



WRITTEN STATEMENT FOR THE RECORD

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LANE COUNTY, OREGON**

ON BEHALF OF THE NATIONAL ASSOCIATION OF COUNTIES

**HEARING TITLED, "FUNDING AND FINANCING OPTIONS TO BOLSTER AMERICAN INFRASTRUCTURE"
BEFORE THE COMMITTEE ON FINANCE
UNITED STATES SENATE**

MAY 18, 2021

Chair Wyden, Ranking Member Crapo and distinguished members of the Committee, thank you for the opportunity to testify today on the importance of restoring our nation's infrastructure and what tools counties need to help advance our shared infrastructure goals.

My name is Heather Buch, and I serve as the District Five Commissioner in Lane County, Oregon. Lane County is home to nearly 400,000 residents to whom we provide critical services, including road and bridge operation and maintenance, public safety and emergency services, public housing, health and human services, and more. We predominantly rely on local property taxes to ensure our many infrastructure responsibilities are met; however, due to constraints on local revenues that are enforced at the state level, a strong intergovernmental partnership is critical as we work to meet the challenges of today and the future.

Lane County is in a unique area of the country, ranging from rural to urban and stretching from the Cascade Range mountains to the Pacific coast. In fact, all of America's counties are highly diverse and vary immensely in geography and natural resources, social and political systems, cultural, economic and structural circumstances, public health and environmental responsibilities. Of the nation's 3,069 counties, approximately 70 percent are considered rural with populations of less than 50,000, and 50 percent of these counties have populations below 25,000. At the same time, there are more than 120 major urban counties, where essential services are provided locally to more than 130 million county residents each day.

Collectively owning and operating 44 percent of public road miles and 38 percent of the National Bridge Inventory, [counties are leaders in the nation's transportation system](#). In addition to providing safe and efficient options for passenger vehicles and heavy trucks moving people and goods along our nation's roadways, counties also directly support 78 percent of public transit systems and 34 percent of public airports. Transportation and infrastructure are core public sector responsibilities that impact everything from our daily commutes to driving commerce around the globe. From building and maintaining roads and bridges to providing efficient transit options, counties are a driving force connecting communities and strengthening economies.

At the county level, our infrastructure duties extend far beyond transportation. Counties annually invest \$134 billion in the construction of infrastructure and the maintenance and operation of public works that includes essential community infrastructure, such as airports, schools, hospitals, jails, courthouses, parks, broadband deployment, and water purification and sewage systems.

Counties are pleased to see that infrastructure continues to be a bipartisan topic of discussion. We believe that now is the time to seize this exceptional moment and deliver investments that will enhance the quality of life for Americans across the country and help improve our global competitiveness from the bottom up. To this end, counties offer the following considerations:

- **Our nation's infrastructure is in need of immediate, significant investments and now is the time to act.**

- **Counties play a significant role in the national infrastructure network but understand that improving our nation’s infrastructure relies on a strong federal-state-local partnership.**
- **Given our unique position to support America’s infrastructure, counties call on our federal partners to implement additional financing tools and dedicated funding streams that will allow us to continue providing excellent public services to support our residents and communities.**

Our nation’s infrastructure is in need of immediate, significant investments and now is the time to act.

Counties believe that, given the billion-dollar infrastructure backlogs at every level of government that have been further exacerbated by the COVID-19 pandemic, Congress must seize this opportunity and provide historic investments in our nation’s infrastructure.

The American Society of Civil Engineers recently estimated in the [2021 Report Card for America’s Infrastructure](#) that, assuming federal infrastructure spending continues at its current rate, a \$2.6 trillion investment gap will emerge over the next ten years between the funding level needed to return our nation’s infrastructure assets to states of good repair and the amount actually being invested. This is extremely concerning for counties, who along with other local governments, are responsible for the vast majority of America’s transportation network, including 3.1 million public road miles.

