

“The Senate Budget: A Crucial Infrastructure Investment” Testimony - March 27, 2008

March 27, 2008

Senator Kent Conrad, Chairman and
Senator Judd Gregg, Ranking Member
United States Senate
Committee on the Budget

Good morning Mr. Chairman:

I represent Kadmas, Lee & Jackson, a 320-person firm with 12 office locations throughout the Dakotas, Montana, Wyoming and Minnesota. We have a 70-year history of providing transportation planning and engineering services to private and public clients across the upper Great Plains. We built our company by partnering with state and local governments to provide sustainable, efficient and safe transportation systems capable of meeting the current and growing needs of this region. Our clients include nearly every one of North Dakota’s 53 counties; numerous communities across North Dakota and surrounding states; the North Dakota, Minnesota, Montana, Wyoming and South Dakota Departments of Transportation; and tribal governments from the Spirit Lake Tribe near Devils Lake, North Dakota, to the Oglala Sioux Tribe on the Pine Ridge Reservation in South Dakota.

Mr. Chairman, the story is the same with each of these clients. There is a significant and growing gap between the cost of providing these services and the dollars available to sustain a viable transportation network to serve the growing needs of the region.

Highway Infrastructure - The Critical Need for Action is Now

The maintenance of North Dakota’s roadway infrastructure is critical to the economic future of businesses and citizens. In order to grow our population, our businesses, and to ultimately play a crucial role in energy development, both traditional and renewable—we need roads—good roads.

USDOT statistics indicate that over 88 million tons of products (worth over \$19 billion) are shipped an average of 320 miles by truck in North Dakota each year for a staggering 20 billion ton-miles of truck traffic. This truck traffic is the life-blood for our agriculture, emergency services, energy, manufacturing and retail sectors. Unfortunately, government investment in infrastructure has been stagnant for a decade.

With the hyperinflation the highway construction and maintenance industry is facing, we are no longer in maintenance mode. We are losing ground rapidly. At the county highway level, where many of our commodity transports begin, counties are spending \$90 million per year in maintenance and construction, which is the same amount spent 10-years-ago. Unfortunately, inflation has reduced what \$90 million can purchase to about \$47 million in today’s construction costs.

We are therefore, doing half of the road work we did in 1998. In some categories inflation is even worse. Recent bids for projects involving asphalt have shown a 5-year inflation running between 95 to 138 percent. What is truly unfortunate is that for every dollar we don’t spend on our roads now, we can expect to ultimately spend \$4 or \$5 later, if we can salvage the road at all. We are at a critical point – and dramatic and dynamic action is necessary.

A 2000 study of county roads that Kadrmas, Lee & Jackson performed for the North Dakota Department of Transportation (Urban Street and County Road Funding Needs Assessment for 13 North Dakota cities and 53 North Dakota counties) confirmed that just to stay even, we need to double the investment we were making in our roads. That study was eight years ago, and we have made little headway since then.

When considering the safety aspect, this picture becomes even more alarming. North Dakota counties have 3,228 major structures, bridges over 20 feet long. These were typically designed for a 50-year life-span. At the current rate of replacement, we have a 122-year replacement cycle.

Currently, there are 647 bridges (20 percent of the total) with a sufficiency rating of 50 or less (out of 100). These bridges are eligible for replacement right now, but we only have funds to replace about 10 each year. Our North Dakota counties have closed 41 bridges for safety reasons in the last 10 years, which is not good for our economy. Many of these structures were replaced with low water crossings incapable of sustaining emergency response traffic. These closings have added additional strain to the remaining transportation network.

Our study 2000 does have a bright spot. It shows that economically infrastructure investments really pay off. Based on the secondary economic benefits of construction spending as well as the vehicle repair, insurance, and delay costs that can be avoided, every \$1 invested in county roads returns \$1.80 to the taxpayer.

This becomes even more significant as we witness significant increases in oil production, ethanol, biodiesel and wind-generation facility development. These are vital industries for the future of North Dakota and for our country, as we attempt to reduce our dependency on foreign oil. However, these energy production facilities place a heavy demand on our transportation infrastructure. North Dakota has a great opportunity to play a significant role in the effort to reduce our dependence on foreign oil, but not without a transportation system capable of sustaining increased traffic. If we want long-term, sustained development and growth for our state and region, we need to proactively maintain and improve the transportation infrastructure to allow this to happen.

Finally Mr. Chairman, as a private business entity, we are intimately aware of the connection between robust funding for these much-needed infrastructure projects and the creation of sustainable jobs that allow workers in this industry to provide for their families.

Thank you, Senator Conrad for allowing us this opportunity to participate in this important hearing. Your efforts on behalf of North Dakota and our country are sincerely appreciated.

Yours truly,

Kadrmas, Lee & Jackson, Inc.



Michael Schneider

United States Senate
COMMITTEE ON THE BUDGET

Testimony of Michael Schneider
Representing Kadrmas, Lee & Jackson, Inc.

State Fair Grounds Center
Minot, ND

March 27, 2008