

**U.S. SENATE BUDGET COMMITTEE HEARING**  
**Transportation Infrastructure Investment, Job Creation and Economic Growth**

**Francis Ziegler, Director of the North Dakota Department of Transportation**  
**Michigan, North Dakota, November 12, 2009**

---

Mr. Chairman:

Good Afternoon. I am Francis Ziegler, Director of the North Dakota Department of Transportation. Thank you for the opportunity to appear before the Committee today.

The title of today's hearing is "Infrastructure Investment: Creating Jobs and Fueling Economic Growth." Let me say at the outset that we believe that transportation infrastructure investment creates jobs and strengthens the economy – and provides additional benefits.

Recognizing all these benefits, the State of North Dakota has increased its financial commitment to transportation infrastructure. Earlier this year, Governor Hoeven worked for and then signed into law a landmark \$1.35 billion transportation funding bill. In addition to increases in traditional highway funding, which is based on the state motor fuel tax and vehicle registration fees, funding was added so that overall funding for the current biennium reached about \$1.35 billion, well over the \$903 million provided in the previous biennium.

Additionally, the NDDOT is working on Emergency Relief projects of \$100+ million for roadways statewide, with the majority being in the Devils Lake Basin area.

This comprehensive transportation package for North Dakota funds maintenance and enhancement of the state's transportation system. It includes an unprecedented sum in non-matching State General Fund dollars. It also includes almost \$600 million more to rebuild our roads and help cities, counties and townships recover from statewide flooding.

While the State of North Dakota is doing more than ever, Federal investment in transportation is critically important. Federal aid accounts for 52% of the current biennial budget (without ARRA). In the balance of my testimony I'll discuss:

- I. Job creation and other benefits from transportation infrastructure investment; and
- II. Federal surface transportation infrastructure legislation and rural state concerns.

**I. Job Creation and Other Benefits**

Transportation infrastructure investments create jobs in several ways. First, there are jobs on site -- workers operating heavy equipment, truck drivers, plant operators, flagmen, and others. Next, there are jobs in supplier and support industries. These can include jobs in the aggregates industry, at asphalt plants, and at factories that make guardrails, signs and other roadway hardware. In addition, when a contractor or supplier is involved in a project, its headquarters staff is strengthened, whether in job additions or retention.

Further, there is a general boost to the economy from the on site and supplier jobs and economic activity.

The number of jobs one project or group of projects creates can be hard to estimate, particularly once one goes beyond on site jobs. Estimates developed in the last few years by the Federal Highway Administration are that each \$1 billion of Federal highway program dollars (not taking into account any non-Federal match) results in 27,800 direct and indirect jobs. Approximately 1/3 of those jobs were direct. The rest were either in supplier industries or from general economic impact. Estimates are always subject to further evaluation but this at least indicates a possible range of job impact.

As to economic benefit I will say that we are confident that there is a positive economic multiplier effect from transportation infrastructure investment -- though we are not here today to advocate for use of a particular model or multiplier number. We are confident, however, that, in addition to job creation, positive economic activity follows from transportation infrastructure investment.

As you can see from the map attached to my testimony (Attachment 1), many projects are completed and planned, with transportation investments covering the entire state, creating jobs and positively affecting economic development throughout North Dakota. In addition, the final product is improved transportation infrastructure that supports jobs and economic growth.

There are other benefits that I would like to highlight.

Safety is certainly one. Rural transportation fatalities are a concern in this country and constructing modern roads with smooth surfaces, appropriate shoulders, guardrails and signage is essential to our mission of providing a safe transportation system.

These investments are also important to the economic competitiveness of North Dakota and the nation. Businesses reviewing whether to stay or locate in North Dakota want to be sure that goods arriving at or leaving their facilities move safely and efficiently.

Better highways and the availability of public transit help us in our daily lives, ensuring good access to school, medical facilities, work, and other important destinations.

