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June 25, 2015

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Hatch Statement at Finance Hearing on Financing Options for the Highway Trust Fund

WASHINGTON – Senate Finance Committee Chairman Orrin Hatch (R-Utah) today delivered the following opening statement at a Committee hearing examining financing options for the Highway Trust Fund:

I'd like to welcome everyone to today's hearing on alternatives and additions to federal and local infrastructure financing.

Last week, we held a hearing on infrastructure funding, specifically focusing on the status of the highway trust fund and the looming deadline for renewal at the end of July. Today, we'll discuss a separate, but important, topic, which is how states are using innovative financing to facilitate construction of infrastructure projects.

At the outset, I want to make sure it is clear that, while they are important, these financing alternatives and ideas are not meant to address the immediate shortfall in the Highway Trust Fund. As long as our federal highway program is based upon reimbursements to states made on a formula basis, there is no workable substitute for federal funding.

Instead, today's discussion will be about additional tools that states can use to better determine and respond to their own infrastructure needs.

I think we also need be clear on what financing is and what it is not.

Because of the large capital costs associated with infrastructure, financing alternatives can give states more flexibility in producing the capital they need to build projects faster. However, we should also remember that financing carries with it the expectation of repayment and future return.

During last week's hearing, Dr. Kile from the Congressional Budget Office noted that "[r]egardless of its source, financing is only a mechanism for making future tax or user fee revenues available to pay for projects sooner. It is not a new source of revenues."

That is important to remember: pulling taxes and other revenues from the future into the present does not create new resources. It is also important to remember that there are various ways to use alternative financing mechanisms to shift risk, but financing tools alone do not get rid of risks.

Having said that, as Mr. Narefsky, who is on our panel today, notes in his written testimony: "There is bi-partisan support for public-private partnerships at both Federal and State levels." This is certainly true, and I think the distinguished panel of witnesses we have here today demonstrates that interest.

However, while there is bipartisan consensus on examining alternative ways of financing for infrastructure projects, many obstacles facing infrastructure projects remain, including significant obstacles imposed by the federal government.

For example, as Governor Daniels notes in his written testimony today, it takes an average of seven years for the Federal Highway Administration to complete an Environmental Impact Statement on a single proposed highway project. By comparison, the Hoover Dam, often cited as an exemplar of robust infrastructure policy, was built and completed in only 4 years.

We need to do better. I hope today we can have a robust discussion on what we can do at the federal level to make these processes more efficient.

Working with states on innovative infrastructure financing allows for decisions to be made closer to the people that the projects are intended to benefit. I have an example from my own state of Utah.

In 2008, the Utah Department of Transportation, or UDOT, was in the process of designing and constructing the first phases of the Southern Corridor near St. George.

The Southern Corridor is a brand new highway that provides regional transportation among multiple communities, plus a new access point for those communities to Interstate 15, and improved access to a new, larger airport constructed in St. George to accommodate the growing community.

During the design of the Southern Corridor, a private developer expressed a desire for an interchange to access his property. This interchange was not in the original plans. However, the developer was willing to pay for the construction of the additional interchange himself.

Using a State Infrastructure Bank, UDOT partnered with both the City of St. George and the private developer in order to finance the interchange. Under the arrangement required by the State Infrastructure Bank, UDOT entered into a loan agreement with the City of St. George in the amount of \$3.7 million to construct a bridge for the interchange. Afterward, the developer repaid the cost of the loan to St. George and chipped in another nearly \$2 million of his own capital to build the ramps and street network required for the new interchange.

I'm recounting these transactions, not because they represent high political drama or intrigue, but because they demonstrate how innovative financing arrangements with the private sector can be useful in improving our infrastructure by making new opportunities possible and relieving the burden on taxpayers.

For me, the larger questions for today's hearing are not whether we should encourage public-private partnerships and innovative financing, but how we can ensure that the taxpayers are the ultimate beneficiaries of these deals, and not just the bearers of risk. It's clear that, done right, these types of financing mechanisms can help us cut through red tape and promote local control of infrastructure development.

I hope that we can have a good discussion of these issues and work toward improving a system that clearly could benefit from increased efficiency.

With that, I yield to Senator Wyden for his opening remarks.

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