

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: Small Business Committee Members
FROM: Nydia M. Velázquez, Chairwoman
DATE: March 6, 2019
RE: Full Committee hearing entitled, “Rebuilding America: Small Business Perspective” on Wednesday, March 6, 2019 at 11:00 a.m. in Room 2360 of the Rayburn House Office Building

The Small Business Committee will hold a hearing entitled “Rebuilding America: Small Business Perspective” on **Wednesday, March 6, 2019, at 11:00 a.m. in Room 2360 of the Rayburn**. The hearing will focus on our current infrastructure needs and how small businesses can stand to benefit from a comprehensive plan that includes surface, broadband, and water, among others. 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. Terri Williams, Director, SBDC Procurement Technical Assistance Center, University of Texas at San Antonio (UTSA), San Antonio, Texas
- Mr. Tim Donovan, Senior Vice President, Legislative Affairs, Competitive Carriers Association, Washington, D.C.
- Ms. Roseline Bougher, President, A.D. Marble, King of Prussia, Pennsylvania (testify on behalf of the American Council of Engineering Companies)
- The Honorable Kris Knochelmann, Judge Executive and President, Ohio-Kentucky-Indiana Regional Council of Governments, Kenton County, KY

Background

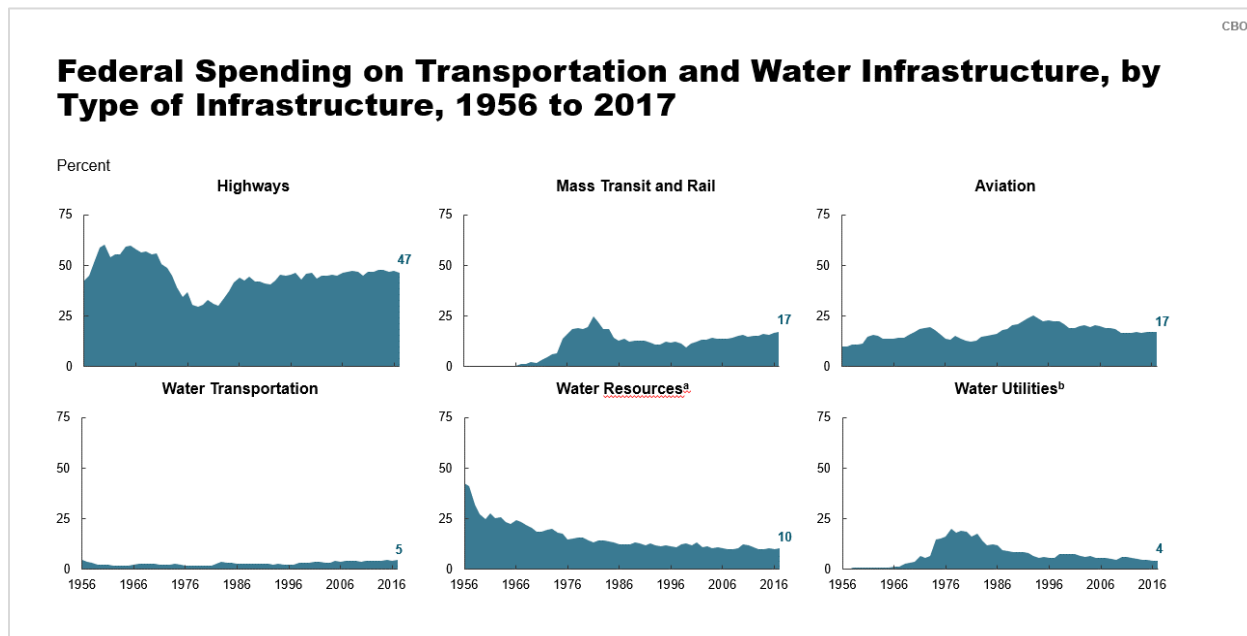
Infrastructure powers businesses, creates opportunities for communities, enables trade, connects workers to their jobs, creates opportunities for struggling communities and protects the nation from an increasingly unpredictable natural environment. Our infrastructure allows for the distribution of goods, materials, information, as well as the transportation of people in the country.

