A Bill To Rebuild America
By Investing in Transportation and Environmental Infrastructure and Security

Introduced by Cong. Costello, Cong. Davis, Cong. Oberstar
and other Democratic Members of the Committee on Transportation and Infrastructure
June 26, 2003

$50 Billion for Infrastructure Investment

- The bill provides **$50 billion** for infrastructure investment to enhance the safety, security, and efficiency of our highway, transit, aviation, rail, port, environmental, and public buildings infrastructure. By leveraging Federal investments, the ten-year **cost to the Treasury of this bill is less than $34 billion**. Specifically, the bill provides:

Highways:	**$5 billion**
Transit:	**$3 billion**
Aviation:	**$3 billion**
High-Speed Rail:	**$14 billion**
Passenger and Freight Rail:	**$7.5 billion**
Port Security:	**$2.5 billion**
Environmental Infrastructure:	**$11.5 billion**
Water Resources:	**$1.5 billion**
Economic Development:	**$1.5 billion**
Public Buildings:	**$500 million**

- The bill's $34 billion cost to the Treasury consists of approximately $9.6 billion from existing balances in the Highway, Aviation, Harbor Maintenance, and Inland Waterway Trust Funds; $4.5 billion from changes to the tax code; and $19.5 billion from the General Fund.

- Moreover, the **bill fully offsets these investments** by cracking down on abusive corporate tax shelters (e.g., Enron), preventing American corporations from avoiding paying U.S. taxes by moving to a foreign country, and extending customs user fees.

- The bill **requires these funds to be invested in ready-to-go projects**. Priority shall be given to projects that can award bids within 90 days of enactment. The bill also requires funds to be obligated within two years.

- The bill includes a **maintenance of effort** provision to ensure that recipients continue their current investment levels, particularly with regard to infrastructure security.

- Finally, the bill **allows recipients an extended period of time to meet their state and local match requirements**.

<u>ECONOMIC IMPACT</u>: MORE THAN 2.3 MILLION JOBS AND $310 BILLION OF ECONOMIC ACTIVITY

- $50 billion of Federal infrastructure investment will **<u>create more than 2.3 million jobs and $310 billion of economic activity</u>**. Each $1 billion of Federal funds invested in infrastructure creates approximately 47,500 jobs and $6.2 billion in economic activity.[1]

- A recent national survey found that transportation construction contractors hire employees within three weeks of obtaining a project contract. These employees begin receiving paychecks within two weeks of hiring.

- In addition, this infrastructure investment will **<u>increase business productivity</u>** by reducing the costs of producing goods in virtually all industrial sectors of the economy. Increased productivity results in increased demand for labor, capital, and raw materials and generally leads to lower product prices and increased sales.

- This investment will help create jobs for the 3 million people who have lost jobs in the two years of the Bush Administration. This investment will specifically help unemployed construction workers. The number of unemployed private construction workers is 715,000 – an 80 percent increase over the comparable period in the last year of the Clinton Administration. The unemployment rate for construction workers is now 8.4 percent – 68 percent higher than the rate in May 2000.

<u>MINORITY-OWNED BUSINESS IMPACT</u>:

- This investment will also help address the disproportionate effect that the increase in unemployment has had on people of color. The rate of unemployment for African Americans is 10.8 percent – twice the rate for whites. The unemployment rate for Hispanic Americans is 8.2 percent, more than 50 percent higher than the rate for whites.

- Under the existing highway, transit, and aviation laws, as a general rule, states, cities, and transportation authorities are required to provide at least 10 percent of the amounts made available to Disadvantaged Business Enterprises (DBEs), including minority- and women-owned businesses.

<u>HIGHWAYS -- $5 BILLION</u>

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[1] These estimates are based on Federal Highway Administration data on the correlation between highway infrastructure investment and employment and economic activity. Some infrastructure programs have slightly higher or lower estimates of the number of jobs created or the economic activity generated per $1 billion of Federal funds invested. To enable easy comparisons among the elements of the bill, this document presumes the FHWA model for employment and economic activity.

