September 23, 2019

Hearing: America's Infrastructure – Today's Gaps, Tomorrow's Opportunities, and the Need for Federal Investment

Federal investment can rebuild our infrastructure and support economic growth

A strong economy relies on strong infrastructure to function effectively. Yet our infrastructure is increasingly outdated, damaged, or inadequate for today's demands, and federal investments have failed to keep pace. On September 25th, the House Budget Committee will hear testimony from four expert witnesses on the economic benefits of infrastructure investments and the critical role of the federal government in restoring and strengthening our nation's infrastructure.

Infrastructure is critical to a strong economy — Businesses and households depend on safe and efficient transportation networks to ship raw materials, food, and finished products and for employees and customers to get to work or stores. We also need reliable, effective, and sustainable networks for energy and water supplies, as well as waste disposal. And as our world becomes more connected, our economy is increasingly dependent on broadband for voice, video, and data transmission. Many regions, particularly coastal areas, are facing an urgent need for infrastructure that can withstand or mitigate the impact of more frequent severe weather and rising sea levels.

U.S. infrastructure is aging, underperforming, and harming the economy — Businesses and individuals are bearing the economic costs of our failing infrastructure. They are losing time, productivity, and opportunities due to excessive traffic, delayed shipments, disruptions in energy supplies, or connectivity issues. According to the American Society of Civil Engineers' 2017 Infrastructure Report Card, America's overall infrastructure grade is a D+ (poor and at risk), reflecting challenges faced by transportation, water, energy, and other infrastructure systems across criteria such as condition, capacity, and safety. Current infrastructure gaps are anticipated to cost the United States $3.9 trillion in lost GDP and 2.5 million in lost jobs by 2025 due to lost productivity. We would also experience additional human and economic costs, and a reduced quality of life in our communities, from complications ranging from poor drinking water quality to increased flooding from inadequate levees and other flood control structures. Restoring our infrastructure to good condition would require $2 trillion more than the current funding levels over the next ten years, including $1 trillion for surface transportation alone, but it would improve our long-run economic prospects.

American infrastructure has long been dependent on federal support — The federal government has a long and successful history of support for transportation and other infrastructure. Congress first acted to support road construction in 1796, and an ongoing program to finance roads began with the first Federal-Aid Highway Act in 1916. In the 19th Century, federal charters, land grants, and contracts helped support and finance early canals, railroads, and the transcontinental telegraph. The New Deal era saw federal efforts to build dams and reservoirs and to provide electricity to rural America, followed by funding for the Interstate Highway system after World War II. More recently, federal support has helped build our airports and the air traffic control system. Federal funds and research also played a critical role in starting the internet.

Federal infrastructure investment has lagged in recent decades — Available data suggests that infrastructure investment has fallen in recent decades, relative to the size of our economy, and currently sits at inadequate levels. The Congressional Budget Office has calculated that public spending (federal, state, and local) on transportation and water infrastructure was 2.3 percent of GDP in 2017, its lowest level since at least 1956 (spending peaked at about three percent in the late 1950s).

Public infrastructure investments generate significant economic growth — In the short term, every $1 of infrastructure spending can boost economic output by $1.50 or more. This multiplier effect for infrastructure is greatest during economic downturns, making it a highly effective form of economic stimulus. This growth also spurs increases in employment and wages – and since more than three-quarters of infrastructure jobs are focused on infrastructure operation rather than design and construction, much of the job growth can be long-lasting. Indeed, infrastructure investments increase economic productivity in the long term – for example, by reducing supply chain transportation costs. On average, these investments generate an increase in private-sector output equivalent to a rate of return of 17 percent – especially for core infrastructure such as transportation, transit, and utilities. This is a significantly higher rate of return than most private capital investments, and it does not even include the range of non-market benefits to health and quality of life, such as cleaner drinking water and reduced traffic congestion.

Investing in maintenance, repairs, and resilience is crucial — Conducting maintenance and repairs to ensure infrastructure remains in good condition maximizes the cost-effectiveness of infrastructure spending. A "fix it first" approach – conducting early and regular maintenance rather than waiting until structures are severely damaged or degraded – yields large cost savings in the long run. A sound infrastructure investment plan would also incorporate resilience and new infrastructure technologies, especially when they can economically replace older, outdated technologies or provide enhanced or entirely new capabilities.

At this upcoming hearing, the Budget Committee will learn more about the status of U.S. infrastructure, the positive impact of federal policies and investments, and the potential for both short- and long-term economic growth. Expert witnesses who will inform our discussion are:

- **Carol Ellinger Haddock, P.E. – Director, Houston Public Works**
- **Christopher Coes – Vice President of Land Use and Development, Smart Growth America**
- **Adie Tomer – Fellow at the Metropolitan Policy Program, Brookings Institution**
- **R. Richard Geddes, Ph.D. – Professor and Director of the Cornell Program in Infrastructure Policy, Cornell University; Visiting Scholar, American Enterprise Institute**