STEVE CHABOT, OHIO
CHAIRMAN

NYDIA M. VELAZQUEZ, NEW YORK
RANKING MEMBER

Congress of the United States
U.S. House of Representatives
Committee on Small Business
2361 Rayburn House Office Building
Washington, DC 20515–0315

Memorandum

To: Members, Committee on Small Business
From: Committee Staff
Date: April 23, 2018
Re: Hearing: "American Infrastructure and the Small Business Perspective"

On April 25, 2018 at 11:30 am, the Committee on Small Business will meet in room 2360 of the Rayburn House Office Building for the purpose of examining the small business perspective of the development and use of our nation's infrastructure. In particular, the hearing will examine how surface transportation and access to broadband promote economic growth among small businesses. The hearing will also examine some of the challenges that small businesses face without a robust infrastructure system.

I. Introduction

A reliable American infrastructure system is key to the growth of the United States economy and the success of our nation's small businesses. Small firms both build our nation's infrastructure and rely upon it to create jobs, promote competition, and get their goods to the market. The American infrastructure system is a widely-encompassing umbrella, including roads, bridges, railways, waterways, sea ports, airports, broadband deployment, and more. Providing a reliable and secure infrastructure is one arena where federal, state, and local governments can play a major role in supplying the tools for success for America's small businesses.

A. Surface Transportation and the Highway Trust Fund

A robust surface transportation system provides endless opportunities to small businesses all across America. Past hearings held by this Committee have shown that transportation infrastructure is critical for facilitating commerce, promoting competitiveness, allowing businesses to expand, and lowering prices for American families.[1] The nation's current surface transportation network allows goods and services to travel over 4 million miles of public roadways, 125,000 miles of railroad, and 25,000 miles of navigable waterways.[2] In

[1] *The Road Ahead: Small Businesses and the Need for a Long-Term Surface Transportation Reauthorization: Hearing Before the H. Comm. on Small Bus.*, 114th Cong. (2015) (Memorandum).
[2] U.S. DEP'T OF TRANSP., BUREAU OF TRANSP. STATISTICS, POCKET GUIDE TO TRANSPORTATION, Tbl. 1-1, https://www.bts.dot.gov/sites/bts.dot.gov/files/docs/browse-statistical-products-and-data/bts-publications/pocket-guide-transportation/215726/pocket-guide-2018complete.pdf (last modified Jan. 2018).

2015, highways carried more than 3.1 trillion vehicle miles.[3] While rail and waterway shipping play important roles in our surface transportation infrastructure, road transportation is by far the most commonly utilized.

However, this network, if inadequate, imposes significant costs on the public and small businesses and hinders their abilities to make timely deliveries and get goods to the marketplace. Time spent stuck in traffic results in higher out-of-pocket costs for small businesses and wastes time that could be spent invested in business productivity. On average, the typical American commuter spends 42 hours each year stuck in traffic.[4] Deficient roads cost American drivers approximately $160 billion per year in vehicle repairs and operating costs.[5] Currently, an estimated 20 percent of roads on the Federal-Aid Highway System provide poor ride quality and 25 percent of bridges are functionally obsolete.[6] This is in large part due to a federal investment backlog, which in 2012 the Federal Highway Administration estimated to be over $645 billion.[7] Compounding matters further, as more Americans are driving than ever before, the Department of Transportation expects that vehicle travel will increase by 26 percent over the next 30 years.[8]

The federal government's road and mass transit programs are financed mostly through the Highway Trust Fund (HTF).[9] The HTF is financed from a number of sources, including sales taxes on tires, trucks, buses, and trailers, as well as truck usage taxes. However, approximately 90% of trust fund revenue comes from taxes on motor fuels, which is currently 18.3 cents per gallon on gasoline and 24.3 cents per gallon on diesel.[10] The HTF is comprised of two accounts: one for highways and one for mass transit.[11] Of the two accounts; the highway account receives 15.44 cents of the gasoline tax and the mass transit account receives 2.86 cents of the tax.[12] The fuel tax rates were last raised in 1993.[13] Under current law, the trust fund cannot incur negative balances, nor can it borrow to cover unmet obligations.[14] Since 2007, lawmakers have transferred approximately $130 billion in federal funds to keep the HTF afloat.[15] At its current pace, the trust fund will expire in 2022.[16]