__Infrastructure Needs:__ The cost of congestion in our Nation's 75 largest urban areas is a staggering $68 billion annually in wasted time (3.6 billion hours of delay) and fuel (5.7 billion gallons of excess fuel). Nationwide, the cost of congestion is likely in excess of $100 billion.

Data contained in the Department of Transportation's 2002 Conditions and Performance Report indicate that a combined Federal highway and transit program of $53 billion is needed annually to maintain our highway and transit systems in their current condition. To improve the overall condition of the systems, a combined Federal highway and transit program of $75 billion is needed each year. **Under current Federal funding levels, the annual Federal investment gap is $14.2 billion to maintain our current systems and $36 billion to begin to improve the highway and transit systems.**

__Ready-to-Go Projects:__ According to a survey of the state Departments of Transportation by the American Association of State Highway and Transportation Officials (AASHTO), **as of April 2003, the states have 2,710 projects, totaling $17.1 billion, that are ready to go to construction within 90 days if additional funding is made available.**

__Proposal:__ **Provide $5 billion in additional authority for Federal-aid highway capital investments.** This bill provides authority for states to obligate $5 billion of existing budget authority (contract authority) in state highway accounts.

__Source:__ Draw down the $19 billion surplus in the Highway Trust Fund. The $19 billion surplus in the Highway Trust Fund represents gas taxes that have been previously collected and deposited in the Fund.

__Distribution:__ Distribute funds to states and cities pursuant to existing statutory highway formula under the Transportation Equity Act for the 21st Century (TEA 21).

__Prioritization:__ Prioritize funds on projects that are ready-to-go and can be underway within 90 days.

__Economic Impact:__ **Create more than 237,500 jobs and $31 billion of economic activity.**

__Equal Opportunity:__ Pursuant to TEA 21, as a general rule, states and cities are required to provide at least 10 percent ($500 million) of the amounts made available to Disadvantaged Business Enterprises (DBEs), including minority- and women-owned businesses.

TRANSIT -- $3 BILLION

Infrastructure Needs: The cost of congestion in our Nation's 75 largest urban areas is a staggering $68 billion annually in wasted time (3.6 billion hours of delay) and fuel (5.7 billion gallons of excess fuel. Nationwide, the cost of congestion is likely in excess of $100 billion. Data contained in the Department of Transportation's 2002 Conditions and Performance Report indicate that a combined Federal highway and transit program of $53 billion is needed annually to maintain our highway and transit systems in their current condition. To improve the overall condition of the systems, a combined Federal highway and transit programs of $75 billion is needed each year. **Under current Federal funding levels, the annual Federal investment gap is $14.2 billion to maintain our current systems and $36 billion to begin to improve the highway and transit systems.**

Ready-to-Go Projects: According to a survey of transit authorities by the American Public Transportation Association (APTA), **public transportation authorities have $12 billion in projects that are ready to go to construction within 90 days if additional funding is made available.**

Proposal: **Provide $3 billion in transit capital and operating grants.**

Source: Draw down the $19 billion surplus in the Highway Trust Fund. The $19 billion surplus in the Highway Trust Fund represents gas taxes that have been previously collected and deposited in the Fund.

Distribution: Distribute funds to states, cities, and transit authorities pursuant to existing statutory TEA 21 transit formula.

Prioritization: Prioritize funds on projects that are ready-to-go and can be underway within 90 days.

Economic Impact: **Create more than 142,500 jobs and $18.6 billion of economic activity.**

Equal Opportunity: Pursuant to TEA 21, as a general rule, states, cities, and transit authorities are required to provide at least 10 percent ($300 million) of the amounts made available to Disadvantaged Business Enterprises (DBEs), including minority- and women-owned enterprises.

