastructure, which, as I have indicated, is a key priority for the City of Atlanta given our challenges in this area, has declined dramatically since the 1970s. At the same time, state governments have been helped in relative terms by rising federal commitments to surface transportation infrastructure, which have doubled in the last decade. Unfortunately, that increase does not trickle down to all cities. In moving forward on the legislation before you

today, I would urge you to consider modifications to correct for reduced allocations in selected infrastructure areas, such as federal support for wastewater infrastructure.

Mr. Chairman, we are certainly at a point where we must broaden the mix of financing tools as we strive to meet our nation's infrastructure needs. Your legislation would add new federal resources, enabled by new federal financing mechanisms, to accomplish this objective.

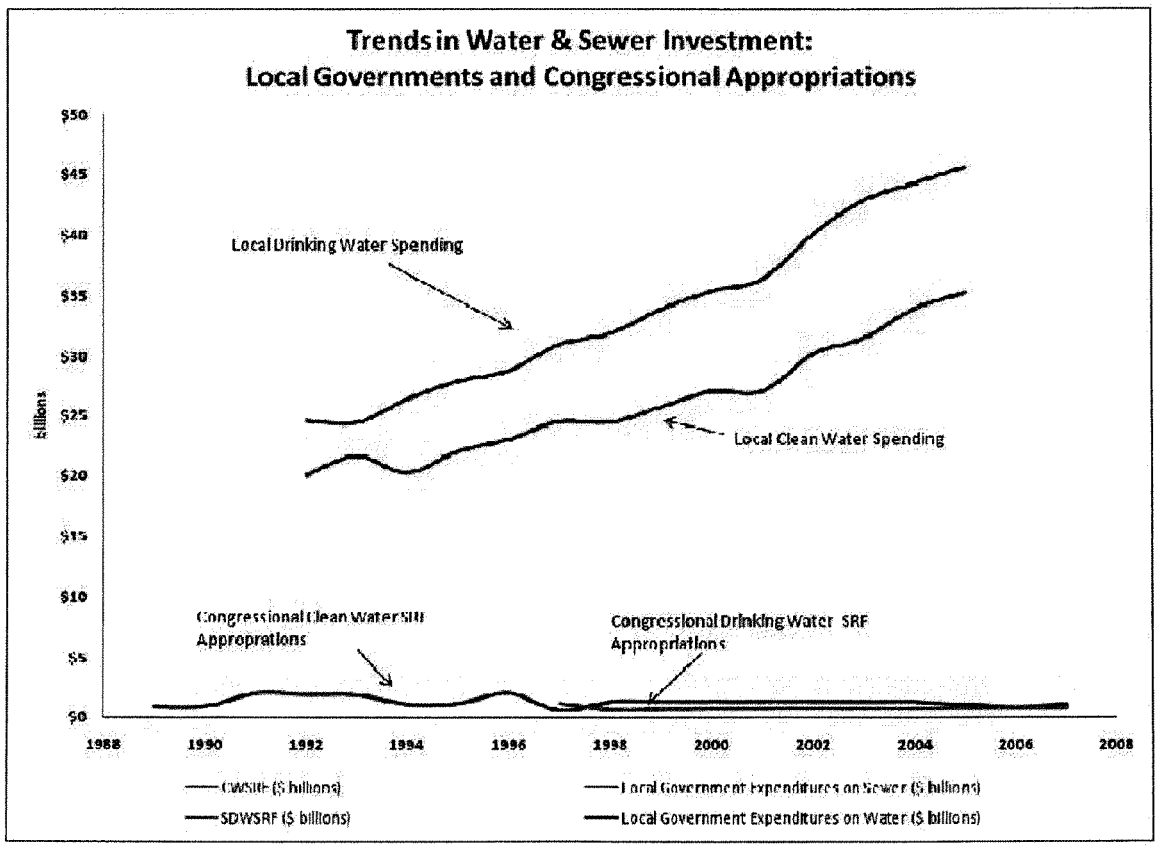
As you go forward, there are some broader concerns about some of the key externalities that this legislation should address. Given the structure of this legislation, where current commitments will be financed well into the future, it is important that we focus our available resources in ways that address the challenges before us today and over the next couple of generations.