Distributors, retailers, technology firms, manufacturers, agricultural producers rely upon infrastructure resources to access raw materials, products, information, customers, and other businesses. The nation’s competitiveness in productivity levels, global industry, and innovation

depends upon strong infrastructure networks. These systems provide the underpinning for businesses to buy, sell, and make their products or services.

Unfortunately, our current systems were built many years ago, and many analysts believe that delays and rising maintenance costs are holding back our nation’s full economic performance. Civil engineers also raise safety concerns, warning that many existing structures are deficient and that water and wastewater systems pose risks to public health.

Figure 1



Source: Congressional Budget Office, using data from the Office of Management and Budget and the Census Bureau.

Note: Federal grants to state and local governments are counted as federal spending. Data exclude tax expenditures.

Infrastructure is considered a major component of the nation’s economy and therefore a prime factor for an economic development strategy. In 2016, the demand for transportation accounted for nearly 9 percent of U.S. GDP.¹ On a daily basis, 49.3 million tons of goods valued at more than \$52 billion are shipped throughout the country on all transportation modes.² In addition, over 13.3 million Americans, approximately nine percent of the U.S. workforce, are directly employed by transportation related industries.³ As such, it is imperative to link long term economic growth with federal infrastructure investments.

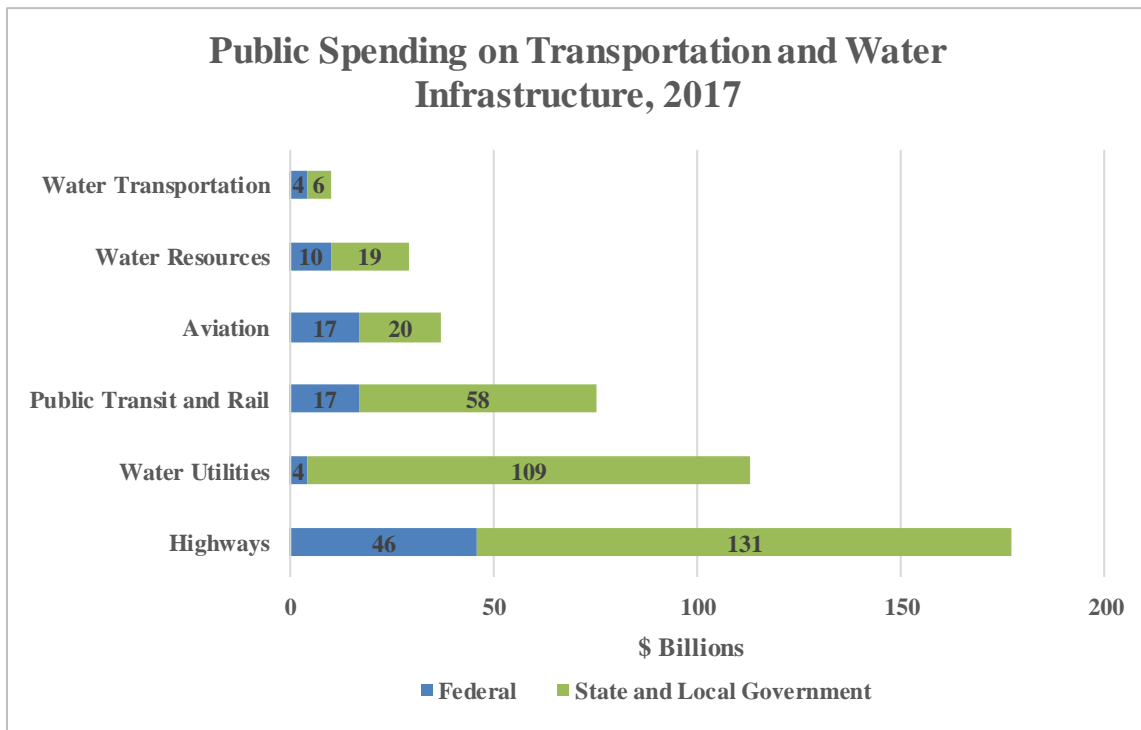
¹ Bureau of Transportation Statistics, TRANSPORTATION STATISTICS ANNUAL REPORT 2018, <https://www.bts.gov/tsar> (last visited Feb 27, 2019).