AVIATION -- $3 BILLION

Infrastructure Needs: According to the Federal Aviation Administration's (FAA) aviation forecast, air passenger traffic will return to the record-high 2000 levels by 2006. The passenger traffic levels in 2000 (696 million passengers) resulted in airline delays that were the worst in history: one of every four flights was delayed, affecting 163 million passengers and costing the airlines an estimated $6.5 billion. Over the next 10 years, the FAA forecasts that aviation passenger traffic is expected to increase 47 percent, to nearly one billion passengers. According to the Commission on the Future of the U.S. Aerospace Industry, estimates of the cost of aviation delays to the U.S. economy range from $9 billion in 2000 to more than $30 billion annually by 2015. A recent survey of U.S. airports by Airport Council International (ACI) estimates that total airport capital development costs are approximately $15 billion per year for the next five years. Under current funding levels from all sources, **there is an annual investment gap for airport capital needs of approximately $3 billion.** This estimate does not include an estimated $5 billion needed to install Explosive Detection Systems (EDS) or for airport modifications to integrate EDS into in-line baggage screening systems.

Ready-to-Go Projects: An ACI survey of airport authorities estimates that $5 billion is needed to install EDS at U.S. airports. In addition, the FAA has deferred millions of dollars for airport capacity and safety projects because of the diversion of airport improvement program (AIP) funds to security projects. For instance, the FAA deferred a $10 million letter-of-intent payment for a runway extension at the Atlanta Hartsfield Airport, the Nation's busiest airport.

Proposal: Provide $3 billion for airport development projects, including $2 billion for AIP grants to enhance airport safety, efficiency, and capacity, and $1 billion for airport security grants to reconfigure airports to accommodate explosive detection systems.

Source: With regard to the $2 billion for AIP grants, draw down the $4.6 billion surplus (uncommitted cash balance) in the Aviation Trust Fund. The $4.6 billion surplus in the Aviation Trust Fund represents ticket and fuel taxes and other user fees that have been previously collected and deposited in the Fund. With regard to the $1 billion for airport security grants, appropriate funds from the General Fund.

Distribution: Distribute AIP funds to states and airport authorities pursuant to existing statutory AIR 21 formula. Distribute airport security funds through competitive grant selection by the Transportation Security Administration.

Prioritization: Prioritize funds on projects that are ready-to-go and can be underway within 90 days.

Economic Impact: Create more than 142,500 jobs and $18.6 billion of economic activity.

Equal Opportunity: Pursuant to AIR 21, as a general rule, states and airport authorities are required to provide at least 10 percent ($300 million) of the amounts made available to Disadvantaged Business Enterprises (DBEs), including minority- and women-owned enterprises.

HIGH-SPEED RAIL -- $14 BILLION

Infrastructure Needs: Currently, there are 11 high-speed rail corridors that have been designated by Congress and/or the Secretary of Transportation. High-speed rail could play an important role in offsetting highway and airport congestion. For instance, in the Midwest, roughly 17 percent of all passengers at Chicago's O'Hare International Airport arrive from a city that would be served by the fully built-out Midwest Regional Rail Initiative. High-speed rail service from these Midwest communities to O'Hare could provide travelers a faster, more efficient system than either highway travel or short-haul flights. If all of this short-haul air traffic could be placed on high-speed rail and connected with the airlines at Chicago's O'Hare, the airport could free up valuable space for use by more profitable long-haul operations carrying far more passengers.

Ready-to-Go Projects: Several corridors are completing environmental analyses (including environmental impact statements or environmental assessments) of high-speed rail projects and are ready to go to construction.

Proposal: **Provide for the issuance of $14 billion in tax-credit bonds for construction of infrastructure and the acquisition of rolling stock for two high-speed rail corridors.**

Source: Authorize issuance of $14 billion of tax-credit high-speed rail bonds under the Internal Revenue Code. The ten-year estimated cost to the Treasury of this bill is less than $4.5 billion.

Distribution: Distribute $14 billion of tax-credit bonds through competitive grant selection of high-speed rail corridors by the Department of Transportation.

Prioritization: Prioritize funds on projects that are ready-to-go and can be underway within 90 days.

Economic Impact: **Create more than 665,000 jobs and $86 billion of economic activity.**

PASSENGER AND FREIGHT RAIL -- $7.5 BILLION

Infrastructure Needs: Amtrak has identified approximately $8.5 billion of Federal needs for operating expenses and to restore the railroad to a state of good repair. On May 8, 2003, Amtrak issued its five-year strategic plan providing project-by-project detail of its capital investment needs for FY 2004 through FY2008. Over that period, Amtrak plans to invest more than $2.5 billion for infrastructure and an additional $2.1 billion on other capital projects including restoring locomotives and rolling stock. This level of investment only offsets Amtrak's deferred maintenance – it does not complete the upgrading of the Washington-New York segment of the Northeast Corridor so that the Acela trains can achieve the speeds for which they were designed. To restore the Northeast Corridor, Amtrak needs an additional $6-$7 billion to replace tunnels and bridges, install constant tension power, and make other needed improvements.