---

[3] *Id.*
[4] U.S. DEPT. OF TRANSP., THE PRESIDENT'S INITIATIVE FOR REBUILDING INFRASTRUCTURE IN AMERICA p. 9 (Feb. 2018), *available at* https://www.transportation.gov/sites/dot.gov/files/docs/briefing-room/305216/infrastructure-initiative-booklet.pdf [hereinafter "REBUILDING INFRASTRUCTURE"].
[5] *Id.*
[6] *Id.* at 10.
[7] *Id.*
[8] *Id.*
[9] *Status of the Highway Trust Fund*, U.S. DEPT. OF TRANSP., FED. HIGHWAY ADMIN., https://www.fhwa.dot.gov/highwaytrustfund (last visited Mar. 13, 2018).
[10] MICHAEL SARGENT, HERITAGE FOUNDATION HIGHWAY TRUST FUND BASICS: A PRIMER ON FEDERAL SURFACE TRANSPORTATION SPENDING 2 (2015), *available at* http://www.heritage.org/research/reports/2015/05/highway-trust-fund-basics-a-primer-on-federal-surface-transportation-spending.
[11] *Id.*
[12] *Id.*
[13] The Revenue Reconciliation Act of 1993, incorporated into the Omnibus Budget Reconciliation Act of 1993, increased the gas tax by 4.3 cents, from 14.1 cents to 18.4 cents. Pub. L. No. 103-66, § 13242, 107 Stat. 327, 514 (1993) (codified at 26 U.S.C. § 4081)(a)(2)(A).
[14] Federal Aid Highway Act of 1956, Pub. L. No. 84-627, 70 STAT. 397
[15] REBUILDING INFRASTRUCTURE, *supra* note 4, at 11.

B. Access to Broadband

Access to broadband, often considered the infrastructure of the 21st century, is another key facet of our nation's infrastructure and a crucial necessity for small businesses. The Internet provides a number of tools to help small firms operate more efficiently and increase their overall success including social media, teleworking, and cloud data storage, among many others. As early as 2010, an estimated 97 percent of small businesses used some form of broadband to strengthen their daily operations.[17]

One of the most important tools the Internet offers to businesses is the ability to access the electronic consumer marketplace. From 2005 to 2015, online sales the United States grew from $291.08 billion to $341.8 billion, with an average increase of 15.3 percent from 2012 to 2015.[18] In 2017, total online sales reached 453.5 billion, an increase of 16 percent from 2016.[19] As online sales continue to grow, many traditional brick and mortar stores are utilizing broadband technology to increase their customer base. In addition, broadband deployment has generated an entrepreneurship boom in new Internet technologies, such as websites and applications.

III. Role of Small Business in Infrastructure Development

Almost all infrastructure and transit projects in the United States are funded publicly by some combination of the federal government and state and local governments. According to the United States Department of Transportation's *2015 Conditions and Performance Report*, state and local governments contributed 80 percent of the $217 billion invested in highway and bridge programs and 74 percent of $43 billion invested in transit programs, compared to 20 percent and 26 percent, respectively, contributed by the federal government.[20] Although businesses both large and small participate in building, operating, and maintaining projects, federal, state, and local officials typically determine which projects to undertake and how much to spend on them.

Infrastructure investment supports new opportunities for private sector jobs in the United States, including the construction of roads and transit and the manufacturing of tools and equipment. In 2013, nearly 14.5 million workers, 11 percent of the United States workforce, were employed in infrastructure jobs, many of which provide competitive salaries and have relatively low barriers to entry.[21] It is also estimated that every $1 billion contributed

---

[16] *Id.*
[17] FED. COMMC'NS COMM'N, NATIONAL BROADBAND PLAN 16 (2010), *available at* http://download.broadband.gov/plan/national-broadband-plan.pdf.
[18] Stefany Zaroban, *U.S. e-commerce grows 14.6% in 2015*, DIGITAL COMMERCE 360 (Feb. 17, 2016), *available at* https://www.digitalcommerce360.com/2016/02/17/us-e-commerce-grows-146-2015/.
[19] *U.S. Census Bureau News, Quarterly E-Commerce Sales* (Feb. 16, 2018), *available at* https://www.census.gov/retail/mrts/www/data/pdf/ec_current.pdf.
[20] U.S. DEPT. OF TRANSP., FED. HIGHWAY ADMIN., 2015 STATUS OF THE NATION'S HIGHWAYS, BRIDGES & TRANSIT: CONDITIONS & PERFORMANCE, 6-2 (2016), *available at* https://www.fhwa.dot.gov/policy/2015cpr/.
[21] Joseph Kane & Robert Puentes, *Expanding Opportunity Through Infrastructure Jobs*, BROOKINGS INST., (May 7, 2015), *available at* https://www.brookings.edu/research/expanding-opportunity-through-infrastructure-jobs/.