In our planning process at the North Dakota DOT we work to direct funding to projects that are prioritized to provide these types of benefits.

## **II. Federal Surface Transportation Issues**

Clearly, our ability to continue to invest in surface transportation infrastructure in North Dakota will depend in part on Federal surface transportation funding levels. The needs are there to warrant increased investment. Various Commissions and reports have called for increased surface transportation infrastructure investment. For example, the

American Association of State Highway and Transportation Officials (AASHTO) has recommended, for the six-year period 2010-2015, proportional increases in the highway and transit programs over the prior six years -- to \$375 billion and \$93 billion, respectively -- plus funding for other programs.

Beyond the overall funding level, however, to achieve continued progress in North Dakota, it is essential that rural States like North Dakota participate at least proportionately in any growth of the Federal highway and transportation program, both as to formula and other funds.

In the House authorizing committee, a proposal has been outlined and partial legislation reported from a subcommittee to the full committee. This outline apparently calls for increases in Federal highway program authorizations from the Highway Trust Fund of about \$110 billion over the next 6 years compared to the last 6 years (\$337 billion compared to \$227 billion).

Yet, the outline suggests that at least \$50 billion of that \$110 billion is reserved for a new program **only** for metro areas with an urbanized area population of 500,000 or more. Moreover, under another program at least \$25 billion is reserved for large nationally significant projects -- to be picked by USDOT. North Dakota would not receive funding from either one of these programs.

In addition, the outline refers to an infrastructure bank, probably supported from outside the Highway Trust Fund. We are not certain how much funding will be committed to the bank's activities, but we are concerned, based on what we have seen in some infrastructure bank proposals, that the bank's funds may not be readily accessible to a rural state like ours.

So, we see a minimum of \$75 billion of the \$110 billion in additional trust fund authorizations for highways dedicated to programs that are not available to our state in any practical way. In addition, large non-trust funded programs for high-speed rail and possibly for an infrastructure bank are geared for other parts of the country.

The proposal, as outlined, would also provide an increased share of transportation investment to transit. North Dakota supports instead proportional growth in the highway and transit programs.

In short, even though funding formulas for this outline have not been revealed, we see in this outline the suggestion of relatively increased funding for large metropolitan areas. So, while details of this bill are not set, we are concerned that the House legislation could provide North Dakota with a reduced share of the transportation bill's programs compared to current law. We will appreciate your efforts, Mr. Chairman, to avoid any such result in the final legislation.

It is also important to address the impact of inflation on our transportation program. Over the past eight years, highway construction inflation in North Dakota has increased by 11% per year.

Given this construction inflation rate, North Dakota's purchasing power for projects is already significantly reduced. (Attachment 2) A transportation bill without significant growth for North Dakota will severely hurt our ability to invest in transportation infrastructure throughout the state.

Let me turn now to reasons why the authorization legislation should continue to provide rural states like ours with at least their current share of the Federal highway and surface transportation programs.

### **The Nation Benefits from Federal Transportation Investment In and Across Rural States**

Federal-aid highways in our state, not just those on the National Highway System

- serve as a bridge for truck and personal traffic between other states, advancing interstate commerce and mobility;
- enable agricultural exports and serve the nation's ethanol production and energy extraction industries, which are located largely in rural areas;
- are a lifeline for remotely located and economically challenged citizens, such as those living on tribal reservations;
- enable people and business to traverse the vast tracts of sparsely populated land that are a major characteristic of the western United States; and
- provide access to scenic wonders and facilitate tourism.

In addition, the scope of the Federal-aid system, extending beyond the NHS, enables enhanced investment to address safety needs on rural routes.

Further, Federal investment in rural transit helps ensure personal mobility, especially for senior citizens and people with disabilities, connecting them to necessary services. Federal public transportation programs, both transit and Amtrak, must continue to include funding for rural states and not focus entirely on large metropolitan areas.

Let me amplify a few of these points.