Off-system bridges (OSBs) are of particular concern to counties, who collectively own 62 percent – or 227,995 – of these often-compromised structures. In Oregon, [counties are responsible for 55.5 percent](#) of the state’s share of OSBs. Representing vital cogs in the national system, nearly 50 percent of the National Bridge Inventory is [comprised of off-system bridges](#). Due to their placement off federal-aid highways, these bridges have experienced consistent underinvestment resulting in a current backlog of \$17.3 billion in deferred maintenance and repair needs, as well as serious safety concerns. Safety is always at the forefront of local decision-making, and when county officials are forced to choose one project over another because of a lack of resources, the security of our residents and the many urban travelers whose daily commutes take them on our local roads each day is compromised.

This concern extends far beyond just urban counties as [45 percent of the nation’s traffic fatalities occur](#) on rural roadways, though only 19 percent of the U.S. population resides here. According to the U.S. Department of Transportation, 34 percent of fatalities at public at-grade rail crossings occur in rural communities, a factor that is contributed to heavily by the 80 percent of railroad crossings in these areas that lack active warning devices. Needless to say, the demand for investment in safety across local communities, urban, suburban and rural, is great.

Counties play a significant role in the national infrastructure network but understand that improving our nation’s infrastructure relies on a strong federal-state-local partnership.

America’s counties appreciate recent action by Congress to include water, sewer and broadband projects as eligible uses of the direct funds provided to counties by the American Rescue Plan Act (P.L. 117-2). However, significant infrastructure needs and backlogs existed at the local level prior to COVID-

19 and remain today. As we work to meet those challenges, new obstacles have been borne from battling the global pandemic and come at a time when the charge of county officials to protect the health and safety of our residents has grown at a rapid rate.

As owners of more roads and bridges than any other entity and home to where the majority of daily commutes both begin and end, counties are leading the way in transportation. In total, 1.8 million road miles are owned and maintained by counties. In 2019, local resources contributed 34 percent of total national funding for public transit – second only to directly generated revenues, which provided just under 36 percent. To truly understand the [county role in infrastructure](#), however, it is important to look beyond the ownership stake we have in roads and bridges and, instead, holistically view the wide variety of other community infrastructure needs county officials are tasked with meeting. Counties support over 900 hospitals and invest in the construction, operation and maintenance of 90 percent of jails that see 11 million individuals cycled in and out each year. Annually, we spend more than \$100 billion on community health centers and hospitals; \$61 billion in the construction of public facilities, like schools and libraries; and \$22.6 billion on sewage and wastewater management.

More than statistics, counties have real world examples of our infrastructure needs that, in some cases, can mean life or death. Last year, on Labor Day, the State of Oregon experienced a not uncommon scenario –exceedingly high winds coupled with extremely dry conditions. It was a perfect recipe for wildfire, and by the end of the day, there were seven counties with wildfires that endured through October. In Lane County, the Holiday Farm Fire eventually consumed 173,000 acres in and around the McKenzie River and destroyed over 400 homes, with one individual losing their life. Residents fled the fire with literally the clothes on their back. As Lane County continues to recover from this devastating event, one of the most important takeaways for our counties was uncovering significant vulnerabilities within our emergency and community communications system. Prior to the fire, fiber was installed on utility poles running along the main highway serving our region, and a few microwave towers existed on several mountain and ridge tops. Every single pole was destroyed by the fire, as were all the mountain top sites, rendering communication and internet access completely nonexistent. While a FIRST Net portable tower was deployed, the system is intended for use by first responders, and given the terrain of the region, was limited even further to the firefighting effort. The Federal Emergency Management Agency deployed to our community, but because their efforts are limited to replacing what was there prior to the disaster, we remain extremely vulnerable to future emergency communication issues.

Access to reliable broadband is not a concern distinctive to Lane County – 65 percent of counties have [average connection speeds](#) beneath the Federal Communications Commissioner definition of broadband. Any federal infrastructure package should provide considerable additional investments in broadband, a service important now more than ever as Americans rely on an internet connection to attend work, school and social events.

