

Before the

**Committee on Ways and Means
United States House of
Representatives**

**Testimony of Bill Graves
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Hearing on

**Long-Term Financing of the
Highway Trust Fund**

June 17, 2015



Driving Trucking's Success

Mr. Chairman, Ranking Member Levin, members of the Committee, thank you for the opportunity to provide testimony on this very important topic. I would like to extend special thanks to Congressman Blumenauer for his persistent efforts to put this hearing on the Committee's agenda, and for his steadfast leadership on transportation issues. The American Trucking Associations is the largest national trade association for the trucking industry. Through a federation of other trucking groups, industry-related conferences and its 50 affiliated state trucking associations, ATA represents more than 37,000 members covering every type of motor carrier in the United States.

Highways are critical to the movement of freight and to our nation's economy. Trucks carry 9.7 billion tons of freight, 69 percent of the total market.¹ In addition, the trucking industry moves \$10 trillion of freight value,² carrying nearly one-third of the nation's GDP. Trucks move three times more freight than all other modes combined. The industry is also a major source of jobs, with seven million people employed, representing five percent of the non-farm workforce.³

The Trucking Industry's Investment in Transportation Infrastructure

Mr. Chairman, the trucking industry has long made a significant investment in surface transportation. In 2013, trucking companies paid \$16.5 billion in federal fuel taxes, heavy vehicle use taxes, retail taxes on new trucking equipment and tire taxes.⁴ This represented 44 percent of total user fee revenue to the Highway Trust Fund. And this is in addition to the \$21 billion in state highway user fees paid by carriers.⁵ Altogether the industry contributed nearly \$40 billion annually toward transportation system investment nationwide, or six percent of total trucking revenue, not including tolls and permit fees.

Condition and Performance of the Highway System

Regrettably, a staggering lack of investment in our nation's highway system has produced a \$740 billion backlog in funding required to address deteriorating highways and bridges, and the traffic congestion that routinely chokes passenger and freight travel. Americans spend an estimated 41 hours sitting in traffic each year, costing our economy \$121 billion in wasted time and fuel, and imposing an \$800 tax on the average commuter.⁶ Congestion on the Interstate System alone cost the trucking industry \$9.2 billion in 2013 and wasted more than 141 million hours, equivalent to 51,000 drivers sitting idle for a full working year.

Current highway capital investment across all government agencies is approximately \$88 billion per year. However, it is estimated that \$120 billion to \$144 billion annually is required to address all needs. Federal funding, which accounted for 52 percent of state capital outlay in 2013, is an indispensable revenue source and cannot be easily replaced, especially by states with

¹ American Trucking Associations, *U.S. Freight Transportation Forecast to 2025*, 2014.

² U.S. Department of Transportation, U.S. Census Bureau, *2012 Commodity Flow Survey*, Feb. 2015.

³ American Trucking Associations, *American Trucking Trends 2015*.

⁴ American Trucking Associations, *American Trucking Trends 2015*.

⁵ *Ibid.*

⁶ U.S. Department of Transportation, *Beyond Traffic: Trends and Choices 2045*.

low populations and large highway networks. A few pertinent facts illustrate the consequences of underinvestment:

- Two-thirds of highways are in poor or mediocre condition;
- One-quarter of bridges are more than 60 years old;
- 63,000 bridges are structurally deficient and require replacement or significant improvements;
- 67,000 bridges are closed or load posted; and
- Poor road conditions are a factor in one-third of crashes.

The Impacts of Funding Uncertainty on States

Multiple short-term extensions of highway policy, coupled with the HTF's continued funding uncertainty have had devastating impacts on states' ability to move forward on many important infrastructure projects. Prior to the 2014 extension of MAP-21, transportation officials in 35 states indicated publicly that their programs would be impacted by a shutdown of federal surface transportation funds, and nine states retracted or delayed projects totaling over \$366 million due to uncertainty about future federal investment.

This year 19 states have so far indicated concerns about the feasibility of future transportation projects, and state DOT officials have suggested that over \$1.1 billion in projects is at risk if federal funding is disrupted. Seven states have already delayed or canceled projects valued at \$1.63 billion.⁷ This represents more than 45,000 lost jobs. Georgia, for example, announced that it would delay 329 projects valued at \$715 million due to the uncertainty of federal funding. Arkansas stated that 130 projects worth approximately \$520 million are at risk this year. Texas has indicated that the state would not be able to start any new major capital projects until federal uncertainty is resolved.

Delays and cancellations of projects due to a lack of certainty created by a destabilized HTF layers on project costs that will ultimately be borne by taxpayers. Congress' failure to address the long-term fiscal needs of the HTF is directly responsible for the loss of thousands of jobs, and is a major factor in the declining health and safety of our nation's transportation systems.

Revenue Options ATA Supports

Mr. Chairman, while the trucking industry already makes a substantial contribution to the Highway Trust Fund, clearly federal investment is falling short, and we are therefore willing to support an even greater commitment. While we will consider providing support for any revenue source that ensures stable, long-term and sufficient funding for the HTF, ATA believes that any revenue measure should meet the following criteria:

- Reasonably uniform in application among classes of highway users;

⁷ American Road & Transportation Builders Assn., *Looming Highway Trust Fund Crisis: Impact on State Transportation Programs*, May 27, 2015. States that have publicly disclosed delayed or canceled projects in 2015 (Number of projects and value): Ark. (9; \$120M); Del. (1; \$100M); Ga. (329; \$715M); Mont. (1 \$40-45M); Tenn. (33; \$400M); Utah (25; \$65M); Wyo. (18 \$28.5M).