We know that reducing our energy use and our energy dependency are squarely before us. Related to energy usage is how we deal more aggressively with our significant and growing climate protection challenges. As we invest new resources, we should be embracing investments that give particular emphasis to such issues of the day.

Also, Mr. Chairman, there is the issue of unfunded liabilities. Local governments alone cannot be expected to shoulder the burden of improved infrastructure systems. Unlike unfunded infrastructure projects to build new sewer lines and treatment facilities to serve new development in outlying areas of our region, which are largely discretionary or new obligations, completing projects like Atlanta's massive infrastructure improvement means that we can accommodate more residents and development within the City, which leads to more efficient use of energy and fewer carbon emissions. With greater transit capacity and other energy saving opportunities, such projects accomplish multiple benefits for the nation. The process for distributing federal funds should recognize and reward projects that achieve such benefits and impact.

Finally, my City is committed to working with its willing partners, the State, and the federal government to plan and finance these solutions to the fullest extent possible. Increased federal funding for infrastructure in the urban core is an essential component of our success, and that funding should come with the recognition and the flexibility to address the infrastructure needs in a comprehensive, multi-faceted manner that will truly be responsive to the demands and challenges the City faces in the 21st century.

This concludes my testimony. Mr. Chairman, thank you for this opportunity. I am pleased to answer any questions you or other Members of the Committee may have at this time.


Trends in Water & Sewer Investment:
Local Governments and Congressional Appropriations
$50
$45
$40
$35
$30
$25
$20
$15
$10
$5
$0
billions
Local Drinking Water Spending
Local Clean Water Spending
Congressional Clean Water SRF Appropriations
Congressional Drinking Water SRF Appropriations
1988
1990
1992
1994
1996
1998
2000
2002
2004
2006
2008
CWSRF ($ billions)
SDWSRF ($ billions)
Local Government Expenditures on Sewer ($ billions)
Local Government Expenditures on Water ($ billions)

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"

June 12, 2008

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 CWRF 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.

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MAYOR MARK FUNKHOUSER
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TESTIMONY BEFORE U.S. SENATE COMMITTEE ON BANKING, HOUSING AND URBAN AFFARS REGARDING THE "NATIONAL INFRASTRUCTURE BANK ACT OF 2007"

SUBMITTED
JUNE 12, 2008
ROOM 538 DIRKSEN SENATE OFFICE BUILDING
WASHINGTON, D.C.

Chairman Dodd, Ranking Member Shelby, and members of the Committee: Good morning, and thank you for inviting me to testify today on behalf of the City of Kansas City, Missouri. It's an honor and a pleasure to join Mayor Bloomberg, Mayor Franklin, and Mayor Peyton on this panel to offer a local perspective on the condition of our nation's infrastructure.

I come before you today as the elected representative of the citizens of Kansas City, the largest city in Missouri, with more than 445,000 residents. Given today's topic, however, I'd like to expand my jurisdiction, at least for a moment, to encompass the entire Kansas City region. As you are likely aware, this wider region spans two states, six counties, and more than 100 municipalities, and is home to nearly two million Americans. In the context of today's hearing, I speak in these broader terms because together we form one economy, and we share much of the infrastructure that is vital to our communities' shared health and prosperity.

Just the same, however, the health and prosperity of our nation's metro communities are vital to that of the nation. In today's world, metropolitan areas drive the American economy. Consider the following:

- 83 percent of Americans live and work in metropolitan areas;
- 65 percent live and work in the nation's 100 largest metro areas;
- 74 percent of the country's most educated citizens call metro areas home;
- 84 percent of our most recent immigrants do as well; and,
- Metro areas offer 76 percent of our knowledge economy jobs.

As these figures clearly demonstrate, our nation's metropolitan communities are the incubators of the 21st-century American economy, and will continue to serve as the arena for American innovation and competitiveness globally. In order to provide meaningful support to the national economy, then, we must sustain and improve the quality of life within our metro communities, and provide a sound foundation upon which to continue to produce and innovate. It's a simple fact that cities grow when people want to live in them. And solid, dependable infrastructure is the most fundamental component of cities where folks want to live. Kansas City, in particular, continues its historical role as a vital hub within the nation's commercial and commuter transportation infrastructure. As many of you are certainly aware, the City initiated the nation's first interstate, and has long served as the home to the Kansas City Southern Rail Network and a primary junction between three major commercial rail systems. Yet today, the Kansas City metropolitan area has more miles of limited access highway lanes per capita than any other large metro area in the United States.

