

Congress of the United States
U.S. House of Representatives
Committee on Small Business
2361 Rayburn House Office Building
Washington, DC 20515-6515

MEMORANDUM

TO: Members, Subcommittee on Underserved, Agricultural, and Rural Business Development
FROM: Jared Golden, Chairman
DATE: February 15, 2022
RE: Subcommittee Remote Hearing: “The Infrastructure Investment and Jobs Act’s Benefits for Small Businesses”

The Committee on Small Business Subcommittee on Underserved, Agricultural, and Rural Business Development will meet for a remote hearing titled “The Infrastructure Investment and Jobs Act’s Benefits for Small Businesses.” The hearing is scheduled to begin at **11:00 A.M. on Tuesday, February 15, 2022, via the Zoom platform.**

The condition of America’s infrastructure has been declining for decades. The American Society of Civil Engineers has long said that trillions are needed for repairs and improvements to U.S. infrastructure. On November 15, 2021, President Biden signed the Infrastructure Investment and Jobs Act (also known as the Bipartisan Infrastructure Law) into law, making a historic investment of \$550 billion in new funds for large infrastructure projects, supply chains, broadband, and drinking water. This hearing will explore the benefits of this law for small businesses. Members will hear from small firms and experts about all the ways small firms can utilize the funds available to grow their businesses and obtain lasting success.

Panel

- Mr. Edward Mortimer, Vice President of Transportation and Infrastructure, U.S. Chamber of Commerce, Washington, DC.
- Mr. Mark Ouellette, President and CEO, Axiom Technologies LLC, Machias, ME.
- Mr. Jason Shedlock, Regional Organizer, Laborers’ International Union, New England Region Organizing Fund & President, Maine State Building & Construction Trades Council, Portland, ME.
- Mr. Terrance Lee Baker, Owner/Operator, T.L. Baker Pilot Car Escort Services, Blooming Prairie, MN.

Background

The Infrastructure Investment and Jobs Act (hereinafter “the Law” or “Bipartisan Infrastructure Law”) was signed by President Biden on November 15, 2021. It is the largest investment in public infrastructure since the Federal Aid Highway Act of 1956, with \$550 billion in new spending on

physical infrastructure over the next decade.¹ Not only is it slated to create 1.5 million good-paying jobs per year over the next ten years,² but it could also make mitigate some of the largest challenges in the post-COVID economy, like supply chain issues, inflation, labor shortages, and climate change.

The Law is particularly useful for small firms that stand to have an outsized benefit from these investments. The provisions that will most impact small businesses include investments in rural broadband, encouraging more economic development and revitalization in rural areas, investments in roads and bridges, which will create greater mobility for consumers and ease shipping issues, and investments in ports and domestic manufacturing, which will lower shipping costs for firms and make them more resilient to supply chain disruptions.

Infrastructure and the U.S. Economy

Infrastructure is a critical foundation to a functioning economy. In the case of the Bipartisan Infrastructure Law, the word infrastructure generally refers to core infrastructure, or physical structures and equipment that have the potential to directly improve productivity, like roads, railways, airports, and utilities.³ As such, it enables private businesses and individuals to produce goods and services in a more efficient manner by lowering the cost of production and transportation.⁴ More infrastructure investment tends to benefit the economy overall by allowing more goods and services to be produced with the same level of inputs, providing the foundation for long-term economic growth.⁵

For decades, the U.S. has seen underinvestment lead to a significant decline in the quality of “hard infrastructure” like roads, bridges, airports and ports, railways, and water systems. In fact, in 2021, the American Society of Civil Engineers gave the U.S. a “C-minus” on its infrastructure report card.⁶ Before the Law was passed, nondefense gross government investment in the U.S., at all levels of government, had largely been in decline since the 1960s, falling from above 4 percent of GDP to 2.7 percent in 2019.^{7,8} Similar trends manifested in direct federal spending and transfers from the federal government to state and local governments.

¹ The White House, Fact Sheet: The Bipartisan Infrastructure Deal, Nov. 6, 2021

<https://www.whitehouse.gov/briefing-room/statements-releases/2021/11/06/fact-sheet-the-bipartisan-infrastructure-deal/> (Last visited Jan. 31, 2021)

² Mark Zandi and Bernard Yaros, *Macroeconomic Consequences of Infrastructure Investment and Jobs Act & Build Back Better Framework*, MOODY’S ANALYTICS, November 2021. <https://www.moodyanalytics.com/-/media/article/2021/macroeconomic-consequences-of-the-infrastructure-investment-and-jobs-act-and-build-back-better-framework.pdf>

³ Linda R. Weinstock, CONG. RESEARCH SERV., R46826, *Infrastructure and the Economy* (2021) <https://sgp.fas.org/crs/misc/R46826.pdf>

⁴ *Id.*

⁵ *Id.*

⁶ AMERICAN SOC. OF CIVIL ENGINEERS, A Comprehensive Assessment of America’s Infrastructure, 2021. <https://infrastructurereportcard.org/wp-content/uploads/2020/12/2021-IRC-Executive-Summary-1.pdf> (Last visited Jan. 31, 2022)

⁷ Benito Perez, *Show Me the Money: Financial Breakdown of The Infrastructure Law*, TRANSPORTATION FOR AMERICA. <https://t4america.org/2021/12/15/show-me-the-money-financial-breakdown-of-the-infrastructure-law/> (Last visited Jan. 31, 2022)

⁸ *Supra* note 3.

