

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

**MEMORANDUM**

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TO: Members, Subcommittee on Contracting and Infrastructure  
FROM: Jared Golden, Chairman  
DATE: February 24, 2020  
RE: Subcommittee hearing entitled, “Moving America’s Infrastructure Forward.”

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The Committee on Small Business Subcommittee on Contracting and Infrastructure will hold a hearing entitled “Moving America’s Infrastructure Forward.” The hearing is scheduled to begin at **1:00 P.M. on Thursday, February 27, 2020 in Room 2360 of the Rayburn House Office Building.**

The hearing will focus on how small businesses will benefit from comprehensive improvements to the nations’ infrastructure systems, including improvements to our surface transportation systems, clean energy production and distribution matrices, and broadband networks. The hearing will give Members an opportunity to hear from a variety of witnesses regarding the importance of updating our nation’s infrastructure, while discussing the opportunities and challenges that exist for small businesses.

Witnesses include:

- Ms. Lynn Frazier, Director and Senior Transportation Engineer for James W. Sewall Company, Old Town, ME;
- Ms. Lisa Jacobson, President of the Business Council for Sustainable Energy, Washington, DC;
- Mr. Mike Saperstein, Vice President of Strategic Initiatives and Partnerships for USTelecom—The Broadband Association, Washington, DC; and
- Mr. Todd Rothe, President of J.R. Jensen Construction Company, Superior, WI

**Background**

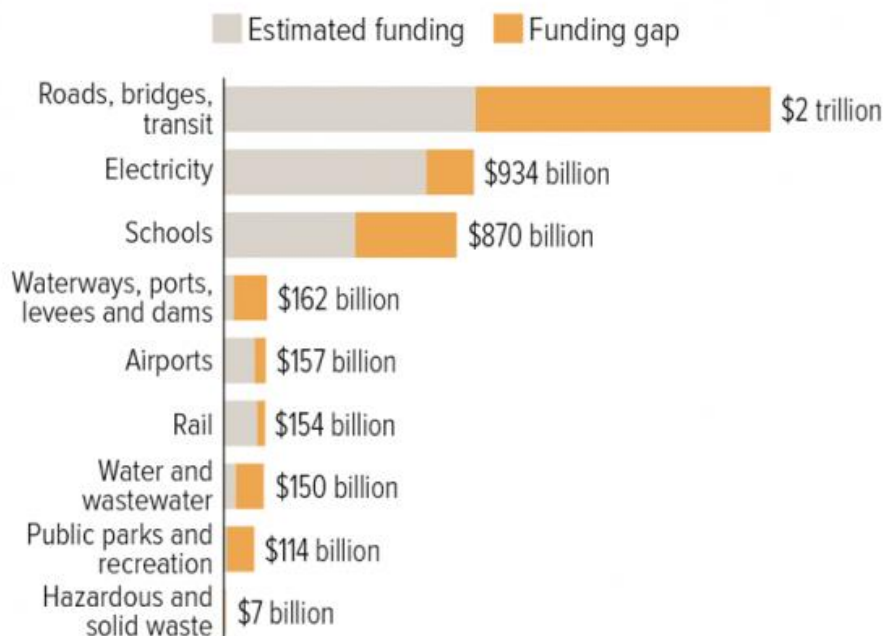
Our nation’s infrastructure is at a crossroads. For decades we have relied upon a transportation and infrastructure system that has not kept pace with our economy, our communities, and our changing energy needs. As such, the deteriorating infrastructure system is impeding our ability to compete in a thriving global economy today and also in the future. Without significant investments in our nation’s surface transportation systems, power grids, and our broadband communication systems, millions of American small businesses and the larger American economy will continue to lose time and money while trying to move goods and people from Point A to Point B.

In its most recent report card, the American Society of Civil Engineers (ASCE) gave an overall rating of a D+ on the state of U.S. infrastructure. ASCE estimated that bringing America’s infrastructure to a state of good repair (or a B rating) would require an additional investment of \$4.6 trillion. The ASCE notes that delaying public investments in infrastructure has serious economic consequences, including lower GDP growth, lost business sales, and fewer American jobs.<sup>1</sup>

Figure 1

## Public Infrastructure Has Been Neglected

Infrastructure needs, funded and unfunded, 2016-2025



Source: American Society of Civil Engineers 2017 Infrastructure Report Card and Failure to Act series, published 2011-2017

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On January 28, 2020 the House Democrats introduced the “Moving Forward Framework” (Framework) which details investment of \$760 billion over five years in the nation’s surface transportation systems, clean energy grids, and broadband networks.<sup>2</sup> The Framework estimates

<sup>1</sup> *Failure to Act: Closing the Infrastructure Investment Gap for America’s Economic Future*, AM. SOC’Y OF CIVIL ENGINEERS, (2016), <https://www.infrastructurereportcard.org/wp-content/uploads/2016/10/ASCE-Failure-to-Act-2016-FINAL.pdf>.