### **Bridge States Serve a National Connectivity Interest for People and Business**

Highway transportation between our country's major metropolitan areas is simply not possible without excellent roads that bridge those vast distances. This connectivity benefits the citizens of our nation's large metro areas because air or rail frequently will not be the best option for moving people or goods across the country. The many commercial trucks on our rural interstate highways demonstrate every day that people and businesses in the major metropolitan areas benefit from the nation's investment in highways in rural states.

The most recent FHWA data on tonnage origins and destinations shows that just over 59 percent of the truck traffic using North Dakota's highways does not either originate or terminate within the State. This is well above the national average of about 45 percent, underscoring that North Dakota's highways help connect the nation in a way that benefits other states.

### **Essential Service to Agriculture, Natural Resources, Energy**

A significant portion of the economy in our State is based on agriculture, energy production, and natural resource extraction. Governor Hoeven's economic strategic plan has identified agriculture, energy, advanced manufacturing, technology-based businesses, and tourism as growth industries, because North Dakota holds a competitive advantage in those areas. These have been the focus of much of North Dakota's investments in economic development.

Agriculture is one sector of the economy where the United States has consistently run an international trade surplus, not a deficit. Over the last two decades roughly 30 percent of all U.S. agricultural crops were exported.

Apart from its value to the state, there is a strong national interest in ensuring that agricultural products and natural resources have the road network that is needed to deliver product to markets, particularly export markets. In 2008, North Dakota led the nation in the production of wheat, barley, canola, sunflowers, flaxseed, all dry edible beans, pinto beans, navy beans, dry edible peas, lentils, and honey. North Dakota last year was the fastest growing export state in the nation. A key part of that total road network is the roads below the National Highway System, where export crops begin their journey from point of production to destination.

North Dakota is a major contributor of energy production in the nation. Our state is currently fourth in the nation in oil production and contains large coal reserves. Good roads throughout the State are important to our nation becoming energy independent and providing agricultural products to feed a hungry world.

It is also worth noting that, over the last three decades, tens of thousands of rural rail branch lines have been abandoned nationwide. In North Dakota since 1980, over 1,500 miles of railroad branch lines have been abandoned. The reduced reach of the rail network means that many areas, particularly rural areas, must rely more heavily on trucks to move goods.

With increased truck traffic in North Dakota and much of the upper Midwest, it is a challenge for us to continue to move these products. That challenge is compounded by the necessity of imposing spring load restrictions. The underlying reason for imposing spring load restrictions is inadequate roadway thickness. During the spring thaw, the ground is waterlogged and can't support a fully loaded 18-wheeler on a highway of standard thickness. Many states, especially those in the north, have little choice given their current funding, but to limit the amount of weight on highways in the spring. Like congestion, load restrictions

slow down commerce and add greatly to the cost of doing business.

### **Tourism Access**

Without a strong road network in rural states, access to many scenic destinations would be limited. Tourism is vital to the economy of North Dakota and, in fact, is now North Dakota's second largest industry.

### **Funding and Financing Considerations**

Rural states like North Dakota face a number of serious obstacles in preserving and improving the Federal-aid highway system within their borders. We:

- are very rural,
- are geographically large,
- have low population densities, and
- have extensive highway networks.

Our large road network has few people to support it. In North Dakota there are about 16 people per lane mile of federal aid highway. The national average is approximately 129 people per lane mile. Our per capita contribution to the Highway Trust Fund also exceeds the national average. The per capita contribution to the Highway Account of the Highway Trust Fund attributed to North Dakota is \$161 compared to the national average of \$109 per person.

These factors make it very challenging for rural states to provide, maintain, and preserve a modern transportation system that connects to the rest of the nation. Our low population and traffic densities also mean that tolls are not an answer to funding transportation needs in rural areas. For example, our budget to maintain (plow snow and seal cracks) the state transportation system is approximately \$9,200 per mile each year. It takes approximately 2,000 vehicles per mile per day to generate this amount of revenue from state motor fuel taxes. Very few state highways average 2,000 vehicles per mile per day in North Dakota.