With regard to the infrastructure needs of short-line and regional railroads, a recent study concluded that it will take approximately $7 billion of capital investment to rehabilitate the track, bridges, and other elements of their infrastructure to enable them to carry the 286,000-pound railcar that is becoming the industry standard. In 1998, Congress authorized $3.5 billion of loan and loan guarantee authority (including at least $1 billion for short-line and regional railroads) under the Railroad Rehabilitation and Improvement Financing (RRIF) program to help address these infrastructure needs. Regrettably, the Administration has only approved loans for three percent of the available funds. Currently, there are 21 applicants (including pending applications and expressions of interest) requesting approximately $550 million of RRIF loan and loan guarantee authority.

Proposal: Provide $7.5 billion for capital investment passenger and freight rail. Provide $2.5 billion for capital investment for Amtrak. Provide $500 million for direct grants to short-line and regional railroads to improve their infrastructure, and $250 million for grants to provide the credit risk premium for at least $5 billion in loans and loan guarantees for freight railroad infrastructure projects under the Railroad Rehabilitation and Improvement Financing (RRIF) program. Require Department of Transportation to act on pending RRIF applications within 30 days and include technical corrections to improve the RRIF program.

Source: Appropriate $3.25 billion from the General Fund to finance at least $7.5 billion for capital investment for passenger and freight rail.

Distribution: Distribute $2.5 billion of capital funds for passenger rail to Amtrak. Distribute $750 million of grant funds and at least $5 billion of loan and loan guarantee authority for freight railroad infrastructure investments through competitive selection by the Department of Transportation.

Prioritization: Prioritize funds on projects that are ready-to-go and can be underway within 90 days.

Economic Impact: Create more than 356,000 jobs and $46.5 billion of economic activity.

PORT SECURITY -- $2.5 BILLION

<u>Infrastructure Needs</u>: Under the Maritime Transportation Security Act of 2002, the Federal government is required to conduct a vulnerability assessment of each vessel, port, and facility to assess any security weaknesses. Moreover, by July 1, 2004, the Coast Guard must review and approve a security plan for each port, facility, and vessel. If a port or vessel does not have an approved security plan by this date, it cannot operate. The Coast Guard estimates that it will cost approximately $6 billion over the next 10 years for ports and vessel owners to comply with security standards that the Coast Guard will prescribe under the Maritime Transportation Security Act, including: $4.4 billion for facility security, $1.1 billion for vessel security, and $477 million for port security plans. To date, only $370 million has been appropriated to fund port security grants.

<u>Ready-to-Go Projects</u>: In 2002, ports and marine facility operators submitted 712 proposals, totaling more than $600 million, which were denied funding because of the lack of available resources. The requests for port security funding were seven times greater than the available funding.

<u>Proposal</u>: Provide $2.5 billion for port security grants to ports and marine facility operators for their costs to implement facility and port security plans pursuant to the Maritime Transportation Security Act of 2002.

<u>Source</u>: Appropriate funds from the General Fund.

<u>Distribution</u>: Distribute $2.5 billion of port security funds through competitive grant selection by the Department of Transportation.

<u>Prioritization</u>: Prioritize funds on ready-to-go projects that implement security plans to deter potential terrorist incidents that could result in substantial loss of life or economic impact in the United States.

<u>Economic Impact</u>: Create more than 118,000 jobs and $15.5 billion of economic activity.