to highway spending can directly and indirectly create up to 13,000 jobs a year.[22] Alternatively, the American Society of Civil Engineers estimates that the United States economy could lose up to 2,546,000 jobs by 2025 if the federal government fails to act.[23]

These jobs are not just the result of "shovel ready" projects; while infrastructure investment spurs job growth in industries such as construction and engineering, a revitalized community also attracts long-term job growth. Once a project is completed, workers are needed to provide services to a community for decades to come.[24] Investing in infrastructure has the potential to attract businesses to new or forgotten areas of the country, making new places competitive or revitalizing old commercial towns. Long term agreements made between the public and private sectors allow communities surrounding the projects to plan for the future. Businesses need technicians, public affairs experts, community relations, architects, security officers, and more to stay afloat in their communities.[25] Many of these business needs last not just for the duration of construction, but for the life cycle of the businesses, creating a favorable environment for small firms of all kinds to grow and succeed.[26]

IV. Infrastructure Challenges for Small Businesses

Although they are the engines of our economy, small businesses are hampered by the failure of government to act and the uncertainty surrounding the infrastructure debate in today's society. It is difficult to hire appropriate staff, begin planning new projects, and prepare for the future in such an uncertain environment. There are a number of challenges they face, and this uncertainty only makes it more difficult for small businesses to adapt. Perhaps the two most daunting challenges they face are the regulatory and federal permitting environment and the rural and urban divide.

A. Federal Permitting

A 21st century American infrastructure must not just include physical structural enhancements, but must also be accompanied by sound transportation and infrastructure policy to set the tone for our nation's future. The federal environmental review and permitting process is complex and can be particularly overwhelming for small business owners. While the environmental review process is critical for ensuring that proposed projects do not negatively affect communities or natural resources, delays in the process increase project costs and backlog infrastructure projects. Different federal agencies hold responsibility for the implementation of different laws and regulations and as a result, project supporters must often

---

[22] *Id.*
[23] This accounts for jobs in the surface transportation, water/wastewater, electricity, airport, inland waterways, and marine port industries. AM. SOC'Y OF CIVIL ENG'RS, FAILURE TO ACT: CLOSING THE INFRASTRUCTURE INVESTMENT GAP FOR AMERICA'S ECONOMIC FUTURE (2016), Tbl. 1, *available at* https://www.infrastructurereportcard.org/wp-content/uploads/2016/05/2016-FTA-Report-Close-the-Gap.pdf.
[24] Kane & Puentes, *supra* note 21.
[25] *The Road Ahead: Small Businesses and the Need for a Long-Term Surface Transportation Reauthorization: Hearing Before the H. Comm. on Small Bus.*, 114th Cong. 2 (2015) (Statement of Dr. Jonathan L. Gifford, Professor and Director, Ctr. for Trans. & Public-Private Partnership Policy, George Mason Univ.).
[26] *Id.*

work with numerous federal agencies and complete multiple reviews just to advance a single project.[27] This regulatory overlap is difficult to navigate, and the average time frame to complete the environmental review process is between 4.6 and 5.1 years, and can exceed 10 years for more complex projects.[28]

The President has issued two Executive Orders to addressing federal permitting. Executive Order 13766, "Expediting Environmental Reviews and Approvals for High Priority Infrastructure Projects," orders federal agencies to expedite environmental reviews and approvals for all infrastructure projects and grants for high priority infrastructure projects.[29] Executive Order 13807, "Establishing Discipline and Accountability in the Environmental Review and Permitting Process for Infrastructure," requires agencies to track the costs of conducting environmental reviews and making permitting decisions.[30] This Order further streamlines the environmental permitting process for major infrastructure projects by implementing a One Federal Decision policy which establishes a lead agency for each project and advises agencies to complete reviews of infrastructure project proposals within a 2-year window.[31] On April 9, 2018, twelve federal entities signed a Memorandum of Understanding (MOU) to implement the One Federal Decision policy for major infrastructure projects.[32]