While we are doing our part at the local level, [45 states limit the ability of counties to raise revenue](#) in various ways, making the intergovernmental partnership vital to meeting our public sector responsibilities. [In Oregon](#), the ability of counties to levy property taxes is restricted by the state, who has imposed an overall property tax rate limit of \$15 per \$1,000 of value. The rate may not exceed \$5 per \$1,000 of value for public school purposes and \$10 per \$1,000 of value for general government purposes. If the property tax rate on any piece of property exceeds this limit, the county must reduce

proportionally the taxes for that property to the limit through a process called “compression.” Alongside this limitation, the state constitution imposes another limit that the assessed value of a property unit may not increase by more than 3 percent annually. Since counties may not levy any sales taxes in Oregon, we rely heavily on property taxes; as such, these limits on property tax revenue significantly impact our county budget. Our inability to raise revenue, coupled by the extreme loss in revenue due to the COVID-19 pandemic, further limits our ability to invest in critical infrastructure projects and services.

For western counties, state restrictions on local revenues can be even more impactful, as much of the land within our boundaries is considered federal land, thus removing our ability to collect property taxes in these areas. This Committee well knows the role that federal forest revenues play in supporting the development and maintenance of roads and bridges across the West, and we appreciate the action of the Chair and Ranking Member on this matter. Unfortunately, the Secure Rural Schools Act has sunset and divisions over federal forest management policies remain. Consequently, Lane County expects to see declining amounts from national forest receipts over our coming planning horizons, further depleting the availability of our local resources to make investments in our community. **Until a permanent revenue solution for public lands counties can be implemented, we urge final passage of S. 435, the *Secure Rural Schools Reauthorization Act*.**

Given our unique position to support America’s infrastructure, counties call on our federal partners to implement additional financing tools and dedicated funding streams that will allow us to continue providing excellent public service.

Counties, states and other localities are the main funders of infrastructure in the United States. Municipal bonds enable local governments to build essential infrastructure projects, such as schools, hospitals and roads. In fact, over the past decade, 90 percent of infrastructure muni bond financing went to schools, hospitals, water and sewer facilities, public power utilities, roads and mass transit. Municipal bonds, along with other federal financing tools, are a key resource for counties in need of infrastructure financing. As [counties continue to face hundreds of billions of dollars in budgetary shortfalls](#) as a result of our frontline response to COVID-19, the tools available to us to make badly needed investments in local infrastructure should be expanded, not restricted at a time when we need federal resources most.

We appreciate the work of members of this Committee to reintroduce *the American Infrastructure Bond Act* that will provide local governments additional financing tools and the flexibility to fulfill a wide range of community infrastructure needs. To build on this progress, America’s counties offer the following recommendations:

- **Restore the tax exemption for advance refunding bonds:** Before January 1, 2018, municipal issuers were able to issue single tax-exempt advance refunding bonds prior to 90 days before call. This critical tool allowed state and local governments to effectively refinance their outstanding debt in order to take advantage of more favorable interest rate environments or covenant terms. Advance refunding bonds frequently provided issuers with the flexibility to lower debt servicing charges that would otherwise be a fixed cost. The Government Finance Officers Association (GFOA) found that, between 2007 and 2017, there were over 12,000 tax-

exempt advance refunding issuances nationwide which generated over \$18 billion in savings for tax and ratepayers over the ten-year period. Prior to their elimination in the *Tax Cuts and Jobs Act* (P.L. 115-97), advance refunding bonds made up approximately 27 percent of issues in 2016. Restoring this important tax exemption would require an act of Congress, but it would prove to be one of the most effective actions to provide state and local governments with more financial flexibility to weather downturns and increase infrastructure investment.

- **Fully restore the State and Local Tax (SALT) deduction:** The SALT deduction has been a bedrock principle since the first three-page federal income tax in 1913, and the deduction supports local school funding, home ownership, lower middle-income taxes, tailored social services, infrastructure development and local job creation efforts. By capping SALT deductibility, Congress shifted the intergovernmental balance of taxation and limited state and local control of tax systems. Eliminating the \$10,000 cap on SALT deductions would improve counties' ability to deliver essential public services, such as emergency response, public health services and infrastructure development. In Lane County, [91 percent of middle-income taxpayers benefited from the SALT deduction](#), and 63.7 percent of all SALT deductions benefited middle income households.
- **Return long-term solvency to the Highway Trust Fund (HTF):** Returning our nation's transportation and infrastructure assets to states of good repair and beginning to build back better is a tall task and a responsibility too large and complex for any single level of government to undertake alone. For many areas of the country, the use of innovative financing mechanisms and attracting private capital is simply not possible.