² Bureau of Transportation Statistics, FREIGHT FACTS & FIGURES 2017 - CHAPTER 2: FREIGHT MOVED IN DOMESTIC AND INTERNATIONAL TRADE NUMBER OF U.S. AIRCRAFT, VEHICLES, VESSELS, AND OTHER CONVEYANCES, <https://www.bts.gov/bts-publications/freight-facts-and-figures/freight-facts-figures-2017-chapter-2-freight-moved> (last visited Feb 27, 2019).

³ Bureau of Transportation Statistics, *supra* note 1.

The Role of Infrastructure in Spurring Economic Growth

Figure 2



Source: Congressional Budget Office, *Public Spending on Transportation and Infrastructure, 1956 to 2017*, October 2018.

Note: Federal grants to state and local governments are counted as federal spending. Data exclude tax expenditures.

Transportation plays a vital role in the American economy; it makes economic activity possible and is as a major economic activity in its own, contributing directly and indirectly to the economy. For every \$1 invested in public-sector infrastructure, the economy stands to gain up to \$2.50 in economic activity.⁴ Done appropriately, each additional investment in infrastructure can spur growth, create new business opportunities, and create job opportunities for many American's left behind in our most recent recovery. Expanded infrastructure systems, particularly telecommunications and reliable broadband networks, can increase access to information, improve commerce, decrease cost by maximizing economies of scale, or add value to products. Targeting infrastructure to communities with declining or limited industries can maintain their economic diversity and generate multiplier effects as necessary components of a national growth strategy. Infrastructure systems spur growth in employment, reduce business costs, increase consumer spending, and provide for long term growth in the economy.

Long Term Economic Impacts of Infrastructure Investment

Investment in infrastructure promotes future economic opportunities. Employment is linked to the existence of these systems, as efficient supply systems reduce business operation and labor costs.

⁴ Center On Budget And Policy Priorities, *IT'S TIME FOR STATES TO INVEST IN INFRASTRUCTURE* (2017), https://www.cbpp.org/research/state-budget-and-tax/its-time-for-states-to-invest-in-infrastructure#_ftnref20 (last visited Feb 27, 2019).

These are in direct employment, such as contracting and road design as well as indirect jobs, such as through new retail developed as a result of road enhancement. In fact, 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 7 percent would be in retail trade, for a total of 80 percent in these three sectors.⁵ Most notably is that small firms a large part of those industries, which makes them an inherent contributor and beneficiary of rebuilding the American infrastructure. Nearly 90 percent of the jobs in the three sectors most affected by infrastructure spending would be middle class jobs, defined as those paying between the 25th and 75th percentile of the national distribution of wages.⁶

Small Businesses and Infrastructure

Whether it is efficient ports or well paved roads that open small businesses to new markets, infrastructure plays a critical role in establishing and growing firms. Serious investments in our infrastructure help small businesses maintain and grow access to customers and suppliers; enhance business operations; and create new demand for the goods and services small businesses provide. Of a nationwide survey of small businesses, over 50 percent of small business owners view infrastructure spending as an integral aspect to the success of their business.⁷ Investments like reliable broadband support the growth of a vibrant entrepreneurial economy that relies on the high-speed internet for access to markets, customers, and services to support operations. In fact, 73 percent of small businesses believe any national infrastructure spending proposal should include investments to expand broadband to rural areas, with a large majority supporting infrastructure investments in schools, hospitals, among other infrastructure related projects.⁸

Future Needs for Infrastructure

Over the next 30 years, our nation's infrastructure will need to keep pace with anticipated increases in population, deteriorating existing structures, a growing need for reliable broadband to support technological innovations, the demand for freight transportation, among others. Increased air travel demand is also expected to increase from 750 million passengers annually to nearly one billion passengers annually by the end of the next decade.⁹ New forms of air transportation, including drones and commercial space transportation will also need to be integrated into the aviation system to ensure proper deployment and maximizing benefits. With these and many more strains ahead, we can no longer afford to prolong needed investments in our infrastructure.

