

**Statement of
The Honorable Dennis Daugaard
Governor of South Dakota
before the
Committee on Commerce, Science, and Transportation
United States Senate
regarding
Connecting America:
Rural Perspectives on Improving our Nation's Infrastructure Networks
Washington, D.C.
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Chairman Thune, Ranking Member Nelson, and Members of the Committee:

The President has raised the profile of investment in infrastructure on the national policy agenda. I commend this committee for following up by holding this hearing on important infrastructure issues.

Today, I'll offer a rural perspective¹ principally on issues concerning our nation's surface transportation network. The surface transportation network needs to effectively connect rural America with the entire country, for the benefit of our nation. Let me get right to my key points.

Significant Federal investment in the transportation network in rural states benefits the nation.

The entire nation gains from Federal surface transportation investment in rural states like ours. Those investments enable --

- truck movements between the West Coast and large cities in the Midwest and East, across states like South Dakota, benefitting people and commerce in large metropolitan areas at both ends of the journey and others along the way;
- agricultural products, energy, and other natural resources, which are largely produced in rural areas, to move by truck and/or rail to national and world markets.
- access to scenic wonders like Mount Rushmore, Yellowstone, and many other national parks.

Public Private Partnerships (P3s) and other approaches to infrastructure investment that depend on a project's positive revenue stream are not a surface transportation infrastructure solution for rural states. The low traffic volumes in rural states will not support tolls, even if one wanted to impose them. Projects in rural areas are unlikely to generate revenues that will attract investors to finance those projects – even if the revenues are supplemented by tax credits. While P3s could work in some parts of the country, for a surface transportation infrastructure initiative to be national in scope and have rural-urban balance, P3s are not enough. **Other funding approaches must be part of any national surface transportation infrastructure initiative for rural states to be able to participate in it substantially.**

¹ This prepared statement is presented not only for my own State of South Dakota, but also for the transportation departments of Idaho, Montana, North Dakota and Wyoming, who have concurred in this prepared statement.

Further, in a recent statement, the President emphasized fixing existing infrastructure before building new facilities. An emphasis on repairing infrastructure reduces the relevance of P3s as an aid to surface transportation investment. Resurfacing and reconstruction of roads and major preservation and maintenance work on rail facilities rarely generate the new revenue streams a private investor would want.

Further, recent experience shows that financing approaches do not translate well to rural surface transportation infrastructure. The 2009 recovery act legislation authorized for a limited time so-called “Build America Bonds.” Under that program, of the five rural states supporting this testimony, only one used the provision to borrow for transportation. And in that case it was for a program where Federal funds, not state funds, would be used to pay off the loan.

Also, a recent 50 state survey by AASHTO found eight states either had no current use of bonds for transportation or used them only in the GARVEE circumstance, where Federal funds would pay back the borrowing. Those States are: Wyoming, Idaho, Montana, North Dakota, South Dakota, Iowa, Nebraska, and Tennessee.²

So, to provide for meaningful participation by rural states in any surface transportation infrastructure initiative, that initiative must provide the rural states meaningful funding from sources other than P3s.

There are needs for surface transportation infrastructure investment in rural states (and in all states). If Congress passes an infrastructure initiative including surface transportation funds, those funds would be put to good use promptly in South Dakota and, I’m sure, other states. The states would deliver projects providing safety, employment, economic development, transportation efficiency, and other benefits.

Using the FAST Act’s predominantly formula-based approach for the distribution of funds would ensure that both rural and urban states participate in the initiative and it would deliver the benefits of an infrastructure initiative to the public promptly. Other aspects of the FAST Act are also good precedent for a surface transportation infrastructure initiative. For example, the current approximately 4-1 ratio between Federal highway program funding and Federal transit program funding is appropriate. It is also consistent with a highly relevant and recent USDOT Conditions and Performance report, and should be continued. Further, formula programs, compared to discretionary or allocation programs, should continue to receive strong Federal funding emphasis in any Federal surface transportation infrastructure initiative.

Last year, with FAST Act formula funding, South Dakota resurfaced or rehabilitated 1,410 miles of asphalt pavement and 94 miles of concrete pavement, completed 41 miles of grading, built 14 new bridges and 8 culverts, and repaired or rehabilitated 66 bridges and culverts. It is a powerful statewide success story.

Also, we would have particular concern if, in any infrastructure initiative, any new transportation program elements were structured in a way that made it unrealistic for rural states to benefit. New program elements limited to extremely expensive projects likely would not be accessible by rural states, at least in a substantial way. That type of initiative may very well lack urban-rural balance.