ENVIRONMENTAL INFRASTRUCTURE -- $11.5 BILLION

Infrastructure Needs: High quality drinking water and wastewater treatment are critical to protecting human health and the environment. In 1993, drinking water contaminated with Cryptosporidium killed 104 people and sickened more than 400,000 others in Milwaukee, Wisconsin. The Congressional Budget Office estimates that there is an annual investment need of between $11.6 billion and $20.1 billion to insure a safe, clean supply of drinking water, and an additional need of an annual investment of between $13 billion and $20.9 billion in wastewater treatment. Given current funding levels from all sources, **there is an annual investment gap for wastewater and drinking water infrastructure of between $3 billion and $19.4 billion.**

There are 772 communities in 32 states with a total of 9,471 identified combined sewer overflow problems. The Environmental Protection Agency (EPA) estimates that more than $50 billion is necessary to address these combined sewer overflow problems.

Ready-to-Go Projects: According to a representative survey of its member wastewater treatment facilities by the Association of Metropolitan Sewerage Agencies (AMSA), **in just 58 communities, wastewater treatment facilities have more than $4 billion of wastewater treatment projects that are ready to go to construction if funding is made available.**

Proposal: **Provide a total of $11.5 billion for wastewater and drinking water infrastructure investment. Provide $10 billion to construct, rehabilitate, and restore the Nation's wastewater and drinking water infrastructure through the existing State Revolving Fund (SRF) programs, including $8.5 billion for the Clean Water SRF and $1.5 billion for the Safe Drinking Water SRF. Provide $1.5 billion for wet weather overflow grants for planning, design, and construction of treatment works to address combined sewer and sanitary sewer overflows.**

Source: Appropriate funds from the General Fund.

Distribution: Distribute $8.5 billion for the Clean Water SRF and $1.5 billion for the Safe Drinking Water SRF pursuant to the existing Clean Water Act and Safe Drinking Water Act statutory formulas. Distribute $1.5 billion of wet weather overflow funds through competitive grant selection by the Environmental Protection Agency.

Prioritization: Prioritize funds on projects that are ready-to-go and can be underway within 90 days.

Economic Impact: **Create more than 546,000 jobs and $71 billion of economic activity.**

WATER RESOURCES -- $1.5 BILLION

Infrastructure Needs: The Nation's water resources are in need of investment to both protect and improve the quality of services provided by the water related infrastructure components of locks and dams, hydropower facilities, ports, dams, and water supply facilities.

Ready-to-Go Projects: The Corps of Engineers has an unfunded construction capability in fiscal year 2003 of $1 billion. The Corps identified a need to assess and undertake immediate steps to improve security at 372 critical infrastructure projects, and those efforts have not been completed. The Corps also has an unfunded operation and maintenance backlog of more than $1 billion.

Proposal: An immediate infusion of $1.5 billion to fund investment in currently authorized water resources infrastructure will result in a more secure transportation infrastructure, continue protection from devastating floods, and better protect critical economic components such as hydropower production. The funds will be available to meet needs in fiscal year 2003 for construction and operation and maintenance activities for authorized civil functions.

Source: Appropriate funds from the General Fund, Harbor Maintenance Trust Fund, and Inland Waterways Trust Fund, as applicable.

Distribution: Distribute funds based upon priorities and capabilities within the Civil Works Program.

Prioritization: Prioritize funds on projects that are ready-to-go and can provide immediate benefits.

Economic Impact: The investment of $1.5 billion will protect and expand a water resources infrastructure system, the disruption of which would have devastating effects on the economy and health and safety. The inland waterway system built and maintained by the Corps currently moves 625 million tons of cargo valued at $73 billion from 38 states. Coastal ports move more than 2 billion tons of freight annually, accommodating 95% of U.S. overseas imports and exports. This domestic and foreign commerce generates 13.1 million jobs just at the ports. Over the past 10 years, the Corps estimates that its flood control projects have prevented $20.8 billion annually in flood damages. The Corps has 75 hydropower projects generating 24% of U.S. hydropower capacity, or 3% of the total U.S. electricity demand. Corps reservoirs provide storage for the water supply of 40 million Americans.

ECONOMIC DEVELOPMENT -- $1.5 BILLION

Infrastructure Needs: Certain communities and regions of the country suffer from chronic economic distress. These communities and regions often have unemployment, poverty, and outmigration rates that are more than 150 percent of the national average. These areas have been disproportionately hurt by the economic recession and slowdown.