Small Business Policy Considerations for a Comprehensive Infrastructure Plan

The current economic stagnation some areas of our country experience can be significantly improved through strategic investments in infrastructure. The Internet has transformed from a

⁵ Bureau of Transportation Statistics, TRANSPORTATION STATISTICS ANNUAL REPORT 2017, <https://www.bts.dot.gov/sites/bts.dot.gov/files/docs/browse-statistical-products-and-data/transportation-statistics-annual-reports/215041/tsar-2017-rev-2-5-18-full-layout.pdf> (last visited Feb 25, 2019).

⁶ *Id.*

⁷ SMALL BUSINESS OWNERS SAY INFRASTRUCTURE INVESTMENTS IMPORTANT TO THEIR BUSINESS, FAVOR ROBUST FEDERAL SUPPORT, <https://smallbusinessmajority.org/our-research/infrastructure/small-business-owners-say-infrastructure-investments-important-their-business-favor-robust-federal-support> (last visited Feb 27, 2019).

⁸ *Id.*

⁹ FAA AEROSPACE FORECAST, FISCAL YEARS 2016-2036, U.S. DEPARTMENT OF TRANSPORTATION, https://www.faa.gov/data_research/aviation/aerospace_forecasts/media/FY2016-36_FAA_Aerospace_Forecast.pdf (last visited Feb 26, 2019).

project of the U.S. military to the delivery mechanism of many government services, news, employment, entertainment, even telemedicine and distance education. In the long term, plans must be in place to develop and maintain the framework of our economy that provides for stable transportation, communication, and information in a way the country can afford in the long run.

Policies important to the small business community include a method to fund a comprehensive plan, safeguarding a diverse supply chain for infrastructure projects, enhancing a skilled workforce, resilient planning, and streamlining the permitting projects in a thoughtful manner to enable projects to be completed. Methods to fund an infrastructure plan vary from raising the fuel tax to fund the highway trust fund¹⁰ to creating a new infrastructure fund to assist with the cost of infrastructure investments. Expanding a skilled workforce is critical to ensuring small contractors have the ability to compete with larger companies as 78 percent of construction firms report difficulty locating skilled workers.¹¹ This can come through various avenues such as investing in apprenticeship pathways, modernizing the education system, and reforming America's immigration rules and protect the many skilled immigrant workers relied upon by small firms.

Additionally, rules must be included in any package to encourage the involvement of small contractors and other supply chain firms in rebuilding infrastructure. A diverse supply chain helps promote innovation, drives competition, 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 make it easy for their participation, such as through adequate 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

Some communities are still recovering from the last recession and are not well positioned to make needed infrastructure investments. This is especially true in rural, less populated regions of the country and in areas where infrastructure is quickly deteriorating. Now, plans must be put in place to develop and maintain the framework of our economy that provides for stable transportation, communication, and information in a way the country can afford in the long run. 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 to debate as an infrastructure plan comes together.

¹⁰ 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, available at <https://www.npr.org/2018/10/05/654670146/its-been-25-years-since-the-federal-gas-tax-went-up> and U.S Dept. of Transportation Federal Highway Administration Office of Policy and Governmental Affairs, Publication No. FHWA-PL17-011, Jan. 2017, last visited Mar. 1, 2019.

¹¹ U.S. Chamber of Commerce, *Let's Rebuild America*, available at <https://www.uschamber.com/lets-rebuild-america>, last visited Mar. 1, 2019.