² Transportation Governance and Finance, AASHTO, November 2016, page 75.

Strengthening the Highway Trust Fund is a very important objective. The Highway Trust Fund (HTF) and the programs it supports are critically important to success in efforts to maintain and improve America's surface transportation infrastructure. We deeply appreciate that the FAST Act provided financial support to the trust fund and its programs through FY 2020. Yet, past 2020 there will be no meaningful balance in the HTF to supplement revenues dedicated to the HTF. So, without legislation, after 2020, the HTF will not be able to support even current Federal surface transportation program levels, and will not meet the needs of the country that will grow as the economy grows.

In short, as part of any infrastructure effort, Congress should seek opportunities to strengthen the Highway Trust Fund. Such action could both improve the HTF's long term stability and enable it to at least support currently enacted program levels plus inflation.

While our focus today is on funding and financial issues, we also encourage Congress to take steps to increase Federal program flexibility and to simplify and expedite program and project delivery, so each dollar will deliver more benefits. One way to do that would be to provide each state with increased flexibility to direct funds to their highest priorities. South Dakota and other rural states face different transportation challenges than those faced by more densely populated states. All states would benefit from flexibility.

Many also have spoken in support of expediting the program and project delivery process. We agree. Reducing time and effort needed for regulatory and program compliance inevitably means a state DOT has more time and money to focus on delivering projects to the public. We do not address these issues in detail today, but we want to be clear, it is important to simplify the program, and related processes, in order to maximize the benefit of each program dollar.

There have been unfortunate delays in Washington, D.C. that have prevented states and the public from receiving the benefits of the FAST Act, including funding increases and safety reforms in which this committee played a leading role. In the FAST Act, Congress increased funding for highway, transit and rail infrastructure and also for surface transportation safety programs. We are frustrated because while the Federal Government operates under a continuing resolution, funding levels legislated in FAST for FY 2017 are not in effect. We have a short construction season in South Dakota. So, a funding delay of a few weeks can sometimes translate to a year's delay in delivering a project.

In addition, reforms of safety programs developed in large part by this committee are not being fully implemented. Instead of receiving higher FY 2017 funding levels for a reformed motor carrier safety assistance program, we have seven months of hard to use funding, at FY 2016 levels, for the program that was modified or replaced by the FAST Act.

Under the continuing resolution, certain funds that the FAST Act provided for investment in rail freight facilities are not available. Those funds could be applied to state owned rail track used by small railroads. Such investments are very important to our farmers trying to get crops to national and world markets. When those products can move, we strengthen the economy and reduce the nation's trade deficit.

So, Congress should appropriate full FY 2017 funding for FAST Act programs as quickly as possible.

Many significant rural and other surface transportation assets were not recognized in USDOT's draft National Multimodal Freight Network. The FAST Act requires development of a National Multimodal Freight Network (NMFN). USDOT has not yet designated that network. However, the draft of that network USDOT issued for comment last year was very disappointing. Stakeholders nationwide complained that important highways and other facilities were not included in that draft network. AASHTO commented that the highway mileage on that draft network is "insufficient, inadequate, and poorly connected."

To illustrate the lack of connectivity in the draft NMFN, attached to my prepared statement is a map of the highway component of the draft NMFN in South Dakota and some nearby states. You will see gaps in the network in those states larger than some sizeable states. That does not promote national connectivity.

Comments from individual states, including mine, identified additional shortcomings in the draft. Highway connections to grain terminals and agricultural shuttle train routes were left out. Also omitted were many rail short lines. These omissions discourage efforts to increase efficiency in transporting agricultural products from farms to national and world markets.

In short, too many important highways and rail lines were left off that draft network, particularly in rural areas. Those omissions, if not corrected by USDOT, will leave many areas underserved. It may complicate planning. It will discourage public and private investment in the omitted roads and rail lines, slowing economic growth. Congress certainly could take legislative action to establish a more extensive, better connected national multimodal freight network.

Public transportation provides benefits in rural states. Let me briefly mention public transportation, which benefits rural areas as well as big metropolitan areas.

The Federal transit program includes apportionments for rural transit. Federal investment in rural transit helps ensure personal mobility, especially for senior citizens and the disabled, connecting them to necessary services. Transit service is often a vital link for citizens in small towns to get to the hospital or clinic as well as to work or other destinations. Also, some rural areas are experiencing an increase in the age of the population. Public transit helps senior citizens meet essential needs without moving out of their homes. Any transit component of an infrastructure initiative should include transit in rural states as well as in large metropolitan areas.