As such, counties believe that among one of the most critical actions the Committee can undertake to advance our nation's infrastructure is to provide a permanent fix for the HTF. Counties depend on the long-term certainty and solvency of the HTF to deliver critical infrastructure projects for our many residents and urge Congress to enact a meaningful solution that will counteract the fund's looming insolvency. HTF revenue sources that better account for all users of the road will be critical as transportation technologies that are not reliant on motor fuel continue to be increasingly integrated into the national network.

The State of Oregon, where a vehicle-miles-traveled (VMT) pilot has been underway for several years, is currently considering codifying the VMT program to require owners of new electric or highly fuel-efficient vehicles to pay into the state's HTF based on their distance driven beginning in 2026. Counties believe that this pilot is replicable on a national scale and that Congress should seriously consider transitioning toward a VMT that will better account for all users of the road and help to shore up the ailing HTF.

Finally, counties utilize a variety of federal financing tools to build or repair our local transportation assets, including *Transportation Infrastructure Finance and Innovation Act* (TIFIA) loans, qualified tax credit bonds, infrastructure banks and public-private partnerships. As such, we recommend lawmakers strengthen and increase these opportunities that help counties leverage federal financing for capital projects.

- **Direct federal funds to locally owned infrastructure:** As the form of government closest to the people and the level of government responsible for a vast majority of our nation’s infrastructure, counties know how to put federal dollars to work where they are needed the most. While we understand the importance of the intergovernmental partnership, the “trickle down” effect simply does not work for many counties, who lack access to both public and private capital for infrastructure. Counties agree that transportation and infrastructure projects should not be carried out in a silo and should contribute to regional connectedness; however, when already isolated communities are further cut off from resources by the outage of a local bridge, rural communities suffer greatly. **As a result of the 47 percent of heavy truck vehicle miles traveled that occur on local rural roads, the impact of this closed bridge is felt far beyond local economies when trucks are forced to travel up to three times longer distances to find a passable bridge.** Nearly 60,000 bridges in rural communities have weight limits or are closed entirely. This is not just a rural issue, however, and we urge lawmakers to provide all of America’s counties, parishes and boroughs with access to direct federal funds for transportation projects.
- **Support small issuers:** Counties urge Congress to include a temporary extension and permanent restoration of proven financing tools utilized by state and local governments, schools, hospitals, airports, special districts and other public sector entities to provide efficient and low-cost financing for critical investments in infrastructure that will move the country forward. Specifically, we urge you to increase the bank-qualified borrowing limit from \$10 million to \$30 million, and apply the limit at the borrower level, which would ensure that small local governments could provide access to capital for immediate infrastructure.
- **Support resilient energy systems:** Counties support federal incentives to promote nationwide energy conservation efforts. To facilitate decentralized energy conservation activities, the federal government should seek input from local government on implementation and continue to adequately fund all conservation and fuel assistance programs. We support incentives to research and develop renewable energy technologies, including wind, solar, geothermal, biomass, electricity from landfill gas, and other forms of waste-to-energy which will achieve the objective of clean and safe forms of energy. Lastly, we support incentives to research and develop energy storage technology.

Local governments support tax incentives, rebates and promotions to increase the purchase of lower pollution vehicles by private businesses and all levels of government. Federal policy must be established to ensure the availability of a refueling infrastructure and of competitively priced, reliable alternative fuel and alternative fuel vehicles, and such policy should consider its impact on gas tax revenues and the HTF before requiring conversion of motor vehicles.

Importantly, to successfully advance our shared infrastructure goals, **counties firmly believe that increased or expanded federal financing opportunities cannot come in lieu of direct federal funding streams for locally owned and operated infrastructure.**

Conclusion

Chair Wyden, Ranking Member Crapo and members of the Committee, thank you again for inviting me to testify here today.

With additional federal aid and resources, counties across America will be able to strengthen our communities and enhance local, regional and state economies by investing in infrastructure.

We appreciate the bipartisan efforts thus far to invest in infrastructure. As you consider further federal resources, counties ask that you provide the tools we need to meet the demands of today and to build back better.