B. The Rural and Urban Divide

Over the past few decades, the United States has witnessed a trend of deteriorating rural infrastructure. Currently, over 60 million Americans are without access and connectivity in communities that are in need of investment and renewal.[33] Rural Americans, unlike other parts of the country, rely heavily on mobility and connectivity to improve their quality of life. Mobility is critical for the moving of goods and connecting rural markets to the national and global economies. Many of the industries central to rural communities, such as agriculture, fishing, energy production, mining, and manufacturing, depend on a robust transportation system of roads, bridges, and railways.[34] Further, residents of rural areas often must travel

---

[27] For more information on these agencies and their roles in the permitting process, please see previous Committee hearings and memorandums: *Expediting Economic Growth: How Streamlining Federal Permitting Can Cut Red Tape for Small Businesses, Hearing Before the H. Comm. on Small Bus.*, 115th Cong. (2017).
[28] REBUILDING INFRASTRUCTURE, *supra* note 4, at 12.
[29] Exec. Order No. 13766, 82 Fed. Reg. 8,567, 8,567 (Jan. 30, 2017).
[30] Exec. Order No. 13807, 82 Fed. Reg. 40,463 (Aug. 24, 2017).
[31] *Id.*
[32] The MOU was signed by the United States Departments of the Interior, Agriculture, Commerce, Housing and Urban Development, Transportation, Energy, Homeland Security, United States Army Corps of Engineers, Environmental Protection Agency, Federal Energy Regulatory Commission, Advisory Council on Historic Preservation, and the Federal Permitting Improvement Steering Council. Memorandum of Understanding Implementing One Fed. Decision Under Exec. Order No. 13807 (Apr. 9, 2018), *available at* https://www.whitehouse.gov/wp-content/uploads/2018/04/MOU-One-Federal-Decision-m-18-13-Part-2-1.pdf.
[33] *Building a 21st Century Infrastructure for America: Highways and Transit Stakeholders' Perspectives, Hearing Before the H. Comm. on Trans. & Infra..*, 115th Cong. 8 (2017) (Statement of Patrick McKenna, Director, Missouri Dept. of Trans., on behalf of the American Assn. of State Highway and Transportation Officials).
[34] REBUILDING INFRASTRUCTURE, *supra* note 4, at 7.

longer distances to access hospitals and health centers, retail locations, and other destinations, maximizing their dependency on public roads and transit.[35]

This rural and urban divide deepens when considering that rural areas in general have less accessibility to broadband technology. About 39 percent of the rural population, or 23 million people, lack access to broadband internet service defined as "fast" by the Federal Communications Commission (FCC). This is compared to only 4 percent of urban residents.[36] According to the FCC, "fast" service is a minimum download speed of 25 megabits per second. This speed supports email, web browsing, video streaming and graphics for more than one device at once.[37] In today's modern and digital world, small businesses must at a minimum have access to these technologies and more in order to remain competitive and keep up with their urban counterparts. Rural areas rely on small carriers who are becoming less and less incentivized to provide their services to high-cost areas.[38] However, according to an article in the *Wall Street Journal*, rural counties with more households connected to broadband have higher incomes and lower unemployment than those with fewer.[39] Increasing access to broadband in rural communities can mean access to better education, healthcare, and higher wages.

IV. Conclusion

While the new Administration has begun the conversation on reforming American infrastructure, it is ultimately Congress' job to bring these goals into reality. A strong and efficient infrastructure network enables small businesses to access new markets, promotes competition, and provides American families with stability and wages. In the larger infrastructure conversation, it is important that their voices are not lost, and that the demands for a robust transportation network and common sense infrastructure policy are met in communities across the nation. This hearing will provide Members with an opportunity to hear from small business owners and professionals about what is most important for small firms in the infrastructure debate.

---

[35] *Id.*
[36] Jennifer Levitz & Valerie Bauerlein, *Rural America is Stranded in the Dial-Up Age*, WALL S. J. (Jun. 15, 2017), https://www.wsj.com/articles/rural-america-is-stranded-in-the-dial-up-age-1497535841.
[37] *Id.*
[38] For more information on small rural carriers, please see previous Committee hearings and memorandums: *Disconnected: Rural Broadband and the Business Case for Small Carriers,, Hearing Before the H. Comm. on Small Bus.*, 115th Cong. (2018).
[39] Levitz & Bauerlein, *supra* note 36.