Broadband deployment provides benefits in rural states. Let me briefly mention another type of infrastructure – broadband. The issues of broadband deployment in rural states are framed by the same considerations that frame transportation issues facing rural states – relatively few people and long distances. Thus, as with highways and rail, the cost per capita of deploying at least some broadband assets can be high.

Yet, for rural states and areas to fully participate in the economic and cultural life of the nation, and for the nation to benefit fully from the talents and economic output rural Americans can contribute to the country, rural America needs broadband access. Clearly, there already is broadband access in many areas in rural states, but access to broadband can be improved, and I'm interested in seeing that happen.

I look forward to working with the Congress on broadband infrastructure issues as they develop.

Before closing, let me mention additional reasons why strong Federal transportation investment in rural states is appropriate and benefits the nation.

I mentioned truck movements from West Coast ports to Chicago or other heartland or eastern destinations. Almost 70 percent of truck movements in South Dakota do not have an origin or destination in the state, a percentage well above the national average for through truck traffic. This underscores that highways in rural states serve national commerce and provide vital connectivity.

Federal-aid highways in rural states also ---

- have become increasingly important to the rural economy, with the abandonment of many rail branch lines;
- provide a lifeline for remotely located and economically challenged citizens, such as those living on tribal reservations; and
- facilitate military readiness.

The vast extent of Federal and tribal lands in many western states presents an additional challenge to improving surface transportation in those states. Idaho is well over 60 percent Federal and tribal lands; Wyoming, over 50 percent; Montana, roughly 30 percent. There are significant tribal lands on South Dakota's six reservations.

Development or use of Federal or tribal lands is limited, and state and local governments can't tax them. Yet, the nation's citizens and businesses want reasonable transportation access to and across those lands. Such access is an expensive proposition for sparsely populated states. Significant transportation investment by the Federal government remains a proper response, both in terms of apportionments to low population density states and in terms of direct Federal programs generally referred to as the "Federal Lands Programs."

Let me expand on the importance of the rural agricultural sector. In an average year, the corn, soybeans, wheat and sunflowers moved from South Dakota fields would fill over one million 18-wheel trucks. In 2014, South Dakota's agricultural exports were estimated at \$4.3 billion. Wyoming produces significant grain, sheep, and cattle. North Dakota leads the nation in the production of many crops, including barley, durum wheat, and spring wheat. Montana is a leading producer of wheat, peas, and other crops and in 2016 exported 80 percent of its nearly billion dollar wheat crop. Idaho is also a major grain producer and possibly billions of people around the world have consumed Idaho potatoes.

Energy and other natural resources are largely located in rural states and areas, including oil, natural gas, or coal in Wyoming, North Dakota, and Montana and ethanol in South Dakota.

The surface transportation network is essential to moving these agricultural and energy products to national and world markets and improving the U.S. economy.

Quality transportation infrastructure in rural states helps ensure that American and international tourism dollars are spent in America, furthering national economic goals. For example, in 2016 visitors to Mount Rushmore totaled about three times the population of South Dakota. Similarly, that year there were

roughly 10 million recreational visitors to Yellowstone, Glacier, and Grand Teton national parks. The entire population of Wyoming and Montana combined is approximately 1.5 million. Other important scenic destinations are located in this region: the Badlands National Park in South Dakota; Devils Tower in Wyoming; Theodore Roosevelt National Park in North Dakota; and the Craters of the Moon National Monument and the Sawtooth National Recreation Area in Idaho.

Rural western states have very few people to support each lane mile of Federal-aid highway -- and preserving and maintaining this aging, nationally connected system is expensive. Yet, citizens from our states contribute to this effort significantly. Nationally, the per capita contribution to the Highway Account of the Highway Trust fund is approximately \$115. The per capita contribution to the Highway Account attributable to rural states is much higher; in South Dakota it is roughly \$190.

So, any surface transportation infrastructure initiative Congress may develop should be structured in a way that recognizes and responds to, among other considerations, the challenges facing rural states.

Conclusion

In closing, I'll emphasize two points.

First, Federal investment in surface transportation infrastructure in rural states benefits the entire nation.

Second, P3s will not be an effective approach to improving surface transportation infrastructure in rural states. So, any surface transportation infrastructure initiative must provide rural states meaningful funding from sources other than P3s, so that they can participate meaningfully in that initiative.

Thanks for the opportunity to present testimony today.

Attachment: Highway Component of draft NMFN in South Dakota and additional rural states

Large Areas at Risk of Being Underserved by Highway Component of Draft NMFN