In my life prior to becoming Mayor, I was the City auditor, and my office conducted the annual survey of our citizens' satisfaction with City services. Year after year, people in Kansas City tell us that they are most concerned with the condition of the streets, sidewalks, bridges, sewer and storm water drains. Further, when we surveyed business owners within the Kansas City community, we were told the same thing: infrastructure is of paramount importance. This is a refrain I continue to encounter as Mayor within regular town hall meetings throughout the city.

Yet, as municipalities, we simply are unable to meet the infrastructure needs of our region on our own. This is something to which I have devoted a great deal of time studying as auditor and that I now spend more time working on as Mayor. Despite ongoing efforts to leverage existing resources, the scale and cost of a regional highway and road system, along with public transit, water and wastewater services are more than we can shoulder on an already constrained budget. Even if we were to pool our resources with the other municipalities of our region, we wouldn't be able to tackle the daunting challenges now confronting our nation's infrastructure. The expense is far too large, and the challenges too far-reaching to be adequately addressed by local and municipal governments alone. Only the federal government has resources to match the scale of the problems.

In Kansas City, for instance, we have a $6 billion backlog of deferred infrastructure maintenance and enhancement initiatives that continue to overwhelm local resources. In particular, the City has initiated efforts to expand access to the I-435 and I-70 interchange, a major commuter hub that allows travel in all directions in the Kansas City metropolitan area. Much the same, local efforts are underway to determine the feasibility of linking the Downtown "loop" with the urban Crossroads neighborhood to the south by means of a newly constructed Truman Boulevard. It is expected that this enhanced transportation infrastructure will allow for greater and easier access throughout the city, while also creating new development pad sites to increase economic activity throughout Downtown Kansas City. Yet, despite the best efforts of local officials, the scale of these

and other proposed enhancements will demand a more robust and assertive federal commitment.

Much the same, our City's outdated sewer system allows over 6 billion gallons of sewage overflow every year into our rivers, streams, and urban lakes – presenting health and environmental concerns not only for our neighbors downstream, but also for our own communities. These troubling circumstances mean that we're under the gun from the federal government, and others locally, to improve existing facilities. But the price tag for this little repair job is over $2.3 billion – a hefty chunk of change for a city with a $1.3 billion annual budget, a median household income of $37,000 and 23,000 households with annual incomes of $10,000 or less. Moreover, the cost of construction for large public works projects is growing at a rate far faster than the rate of revenue in our city and in cities across the country.

While this bare fact is reason enough to support the National Infrastructure Bank Act of 2007, I come before you today to express my support for the renewed federal/local partnership outlined therein. The proposed legislation presents a good concept for how to provide long-term funding for large, regionally significant infrastructure projects. In general, the bill represents a commitment on behalf of the federal government to assist metropolitan areas meet their infrastructure needs and ensure the continued economic vitality and growth of the American economy. On a deeper level, it allows the federal government to make a more realistic assessment of its economy and begin to act strategically to ensure prosperity and global competitiveness far into the future.

With this proposed legislation, the federal government can begin to address infrastructure not as a budgetary cost, but as an investment. Because, it is an investment. Productivity is the result of capital applied to labor. In other words, a man with a spade can't be as productive as a man with a back-hoe. In the same way, our cities can't be as productive, if we don't have infrastructure adequate to meet the demands of a rapidly diversifying and expanding global economy. So long as we fail to invest in these capital resources, we will fall behind other nations in this global economy, nations that understand the value of quality infrastructure and that are making the necessary investments to ensure their competitiveness.

I want to close with this thought: recently Jack L. Schenendorf, Vice Chair of the National Surface Transportation and Revenue Study Commission, spoke in Kansas City about the need for progressive transportation funding and policy. In his words: "If we don't step up to the plate and come up with a solution… our children and grandchildren will have a lesser standard of life than they have today." I think all among us will agree that such an outcome is simply unacceptable. Our national and local leaders must come together to ensure - literally - the proper foundation for the next generation of Americans. Without such intervention, we risk handicapping an entire generation of Americans and our nation's long-term viability.

I am prepared to answer any questions you may have. Thank you.