Infrastructure Investment and Jobs Act Highlights

The Infrastructure Investment and Jobs Act (P.L. 117-58), provides \$550 billion in new spending above baseline amounts that were already expected to be in place under current budgets totaling \$1.2 trillion.⁹ This is divided into several categories, including roads and bridges, transit and rail, ports and airports, and broadband and utilities.

1. Roads and Bridges

Roughly 20 percent, or 173,000 miles of highways and major roads, as well as 45,000 bridges are in poor condition.¹⁰ That is why over half of this spending (\$643 billion) is geared toward roads and bridges, including an additional \$110 billion for these major surface transportation programs.¹¹ It includes \$40 billion for bridge repair, replacement and rehabilitation, \$11 billion for transportation safety that benefits cyclists and pedestrians, and \$1 billion for reconnecting communities divided by highways and other infrastructure.¹²

2. Transit and Rail

The Law provides an additional \$39 billion to modernize public transit to repair and upgrade existing infrastructure including 24,000 buses, 5,000 rail cars, 200 stations, and thousands of miles of track, signals, and power systems.¹³ In total, it also reauthorizes \$89.9 billion in guaranteed funding over the next five years. Moreover, it invests \$66 billion in additional rail funding to eliminate the Amtrak maintenance backlog and modernize the Northeast Corridor.¹⁴

3. Ports and Airports

The economic impact of the COVID-19 pandemic caused a major shock to global supply chains, which have suffered from backups and disruptions for months, causing prices to increase. To ease burdens on the critical aspects of the supply chain, such as ports and airports, the Law invests \$17 billion in port infrastructure and waterways and \$25 billion in airports to address maintenance backlogs, reduce congestion and emissions, and drive the adoption of low-carbon technologies.¹⁵

4. Broadband and Utilities

According to the White House, Americans face the second highest internet prices in the Organization for Economic Co-operation and Development (OECD) and 30 million Americans live in areas where there is no broadband infrastructure that provides minimally acceptable speeds.¹⁶ Moreover, there are currently up to 10 million American households that lack access to clean drinking water.¹⁷ The Law invests \$65 billion in broadband deployment, particularly in rural areas, and \$55 billion to expand access to clean drinking water for households, schools, businesses, and childcare centers across the country.¹⁸

⁹ Heather Long, *What's in the \$1.2 Trillion Infrastructure Law*, THE WASHINGTON POST, Nov. 5, 2021.

¹⁰ *Supra* note 1.

¹¹ *Id.*

¹² *Id.*

¹³ *Id.*

¹⁴ *Id.*

¹⁵ *Id.*

¹⁶ *Id.*

¹⁷ *Id.*

¹⁸ *Id.*

Opportunities and Benefits for Small Businesses

Small businesses stand to benefit from the Law in several ways. First, there are the direct effects of the investments, such as the opportunities for federal and state prime contracts and subcontracts to repair roads and bridges, upgrade ports and airports, lay fiber optic cable for rural broadband or repair and upgrade public transit. Second, there are the longer-term effects, such as the easing of supply chains, making goods more accessible and raw materials more affordable. Moreover, broadband deployment will allow businesses to reach new employees and customers and workforce development initiatives will get more people into the workforce and help small businesses struggling with the current labor shortage.

Contracting Opportunities

Over the coming years, small businesses will play an integral role in implementing the Law through the awarding of competitive contracts by Federal agencies and state governments. Unfortunately, for far too long, many of the contracts awarded through infrastructure funding have gone to the largest businesses. However, the Law is designed specifically to help small firms compete for contracts awarded with the funds it provides.

While many large contractors are expected to benefit from the federal grants to states, the Law earmarks contract awards for small business concerns owned and controlled by socially and economically disadvantaged individuals, including women and minorities. Specifically, the Law calls for 10 percent of amounts made available to the Federal Highway Administration, the Federal Transit Administration, and the National Highway Safety Administration to go to businesses owned by these individuals.¹⁹ In total this is more than \$37 billion going directly to small firms owned by socially and economically disadvantaged individuals over the next ten years.²⁰

Broadband Deployment

Small firms are becoming increasingly dependent on reliable high-speed broadband services to operate and grow their businesses. From connecting with consumers to fulfilling orders, a broadband connection is essential to day-to-day operations of many Main Street businesses. In fact, 82 percent of consumers expect immediate responses from businesses on questions of sales and marketing, which is only possible with robust digital connection.²¹ Small firms that are digitally connected also earn twice as much revenue per employee, experience four times the revenue growth year over year, and are three times more likely to create jobs.²² Although broadband availability and adoption improved over the last few years for rural businesses, over a quarter of small businesses in rural areas are still using very basic digital tools compared to urban counterparts.²³

¹⁹ THE WHITE HOUSE, *FACT SHEET: The Bipartisan Infrastructure Law Will Revitalize Main Street*, Nov. 23, 2021.