### **Additional Issues**

Before closing, let me very briefly note some additional issues.

### **Pavement Preservation Program**

To help manage the effective use of resources, the department has implemented a pavement preservation program. This program emphasizes timely maintenance of the roadway surface to improve ride quality and extend the life of the roadway surface by using thin lift overlays and seal coats.

While this program has been very effective, the continued use of thin lift overlays

causes the roadway to become narrower. At some point in time, overlays can no longer be used without impacting service of the roadway to the motoring public. We have received some negative feedback from the public. Although they agree the roadway surface has improved, they are concerned about safety due to the narrower roadway and lack of shoulders.

Additional funding would help us carry out this as well as other important programs.

### **Avoid Increases in Regulatory Requirements**

We hope that the next authorization bill does not make the Federal highway program more complicated. The current highway and transportation program is complex. We would like to see processes streamlined so we can deliver projects more efficiently. We see proposals for additional requirements as counterproductive. It takes three to four years in North Dakota to complete a project that requires full environmental process clearance (apparently longer in many other states). Additional rules and regulations will add time to this process and add additional costs to projects.

One area where new regulation is being actively discussed concerns performance standards and targets. Performance measures are important, and we in North Dakota use them in our state. We believe, however, that national performance standards should be general in nature and that each state should be allowed to establish its own specific targets.

We are also concerned about how climate change issues will be addressed in transportation legislation. Our state is very rural in nature and there is only so much we can do of a practical nature to promote walking, bicycling, transit and other efforts to stabilize, much less reduce transportation-related greenhouse gas (GHG) emissions. While large metro areas likely can invest in such projects and attract users, our low population density and cold weather limit the reasonable options for such projects open to us. So, among our concerns are that legislation in this area should not force (or authorize a Federal agency to force) a state like ours to undertake unrealistic efforts to reduce transportation-related GHG emissions.

### **Ensure Highway Trust Fund Solvency and Program Continuity**

Before closing I also want to emphasize that Congress must continue to enact legislation to ensure that the highway and surface transportation programs continue to function until such time as a long-term authorization bill is passed. Whether the need is for extensions, continuing resolutions, transfers of funds into the Highway Trust Fund or otherwise, legislation ensuring continuity of the program is important. Also important is that the funding in such legislation be at levels at least as high as FY 2009 levels. Without continuity and adequate funding, the highway construction industry can lose confidence and possibly

reduce employment or postpone equipment purchases.

So, while we hope for a multi-year highway and transit reauthorization bill that is good for North Dakota as soon as possible, until that time we need good short-term legislation to carry us through.

Additional funding, and ensuring that rural states like ours achieve proportionate funding growth under the next authorization bill will help us carry out our pavement preservation program most effectively.

**Conclusion**

In conclusion, we consider it essential that the Congress, through the reauthorization process, recognize that significantly increased federal investment in highways and surface transportation in rural states is, and will remain, important to the national interest. The citizens and businesses of our nation's more populated areas, not just residents of rural America, benefit from a good transportation network in and across rural states like North Dakota. With such legislation, preserving program share for states like North Dakota, we will be better equipped to generate jobs and economic growth in North Dakota as well as meet statewide transportation investment needs.

That concludes my testimony. I'd be happy to respond to any questions you may have.

\*\*\*\*\*

# Attachment 1

## NORTH DAKOTA STATE HIGHWAY PROJECTS



STATE OF  
NORTH DAKOTA

NORTH DAKOTA DEPARTMENT OF TRANSPORTATION  
PLANNING & PROGRAMMING DIVISION  
1600 UNIVERSITY AVENUE  
U.S. DEPARTMENT OF TRANSPORTATION  
FEDERAL HIGHWAY ADMINISTRATION

2009

L:\ARRA\090416\_NDARRA090416.dwg

## Attachment 2