- based chiefly on readily verifiable measures of highway and vehicle use;
- should not provide opportunities for evasion;
- inexpensive and simple for government to administer, collect and enforce without imposing excessive administrative and record keeping burdens on highway users; and
- should not create impediments to interstate commerce.

Fuel Tax

An increase in the fuel tax, with indexing, can meet current and future highway investment needs. While improvements in vehicle fuel efficiency – particularly in light-duty vehicles – will have a progressively negative impact on revenue from fuel taxes, the fuel tax is today and will, for the foreseeable future, be a viable revenue source for the HTF. According to the Department of Energy, over the next decade on-highway fuel use will drop by just five percent.⁸

Highway Access Fee

A new annual flat registration fee could be levied on all vehicles, with revenue deposited into the HTF. Since all states currently collect a registration fee the infrastructure is already in place for efficient, cost-effective collection. States could be permitted to retain a portion of the revenue to cover additional administrative costs.

Royalties from New Oil and Natural Gas Leases

A portion of the royalties from new energy leases would be deposited into the HTF. While short-term revenue estimates are relatively small, future income could be significant.

Barrel Tax on Imported Petroleum and Domestic Crude Oil

The federal tax code currently imposes a tax on crude oil prior to entering the refinery, and on imported petroleum. Therefore the infrastructure is already in place to collect an additional fee dedicated to surface transportation. While a significant share of crude oil is refined for on-highway use, a large portion is used for other products such as home heating oil and jet fuel. Mitigating the impacts of an increased tax on these industries is an important consideration.

Position on Current Proposals

As previously stated, ATA is willing to support any proposal that addresses the long-term solvency of the HTF and meets the criteria outlined above. We have evaluated the various proposals that have been introduced by Members of Congress and to date have issued statements in support of two bills:

The UPDATE Act, sponsored by Rep. Earl Blumenauer (D-OR) would increase the fuel tax by a phased in 15 cents per gallon and adjust the tax rate to inflation annually. When the fuel tax is fully phased in, the average automobile driver would pay just \$1.51 more each week, while the cost to the average commercial truck driver would be \$12 per week.

⁸ U.S. Department of Energy, *Annual Energy Outlook 2015*.

The “Bridge to Sustainable Infrastructure Act,” sponsored by Rep. Jim Renacci (R-OH). This legislation would provide for two years of HTF funding from fuel tax indexing, followed by additional revenue identified by a Congressional commission.

Revenue Sources ATA Opposes

A number of revenue options have been considered which do not meet the criteria for a fair or efficient HTF revenue source.

Increase in Heavy Vehicle Use Tax – Trucks subject to this tax comprise less than one percent of registered vehicles and less than four percent of vehicle miles traveled. Furthermore, because it is a flat fee, there is no tie to highway use.

Increase in federal excise tax – The 12 percent tax on new trucking equipment discourages trucking companies from purchasing new vehicles, which tend to be safer and more fuel efficient than older models. An increase in this tax would exacerbate this problem. ATA supports eliminating the tax altogether, provided replacement revenue can be found.

Increase in tire tax – The tire tax generates a relatively small amount of revenue; it currently accounts for less than one percent of HTF funds. Raising the tax by an amount necessary to generate meaningful revenue would necessitate a prohibitively large increase in the rate of tax.

Vehicle Miles Traveled Tax – While some believe that a VMT tax is the logical replacement for the fuel tax, it faces many obstacles which must be overcome before ATA can support this concept. A VMT tax will have extremely high collection costs due to both capital and ongoing administrative expenses. While the fuel tax is collected on less than 1,000 taxpayers, under a VMT tax more than 250 million individual accounts would have to be established: one for each registered vehicle. Besides the high administrative costs, tax evasion is likely to be extremely high. We also have concerns about privacy and data security, among the many other challenges that will have to be addressed.

Interstate Tolls – While not a potential HTF revenue source, it has been suggested that in the absence of sufficient federal funding, states should be given the option to toll their existing Interstate Highways. Tolls are an act of desperation, a symptom of the failure by elected officials to provide necessary funding for highways from more efficient sources. Tolls are very expensive to collect, with up to 20 percent of revenue going to collection costs even on facilities using the latest technology. Tolling existing Interstates pushes vehicles onto secondary roads, which are less safe and require more maintenance. Federal exemptions that allow states to toll existing Interstates should be eliminated, and ATA will adamantly oppose any attempt to expand states’ tolling authority.

General Fund Subsidies

Since 2008 an imbalance between authorization levels and HTF revenue has caused Congress to subsidize the HTF with General Fund money to the tune of \$64 billion. While we appreciate Congress’ efforts to prevent the Fund from collapsing, these continuous infusions of short-term

money have broadly negative impacts. State and local transportation agencies cannot properly plan or program funds for the long term without the certainty of user fee revenue. This recent pattern of lurching from one extension to the next increases construction costs and forces project delays and cancellations. This destructive practice must stop. It is past time for Congress to provide the HTF with sufficient, long-term revenue that agencies need to address their considerable maintenance and construction backlog, and to begin the process of determining how to accommodate the transportation needs of 70 million more people over the next 30 years, without having to be concerned about whether their federal allocations will be available over the next 30 days.

Conclusion

Mr. Chairman, the committee must identify a long-term, stable and sufficient revenue source for the Highway Trust Fund. It is important for all to understand that the decisions made by this Committee over the next few months will have effects beyond the immediate solvency issues. The federal commitment to investment in transportation, if not properly addressed this year, could be placed in jeopardy for many years, or even decades, to come. This is not just an esoteric debate about a line item in a budget. Congress' actions have real consequences, and the decisions this Committee makes will determine whether a business succeeds or fails and whether a job is created or is eliminated. And most importantly, these decisions will determine the safety of the motoring public as well as the safety and efficiency of the millions of professional drivers operating daily on our highway system.