²⁰ *Id.*

²¹ Michael Guta, *82% of Consumers Expect Immediate Response on Sales or Marketing Questions*, SMALL BUSINESS TRENDS (Jul. 2, 2018), <https://smallbiztrends.com/2018/07/real-time-response-to-customers.html>

²² John O'Mahoney & Sara Ma, *Connecting Small Businesses in the US*, DELOITTE, (2018), <file:///C:/Users/msunn/Downloads/us-tmt-connected-small-businesses-Jan2018.pdf>.

²³ *Id.*

Rural economies have also experienced what is known as “brain drain” over recent decades due to college educated workers moving to cities for economic opportunity.²⁴ This has led many firms to have trouble finding workers for their businesses and inhibiting growth opportunities. Moreover, high-speed internet connection is essential for basic services like health care in rural areas, since hospitals are often hours away and telemedicine is often the best option for individuals. Investing in broadband capabilities in these communities could help attract workers back to rural areas and grow economies that have been in decline for decades.

Finally, local internet service providers (ISPs) are often small businesses as well. And while they are far less common than national brands, they often provide better services on average. Local ISPs can use grants through the Law to expand services to even more people, grow their businesses, and drive down prices.

Supply Chain Benefits

The investments contained in the Law are expected to ease supply chain disruptions in a number of ways that will help small businesses that are struggling with delays, shortages, and higher prices. For instance, the poor conditions of roads, bridges, rail, and transit systems have led to worsening shipping times and higher costs for small firms. In fact, nearly two-thirds of small business owners considered local roads and bridges average, poor, or very poor quality and over half of small business owners said infrastructure investments are crucial to the success of their businesses.²⁵

Beyond transportation systems, this bill will also provide funding that helps domestic manufacturing. Having goods made in the U.S. can help minimize the costs driven mainly by streamlined supply chains that were disrupted by the COVID-19 pandemic. In the future, this could help us become more resilient to these global events.

Workforce Development Initiatives

Throughout 2021, small businesses that were hit hardest by the pandemic have also been hit hardest by the shortage of labor available in the economy. According to the Bureau of Labor Statistics (BLS), there were 10.6 million jobs available in November, while there were only 6.3 million unemployed individuals actively seeking work.²⁶ In fact, 51 percent of small businesses said they were unable to fill job openings last September.²⁷ Beyond this shortage, there is a mismatch between the skills that employers are looking for and the skills that potential employees have. Moreover, small firms are often hard-pressed to compete with the wages and benefits offered by large employers, particularly when it comes to skilling, reskilling, and upskilling employees. Therefore, the Law has provided funds through the Department of Transportation (DOT), the Department of Energy (DOE), and the Environmental Protection Agency (EPA) for workforce

²⁴ Peggy Lowe, *How Emporia, Kansas, Fights Rural Brain Drain: ‘Broadband Is The New Railroad’*, KCUR, April 19, 2019. <https://www.kcur.org/community/2019-04-18/how-emporia-kansas-fights-rural-brain-drain-broadband-is-the-new-railroad> (last visited Jan. 31, 2022)

²⁵ *Supra* note 19.

²⁶ U.S. BLS, *Job Openings and Labor Turnover Summary*, Jan. 4, 2022; U.S. BLS, *The Employment Situation – December 2021*, Jan. 7, 2022.

²⁷ Kimberlee Speakman, *51% of Small Businesses Unable to Fill Job Openings In September as Labor Shortage Grows*, Oct. 7, 2021. <https://www.forbes.com/sites/kimberleespeakman/2021/10/07/51-of-small-businesses-unable-to-fill-all-job-openings-in-september-as-labor-shortage-grows/?sh=1ffb2c2e2a61> (last visited Jan. 31, 2022)

development initiatives that can help increase the skills of many workers, and as such, expand the pool of skilled workers from which small firms can hire.²⁸

Conclusion

The Bipartisan Infrastructure Law is a historic investment in America's infrastructure, providing a stronger baseline on which the economy can function and flourish. It has the potential to ease some of the largest challenges faced in the post-pandemic economy, particularly for small firms, and make many communities more attractive places to live and start a business. Not only will it make it easier to start and run a firm in many places throughout the U.S., but it will also provide necessary services, like clean drinking water and high-speed internet throughout the country, enabling the capabilities of the American economy for decades into the future.

²⁸ Stephen Miller, *President Signs Infrastructure Bill with Workplace Provisions*, SHRM, Nov. 15, 2021. <https://www.shrm.org/resourcesandtools/hr-topics/benefits/pages/infrastructure-investment-and-jobs-act-workplace-provisions.aspx> (Last visited Jan. 31, 2022)