These economically distressed communities and regions need federal investments to complete basic transportation and public infrastructure projects. The Economic Development Administration and existing regional commissions have no shortage of requests for assistance, but are woefully underfunded, and face drastic budget cuts under the Administration's FY2004 budget bill.

Bill: Provide $1.5 billion in grants to economically distressed communities for economic development infrastructure projects, through the Economic Development Administration ($1 billion), Appalachian Regional Commission ($175 million), Delta Regional Authority ($175 million), and the Northern Great Plains Regional Commission ($175 million).

Source: Appropriate funds from the General Fund.

Distribution: Distribute $1.5 billion of economic development funds through competitive grant selection by the Economic Development Administration and the respective Regional Commissions.

Prioritization: Prioritize funds on projects that are ready-to-go and can be underway within 90 days.

Economic Impact: Create more than 71,000 jobs and $9.3 billion of economic activity.

PUBLIC BUILDINGS -- $500 MILLION

Infrastructure Needs: The General Services Administration (GSA)-controlled inventory of 1,860 existing federal buildings is aging, and requires extensive repair and renovation to ensure that Federal employees are housed in safe, modern facilities. These facilities have a functional replacement value of $35 billion. GSA estimates that it needs $1 billion per year over the next five years to fund the necessary repair, alterations, and rehabilitation of Federal buildings. Currently, the GSA inventory includes approximately 5,500 pending work items for repair and alteration in Federal buildings.

Bill: Provide $500 million for repair and alteration of Federal buildings.

Source: Appropriate funds from the General Fund.

Distribution: Distribute $500 million for repair and alteration of Federal buildings through GSA's existing process for prioritization of repair and alteration projects.

Prioritization: Prioritize funds on projects that are ready-to-go and can be underway within 90 days.

Economic Impact: Create more than 23,000 jobs and $3.1 billion of economic activity.

Offsets For Rebuilding America Bill

- The bill **fully offsets the $35 billion cost of infrastructure investment** included in the Rebuild America proposal. The bill is fully paid for and **will not increase the Federal deficit**. Instead, the costs will be offset by new revenues from the following sources:
  - Cracking down on abusive tax shelters employed by corporations, including schemes used by Enron ($20.1 billion);
  - Preventing American corporations from avoiding paying U.S. taxes by moving their registration to a foreign country while continuing to do the overwhelming majority of their business in the United States ($4.8 billion); and
  - Extending customs user fees for ten years ($10 billion).

Cracking Down on Abusive Tax Shelters

- The bill creates a requirement that corporate transactions have "economic substance" and penalize violations. Transactions that lack "economic substance" are those transactions that have no effect on a person's economic position except reducing his or her tax burden. The bill prevents corporate accountants from engaging in sham transactions for the sole purpose of reducing a company's tax liability. The bill also makes a number of other technical accounting changes, including limiting the transfer or importation of built-in losses and prohibiting FASITs (Financial Asset Securitization Investment Trust). The Joint Committee on Taxation recommended these changes as a result of its investigation of Enron. On May 15, 2003, the Senate passed these provisions as part of its version of H.R. 2. However, the provisions did not become law.

Stopping Corporate Expatriation

- The bill prevents corporations from avoiding pay U.S. taxes by setting up headquarters in other countries on paper, while continuing to do most of their business in the United States. In these situations, which are called "corporate inversion", an American corporation is "bought" by a foreign company, but the heads of the original American corporation remain in charge of the new entity. This inversion is simply a way for corporations to avoid paying taxes while continuing to enjoy the benefits of operating and doing business in the United States. Under the bill, when more than 80 percent of the company owners are the same before and after the "corporate expatriation transaction", the company still has to pay United States taxes. On June 21, 2002, the House voted on a motion to include these provisions in H.R. 4931. The motion failed on a vote of 186-192.

Extending Customs User Fees

- The bill continues customs user fees that are currently in effect. These user fees are paid by companies and individuals to compensate the government for the benefits they receive from work done by the Customs Service. The bill extends these fees for ten years. On June 5, 2003, the Senate included these provisions as part of its version of H.R. 1308. The bill passed by a vote of 94-2.