<sup>2</sup> H. TRANSP. & INFRASTRUCTURE COMM., MOVING AMERICA AND THE ENVIRONMENT FORWARD, (2020), <https://transportation.house.gov/imo/media/doc/Moving%20Forward%20Framework.pdf>.

that these investments will create more than 10 million jobs and spur \$1.9 trillion in economic activity.<sup>3</sup>

### **The Role of Infrastructure in Spurring Economic Growth**

Infrastructure contributes directly and indirectly to economic growth. The CBO estimated in 2016 that every \$1 billion increase in federal infrastructure investments would result in a \$33 billion increase in GDP between 2016 and 2025.<sup>4</sup>

Infrastructure investment also reduces business costs, increases consumer spending, and provides for future economic growth. Improvements to broadband networks can increase access to information and improve opportunities for local producers and consumers to connect with national markets. Finally, strategic infrastructure investments in economically challenged communities can enhance the competitiveness of local businesses and create new opportunities for growth.

### **Employment Impacts of Infrastructure Investment**

Investment in infrastructure boosts employment even before construction begins.<sup>5</sup> The last Administration estimated that 61 percent of the jobs directly created by investing in infrastructure would be in the construction sector, 12 percent would be in the manufacturing sector, and seven percent would be in retail trade, for a total of 80 percent in these three sectors.<sup>6</sup> Because small businesses makeup a large part of these industries, they would benefit from investments in infrastructure, creating high paying jobs in towns and cities across the country.

### **Small Businesses and Infrastructure**

Whether it is a newly constructed bridge, a new electrical transmission line, or accessible high-speed internet in a new town; modern infrastructure plays a critical role in enabling small business to grow. Investments in our infrastructure helps America's small businesses reach new domestic and international customers, tap new suppliers, and expand their business operations.

In multiple nationwide surveys of small businesses, over half of small business owners viewed infrastructure spending as an integral aspect to the success of their business.<sup>7</sup> In one survey, the majority of small business owners said that investments in high speed internet, better roads and bridges, and improved cell phone networks are important to the success of their business. And in a second survey, 73 percent of small businesses believe any national infrastructure spending proposal should include investments to expand broadband to rural areas.<sup>8</sup>

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<sup>3</sup> H. TRANSP. & INFRASTRUCTURE COMM., MOVING AMERICA AND THE ENVIRONMENT FORWARD: FACT SHEET, (2020), <https://transportation.house.gov/imo/media/doc/2020%20Moving%20Forward%20Factsheet.pdf>.

<sup>4</sup> CONG. BUDGET OFFICE, THE MACROECONOMIC AND BUDGETARY EFFECTS OF FEDERAL INVESTMENT, (June 2016), [https://www.cbo.gov/sites/default/files/114th-congress-2015-2016/reports/51628-Federal\\_Investment.pdf](https://www.cbo.gov/sites/default/files/114th-congress-2015-2016/reports/51628-Federal_Investment.pdf).

<sup>5</sup> *Id.*

<sup>6</sup> U.S. TREASURY DEP'T, AN ECONOMIC ANALYSIS OF INFRASTRUCTURE INVESTMENT, (October 11, 2010) [https://www.treasury.gov/resource-center/economic-policy/Documents/infrastructure\\_investment\\_report.pdf](https://www.treasury.gov/resource-center/economic-policy/Documents/infrastructure_investment_report.pdf).

<sup>7</sup> *Small Business Owners Say Infrastructure Investments Important to their Business, Favor Robust Federal Support*, SMALL BUS. MAJORITY (September 19, 2018) <https://smallbusinessmajority.org/our-research/infrastructure/small-business-owners-say-infrastructure-investments-important-their-business-favor-robust-federal-support>; *Small Business Index: The Voices of Small Business Owners*, METLIFE & U.S. CHAMBER OF COMMERCE (2019) [https://www.uschamber.com/sbindex/pdf/sbi\\_reports/SBI\\_2019\\_Q1.pdf](https://www.uschamber.com/sbindex/pdf/sbi_reports/SBI_2019_Q1.pdf).

<sup>8</sup> *Id.*

### Clean energy

Modernizing our infrastructure will also speed up the development of the clean energy economy. Investments in smart grid technology and preparing grids for more locally generated renewable energy such as wind, solar, and biomass will not only save energy but create jobs by small businesses. Since 2010, the number of jobs in the solar industry has nearly tripled to more than 242,000 Americans across all 50 states.<sup>9</sup> While solar energy only represents 2.4 percent of the nation's energy generation, it employs twice as many people as the coal industry and five times as many as the nuclear power sector.<sup>10</sup>

### Broadband deployment

Small firms are becoming increasingly dependent on reliable high-speed broadband services to operate and grow their businesses. 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.<sup>11</sup> Building and upgrading the broadband infrastructure will make technology affordable in rural areas, which could facilitate more economic growth.

### **Small Business Policy Considerations for a Comprehensive Infrastructure Plan**

Stagnant regional economies can be revitalized by strategic investments in critical infrastructure. Investments in surface transportation, clean energy, and broadband will benefit America's small businesses, now and for many years to come. America's 30 million small businesses represent 99.7 percent of all employers and generate two-thirds of all net new jobs. Thus, it is no surprise that infrastructure investment would fuel economic growth, creating an estimated 10 million jobs and \$1.9 trillion in economic activity.<sup>12</sup>

As the House advances the Moving Forward Framework, policies important to the small business community should be at the forefront of Congress' agenda. These policies include finding appropriate financing for their plan, maintaining and enhancing the construction workforce, safeguarding a diverse supply chain, and thoughtfully improving the permitting process to enable timely project execution.

Methods to pay for the Moving Forward Framework vary from raising the federal gas tax to fund the highway trust fund<sup>13</sup> to creating a new infrastructure fund to assist with the cost of

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<sup>9</sup> THE SOLAR FOUND., NATIONAL SOLAR JOBS CENSUS (2018) <https://www.thesolarfoundation.org/national/>.

<sup>10</sup> *Id.*

<sup>11</sup> John O'Mahoney & Sara Ma, *Connecting Small Businesses in the U.S.*, DELOITTE, (2018), <https://www2.deloitte.com/content/dam/Deloitte/us/Documents/technology-media-telecommunications/us-tmt-connected-small-businesses-Jan2018.pdf>.

<sup>12</sup> H. COMM. ON TRANSP. & INFRASTRUCTURE, MOVING FORWARD FRAMEWORK, (2020) <https://transportation.house.gov/imo/media/doc/2020%20Moving%20Forward%20Factsheet.pdf>; CONG. BUDGET OFFICE, ESTIMATED IMPACT OF THE AMERICAN RECOVERY AND REINVESTMENT ACT ON EMPLOYMENT AND ECONOMIC OUTPUT IN 2014 (February 2015), <https://www.cbo.gov/sites/default/files/114th-congress-2015-2016/reports/49958-ARRA.pdf>.

<sup>13</sup> The highway trust fund is financed through multiple sources but much of the funding is raised through the fuel tax, which is currently set at 18.3 cents per gallon for gasoline and 24.3 cents per gallon for diesel fuel. The fuel tax rates have not been increased since 1993 and current funding for the highway trust fund expires in 2022 based on recent projections. See David Schaper, *It's Been 25 Years Since the Federal Gas Tax Went Up*, NPR (Oct. 25, 2019), <https://www.npr.org/2018/10/05/654670146/its-been-25-years-since-the-federal-gas-tax-went-up>; U.S DEPT. OF

infrastructure investments. Expanding a skilled workforce is critical to ensuring small contractors have the ability to compete with larger companies since 78 percent of construction firms report difficulty locating skilled workers.<sup>14</sup> Workforce education can come through a variety of avenues such as expanded access to apprenticeships. Reforming America's immigration rules will also help protect the many skilled immigrant workers that small construction firms rely on.

The Moving Forward Framework should also strongly support the involvement of small contractors and other small businesses in the infrastructure supply chain. A diverse supply chain helps promote innovation, increases competition, lowers costs, and guarantees the growth of high performing and capable small firms at the local, state, and federal levels. Through incentivizing the use of small businesses, it is also important to include policies to reduce barriers to small business participation in public infrastructure projects, including financing, bonding, and procurement process policies. Members will have the opportunity to hear policy recommendations from a variety of stakeholders to learn just how Congress can meet the needs of small firms in a comprehensive infrastructure package.

### **Conclusion**

The Moving Forward Framework will provide for the necessary investment in the infrastructure required to develop and maintain the backbone our economy. This hearing gives Members a chance to hear why the small business sector is critical to rebuilding the nation's infrastructure and allow them to discuss policy considerations for promoting the role of small business.

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TRANSP., FED. HIGHWAY ADMIN. OFFICE OF POL'Y AND GOV. AFFAIRS, Publication No. FHWA-PL17-011, (Jan. 2017).

<sup>14</sup> *Let's Rebuild America*, U.S. CHAMBER OF COMMERCE, <https://www.uschamber.com/lets-rebuild-america>.